
Policy on Losses and Special Payments

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SUMMARY OF POLICY

This policy covers the identification, authorisation and recording of losses and special payments.

This policy has been written in adherence with the Department of Health and Social Care *Group Accounting Manual* and HM Treasury's *Managing Public Money*, annex 4.10 losses and write offs and annex 4.13 special payments.

This policy has been developed so that a consistent approach to the reporting of, and accounting for, losses and special payments within the Trust can be applied.

Its intention is to be clear to all Trust staff what their responsibilities are, and the resulting action they should take following the identification of a loss, or the need to make a special payment.

The Police, or Local Counter Fraud Specialist will need to be notified where it is suspected that arson, theft, fraud or any other deliberate act has taken place that leads to financial loss within the Trust.

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LOSSES AND SPECIAL PAYMENTS

1. INTRODUCTION & PURPOSE

- 1.1 This policy covers the identification, authorisation and recording of losses and special payments.

2. SCOPE & DEFINITIONS

- 2.1 This policy applies to locum, permanent, and fixed term contract employees (including apprentices) who hold a contract of employment or engagement with the Trust, and secondees (including students), volunteers (including Associate Hospital Managers), bank staff, Non-Executive Directors and those undertaking research working within Solent NHS Trust, in line with Solent NHS Trust's Equality, Diversity and Human Rights Policy. It also applies to external contractors, agency workers, and other workers who are assigned to Solent NHS Trust.

- 2.2 This document covers the following areas;

- 2.2.1 Losses, including bad debt write off
- 2.2.2 Special payments
- 2.2.3 Recovery of overpayments
- 2.2.4 Accounting for losses and special payments

3. LOSSES

- 3.1 This section applies to the loss of money or property belonging to the Trust.

- 3.2 Examples of losses and write offs that are set out in the HM Treasury's Managing Public Money annex 4.10 include:

- 3.2.1 Loss of cash;
- 3.2.2 Damage to buildings or contents; loss of equipment or property in stores or in use, below the financial excess thresholds of the Trust's Risk Pooling Scheme under NHS Resolution;
- 3.2.3 Fruitless payments (payment for which liability ought not to have been incurred), including abandoned capital schemes and constructive losses (see Appendix C for examples);
- 3.2.4 Bad debts and claims waived or abandoned;

- 3.3 Action on discovering a loss could include:

- 3.3.1 Immediately ending the loss and attempting to recover it;
- 3.3.2 Establishing the cause and taking corrective action;
- 3.3.3 Correcting any weakness in controls or supervision;
- 3.3.4 Establishing responsibility insofar as it involves inadequate supervision, negligence or misconduct and taking appropriate disciplinary action;
- 3.3.5 Ensuring any general lessons are picked up and applied in future;
- 3.3.6 Reporting the loss and action taken to appropriate bodies;

- 3.3.7 If it is not fully recovered at once, recording the loss, and all stages of subsequent action;
 - 3.3.8 Seeking write-off approval at the appropriate level;
 - 3.3.9 Reporting the loss to the Audit and Risk Committee;
 - 3.3.10 Any loss should be brought to attention of the Local Counter Fraud Specialist.
- 3.4 Any employee discovering or suspecting a loss of any kind must as soon as practicably possible inform their head of department, who must as soon as practicably possible inform the Chief Finance Officer. If arson or theft is suspected, the Chief Finance Officer must at once inform the police and, except in trivial cases which will be considered on a case by case basis, must notify the Trust Board.
- 3.5 If fraud is suspected, the Local Counter Fraud Specialist must be informed immediately. The circumstances of the case will determine when other bodies are informed and when the police are called in. Appropriate disciplinary and recovery action should also be taken.
- 3.6 To ensure that all aspects are satisfactorily considered, a write off of losses form, Appendix B, will be completed for all cases and must be signed in accordance with the Trust's delegated authority.
- 3.7 The power to write off losses and make special payments must be exercised by two or more nominated senior officers, acting jointly and within the delegated limits set by the board. In line with the above the two nominated senior officers are the:
- 3.7.1 Chief Finance Officer
 - 3.7.2 Director of Finance
- In the absence of the above nominated senior officers the Chief Executive or Deputy Director of Finance will deputise.
- 3.8 All potential write offs must be submitted for review to the Deputy Director of Finance and then for a final review and authorisation by the delegated officers.
- 3.9 The authorised limits of write offs by the two nominated senior officers will include values up to £50,000, where the amount exceeds this limit; approval will be sought from the Audit and Risk Committee.
- 3.10 All write offs will be reported to the Audit and Risk Committee in a quarterly report.

