



Greater Manchester Shared Services

**Losses and Special Payments Policy
V2.0**

1.0 Introduction

1.1 This report sets out a proposed new policy for the recording and reporting of Losses and Special Payments to be adopted by Oldham CCG, including GMSS. The Policy covers the actions to be taken for both Oldham CCG and GMSS.

1.2 It should be read in conjunction with the delegated financial approval limits contained within the Oldham CCG Corporate Governance Framework.

Losses relate to loss of money or property belonging to the CCG. These include:

- Loss of cash
- Fruitless payments
- Bad debts and claims abandoned
- Damage to property, plant and equipment.

Special Payments are those which fall outside the normal day-to-day business of the CCG, or those for which exceptionally, and with the approval of the Department of Health, no statutory authority exists. They consist of four main categories:

- Compensation Payments made under legal obligation
- Extra contractual payments to contractors or severance payments to staff
- Ex-Gratia Payments that an organisation is not obliged to make or has no legal liability
- Extra statutory or extra regulatory payments.

2.0 Recommendations

2.1 The Finance, Performance and Governance Committee are asked to:

- Consider the proposed policy;
- advise on any additions or amendments for inclusion in the Policy
- make recommendations to the Oldham CCG Audit Committee

3.0 Appendices

Appendix 1 – Losses and Special Payments Policy

PROCEDURE FOR LOSSES AND SPECIAL PAYMENTS

POLICY DOCUMENT – VERSION CONTROL CERTIFICATE

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CIRCULATION LIST

Prior to Approval, this Policy Document was circulated to the following for consultation:

Finance Performance and Governance Committee
Deputy Chief Finance Officer, GMSS.

Following Approval this Policy Document will be circulated to:

Oldham CCG intranet
GMSS Intranet

PROCEDURE FOR LOSSES AND SPECIAL PAYMENTS

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PROCEDURE FOR LOSSES AND SPECIAL PAYMENTS

1. INTRODUCTION

- 1.1 This document describes the procedure to be followed by Oldham Clinical Commissioning Group, including Greater Manchester Shared Services (GMSS), in respect of the recording and reporting of Losses and Special Payments.
- 1.2 This document should be read in conjunction with the Corporate Governance Framework and the delegated financial limits set out in the Scheme of Reservation and Delegation.

The procedure complies with the Department of Health Group Manual for Accounts.

- 1.3 This document affects all CCG employees who must report any damage to the CCG's property plant and equipment, or any loss of equipment, stores or supplies, or Special Payments in accordance with this procedure for reporting losses.

2. FINANCIAL FRAMEWORK

- 2.1 It is the duty of the Chief Clinical Officer as Accountable Officer and the Chief Finance Officer, to ensure there is effective internal financial control within the organisation. The Chief Finance Officer has dual responsibility for Oldham CCG and GMSS. This document should be set in the context of the CCG's Corporate Governance Framework. Instances of non-compliance are to be reported to the appropriate Line Manager in the first instance.
- 2.2 The recording of losses and special payments is a key control. *Losses and special payments are items that Parliament would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments, and special notation in the accounts to draw them to the attention of Parliament. They are divided into different categories, which govern the way each individual case is handled.*

2.3 **Prevention of Loss** - The prevention of loss is a prime requirement of sound financial control, and control systems should be designed to achieve this. Losses do nevertheless occur. But internal checks, regular supervision and internal audit must be used to ensure these are minimised.

2.4 A correct audit trail must be maintained, so full supporting documentation of the reason for the write offs, losses and special payments need to be made.

3. DEFINITIONS

3.1 **Losses** relate to loss of money or property belonging to the CCG. These include:

- Loss of cash
- Fruitless payments
- Bad debts and claims abandoned
- Damage to property, plant and equipment.

3.2 **Special Payments**, are those which fall outside the normal day-to-day business of the CCG, or those for which exceptionally, and with the approval of the Department, no statutory authority exists. They consist of four main categories:

- Compensation Payments made under legal obligation
- Extra contractual payments to contractors or severance payments to staff
- Ex-Gratia Payments
- Extra statutory or extra regulatory payments.

3.3 **Ex-Gratia payments** are payments which an organisation is not obliged to make or for which there is no statutory cover or legal liability.

