

LOSSES & COMPENSATION PROCEDURE

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Name of responsible committee / Individual	Director of Finance
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Losses and Compensations Procedure
Version Control Sheet

Version	Section / Para / Appendix	Version / Description of Amendments	Date	Author / Amended by
1	New	Version 1.0	Sept 2015	Simon Burrows
1.1		Extension Agreed	Mar 2018	Corporate Assurance Team
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Losses and Compensation Procedure

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Losses and Compensations Procedure

1. Introduction

- a. All NHS Trusts are required to have procedures in place to record both details of losses incurred by the Trust and any special payments made outside the normal activities of the Trust. A register of such losses and special payments must be kept. The register is kept by the Finance Directorate and forms part of the Trust's annual accounts which are subject to scrutiny by the external auditors.
- b. The Trust's Standing Financial Instructions outline the requirement that any employee or officer discovering or suspecting a loss of any kind must either immediately inform their head of department, who must immediately inform the Chief Executive and the Director of Finance or inform an officer charged with appropriately informing the Director of Finance and/or Chief Executive.
- c. Depending on the nature of the loss or special payment, there are various routes to be followed. For example, for losses apparently caused by theft, arson, neglect of duty or gross carelessness, except if trivial, the Director of Finance must immediately notify the Board and the External Auditor. In cases of fraud and corruption, the Director of Finance must inform the relevant Local Counter Fraud Service and NHS Protect regional team.
- d. The purpose of this procedure is to give guidance to Directorates on how to deal with losses and special payments.

2. Scope

- a. This policy covers the following:
 - Definitions of a Loss and a Special Payment
 - Losses:
 - Examples of Losses
 - Record keeping
 - Reporting and the Losses and Special Payments Register
 - Special Payments:
 - Examples of Special Payments
 - Notification of loss/damage to personal property
 - Submission of claims / Record keeping
 - Reporting and the Losses and Special Payments register
 - The responsibility/liability of the Trust
 - Settlement of claims

3. Responsibilities

- a.** Ensuring the completion of appropriate paperwork to record incidents where a Loss or Special Payment may have occurred is the responsibility of all members of staff.
- b.** All staff are responsible for reporting Incidents/Accidents on the appropriate Incident Form, administered by Risk Management Department. Where a loss has occurred, or it is envisaged that a Special Payment is to be applied for, the member of staff recording the incident should contact their Line Manager and the Finance team for completion a Losses and Special Payments form (Appendix 3).
- c.** Where Losses fall within delegated limits of Budget holders and budget managers, the designated Budget holder/manager is responsible for ensuring that appropriate receipts are submitted with the forms and for authorising the Loss or Special Payment from their budget on the basis of receipts and this guidance.
- d.** The Trust Financial Accounts team can assist in completion of the Losses and Special Payments Form, or complete the form on behalf of the individual concerned where appropriate. The Financial Accounts team should assure themselves that appropriate Incident forms have been completed, receipts are attached and appropriate approvals are obtained.
- e.** The Financial Accounts team is responsible for validating completed Losses and Special Payment forms, including checking compliance with Trust Standing Financial Instructions, Standing Orders and Scheme of Delegation.

4. Equality and Diversity

LCCHS is committed to:

- Eliminating discrimination and promoting equality and diversity in its policies, procedures and guidelines, and
- Designing and implementing services, policies and measures that meet the diverse needs of its population and workforce, ensuring that no individual or group is disadvantaged.

To ensure the above, this procedure has been equality impact assessed. (Appendix 2).

5. Difference between a Loss and a Special Payment

- a.** 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. They are divided into different categories, which govern the way that individual cases are handled. Losses and special payments are charged to the relevant functional headings in expenditure on an accruals basis, including losses which

would have been made good through insurance cover had NHS trusts not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure).

- b. The difference between a Loss and a Special Payment may be summarised as follows:-
- **Losses:** Relate to the loss of money or property belonging to the Trust itself (e.g. theft, damage to buildings, loss of cash, bad debts and loss of stock).
 - **Special Payments:** Are payments outside the normal day to day business of the Trust or where no statutory authority exists (e.g. compensation payments for clinical negligence and employer's liability claims, ex gratia payments to staff for loss/damage to personal property whilst on Trust premises).
- c. The Department of Health has classified losses and special payments under eight categories as follows:-

Losses

- Category 1: Loss of Cash due to a) theft, fraud etc. b) overpayment of salaries etc. and c) other causes.
- Category 2: Fruitless Payments and constructive losses including abandoned capital schemes and constructive losses
- Category 3: Bad Debts and claims abandoned in relation to: a) private patients, b) over-seas visitors and c) others.
- Category 4: Damage to buildings, property etc. (including stores losses) due to: a) theft, fraud etc., b) stores losses and c) other.