4. SPECIAL PAYMENTS

- 4.1 Special payments are those which fall outside the normal business of the Trust or, exceptionally and with the approval of the Department of Health and Social Care, for which no statutory authority exists.
- 4.2 Examples of special payments that are set out in the HM Treasury's Managing Public Money annex 4.13 include:
- 4.2.1 Extra-contractual payments;
 - 4.2.2 Extra statutory and extra regulatory payments;
 - 4.2.3 Compensation payments;

- 4.2.4 Special severance payments
- 4.2.5 Ex gratia payments.

4.3 Special payments should only be authorised after a careful appraisal of the circumstances. In particular, the authorising officer must be sure that there is no feasible alternative to making such a payment. The causes underlying the need for a special payment must also be considered and any failings in controls rectified. Finance Business partners or the Head of Financial Accounts will be able to advise if unsure whether a special payment is necessary.

5. RECOVERY OF OVERPAYMENTS

5.1 Where payments are made in error or outside the legal powers of the Trust, they should immediately be recorded to ensure that they are properly followed up.

5.2 Recovery should always be considered and pursued, unless this would not be cost-effective.

5.3 Any amounts to be written off as a loss must be authorised in accordance with the Trust's delegation of authority.

5.4 Factors affecting the recovery will be:

- 5.4.1 Whether the overpayment arose from a mistake of law or a mistake of fact;
- 5.4.2 Whether good or bad faith was involved.

5.5 The policy on Salary Overpayments provides further guidance on this and legal advice may be necessary in particular cases. The policy also covers the recovery of salary overpayments.

6. ACCOUNTING FOR LOSSES AND SPECIAL PAYMENTS

6.1 The Financial Accounts team maintains a Losses and Special Payments Register in which details are entered as they arise during the year. Where an actual value cannot be immediately determined, an estimate should be entered.

6.2 Losses and special payments are recorded in the quarterly financial return to NHS Improvement. A note to the annual accounts details the number and value of special **payments** made in the year.

7. ROLES & RESPONSIBILITIES

7.1 **Employees** have responsibility to:

- 7.1.1 Accurately Inform their line manager as soon as practicably possible regarding the events leading to a loss, or special payment;
- 7.1.2 Estimate the likely Financial impact of the event in a timely manner where actual costs are not known;
- 7.1.3 Record the details on the Write-off of Losses Form (appendix B) which must be copied to both their line manager and Finance Business Partner;
- 7.1.4 Remain aware of their position and obligations under this policy.

7.2 **Budget/Line Managers** have responsibility for ensuring this policy is fairly and consistently applied by those staff they manage. They are, furthermore, responsible for ensuring:

- 7.2.1 That the events leading to a loss or special payment are reported as soon as practicably possible to their line manager and the Finance Business Partner, including a copy of the write off form (Appendix B);
 - 7.2.2 Take appropriate action to, as far as possible, and within their delegated level of approval, mitigate the event from recurring;
- 7.3 The **Finance team** is responsible for:
- 7.3.1 Ensuring the Financial impact of the event has been reviewed and appropriately approved by delegated officers of the Trust;
 - 7.3.2 Ensure that the Financial impact of the event is appropriately coded and recorded within the Finance General Ledger;
 - 7.3.3 Referring matters to the LCFS where appropriate and assisting with any criminal investigation
 - 7.3.4 Monitoring the Financial resolution of the event;
 - 7.3.5 Reporting the Financial Impact of the event to the Audit and Risk Committee
- 7.4 **Local Counter Fraud Service** (LCFS) is responsible for:
- 7.4.1 Considering matters raised in regard of losses and special payments and whether they should be investigated further by the LCFS
 - 7.4.2 Carrying out a criminal investigation in line with the NHS Counter Fraud Manual and the Trusts Counter Fraud Policy where fraud or theft is suspected