3.4 The CCG contributes to the **National Health Service Litigation Authority** (NHSLA), which acts as a risk pooling body for claims against NHS organisations. The CCG is a member of three of its Schemes:

- **Clinical Risk** through the Clinical Negligence Scheme for Trusts (CNST);
- **Non-Clinical Risk** through the Property Expenses Scheme (PES); and
- **Non-Clinical Risk** through Liabilities to Third Parties Scheme (LTPS).

The Scheme Limit of Cover and policy excess levels for claims are notified annually by the NHSLA.

4. LOSSES SUBMITTED FOR WRITE-OFF AND REQUESTS FOR SPECIAL PAYMENTS

- 4.1 Officers who have discovered a loss should notify the Chief Finance Officer in writing irrespective of whether insurance cover for any particular type of loss is available. If the loss or special payment relates to Greater Manchester Shared Services, it should be notified and reported in the first instance to the Deputy Chief Finance Officer and the Finance Performance and Governance Committee before following the process for Oldham CCG.
- 4.2 Officers who request a special payment should notify the Chief Finance Officer in writing irrespective of whether insurance cover is available.
- 4.3 The Chief Finance Officer will require the completion of the CCG's form for Reporting a Loss or Requesting a Special Payment (Appendix 1). In some cases it will also be necessary to submit an Incident Form.
- 4.4 If the loss has been caused by theft, arson, neglect of duty or gross carelessness, the Chief Finance Officer may notify the External Auditor, the Audit Committee, or the CCG Governing Body
- 4.5 If fraud is suspected, the Chief Finance Officer is to inform the CCG's Local Counter Fraud Specialist.
- 4.6 If the Chief Finance Officer suspects a criminal offence has occurred involving theft or arson, the Chief Finance Officer shall immediately inform the Police.
- 4.7 However, if the Chief Finance Officer suspects a criminal offence has occurred involving fraud, then the particular circumstances of the case will determine the stage at which the Police are notified. The decision will be taken by the Chief Finance Officer after discussion with the Local Counter Fraud Specialist.
- 4.8 In accordance with the CCG's Counter Fraud Policy, *the CCG will take appropriate steps to recover any assets lost as a result of fraud and other fraud acts.* The Chief Finance Officer is responsible for ensuring financial redress is sought where losses are identified.

5 EX-GRATIA CLAIMS

- 5.1 The CCG advises its staff when appointed that, during the course of employment, the CCG will not normally accept responsibility for the loss of, or damage to, any personal property.
- 5.2 However, an ex-gratia payment may be considered for the loss or damage to a member of staff's personal property where **all** the following apply:
- the incident occurs during the course of their employment;
 - the articles lost or damaged are such as might reasonably be carried during the course of their employment;
 - the articles are sufficiently robust for the treatment they might reasonably be expected to bear;

- the loss or damage is a result of negligence on the part of the CCG;
- the loss or damage is not covered by insurance or by any provision for free replacement.

6. APPROVAL OF WRITE-OFF OF LOSSES OR SPECIAL PAYMENTS

- 6.1 In accordance with HM Treasury Rules each Health Body *“is able to authorise its own Losses and Special payments with only novel, contentious or repercussive cases being referred to the Department of Health for approval”*¹.
- 6.2 Specific officers of the CCG shall approve write-offs and special payments within the delegated limits set by the Governing Body. (See Appendix 2) GMSS losses and special payments will be reported initially to the Deputy Chief Finance Officer and the Finance Performance and Governance Committee prior to following the approval process for Oldham CCG.
- 6.3 Although the CCG currently is not subject to excess payments for claims under the Clinical Negligence Scheme for Trusts, instances may arise where costs are not reimbursable by the NHSLA. In such instances, the Chief Clinical Officer shall approve authorisation for the CCG to make a reimbursement within the delegated limits set by the Governing Body. (See Appendix 2).
- 6.4 Instances may arise where costs are not reimbursable by the NHSLA under the Property Expenses Scheme or the Liabilities to Third Parties Scheme. In such instances, the Chief Finance Officer shall approve authorisation for the CCG to make a reimbursement within the delegated limits set by the Governing Body. (See Appendix 2).
- 6.5 Losses and special payments, which are in excess of the delegated limits, are to be submitted to the CCG Governing Body for approval before write-off. The Chair and the Chief Clinical Officer will sign to give approval (see Appendix 1).
- 6.6 In novel, contentious or repercussive cases the Chief Finance Officer shall inform the CCG Governing Body and seek formal approval from the Department of Health.

