

PROCEDURAL GUIDELINES ON CREDIT CONTROL

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AUTHOR:	Head of Financial Accounts
CONSULTATION:	Audit Committee Executive Management Team
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POLICY SUMMARY
<p>The procedure outlines the process to be adopted by the finance staff in the raising of invoices and any subsequent credit control that is required if payment is not forthcoming. Approval requirements around the raising of credit notes is also included.</p>
The Trust Monitors the implementation of and compliance with this policy in the following ways:
<p>Internal Audit</p>

Services	Applicable	Comments
Trustwide	✓	

**The Director responsible for monitoring and reviewing this policy is
Executive Chief Finance Officer**

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1.0 INTRODUCTION

- 1.1 Credit control is defined as the processes used to ensure that debts due to the Trust are settled as promptly as possible, thereby minimising the risk of late or non-payment.
- 1.2 This procedure provides an overview of the processes and guiding principles to be applied to the credit control function, including invoicing, monitoring and reporting, and dealing with late or non-payment of debtors.
- 1.3 The procedure applies to both NHS and trade debtors unless otherwise specified. An overview of key tasks and responsibilities are detailed in Appendices 1 and 2.
- 1.4 For the avoidance of doubt, this procedure refers to a number of key staff within the Finance Department for the completion of a range of tasks. In the absence of these key members of staff, the task will be undertaken by the covering member of staff. In the event that there is no suitable member of staff to cover the identified task, the decision will be referred to either the Deputy Chief Finance Officer, Head of Financial Accounts or Head of Financial Management.

2.0 PREPARING & ISSUING INVOICES AND CREDIT NOTES

- 2.1 The Accounts Receivable Supervisor is responsible for preparing and issuing invoices and credit notes, the content of which must include the following,
 - The correct address
 - Customer reference
 - Payment terms and conditions
 - A clear description of the goods or services provided, together with supporting documentation wherever possible
 - The date or period applicable
 - The amount in £ sterling
 - The VAT amount (if applicable)
 - Key contact at the Trust (normally the approved person raising the debtors' requisition)

Invoices and credit notes are raised electronically through FPM (Finance Process Manager). The originator must attach all relevant backup, including a copy of the contract or agreement where applicable. This will then be approved in accordance with the FPM matrix with final approval completed by the Accounts Receivable Supervisor. Further guidance on how to raise invoices is provided in finance procedure FP04-01 (Raising Invoices).

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- 2.2 Credit notes are issued to cancel a debt raised in error or adjust an outstanding debt. Credit notes above £10,000 must be authorised by the Head of Financial Accounts, Head of Financial Management, Deputy Chief Finance Officer or the Executive Chief Finance Officer. At the end of each month a report is prepared by the Accounts Receivable Supervisor, listing all credit notes raised during the month. The report is reviewed and signed by the Deputy Chief Finance Officer.

3.0 CREDIT CONTROL PROCESS

3.1 Credit Agencies (Trade only)

Before any trade activity is undertaken with any customer, which is not a public sector body, the potential customer must be credit checked via the Finance Department. It is therefore the responsibility of the person who is looking to engage any such customer to provide details to the Senior Financial Accountant (Compliance), who is then responsible for checking the credit worthiness with our credit rating agency.

3.2 Reminder Letters

The Accounts Receivable Supervisor is responsible for issuing reminder letters to customers in relation to unpaid debts.

3.2.1 Trade (excluding Trust staff)

The first letter will be issued after 30 days, followed by a second letter after 37 days. Debts which still remain outstanding after 45 days will be dealt with under the procedure set out in section 4 below.

3.2.2 NHS and Other Public Bodies

The first letter will be issued after 30 days, followed by a second letter after 45 days. Debts which remain outstanding after 60 days will be dealt with under the procedure set out in section 4 below.

3.2.3 Trust Staff

Staff are not normally issued with invoices and hence reminder letters are not applicable. Any debt owed by an employee of the Trust will be repaid by the employee under an agreement reached with the employee at the point it is arranged or identified.