8 DELEGATION OF AUTHORITY

- 8.1 Detailed delegation of authority for the various types of loss or payment are set out in the Standing Financial Instructions of the Trust. These can be found on SolNet and by searching for “Standing Financial Instructions”.
- 8.2 The Audit and Risk Committee will be informed of all losses written off or special payments made, including those approved by individual officers under their delegated authority.
- 8.3 Delegated limits apply to the loss, net of any amount recovered or covered by insurance via the Trust’s Risk Pooling Scheme with NHS Resolution. Where there is a series of payments, the limits apply to the total payments in the series.

9 REFERENCES

- 9.1 HM Treasury’s Managing Public Money, annex 4.10 losses and write offs and 4.13 special payments: <https://www.gov.uk/government/publications/managing-public-money>
- 9.2 Department of Health and Social care group accounting manual 2019 to 2020: <https://www.gov.uk/government/publications/dhsc-group-accounting-manual-2019-to-2020>

10. TRAINING

- 10.1 The Finance Team are responsible to ensure they support services and corporate teams to account for losses, special payments and write offs as they arise and will provide bespoke training where necessary.

11. EQUALITY IMPACT ASSESSMENT AND MENTAL CAPACITY

- 11.1 The Equality Impact Assessment has been undertaken and is shown in Appendix A

12. SUCCESS CRITERIA / MONITORING EFFECTIVENESS

- 12.1 Where losses, special payments and write offs are approved, the Finance team will ensure adherence to the due process to ensure the correct accounting and reporting treatment has been followed. As by their very nature such accounting entries should be rare, so each request to follow the process will be scrutinised for accuracy, and ensure appropriate authority has been obtained. Should such accounting entries be found not to conform to the process then a review will be undertaken and lessons learned, and if necessary amendments to the policy made.
- 12.2 Non-compliance must be reported and may result in disciplinary action.

13 REVIEW

- 13.1 This document may be reviewed at any time at the request of either staff, or management, but will automatically be reviewed 3 years from initial approval and thereafter on a triennial basis unless organisational changes, legislation, guidance or non-compliance prompt an earlier review.
- 13.2 Links to other policies and documents:
- Standing Financial Instructions (SFIs)
 - Disciplinary Policy
 - Counter Fraud Policy
 - Salary Overpayments Policy

14 GLOSSARY

- 14.1 Not Applicable

Appendix A

Equality Analysis and Equality Impact Assessment

Equality Analysis is a way of considering the potential impact on different groups protected from discrimination by the Equality Act 2010. It is a legal requirement that places a duty on public sector organisations (The Public Sector Equality Duty) to integrate consideration of Equality, Diversity and Inclusion into their day-to-day business. The Equality Duty has 3 aims, it requires public bodies to have due regard to the need to:

- **eliminate unlawful discrimination**, harassment, victimisation and other conduct prohibited by the Equality Act of 2010;
- **advance equality of opportunity** between people who share a protected characteristic and people who do not;
- **foster good relations** between people who share a protected characteristic and people who do not.