7. APPROVED WRITE-OFFS

- 7.1 The Chief Finance Officer shall maintain a Losses and Special Payments Register for the CCG. Write-off action, or details of any insurance claim made, is to be recorded against each entry in the Register. Each entry in the Losses and Special Payments Register shall be assigned a category of loss or special payment (see Appendix 2). Where the actual value of an entry cannot be determined immediately, an estimated value is to be used.

- 7.2 Copies of vouchers and any supporting documentation shall be cross referenced to the entry in the Losses and Special Payments Register and filed to support each entry in the Losses and Special Payments Register.
- 7.3 Approved requests for ex-gratia payments, once entered in the Losses and Special Payments Register, are to be passed by the Senior Finance Manager to the Accounts Payable section for payment.
- 7.4 Where the loss relates to an item on the CCG's Asset Register, the Chief Finance Officer shall ensure that the Register is amended accordingly.

8 ACCOUNTING FOR LOSSES AND SPECIAL PAYMENTS

- 8.1 The process of recording losses and special payments is split into two categories:
- a) Items recorded in the Losses and Special Payments Register which **are not** reflected in the general ledger.
 - b) Items recorded in the Losses and Special Payments Register which **are** charged to the general ledger.
- 8.2 **No accounting adjustments** are effected within the general ledger when:
- theft, fire or damage occurs which results in items being written off though the Losses and Special Payments Register; and
 - the items are not on the CCG's Asset Register.

8.3 The following items necessitate **Accounting adjustments** to be effected within the general ledger:

- When theft, fire or damage occurs which results in items which are on the CCG's Asset Register being written off though the Losses and Special Payments Register; then appropriate accounting treatment will take place.
- Any expenditure incurred in repairing an asset, which has been treated as a loss, shall be charged to the departmental Cost Centre and subjective code
- The writing off of debts or adjustments to stock valuations are treated as charges to the appropriate departmental objective and subjective codes whilst the contra entries are generated to the balance sheet.
- Minor ex-gratia payments shall be charged to the Budget Holder's Cost Centre and subjective code where the loss occurred, and the Budget Holder notified.
- Losses are charged to the relevant functional headings in the accounts.

8.4 If any of the items mentioned in paragraphs above are the subject of an insurance claim, the amount received from the insurance company is coded to the department where the original expenditure was incurred.

9. REPORTING OF LOSSES AND SPECIAL PAYMENTS

9.1 The Senior Finance Manager shall report to the Deputy Chief Finance Officer each quarter the occurrence of any losses or special payments.

9.2 The Chief Finance Officer shall submit a quarterly report for information to the Audit Committee.

9.3 The Audit Committee will review the report detailing losses and special payments and make recommendations if necessary to the CCG Governing Body.

9.4 If the Audit Committee deems it appropriate, it will make appropriate recommendations to the CCG Governing Body.

9.5 A schedule summarising the losses and special payments within the CCG is to be completed as part of the relevant Annual Accounts process.

9.6 A note disclosing information on losses and special payments is required in the Annual Accounts. The disclosures are ;

- The number of losses and special payments cases.
- Individual details of cases where the Loss or Special Payment exceeds £300,000.

10 EXCLUSIONS

- 10.1 Losses linked to another NHS organisation are not included. Although the decision may be taken for the CCG to 'write-off' debts owed by other NHS bodies, this is to be undertaken by issuing credit notes to reverse entries in the debtors ledger. There is no loss to the NHS as a whole in such cases.
- 10.2 The CCG's own legal costs are administrative and as such are not to be included in the Register of Losses and Special Payments.

