## Statement of Comprehensive Net Expenditure for year ended 31 March 2018

| | NOTE | 2017-18 Total £000 | 2016-17 Total £000 |
|---|---|---|---|
| Revenue from sale of goods and services | 2 | (12,634) | (6,876) |
| Other operating revenue | 2 | (477) | (476) |
| **Total Operating Revenue** | | **(13,111)** | (7,352) |
| | | | |
| Staff costs | 5 | 15,746 | 15,384 |
| Purchase of goods and services | 5 | 1,150,753 | 1,122,165 |
| Depreciation and impairment charges | 5 | 500 | 404 |
| Provision expense | 5 | 2,018 | (505) |
| Other operating expenditure | 5 | 2,748 | 2,139 |
| **Total Operating Expenditure** | | **1,171,765** | 1,139,587 |
| | | | |
| **Net Operating Expenditure** | | **1,158,654** | 1,132,235 |
| | | | |
| **Financing** | | | |
| Finance expense | 7 | (179) | 102 |
| **Net financing costs for the financial year** | | **(179)** | 102 |
| | | | |
| **Total Comprehensive Net Expenditure for the financial year** | | **1,158,475** | 1,132,337 |

The notes on pages 5 to 23 form part of this statement.

The purpose of this statement is to summarise, on an accruals basis, the net operating costs of the CCG. The statement identifies gross operating costs, less miscellaneous income, to arrive at the net operating costs of the CCG.

## Statement of Financial Position at 31 March 2018

| | NOTE | 31 March 2018 £000 | 31 March 2017 £000 |
|---|---|---|---|
| **Non-Current Assets** | | | |
| Property, plant and equipment | 9 | 897 | 952 |
| Intangible assets | 10 | 165 | 112 |
| **Total Non-Current Assets** | | **1,062** | 1,064 |
| | | | |
| **Current Assets** | | | |
| Inventories | 11 | 1,472 | 1,259 |
| Trade & other receivables | 12 | 10,734 | 11,833 |
| Cash & cash equivalents | 13 | 17 | 17 |
| **Total Current Assets** | | **12,223** | 13,109 |
| | | | |
| **Total Assets** | | **13,285** | 14,173 |
| | | | |
| **Current Liabilities** | | | |
| Trade & other payables | 14 | (50,999) | (54,826) |
| Provisions | 15 | (3,749) | (2,197) |
| **Total Current Liabilities** | | **(54,748)** | (57,023) |
| **Total Non Current Assets less Net Current Liabilities** | | **(41,463)** | (42,850) |
| | | | |
| **Non-Current Liabilities** | | | |
| Provisions | 15 | (580) | (748) |
| **Total Non-Current Liabilities** | | **(580)** | (748) |
| **Total Assets less Liabilities** | | **(42,044)** | (43,598) |
| | | | |
| **Financed by Taxpayers' Equity** | | | |
| General fund | | (42,044) | (43,598) |
| **Total Taxpayers' Equity** | | **(42,044)** | (43,598) |

The notes on pages 5 to 23 form part of this statement.

The financial statements on pages 1 to 4 were approved by the Governing Body on xx May 2018 and signed on its behalf by:

**Accountable Officer**
Date xx May 2018

## Statement of Changes In Taxpayers' Equity for the year ended 31 March 2018

| | General Fund £000 | Total £000 |
|---|---|---|
| **Balance at 1 April 2017** | **(43,598)** | **(43,598)** |
| **Net operating costs for the financial year** | **(1,158,475)** | **(1,158,475)** |
| | **(1,202,073)** | **(1,202,073)** |
| Net funding | 1,160,029 | 1,160,029 |
| **Balance at 31 March 2018** | **(42,044)** | **(42,044)** |

| | General Fund £000 | Total £000 |
|---|---|---|
| Changes in taxpayers' equity for 2016-17 | | |
| Balance at 1 April 2016 | (40,769) | (40,769) |
| Net operating costs for the financial year | (1,132,337) | (1,132,337) |
| | (1,173,106) | (1,173,106) |
| Net funding | 1,129,508 | 1,129,508 |
| Balance at 31 March 2017 | (43,598) | (43,598) |

Changes in an entity's equity between the beginning and the end of the reporting period reflect the increase or decrease in its net assets during the period.
The Statement has been interpreted to include figures for net operating costs for the year and funding for the year.