Special Payments

- Category 5: Compensation payments made under legal obligation
- Category 6: Extra contractual payments to contractors
- Category 7: Ex gratia payments sub defined as follows:
 - Category 7a: Loss/damage of personal effects (Staff/Service Users)
 - Category 7b: Clinical Negligence with advice
 - Category 7c: Personal injury with advice
 - Category 7d: Other negligence and injury
 - Category 7e: Other employment payments (should not include special severance payments which are disclosed below)
 - Category 7f: Patient referrals outside the UK and EEA guidance
 - Category 7g: Other
 - Category 7h: Maladministration, no financial loss
- Category 8: Special Severance payments (requiring HMT approval)
- Category 9: Extra Statutory or Extra Regulatory Payments

6. Losses

a. Examples of Losses

- Loss of cash - owing to theft, fraud, etc.
- Loss of/discrepancies in petty cash due to poor administrative control.
- Bad debts written off (after exploring all other avenues of recovery per the Income Collection Policy).
- Damage to buildings, furniture and equipment due to fire, theft, etc.
- Loss of property in stores due to obsolescence (e.g. Drugs expiry), deterioration or poor stock control.

b. If the loss is due to missing cash, or petty cash discrepancies, The Budget Manager must immediately notify both the Director of Finance and the Financial Accountant. If appropriate the Director of Finance will, per Standing Financial Instructions, contact the local Counter Fraud Specialist, NHS Protect or the Local Security Management Specialist as appropriate to the circumstances.

c. Each quarter the Financial Accounts department reports all Trust losses for the period to the Trust Audit Committee.

7. Special Payments

a. Examples of Special Payments

- Compensation payments made following legal action taken against the Trust.
- Clinical negligence and personal injury claims brought against the Trust.
- Ex gratia payments to staff for loss or damage to personal effects.

b. Types of Special Payment (excluding Category 7a)

- A Losses and Special Payments form should then be completed by the member of staff detailing the potential special payment, in liaison with the Financial Accounts Team (if appropriate).
- Where supporting documentation exists it should be attached to the form; for example details of extra contractual payments, copies of fines etc.
- The notifying managers should refer clinical negligence/personal injury liability claims to the Corporate Assurance Team.

c. Notification of Loss/Damage to Personal Property (Category 7a)

- Notification of an incident when loss of or damage to personal property has occurred must be made at the earliest opportunity to the Line Manager by the completion of an Incident/Accident form. Full details of the incident must be provided.
- The employee who identified the loss/damage must also complete, in liaison with their budget manager, the Losses and Special Payments Form, providing details about damaged items e.g. original cost and for spectacles, type of lenses, etc. The budget manager should inspect damaged items.
- Receipts for repair work or replacement should be provided and attached to the form.

- If any item is damaged beyond repair, it can be requested that the item be surrendered for inspection as part of the claim.
 - Losses of clothing shall be limited to £50 reimbursement per item (where not supported by evidence of value).
 - All claims are considered in accordance with the Trust's Standing Orders, Standing Financial Instructions, Scheme of Delegations and Delegation of Budgetary Authority.
- d. Each quarter the Financial Accounts department reports all Trust losses for the period to the Trust Audit Committee.

8. Delegated Responsibility

- a. It is stressed that all claims will be considered on their individual merits and that any individual reimbursement is not to be seen as setting a precedent for future claims.
- b. LCHS does not automatically accept responsibility for damage to or loss of personal property, including motor vehicles, when brought onto Trust premises by members of staff.
- c. It is the responsibility of each individual member of staff to ensure the safety/security of his/her personal property and where appropriate make arrangement for insurance cover.

9. Delegated Limits

- a. Delegated limits have been set down by the Trust Board for the use by Directorates. As detailed in the Trust's Scheme of Delegation the following limits apply.
- b. Losses and Special Payments of all types must be approved by the Chief Executive or the Director of Finance up to certain limits (see section 9c), beyond which Department of Health approval is required. Further details of current limits are in the Trust's Scheme of Delegation, part of the Trust Standing Financial Instructions (section 24.2.1) and are summarised below.
- c. Jointly by the Chief Executive and Director of Finance:
- Losses (including the write off of debts) of up to £50,000
 - Special Payments (including compensation payments other than those within the remit of the Remuneration and Terms of Service Committee) of up to £50,000
- By the Director of Finance or Deputy Director of Finance:
- Losses (including the write off of debts) of up to £25,000
 - Special Payments (including compensation payments other than those within the remit of the Remuneration and Terms of Service Committee) of up to £5,000.

Legal advice should be sought in relation to any novel, contentious or repercussive cases.

10. Settlement and Accounting of Claims

- a.** In the event of a Special Payment claim being made and the appropriate Director level approval obtained, any necessary payment will be effected via the Accounts Payable Function. All claims are met as a gesture of good will and in full and final settlement of the claim, without any admission of liability on the part of LCHS.
- b.** This procedure is not intended to encompass any claims for personal injury or other forms of loss or damage, which would be examined under the appropriate provisions of law and other relevant regulations etc., dependent upon circumstances. These are dealt with by the Corporate Assurance Team.
- c.** Where losses involve transfer of costs within the financial ledger system, this will be actioned via a journal by the Financial Accounts team on final approval of the Losses and Special Payments form; for example in the case of stock losses.
- d.** Where losses involve the writing off of debt, the Debt Management Policy should be consulted and all avenues of income collection exhausted before debt write-off is considered.

