

## INCOME MANAGEMENT POLICY

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Title of responsible committee/group:	Executive Team
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Relevant staff groups:	Staff who order, receipt, check and authorise invoices and pay/process invoices/credit notes, arrange/manage contracts and the finance department.

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## DOCUMENT CONTROL

<b>Reference</b> CU/Feb17/IMP	<b>Version</b> 3	<b>Status</b> Final	<b>Author</b> Assistant Director of Finance
<b>Amendments</b>	Income contracts recorded on TACTICA Other minor changes reflecting NHS re-organisation.		
<b>Document objectives:</b> To provide a policy on procedures and processes for identifying income and raising invoices, collection and banking of income received, and debt management including write-off of uncollectible debts, while complying with regulations and achieving value for money.			
<b>Intended recipients:</b> <ul style="list-style-type: none"> <li>• finance department;</li> <li>• all officers who identify income and raise and approve invoice requests;</li> <li>• all officers who identify and approve credit notes or the cancellation of invoices raised;</li> <li>• all officers responsible for contracts which the trust service and are required to collect income for;</li> <li>• all officers who are responsible for monitoring debts;</li> <li>• all officers responsible for debt collection procedures including approval of bad debt write-offs.</li> <li>• all officers who are responsible for managing budgets.</li> </ul>			
<b>Committee/Group Consulted:</b> Executive Team / Finance and Investment Committee			
<b>Monitoring arrangements and indicators:</b> Finance Department, Internal and External Audit, Local Counter Fraud Service, Finance and Investment Committee, Trust Board.			
<b>Training/resource implications:</b> <ul style="list-style-type: none"> <li>• Continuing training on income management including generation, collection and debt management against internal budgets provided within the Trust and led by Finance;</li> <li>• HFMA training modules provided to budget managers where requested on managing budgets.</li> </ul>			
<b>Approving body and date</b>	Executive Management Team	Date: December 2016	
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<b>Ratification Body and date</b>	Finance and Investment Committee	Date: February 2017	
<b>Contact for review</b>	Assistant Director of Finance		
<b>Lead Director</b>	Director of Finance and Business Development		

## CONTRIBUTION LIST Key individuals involved in developing the document

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All Group Members	Executive Team
All Board Members	Trust Board
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## **1. INTRODUCTION**

- 1.1 This policy sets out the general principles for generating and collecting income for goods and services provided by the Trust while meeting its stated objectives. The policy provides guidance to operational managers and staff to confirm the trusts requirements and objectives when generating and collecting income.
- 1.2 This policy integrates existing guidance with procedures listed. It seeks to ensure that the trust generates and collects income for goods and services that are value for money and collected on a timely basis.

## **2. PURPOSE AND SCOPE**

- 2.1 The income policy seeks to record the trust's policy on generating, collecting, holding, banking, recording, monitoring and writing off income promptly and accurately for goods and services. It is written for internal users but provides a reference guide for external users.
- 2.2 The policy should clarify the income processes for managers and staff at Trust premises.
- 2.3 The policy requires the Trust's Standing Financial Instructions, Standing Orders and its Scheme of Delegation to be followed with regard to income practices.
- 2.4 The policy is directed to all parties who may be involved in generating, processing or monitoring income for goods, services, or contracts and external parties who may wish to establish the trusts collection and income management practices and policy. This includes:
- all staff who work at the Trust;
  - associated organisations who may be invoiced for goods and services provided by the trust.

## **3. DUTIES AND RESPONSIBILITIES**

- 3.1 The following specific duties and responsibilities apply within Somerset Partnership NHS Foundation Trust.

### **Chief Executive**

- 3.2 The Chief Executive has overall responsibility for income processes within the Trust, including ensuring that the Trust has in place robust arrangements for the generation and collection of income and any cancellation or write-off of income.

### **Director of Finance and Business Development**

- 3.3 The Director of Finance and Business Development is responsible for designing, maintaining and ensuring compliance with systems for the proper recording, invoicing, collection and coding of all monies due.

- 3.4 The Director of Finance and Business Development is responsible for ensuring that the requirements of the trust are reflected within the contract arrangements for the supply of goods and services entered into.
- 3.5 The Director of Finance and Business Development is responsible for ensuring that the income policy and procedures are effectively disseminated and followed.
- 3.6 The Director of Finance and Business Development is responsible for ensuring that the Board is updated on the progress of the Trust, which includes the total income to date in meeting its objectives, both in revenue and capital terms. This is normally reported to the Board as part of the monthly financial report.