## Statement of Cash Flows for the year ended 31 March 2018

| | NOTE | 2017-18 £000 | 2016-17 £000 |
|---|---|---|---|
| **Cash Flows from Operating Activities** | | | |
| Net operating expenses for the financial year | 2 & 5 | (1,158,477) | (1,132,339) |
| Depreciation and amortisation | 5, 9 & 10 | 500 | 404 |
| Finance costs | 5 & 15 | (102) | (129) |
| Unwinding of discounts | 15 | (179) | 102 |
| (Increase)/decrease in inventories | 11 | (213) | (153) |
| (Increase)/decrease in trade & other receivables | 12 | 1,099 | (6,046) |
| Increase/(decrease) in trade & other payables | 14 | (4,110) | 9,868 |
| Provisions utilised | 15 | (455) | (145) |
| Increase/(decrease) in provisions | 15 | 2,120 | (376) |
| **Net Cash Inflow/(Outflow) from Operating Activities** | | **(1,159,817)** | (1,128,814) |
| **Cash Flows from Investing Activities** | | | |
| (Payments) for property, plant and equipment | 9 | (124) | (581) |
| (Payments) for intangible assets | 10 | (90) | (112) |
| **Net Cash Inflow/(Outflow) from Investing Activities** | | **(214)** | (693) |
| **Net Cash Inflow/(Outflow) before Financing** | | **(1,160,031)** | (1,129,507) |
| **Cash Flows from Financing Activities** | | | |
| Net funding received | | 1,160,029 | 1,129,508 |
| **Net Cash Inflow/(Outflow) from Financing Activities** | | **1,160,029** | 1,129,508 |
| **Net Increase/(Decrease) in Cash & Cash Equivalents** | 13 | **(1)** | 1 |
| **Cash & Cash Equivalents at the Beginning of the Financial Year** | | 17 | 16 |
| **Cash & Cash Equivalents (including bank overdrafts) at the End of the Financial Year** | 13 | **17** | 17 |

The Statement of Cash Flows provides information on CCG liquidity, viability and financial adaptability.

## NOTES TO THE ACCOUNTS

The notes to the accounts provide additional details on the entries on the primary statements as well as additional disclosures, such as the accounting policies that the organisation follows when preparing its accounts.

# 1. ACCOUNTING POLICIES

NHS England has directed that the financial statements of Clinical Commissioning Groups shall meet the accounting requirements of the Group Accounting Manual issued by the Department of Health. Consequently, the financial statements have been prepared in accordance with the Group Accounting Manual 2017-18 issued by the Department of Health. The accounting policies contained in the Group Accounting Manual follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to Clinical Commissioning Groups, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the Group Accounting Manual permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Clinical Commissioning Group for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Clinical Commissioning Group are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

## 1.1 Going Concern

These accounts have been prepared on the going concern basis.
Public sector bodies are assumed to be going concerns where the continuation of the provision of a service in the future is anticipated, as evidenced by inclusion of financial provision for that service in published documents.
Where a Clinical Commissioning Group ceases to exist, it considers whether or not its services will continue to be provided (using the same assets, by another public sector entity) in determining whether to use the concept of going concern for the final set of Financial Statements. If services will continue to be provided the financial statements are prepared on the going concern basis.

## 1.2 Accounting Convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets, inventories and certain financial assets and financial liabilities.

## 1.3 Pooled Budgets

Where the Clinical Commissioning Group has entered into a pooled budget arrangement under Section 75 of the National Health Service Act 2006 the Clinical Commissioning Group accounts for its share of the assets, liabilities, income and expenditure arising from the activities of the pooled budget, identified in accordance with the pooled budget agreement.
If the Clinical Commissioning Group is in a "jointly controlled operation", the Clinical Commissioning Group recognises:

- The assets the Clinical Commissioning Group controls;
- The liabilities the Clinical Commissioning Group incurs;
- The expenses the Clinical Commissioning Group incurs; and,
- The Clinical Commissioning Group's share of the income from the pooled budget activities.

If the Clinical Commissioning Group is involved in a "jointly controlled assets" arrangement, in addition to the above, the Clinical Commissioning Group recognises:

- The Clinical Commissioning Group's share of the jointly controlled assets (classified according to the nature of the assets);
- The Clinical Commissioning Group's share of any liabilities incurred jointly; and,
- The Clinical Commissioning Group's share of the expenses jointly incurred.