Equality Impact Assessment (EIA) is a tool for examining the main functions and policies of an organisation to see whether they have the potential to affect people differently. Their purpose is to identify and address existing or potential inequalities, resulting from policy and practice development. Ideally, EIAs should cover all the strands of diversity and Inclusion. It will help us better understand its functions and the way decisions are made by:

- **considering the current situation**
- **deciding the aims and intended outcomes of a function or policy**
- **considering what evidence there is to support the decision and identifying any gaps**
- **ensuring it is an informed decision**

Equality Impact Assessment (EIA)

Step 1: Scoping and Identifying the Aims

Service Line / Department	Corporate / Finance	
Title of Change:	Updated policy for Losses and Special Payments	
What are you completing this EIA for? (Please select):	Policy	<i>(If other please specify here)</i>
What are the main aims / objectives of the changes	To ensure the existing policy is fit for purpose	

Step 2: Assessing the Impact

Please use the drop-down feature to detail any positive or negative impacts of this document /policy on patients in the drop-down box below. If there is no impact, please select “not applicable”:

Protected Characteristic	Positive Impact(s)	Negative Impact(s)	Not applicable	Action to address negative impact: (e.g. adjustment to the policy)
Sex			X	
Gender reassignment			X	
Disability			X	
Age			X	
Sexual Orientation			X	
Pregnancy and maternity			X	
Marriage and civil partnership			X	
Religion or belief			X	
Race			X	

If you answer yes to any of the following, you MUST complete the evidence column explaining what information you have considered which has led you to reach this decision.

Assessment Questions	Yes / No	Please document evidence / any mitigations
In consideration of your document development, did you consult with others, for example, external organisations, service users, carers or other voluntary sector groups?)	Yes	Consulted publicly available HM Treasury and Department of Health National guidance – see 8. References
Have you taken into consideration any regulations, professional standards?	Yes	As above

Step 3: Review, Risk and Action Plans

How would you rate the overall level of impact / risk to the organisation if no action taken?	Low	Medium	High
	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
What action needs to be taken to reduce or eliminate the negative impact?	Retrospective review of losses and special payments made to identify any area of weakness in the process/policy		
Who will be responsible for monitoring and regular review of the document / policy?	Head of Financial Accounts		

Step 4: Authorisation and sign off

I am satisfied that all available evidence has been accurately assessed for any potential impact on patients and groups with protected characteristics in the scope of this project / change / policy / procedure / practice / activity. Mitigation, where appropriate has been identified and dealt with accordingly.

Equality Assessor:

Date:

Appendix B

Write-Off of Losses Form

To be completed, signed and submitted to the delegated officers for consideration and approval.

1.	Bad Debt Write Off	£	Comment
	Amount of Bad Debt Write Off		
	Debtor Name		
	Invoice Number(s)		
	Reason(s) for Write Off		
	Debit – General Losses & Special Payment subjective and cost centre Credit – Name of account and number		
2.	Fraud & Criminal Damage Write Off	Yes/No	Comment
	Was suspected fraud involved?		
	Was theft or criminal damage involved?		
3.	Claims Abandoned Write Off	Yes/No	Supporting Evidence
	Were invoices raised on a regular basis?		
	Was debt monitored and chased regularly?		
	Has debtor gone into liquidation or receivership?		
4.	Other Comments		
5.	Review by the Deputy Director of Finance	Date	Signed
	Deputy Director of Finance		
6.	Authorisation (Delegated Officers)	Date	Signed
	Director of Finance		
	Chief Finance Officer		
	Audit Committee		

Form to be retained by the Head of Financial Accounts

Appendix C

Fruitless payments and Constructive Losses

As per <https://www.gov.uk/government/publications/managing-public-money> fruitless payments are defined as:

A fruitless payment is a payment for which liability ought not to have been incurred, or where the demand for the goods and services in question could have been cancelled in time to avoid liability, for example:

- forfeitures under contracts as a result of some error or negligence by the department;
- payment for travel tickets or hotel accommodation wrongly booked or no longer needed, or for goods wrongly ordered or accepted;
- the cost of rectifying design faults caused by a lack of diligence or defective professional practices; and
- extra costs arising from failure to allow for foreseeable changes in circumstances

As per <https://www.gov.uk/government/publications/managing-public-money> constructive losses are defined as:

A constructive loss is a similar form of payment to stores losses and fruitless payments, but one where procurement action itself caused the loss. For example, stores or services might be correctly ordered, delivered or provided, then paid for as correct; but later, perhaps because of a change of policy, they might prove not to be needed or to be less useful than when the order was placed.