#### **Head of Estates and Facilities**

- 3.7 The Head of Estates and Facilities is responsible in facilitating the Trust's Estate Strategy involving the sale of capital assets. This includes the arrangement of property sales, while following trust policies, SFIs/SOs and Scheme of Delegation.

#### **Directors and Heads of Service**

- 3.8 All Trust directors and heads of service are responsible for ensuring that directions for income are followed.

#### **All Somerset Partnership NHS Foundation Trust and other staff working at Trust premises.**

- 3.9 Staffs are responsible for co-operating with the implementation of this policy as part of their normal duties and responsibilities.

### **4 EXPLANATIONS OF TERMS USED**

#### **4.1 Standing Financial Instructions (SFIs), Standing Orders (SOs) and Scheme of Delegation (SoD)**

The regulatory framework set up for the operation of the Trust, with which all staff and members are required to comply.

#### **4.2 Revenue**

Income deemed to affect the organisation within the year, and must be accounted for accordingly. Affects the Trust's annual operating surplus or overspend.

#### **4.3 Capital**

Capital sales income is for equipment or property on the Trust's asset register deemed surplus and sold in year for use in the trusts business.

#### **4.4 Contracts**

Income commitments formalised in a legal contract which both parties become obliged to.

#### **4.5 Invoice Requests**

The process of requesting that income invoices are produced for services or supplies provided by the trust.

**4.6 Receipting**

The process of providing receipts for cash, cheques or other payment methods received.

**4.7 Authorisation / Signatories**

The process where the cancellation of income can only be approved by named officers, or where income has to be written off and can only be authorised as per the scheme of delegation. A signatory list is held of all officers who are approved to authorise credit notes.

**4.8 Banking**

The process of banking cash and cheques received.

**4.9 Dunning**

The process of methodically communicating with customers to ensure the collection of accounts receivable.

**4.10 Budgets / Budgetary Control**

Processes where units are set anticipated spend targets and are monitored through the year against these targets.

**4.11 VAT**

Value Added Tax; a tax imposed by the UK government – surcharged on goods and services. Most health care is exempt from VAT.

**4.12 TACTICA**

The Contracts database system.

**4.13 Credit Notes**

The cancellation of invoices, where valid reasons exist for the non-collection of income invoices raised.

**4.14 Write-Offs**

A process for cancelling valid income where debts can not be collected or it is uneconomic for the trust to pursue further its collection.

**4.15 RIO**

The electronic patient record system used by the Trust.

**5 STATEMENT OF POLICY**

5.1 All income activity is in accordance with NHS guidance and regulations set out in Standing Financial Instructions, Standing Orders and the Scheme of Delegation within the Trust, based on maximising the collection of income. Specific objectives are listed below:

- to identify and raise income completely, accurately and promptly, including the maintenance of an income register;

- to issue invoices which comply with legislation and provide information clearly with appropriate contacts;
- to hold income collected securely before being banked;
- to ensure all income cancelled is valid and processed accurately and completely;
- to bank income collected promptly, accurately and safely;
- to account for income accurately and completely;
- to ensure budget holders monitor income for which they have responsibility ;
- to collect outstanding income in a timely manner and to minimise as far as possible late payments;
- to deal with debtor queries quickly and efficiently;
- to accurately report the debtor position to the Board on a monthly basis;
- to keep to a minimum the write off of bad debts;
- to report bad debts with reasons for approval for write-off in accordance with the Scheme of Delegation;
- to prioritise debt collection work based on values, giving a higher priority to high value invoices outstanding.

5.2 Contracts, whether for capital sales or revenue, are arranged in accordance with regulations set out in Standing Financial Instructions, Standing Orders and the Scheme of Delegation within the Trust, and meet all other relevant legislation and requirements. These are to be recorded in the Trust contracts system, TACTICA for monitoring and review.

5.3 Services and supplies which can be invoiced but require prior authorisation by associated organisations are adequately approved in accordance with these organisation requirements prior to service delivery.

5.4 Invoices raised are accurate, valid and timely, with associated legislative requirements such as VAT followed.

## **6 PROCEDURES**

### **Capital**

6.1 The Capital Approval and Business Case Policy provides details on the sale of trust premises in accordance with the Trust's Estates Strategy and Annual Business Plan.

- 6.2 In conjunction with this policy Standing Financial Instruction 16: Disposals and Condemnations, provides the guidance to be followed by trust officers for capital sales.
- 6.3 In conjunction with this policy and Standing Orders, officers will need to ensure that they are appropriately authorised as detailed in local procedures for signatory lists.