1.3.1 Following a review of the 11 schemes within the Better Care Fund, it has been determined that the Clinical Commissioning Group is not in any jointly controlled operations or jointly controlled asset arrangements. All Better Care Fund payments treated as expenditure and receipts treated as income. There is, though, a risk share agreement for the Pan Dorset Community Equipment scheme, requiring a pooled budget arrangement.

## 1.4 Critical Accounting Judgements & Key Sources of Estimation Uncertainty

In the application of the Clinical Commissioning Group's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates and the estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

1.4.1 Critical Judgements in Applying Accounting Policies

No critical judgements with a significant effect on the amounts recognised on the financial statements were required.

1.4.2 Key Sources of Estimation Uncertainty

Key estimations that management has made in the process of applying the Clinical Commissioning Group's accounting policies are detailed within the relevant disclosure notes to these financial statements, most notably the Provisions Note.

## 1.5 Revenue

Revenue in respect of services provided is recognised when, and to the extent that, performance occurs, and is measured at the fair value of the consideration receivable.
Where income is received for a specific activity that is to be delivered in the following year, that income is deferred.

## 1.6 Employee Benefits

1.6.1 Short-term Employee Benefits

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees, including bonuses earned but not yet taken.

The cost of leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period.

The Clinical Commissioning Group allows a maximum of five days to be carried forward, but only in exceptional circumstances.

1.6.2 Retirement Benefit Costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the Clinical Commissioning Group of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to expenditure at the time the Clinical Commissioning Group commits itself to the retirement, regardless of the method of payment.

**1.7 Other Expenses**

Other operating expenses are recognised when, and to the extent that, the goods or services have been received. They are measured at the fair value of the consideration payable.

Expenses and liabilities in respect of grants are recognised when the Clinical Commissioning Group has a present legal or constructive obligation, which occurs when all of the conditions attached to the payment have been met.

**1.8 Property, Plant & Equipment**

1.8.1 Recognition

Property, plant and equipment is capitalised if:

- It is held for use in delivering services or for administrative purposes;
- It is probable that future economic benefits will flow to, or service potential will be supplied to the Clinical Commissioning Group;
- It is expected to be used for more than one financial year;
- The cost of the item can be measured reliably; and,
- The item has a cost of at least £5,000; or,
- Collectively, a number of items have a cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or,
- Items form part of the initial equipping and setting-up cost of a new building, ward or unit, irrespective of their individual or collective cost.

Where a large asset, for example a building, includes a number of components with significantly different asset lives, the components are treated as separate assets and depreciated over their own useful economic lives.

1.8.2 Valuation

All property, plant and equipment are measured initially at cost, representing the cost directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management. All assets are measured subsequently at valuation.

Land and buildings used for the Clinical Commissioning Group's services or for administrative purposes are stated in the statement of financial position at their re-valued amounts, being the fair value at the date of revaluation less any impairment.

Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. Fair values are determined as follows:

- Land and non-specialised buildings – market value for existing use; and,
- Specialised buildings – depreciated replacement cost.

HM Treasury has adopted a standard approach to depreciated replacement cost valuations based on modern equivalent assets and, where it would meet the location requirements of the service being provided, an alternative site can be valued.

Properties in the course of construction for service or administration purposes are carried at cost, less any impairment loss. Cost includes professional fees but not borrowing costs, which are recognised as expenses immediately, as allowed by IAS 23 for assets held at fair value. Assets are revalued and depreciation commences when they are brought into use.

Fixtures and equipment are carried at depreciated historic cost as this is not considered to be materially different from current value in existing use.

An increase arising on revaluation is taken to the revaluation reserve except when it reverses an impairment for the same asset previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there. A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefit are taken to expenditure. Gains and losses recognised in the revaluation reserve are reported as other comprehensive income in the Statement of Comprehensive Net Expenditure.

1.8.3 Subsequent Expenditure

Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is capitalised. Where subsequent expenditure restores the asset to its original specification, the expenditure is capitalised and any existing carrying value of the item replaced is written-out and charged to operating expenses.

