

Accounting for Provisions

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POLICY AMENDMENTS

Amendments to the Policy will be issued from time to time. A new amendment history will be issued with each change.

New Version Number	Issued by	Nature of Amendment	Approved by & Date	Date on Intranet

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1 INTRODUCTION

The purpose of this document is to detail NHS North Lincolnshire Clinical Commissioning Group's (the CCG) procedure on accounting for provisions.

The Department of Health (DH) Finman website www.info.doh.gov.uk/doh/finman.nsf and the NHS England SharePoint portal <https://nhsengland.sharepoint.com/sites/ccgfin> should be checked for any new guidance or changes in the accounting for provisions that may supersede this note.

2 BACKGROUND

This section gives some background information on provisions and the category of provisions held by the CCG.

Under international accounting standard IAS 37 - Provisions, Contingent Liabilities and Contingent Assets, the CCG must ensure that appropriate recognition is given to provisions within the CCG Statement of Comprehensive Net Expenditure (SOCNE) and Statement of Financial Position (SOFP). A provision is a liability of uncertain timing or amount. The CCG must recognise a provision if, and only if:

- A present obligation (legal or constructive) has arisen as a result of a past event (the obligating event),
- Payment is probable ("more likely than not"), and
- The amount can be estimated reliably

The CCG does not hold any provisions directly as at 31st March 2017. The Continuing Care (including CHC restitution cases) provision is held by NHS England on behalf of the CCG. It may be possible in future that the CCG holds other classification of provisions, such as other legal claims, redundancy and NHS Litigation Authority provisions.

Continuing Care

This provision relates to continuing health care cases where redress were sought following the Health Ombudsman's report "NHS funding for long term care of older and disabled people" where patients may have been denied continuing 4 Care Funding. For patients who have been awarded free continuing care they may be entitled to retrospectively claim back costs incurred such as nursing home fees.

This provision was originally held by North Lincolnshire Primary Care Trust (PCT), and has transferred to NHS England as part of the PCT closedown. Full working papers have been provided to NHS England to support the provision. CCG Doncaster is maintaining and administering these claims on behalf of North Lincolnshire CCG.

3 ACCOUNTING FOR PROVISIONS

Provisions for all the chargeable claims are files electronically in the following folder:

<Y:\NLCCG\CFO\Finance\2016-17\CHC and OOA\CHC Retro Claims>

The file “Retrospective and Legacy Claims Summary.xlsx” details a list of claims which have resulted into a charge showing the Payee, Patient name, Amount, Date claims submitted, Type of claim and comments.

All changes to provisions that have an impact on the CCG’s SOCNE are charged to the continuing care cost centre or other relevant cost centre, depending on the provision.

Arising during the year

Any new provisions or changes to values need to be reflected in the ISFE ledger as follows:

Credit Provisions subjective code (000000/31116001 for continuing care)

Debit 568682/52114021 for continuing care restitution cases or any other relevant cost centre / subjective

Utilised during the year

Any payments made in settlement or part settlement of provisions should be coded direct to the provisions code, detailing the appropriate subjective.

Continuing Care – Information will be sent through from the Doncaster CCG for cases that need to be reimbursed. A check needs to be made against the amount held in provisions, and any difference should be charged / written out to the continuing care cost centre 00000/18161066.

All continuing care cases should be checked periodically with Doncaster CCG. No provision should be held for cases on appeal.

Reversed Unused

When it becomes apparent that the value of a provision has decreased or is no longer required the following entry should be made:

Debit Provisions Subjective code
Credit Relevant cost centre / subjective

The above can be the result of a restitution claim being unsuccessful or other information sources.

Unwinding of Discount

The unwinding of discount is to recognise the timing difference between becoming aware of the liability and making the provision to the actual time it is settled. The current rate used is 1.30%. This is used for provisions such as injury benefits and pre 95 retirements, which are not currently held by the CCG on its SOFP.

4. YEAR END

It is important that all provisions are reviewed regularly (at least every quarter) with the control account reconciled each month. This follows the same procedures as the reconciliation of control accounts procedure note. As the end of year is approaching it is imperative that the provisions are as up to date as possible and all entries are reflected in the ISFE ledger.

The provisions hard file should be checked to the closing provisions to ensure all relevant working papers are held, so that all information is available for external auditors.