### **Contracts and Tendering**

- 6.4 Standing Financial Instruction; number 9: Foundation Trust Contracts provides guidance to be followed in respect of income arising from the provision of services.
- 6.5 In conjunction with this policy, SFIs, SOs and SoD officers will need to ensure that they are appropriately authorised as detailed in local procedures for signatory lists.

### **Charitable Funds**

- 6.6 Charitable fund local procedures provide guidance on the receipt of income on behalf of the charity account.

### **Patients' Monies**

- 6.7 Patients' Monies local procedures provide guidance on the receipt of income on behalf of patients. Note: receipts are normally processed in the same way as trust income, i.e. banked promptly.

### **Income Generation and Processes at Units**

- 6.8 The Local Procedure: FP2 "Income Received" Procedures at Units provides details on income management processes from the generation of income, processes for receiving income and its eventual banking. The procedure is focused on local units/departments and is provided on the Trust's Intranet.

### **Income Generation and Collection – Contract and Public Sector**

- 6.9 For NHS and other debt under contract, commissioners are required to make payments in accordance with the contractual provisions. Where invoices are paid late, this will need to be followed up by Finance by contacting the appropriate organisation's finance department to confirm when payment will be received. The finance team will monitor the receipt of sums due from all significant contracts. A list of these contracts will be held within finance as part of the income register.
- 6.10 Where debts are not received within 15 working days after the due date then the matter should be referred to the Assistant Director of Finance.
- 6.11 Where contractual sums are paid late the finance team will consider the benefit of invoicing for late interest, with due consideration to other factors, e.g. any resulting implications to operational effectiveness.
- 6.12 For all other non contract invoices monthly statements are sent and will be processed similarly to other invoices.



### **Overseas Patients**

- 6.13 The Trust currently has few patients from overseas. Where patients are admitted and income should be recovered the following process will be followed.
- 6.14 Due to the high risk of non-recovery for this type of debtor the Trust will not accept elective procedures unless special Director authorisation is first obtained.
- 6.15 For overseas patients treated in the trust under emergency arrangements, details should be recorded within RIO. Where the patient comes from a country that requires charging, this is flagged in RIO, and a report passed to Finance. Finance will immediately invoice the host CCG.

### **Income Processes within Finance**

- 6.16 The Local Procedure: FP2 "Income Received" Procedures at Units will be followed, this provides details of processes specific for managing and processing income within Finance, including debt management and the cancellation of income.

### **Income in Dispute or in Error**

- 6.17 All invoices for income should only be raised where it is legitimate. Where an invoice is raised in error, it can only be cancelled by credit note, appropriately authorised. Authorisers are as per the trust's authorisation list (approvers of invoices).
- 6.18 Where income has been raised correctly but it cannot be collected or is uneconomic to recover, debt write off procedures should be followed. Please refer to Financial Procedures: FP5 Losses, Compensations & Special Payments.
- 6.19 Income should be sought where outstanding in accordance with Local Procedures : FP2 "Income Received" within Finance. Where income is disputed within the NHS accordance will be taken of any Guidance on Arbitration within the NHS that may be in place.

### **Reporting and Monitoring of Income**

- 6.20 The Finance department is involved in the preparation of finance reports covering income. Monthly, the trust report to the Board on their financial performance and the aged debtor position.
- 6.21 Internal procedures for preparing the Board Report detail how the aged debt tables are prepared from the aged debt report.

## **Bad Debt Write-Off Procedures**

- 6.22 The Local Procedure Guide: FP5: Losses, Compensations & Special Payments, covers the processes and procedures for the management of bad debts.

## **7 TRAINING REQUIREMENTS**

- 7.1 The Trust will ensure that all staffs are appropriately trained in line with the organisation's Staff Mandatory Training Matrix (training needs analysis).
- 7.2 All staff involved in the income process will need to be aware of the contents of this policy document and other policies where relevant. Additional training assistance is available by contacting finance if required.

## **8 EQUALITY IMPACT ASSESSMENT**

- 8.1 All relevant persons are required to comply with this document and must demonstrate sensitivity and competence in relation to the nine protected characteristics as defined by the Equality Act 2010. In addition, the Trust has identified Learning Disabilities as an additional tenth protected characteristic. If you, or any other groups, believe you are disadvantaged by anything contained in this document please contact the Equality and Diversity Lead who will then actively respond to the enquiry.