**1.9 Intangible Assets**

1.9.1 Recognition

Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of the Clinical Commissioning Group's business or which arise from contractual or other legal rights. They are recognised only:

- When it is probable that future economic benefits will flow to, or service potential be provided to, the Clinical Commissioning Group;
- Where the cost of the asset can be measured reliably; and,
- Where the cost is at least £5,000.

• Collectively, a number of items have a cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control.

Intangible assets acquired separately are initially recognised at fair value. Software that is integral to the operating of hardware, for example an operating system, is capitalised as part of the relevant item of property, plant and equipment. Software that is not integral to the operation of hardware, for example application software, is capitalised as an intangible asset. Expenditure on research is not capitalised but is recognised as an operating expense in the period in which it is incurred. Internally-generated assets are recognised if, and only if, all of the following have been demonstrated:

•The technical feasibility of completing the intangible asset so that it will be available for use;
•The intention to complete the intangible asset and use it;
•The ability to sell or use the intangible asset;
•How the intangible asset will generate probable future economic benefits or service potential;
•The availability of adequate technical, financial and other resources to complete the intangible asset and sell or use it; and,
•The ability to measure reliably the expenditure attributable to the intangible asset during its development.

1.9.2 Measurement

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the criteria above are initially met. Where no internally-generated intangible asset can be recognised, the expenditure is recognised in the period in which it is incurred.

Following initial recognition, intangible assets are carried at current value in existing use by reference to an active market, or, where no active market exists, at the lower of depreciated replacement cost or the value in use where the asset is income generating. Internally-developed software is held at historic cost to reflect the opposing effects of increases in development costs and technological advances.

**1.10 Depreciation, Amortisation & Impairments**

Freehold land, properties under construction, and assets held for sale are not depreciated.

Otherwise, depreciation and amortisation are charged to write off the costs or valuation of property, plant and equipment and intangible non-current assets, less any residual value, over their estimated useful lives, in a manner that reflects the consumption of economic benefits or service potential of the assets. The estimated useful life of an asset is the period over which the Clinical Commissioning Group expects to obtain economic benefits or service potential from the asset. This is specific to the Clinical Commissioning Group and may be shorter than the physical life of the asset itself. Estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis. Assets held under finance leases are depreciated over their estimated useful lives.

At each reporting period end, the Clinical Commissioning Group checks whether there is any indication that any of its tangible or intangible non-current assets have suffered an impairment loss. If there is indication of an impairment loss, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount. Intangible assets not yet available for use are tested for impairment annually.

A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefit are taken to expenditure. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but capped at the amount that would have been determined had there been no initial impairment loss. The reversal of the impairment loss is credited to expenditure to the extent of the decrease previously charged there and thereafter to the revaluation reserve.

**1.11 Government Grants**

The value of assets received by means of a government grant are credited directly to income. Deferred income is recognised only where conditions attached to the grant preclude immediate recognition of the gain.

**1.12 Leases**

Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases.

1.12.1 The Clinical Commissioning Group as Lessee

Property, plant and equipment held under finance leases are initially recognised, at the inception of the lease, at fair value or, if lower, at the present value of the minimum lease payments, with a matching liability for the lease obligation to the lessor. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate on interest on the remaining balance of the liability. Finance charges are recognised in calculating the Clinical Commissioning Group's surplus/deficit.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised initially as a liability and subsequently as a reduction of rentals on a straight-line basis over the lease term.

Contingent rentals are recognised as an expense in the period in which they are incurred.

Where a lease is for land and buildings, the land and building components are separated and individually assessed as to whether they are operating or finance leases.

1.12.2 The Clinical Commissioning Group as Lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Clinical Commissioning Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Clinical Commissioning Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

**1.13 Inventories**

Inventories are valued at the lower of cost and net realisable value.

**1.14 Cash & Cash Equivalents**

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and that form an integral part of the Clinical Commissioning Group's cash management.

**1.15 Provisions**

Provisions are recognised when the Clinical Commissioning Group has a present legal or constructive obligation as a result of a past event, it is probable that the Clinical Commissioning Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury's discount rate as follows:

• Timing of cash flows (0 to 5 years inclusive): Minus 2.420% (previously: minus 2.70%)
• Timing of cash flows (6 to 10 years inclusive): Minus 1.85% (previously: minus 1.95%)
• Timing of cash flows (over 10 years): Minus 1.56% (previously: minus 0.80%)

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursements will be received and the amount of the receivable can be measured reliably.

