



*Quality Care - for you, with you*

## **FINANCE & PROCUREMENT DIRECTORATE**

### **DEBT MANAGEMENT PROCEDURES**

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## Southern Health and Social Care Trust

### Procedures for the Management of Trust Debt

#### Introduction

The Trust uses the Debtors Billing System to generate invoices and maintain records of outstanding debt to the Trust. Based on the year ended 31 March 2011, there was approximately £30m of income for which the Trust had to raise invoices and chase outstanding debt. The Trust must ensure that it has robust procedures to ensure recovery of this income.

#### Pursuit of Debts – Reminder letters – stage 1

- A **first reminder** letter is issued **30** days after the invoice date if the invoice remains unpaid.
- A **second reminder** letter is issued **30** days after the first reminder if the invoice remains unpaid .
- A **third reminder** is issued **30** days after the second reminder if the invoice remains unpaid.
- Email should be widely used to issue reminder letters and statements where possible.

#### Stage 2 - Consider potential for bad debts to be written off

### **Stage 3 – Referral of cases to the Small Claims Court**

Where the debt is < £3,000, and all the necessary documentation is in place but the bill has still not been settled, the debt should be referred to the Small Claims Court.

- The Small Claims Court can only be used for those cases where the debt is not more than £3,000. The Application form for a Small Claim (Notice of Application for a Small Claim – Appendix 5 ) should be sent to **The Small Claims Central Processing Office, PO Box 882.**
- Obtain approval to refer the case to SCC from a Band 7 member of Finance using the “Debt Management Checklist” (Appendix 2).
- Compile the pack of information necessary for the small claims court and submit.
- All cases assessed as SCC referrals should be referred within one month of the 3<sup>rd</sup> reminder letter being issued. The Trust will apply a charge for interest at the rate determined by the Small Claims Court to all claims submitted to the Small Claims Court, and will inform the debtor accordingly.
- Any payments received directly by the Trust in cases referred to the Small Claims Court should be advised to the Small Claims Court.

### **Stage 4 - Referral to Trust Legal Advisors (DLS)**

Debts over £3,000 will be considered for referral to the Trust’s legal representatives for pursuit.

- Where it is clear that referral to the Trust’s legal representatives is the next step as there is no ambiguity regarding the case, these should be automatically referred.
- Obtain approval to refer the case from a Band 7 member of Finance using the “Debt Management Checklist” (Appendix 2).
- All cases assessed as DLS referrals should be referred within one month of the 3<sup>rd</sup> reminder letter being issued. All legal costs will be recovered from the debtor.

- Following referral to the Legal Adviser, any payment received by the latter should be advised to the Trust; likewise the Trust should notify the Legal Adviser if any direct payment is received.

### **Stage 5 – Referral to Trust Debt Panel**

Where a debt does not fall into stages 3 or 4 for pursuit, these cases should be referred to the Trust's Debt Panel for a decision on the way forward.

The Trust Debt Panel will meet monthly initially. Membership will comprise the Income and Financial Assessments Manager, Head of Financial Services and Corporate Financial Accountant.

- A summary of the case for presentation to the panel should be prepared along with the key points on which direction is sought, using proforma – Appendix 3.
- The Panel will review no more than 10 cases at each meeting.
- The case summaries should be prepared and circulated to panel members one week in advance of the meeting.
- The outcome of this meeting should be recorded by the Credit Controller
- It is the responsibility of the Credit Controller to take forward the agreed actions arising from the Panel.
- It is possible that the same cases may appear before the panel on a number of occasions as information/queries are resolved.
- It is expected that outcomes of this panel will ultimately be:
  - Application for bad debt write off
  - Referral to Small Claims Court
  - Referral to Trust legal advisors

Where it appears that there may be criminal aspects in a debt case e.g. relating to a resident's benefits that are not paid over to a residential or nursing home, the Assistant Director Finance will consider referral of the case to the Police Service. Such referral is in accordance with the Trust's policy on Abuse of Vulnerable Adults, and its Standing Financial Instructions.

## **Stage 6 – Write-off of Outstanding Debts**

The outcome of stages 3, 4 or 5 may be that debt is recommended for write off. These should be brought to the attention of the Assistant Director of Finance in the first instance with an appropriate written explanation and a recommendation for write off using Appendix 1.

After review, the Assistant Director of Finance will forward these to the Director of Finance (DF). The Director of Finance (DF) will seek the approval for write off of bad debt from Chief Executive and Trust Board. Debts over £10,000 must be approved by the DHSSPS. The Corporate Accounting Team is responsible for liaison with the DHSSPS concerning approval for debts > £10,000.

All invoices authorised for write-off must be entered in the Losses Register. Staff in the debtors section must be informed in order that the debtors billing system can be updated and the Band 5 in the Corporate Accounting Team must be notified to update the Losses Register.

## **Stage 7 – Monitoring of Debt**

On a monthly basis, the agreed performance indicators on debt will be completed by the 8<sup>th</sup> working day of the following month.

These will be compiled by the Income and Financial Assessments Manager and circulated to the Head of Financial Services and Assistant Director of Finance.

The Income and Financial Assessments Manager will be responsible for investigation of variances against agreed targets/plans.

The Head of Financial Services is responsible for following these up with the Income and Financial Assessments Manager on a monthly basis.