## **9 MONITORING COMPLIANCE AND EFFECTIVENESS**

### **9.1 Monitoring arrangements for compliance and effectiveness**

- overall monitoring will be by the Executive Team;
- the Board will receive monthly Financial Reports of the position of the Trust, which will be reviewed for the collection of invoiced income and its timely collection, the ability of departments to manage budgets, and the Trust's overall viability;
- budget holders will receive monthly budget reports to be reviewed and investigated. Reviews should show that budgets (including income) are being managed appropriately;
- budget holders will monitor whether income has been received, and all credit notes required are approved for processing promptly;
- the finance team will produce the monthly Financial Reports, with identified explanations for variations in planned budgets;
- the finance team will produce the monthly aged debt reports, with identified actions taken to collect outstanding income;
- the finance team will produce reports on debts requiring write-off with reasons;

- internal and External Audit will review, in accordance with their audit plans, financial procedures. Compliance will be taken where no recurring system weaknesses are identified;
- Local Counter Fraud Service will undertake investigations as agreed in year. Compliance will be taken where no recurring system weakness are identified;

## 9.2 Responsibilities for conducting the monitoring

- the Executive Team will be responsible for monitoring trust officers management of budgets, and processes resulting in the spend against these budgets;
- the Board and the Finance and Investment Committee have a governance responsibility of monitoring the performance of the Trust in collecting outstanding income, the write-off of debts over set levels and the ability to manage budgets;
- budget holders will be responsible for ensuring that income against their budgets complies with procedures and are within budgets.
- the finance team will monitor compliance with internal procedures;
- the finance team will be responsible for the production of the monthly finance report, aged debt reports and periodic reports for the write-off of debts over set levels;
- Internal and External Audit are responsible for meeting their contractual and professional obligations;
- Local Counter Fraud Service is responsible for meeting their contractual and professional obligations.

## 9.3 Methodology to be used for monitoring

- the Executive Team, Board and Finance and Investment Committee will review the monthly financial reports;
- the Finance and Investment Committee will review additional financial information as requested and agreed;
- budget holders will look at all information received for their areas, with main areas of review applied to areas where variance occur against budget;
- the Business Development team maintain income contracts on the Trust TACTICA system.
- finance will review aged debt reports, follow up outstanding debts, recommend actions on specific debts where beyond their delegated authority limits and identify failures by local departments for review and action;

- the Finance section will maintain an income register, review it and where necessary initiate actions to raise income
- internal audits;
- external audits;
- Local Counter Fraud investigations.

#### 9.4 **Frequency of monitoring**

- monitoring will be on a monthly basis for budget and financial monitoring, with additional work carried out periodically.

#### 9.5 **Process for reviewing results and ensuring improvements in performance occur.**

- the Executive Team and the Senior Management Team, as well as additional meetings where deemed will review performance against budgets, and consider required actions to correct positions. These will be monitored in budget meetings and monitored in additional monthly monitoring;
- reviews by Finance will be reported to the Director of Finance and Business Development, the Finance and Investment Committee and where appropriate to appropriate directors to ensure issues are flagged up and actions are taken;
- Internal, External Audit and Local Counter Fraud Report recommendations will be logged and assigned to a key officer. Actions and progress will be recorded on the audit log and will be monitored by the audit committee. Where recommendations are specific to local areas, these should be incorporated within local risk registers.

### **10. COUNTER FRAUD**

- 10.1 The Trust is committed to the NHS Protect Counter Fraud Policy – to reduce fraud in the NHS to a minimum, keep it at that level and put funds stolen by fraud back into patient care. Therefore, consideration has been given to the inclusion of guidance with regard to the potential for fraud and corruption to occur and what action should be taken in such circumstances during the development of this procedural document.

**11. RELEVANT CARE QUALITY COMMISSION (CQC) REGISTRATION STANDARDS**

There are no relevant CQC standards directly applicable to this policy.

**12. REFERENCES, ACKNOWLEDGMENTS AND ASSOCIATED DOCUMENTS**

**References**

Guidance on Implementing the Overseas Visitors Hospital Charging Regulations (Department of Health October 2012)

**Cross reference to other procedural documents**

Business Continuity and Service Recovery Policy.  
Capital Approval and Business Case Policy;  
Counter Fraud Policy;  
Ethical Standards & Code of Conduct Policy;  
Staff Mandatory Training Matrix (Training Needs Analysis)  
Standing Financial Instructions, Standing Orders and Scheme of Delegation;  
Treasury Management Policy;

All current policies and procedures are accessible to all staff on the Trust intranet (on the home page, click on 'Policies and Procedures'). Trust Guidance is accessible to staff on the Trust Intranet (within Policies and Procedures).

**Local Financial Procedure Guides**

FP2: Income Received  
FP3: Patients Monies  
FP4: Charitable Fund Expenditure  
FP5: Losses, Compensations and Special Payment  
FP10: Authorised Signatories

**Other**

DoH guidance on arbitration between NHS bodies