11. Monitoring Compliance with and Effectiveness of this Procedure

- a.** Details of all Losses and Special Payments are recorded in a central Trust Register by the Financial Accounts department.
- b.** These details are submitted to the Audit and Assurance Committee on a quarterly basis, and are also disclosed in the Trust's Annual Accounts.
- c.** This reporting cycle will monitor compliance with this procedure.
- d.** The procedure is also subject to monitoring by Internal and External Audit under any appropriate Audit programme of work approved by the Audit and Assurance Committee.

12. Review of the procedure

- a.** This procedure will be reviewed on an annual basis from the date of implementation.

Monitoring Template

Minimum requirement to be monitored	Process for monitoring e.g. audit	Responsible individuals/ group/ committee	Frequency of monitoring/audit	Responsible individuals/ group/ committee (multidisciplinary) for review of results	Responsible individuals/ group/ committee for development of action plan	Responsible individuals/ group/ committee for monitoring of action plan
Review of Losses/Payments recorded in month. Reconciliation to financial ledger.	Internal Financial Reporting	Finance Department Corporate Assurance Team	Monthly	<ul style="list-style-type: none"> Treasury Manager Head of Financial Accounts Corporate Assurance Manager 	<ul style="list-style-type: none"> Treasury Manager Head of Financial Accounts Corporate Assurance Manager 	<ul style="list-style-type: none"> Treasury Manager Head of Financial Accounts Corporate Assurance Manager
Standing Committee Item and Report	Audit Committee Report	Audit Committee	Quarterly	<ul style="list-style-type: none"> Audit Committee 	<ul style="list-style-type: none"> Director of Finance 	<ul style="list-style-type: none"> Audit Committee
Annual Accounts Disclosure Note	External Financial Reporting	Finance Department	Annually	<ul style="list-style-type: none"> Head of Financial Accounts Treasury Manager 	<ul style="list-style-type: none"> Head of Financial Accounts Treasury Manager 	<ul style="list-style-type: none"> Audit Committee External Auditors

Equality Analysis**Losses and Special Payments Procedure****Equality Analysis Carried out by:** Simon Burrows, Head of Financial Accounts**Date:** 08/09/2015**Equality & Human rights Lead:** Qurban Hussain, Equality and Human Rights Lead**Date:** 06/10/2015**Director\General Manager:** Interim Director of Finance**Date:** December 2015

A.	Briefly give an outline of the key objectives of the policy; what it's intended outcome is and who the intended beneficiaries are expected to be	The key objective of this policy is to set out the instances and reporting procedures relating to losses and special payments. Its intended outcome is to ensure the correct reporting and compliance in line with Trust Standing Financial Instructions and statutory reporting duties.		
B.	Does the policy have an impact on patients, carers or staff, or the wider community that we have links with?	The policy formalizes guidance to staff in the treatment and recording of cases of loss or where special payments may be required.		
C.	Is there is any evidence that the policy\service relates to an area with known inequalities?	The policy is applicable Trust wide and, as such applies to all Trust services and areas.		
D.	Will/Does the implementation of the policy\service result in different impacts for protected characteristics?	Procedure will be followed and enacted regardless of any protected characteristics.		
		Yes	No	
	Disability		x	
	Sexual Orientation		x	
	Sex		x	
	Gender Reassignment		x	
	Race		x	
	Marriage/Civil Partnership		x	
	Maternity/Pregnancy		x	
	Age		x	
	Religion or Belief		x	
	Carers		x	
The above named policy has been considered and does not require a full equality analysis				
Equality Analysis Carried out by:		Simon Burrows		
Date:		September 2015		

Losses and Special Payments notification and claim form

General details of loss / special payment

Date of loss/incident Time of loss/ incident.....

Location of loss/incident.....

Total value of loss/claim £..... Receipt attached for Cat 7a claims?

The Trust take no responsibility for Receipts lost in transit. Hand delivery to Financial Accounts preferred. Please keep a copy.

Financial code for department in which loss/incident occurred: PR.....

Type of Loss or Special Payment (see procedure Section 5 for further guidance)

- Cat 1: Loss of Cash
- Cat 2: Fruitless payments
- Cat 3: Bad debts
- Cat 4: Damage (Build/Eq)
- Cat 5: Compensation
- Cat 6: Extra-Contractual
- Cat 7: Ex-gratia (Personal effects)
- Cat 8: Special Severance
- Cat 9: Extra-Statutory

Section A: Losses (Cat 1 – 4 only)

Detail of the loss of cash, fruitless payments, bad debt or damage or loss to buildings, furniture, equipment or stock.....
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>> Go to Section C: Approvals

Section B: Special Payments (Cat 5 - 8 only)

Details of the Compensation payments under legal obligation, extra contractual payment to contractor, Ex gratia payments (including to patients and staff for loss of personal effects, clinical negligence, personal injury claims and other) and Special Severance Payments.
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>> If the special payment is in respect of "Category 7a: Patients and staff for loss or damage of personal effects" please go to Section C, otherwise go to Section D: Approvals

Appendix 4