3.3 Statements

At the end of each month when all invoicing has been processed and receipts have been allocated, the Accounts Receivable Supervisor is responsible for ensuring that statements are sent to customers listing all debts outstanding (by invoice number).

3.4 Aged Debtors Reporting

At the end of each month, the Accounts Receivable Supervisor is responsible for preparing an aged report for all outstanding debts. The Deputy Head of Financial Accounts is responsible for reviewing the report and adding any comments and/or action required against each invoice.

The Deputy Head of Financial Accounts is responsible for ensuring that any areas of particular concern around outstanding debts are raised as part of the monthly finance report to the Executive Operational Committee.

3.5 Key Performance Indicators

Key performance indicators are used to monitor the efficiency of the credit control function. Key performance indicators (KPIs), together with the member of staff responsible for calculating them, are shown in Appendix 2. Specific KPIs are reported to the Finance and Performance Committee and the Executive Operational Committee on a monthly basis.

3.6 Agreement of Balances (NHS only)

The agreement of balances exercise is conducted at Month 6, 9 and 12 and is mandatory for all public bodies on the WGA (Whole Government Accounts) schedule.

The Finance Manager is responsible for the process, which involves agreeing all outstanding debts with each public body engaged with during the financial year. The Deputy Head of Financial Accounts is responsible for the review and sign off.

4.0 DISPUTED / OVERDUE DEBTS

This section covers the action taken for trade debts over 45 days old and disputes with NHS and other public bodies in excess of 60 days old.

4.1 NHS and Other Public Bodies

Provided invoices have been issued on a timely basis and any service has been provided in line with contractual or other firm arrangements, disputes or overdue debts should not normally arise.

In the event that a debt is over 60 days old or a dispute has arisen, the following steps will apply:

- A case file should be prepared by either the Contracts Account Manager or the AR Supervisor; including the background to the dispute or other reason for non-payment, together with all relevant documentation, and a report detailing the Trust's argument, where applicable, for seeking recovery of the debt. Reference should be made where appropriate, to the terms and conditions of any associated contract.

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- The Contracts Manager or senior member of the Finance Team should then mediate with the finance contact or other relevant persons at the debtor organisation in order to seek a local resolution.

Where non-payment by the debtor is due to a dispute, local resolution may include a compromise settlement of less than the original amount, although any such offer must have the prior authorisation of the Deputy Chief Finance Officer.

If mediation does not lead to an agreement, the Executive–Chief Finance Officer should then write to the Director of Finance of the debtor organisation in a final attempt to achieve a local resolution.

If after writing to the Director of Finance an agreement is still not achieved, and there is no likelihood of doing so, an arbitrated decision should then be sought using independent legal advice where appropriate.

In the unlikely event that an agreed outcome is still not achieved through arbitration, the Trust may then consider taking legal action.

It is not currently the policy of the Trust to refer debts with other public bodies to the debt collection agency.

4.2 Trade

If payment is still not received after 45 days, a decision should be made by the Deputy Head of Financial Accounts as to whether the debt is referred to our debt collection agency, or whether legal action should be commenced. This decision will be based on the value and complexity of the case.

4.3 Provision for bad and doubtful debts

Where the prospect of future recovery is considered doubtful, a provision should be posted to the income and expenditure. The proportion applicable, based on the type, value and age of the debt, is shown in Appendix 3 as a guide. In making provisions for debts within the monthly or year-end accounts, the Finance Manager needs to discuss with senior staff where varying levels of impairment may be appropriate. Provisions for doubtful debts must be approved by the Executive Chief Finance Officer, Deputy Chief Finance Officer, Head of Financial Accounts or Head of Financial Management.

4.4 Write off of bad debts

If after following all the courses of action at the Trust's disposal, a debt still remains unpaid with no likelihood that the debt will be settled in the future, the Head of Financial Accounts should seek approval to write off the debt based on authority delegated in the detailed scheme of delegation.

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