11. RESPONSIBILITIES

- 11.1 **The CCG Governing Body** is responsible for approving losses and special payments in excess of the delegated limits.
- 11.2 The **Audit Committee** will review schedules of losses and special payments and make recommendations to the CCG Governing Body as appropriate.
- 11.3 The **GMSS Finance Performance and Governance Committee** will analyse risks to the organisation arising from losses and special payments and make recommendations to the Audit Committee and/or CCG Governing Body.
- 11.4 The **Chief Clinical Officer** is responsible for approving certain losses and special payments below delegated limits (see Appendix 2).
- 11.5 The **Chief Finance Officer** is responsible for:
- Ensuring appropriate procedures are followed
 - Approving certain losses and special payments below delegated limits (see Appendix 2)
 - Reporting certain losses to the External Auditors, the Audit Committee, the GMSS Finance Performance and Governance Committee, the CCG Governing Body and/or the Department of Health.
- 11.6 **The Deputy Chief Finance Officer** is responsible for receiving reports on losses and special payments for GMSS, and ensuring these are reported to the GMSS Finance Performance and Governance Committee.
- 11.7 **The Senior Finance Manager** in both Oldham CCG and GMSS is responsible for recording approved losses and special payments, ensuring approved special payments are made and producing cumulative reports on losses and special payments.
- 11.8 **All CCG employees** in both Oldham CCG and GMSS are required to report to the Chief Finance Officer or Deputy Chief Finance Officer as appropriate:
- Any loss or damage to the CCG property, plant and equipment, or stores or supplies; and

- Requests for special payments

12 REFERENCES

Department of Health Group Manual of Accounts 2015-2016.

REPORTING A LOSS OR REQUEST FOR SPECIAL PAYMENT/ DEBT WRITE OFF

Levels of Delegated Authority (Corporate Governance Framework, Delegated Financial Limits) :

CCG Governing Body	over £250,000
Chief Clinical Officer	up to £250,000
Chief Finance Officer	up to £100,000
CCG Managing Director	up to £50,000

1.	Details of the Loss / Special Payment / Write off
2.	Value.
3.	Time and Date of the Loss
4.	How the Loss Occurred
5.	What steps were taken to recover the loss/debt
6.	Were the Police notified and if so, what action did they take and what recommendations did they make to prevent a recurrence of the incident?
7.	What action was taken by the Manager to prevent a similar occurrence?
8.	Has an Incident Form been submitted concerning this loss or request for special payment?

I confirm that the above details are accurate.

Signature:Budget Holder/ Line Manager

Date:

Help with completing this form can be obtained from Guy Fitzpatrick, Senior Finance Manager . Tel 0161 212 4997.

Please print double sided and send to:

**Chief Finance Officer, Oldham CCG
Ellen House, Waddington Street, Oldham**

<p>Approval</p> <p>I authorise / The CCG Governing Body authorised on(date), the above loss/special payment. (delete as appropriate)</p> <p>Signed: Chief Clinical Officer / Chief Finance Officer (Delete as appropriate)</p> <p>Date:</p>
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CATEGORY OF LOSS/SPECIAL PAYMENT

Levels of Delegated Authority for Approval :

CCG Governing Body	Over £250,000
Chief Clinical Officer	Up to £250,000
Chief Finance Officer	Up to £100,000
CCG Managing Director	Up to £50,000

Losses

<p>1. Losses of cash due to:</p> <ul style="list-style-type: none">a. Theft, fraud, etcb. Overpayments of salaries, wages, fees, and allowancesc. Other causes, including un-vouched or incompletely vouched payments, overpayments other than those included under 1(b) <p>Physical losses of cash and cash equivalents, e.g. stamps due to fire (other than arson), accident and similar causes.</p>

<p>2. Fruitless payments (including abandoned capital schemes)</p>

Losses

3. Bad debts and claims abandoned: (including private patients and overseas visitors)

4. Damage to buildings, their fittings, furniture and equipment, and loss of equipment and property in stores and in use due to:

a. Culpable causes, e.g. theft, fraud, arson or sabotage whether proved or suspected, neglect of duty or gross carelessness

b. Other causes

SPECIAL PAYMENTS

5. Compensation payments made under legal obligation

6. Extra-contractual payments to contractors or staff eg Exit Packages or severance payments

7. Ex gratia payments

a. To patients and staff for loss of personal effects

b. For clinical negligence (negotiated settlements following NHSLA advice), where costs are not reimbursable by the NHSLA.

c. For claims to the NHSLA under the Property Expenses Scheme or the Liabilities to Third Parties Scheme, (negotiated settlements following NHSLA advice), where costs are not reimbursable by the NHSLA.

d. Other clinical negligence cases

e. Other personal injury claims

f. Other, except cases of maladministration where there was no financial loss by claimant

g. Maladministration, where there was **no** financial loss by claimant

h. Patient referrals outside the UK and EEA guidelines