A restructuring provision is recognised when the Clinical Commissioning Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with on-going activities of the entity.

**1.16 Clinical Negligence Costs**

The NHS Litigation Authority operates a risk pooling scheme under which the Clinical Commissioning Group pays an annual contribution to the NHS Litigation Authority which in return settles all clinical negligence claims. The contribution is charged to expenditure. Although the NHS Litigation Authority is administratively responsible for all clinical negligence cases the legal liability remains with the Clinical Commissioning Group.

**1.17 Non-clinical Risk Pooling**

The Clinical Commissioning Group participates in the Property Expenses Scheme and the Liabilities to Third Parties Scheme. Both are risk pooling schemes under which the Clinical Commissioning Group pays an annual contribution to the NHS Litigation Authority and, in return, receives assistance with the costs of claims arising. The annual membership contributions, and any excesses payable in respect of particular claims are charged to operating expenses as and when they become due.

**1.18 Continuing Healthcare Risk Pooling**

In 2014-15 a risk pool scheme was introduced by NHS England for continuing healthcare claims, for claim periods prior to 31 March 2013. Under the scheme Clinical Commissioning Groups contribute annually to a pooled fund, which is used to settle the claims.

**1.19 Contingencies**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Clinical Commissioning Group, or a present obligation that is not recognised because it is not probable that a payment will be required to settle the obligation or the amount of the obligation cannot be measured sufficiently reliably. A contingent liability is disclosed unless the possibility of a payment is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Clinical Commissioning Group. A contingent asset is disclosed where an inflow of economic benefits is probable.

Where the time value of money is material, contingencies are disclosed at their present value.

**1.20 Financial Assets**

Financial assets are recognised when the Clinical Commissioning Group becomes party to the financial instrument contract or, in the case of trade receivables, when the goods or services have been delivered. Financial assets are derecognised when the contractual rights have expired or the asset has been transferred.

Financial assets are classified into the following categories:

• Financial assets at fair value through profit and loss;
• Held to maturity investments;
• Available for sale financial assets; and,
• Loans and receivables.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

1.20.1 Financial Assets at Fair Value Through Profit and Loss

The Clinical Commissioning Group holds no Financial Assets with embedded derivatives.

1.20.2 Held to Maturity Assets

The Clinical Commissioning Group holds no Held to Maturity Assets.

1.20.3 Available for Sale Financial Assets

The Clinical Commissioning Group holds no Available for Sale Financial Assets.

1.20.4 Loans & Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. After initial recognition, they are measured at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

Fair value is determined by reference to quoted market prices where possible, otherwise by valuation techniques.

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to the initial fair value of the financial asset.

At the end of the reporting period, the Clinical Commissioning Group assesses whether any financial assets, other than those held at 'fair value through profit and loss' are impaired. Financial assets are impaired and impairment losses recognised if there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cash flows of the asset.

For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. The loss is recognised in expenditure and the carrying amount of the asset is reduced through a provision for impairment of receivables.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through expenditure to the extent that the carrying amount of the receivable at the date of the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

The Clinical Commissioning Group holds no Loans, only Receivables.

**1.21 Financial Liabilities**

Financial liabilities are recognised on the statement of financial position when the Clinical Commissioning Group becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are derecognised when the liability has been discharged, that is, the liability has been paid or has expired.

Loans from the Department of Health are recognised at historical cost. Otherwise, financial liabilities are initially recognised at fair value.

1.21.1 Financial Guarantee Contract Liabilities

Financial guarantee contract liabilities are subsequently measured at the higher of:

• The premium received (or imputed) for entering into the guarantee less cumulative amortisation; and,

• The amount of the obligation under the contract, as determined in accordance with IAS 37: Provisions, Contingent Liabilities and Contingent Assets.

The Clinical Commissioning Group holds no Financial Guarantee Contract Liabilities.

1.21.2 Financial Liabilities at Fair Value Through Profit and Loss

The Clinical Commissioning Group holds no Financial Liabilities with embedded derivatives.

1.21.3 Other Financial Liabilities

After initial recognition, all other financial liabilities are measured at amortised cost using the effective interest method, except for loans from Department of Health, which are carried at historic cost. The effective interest rate is the rate that exactly discounts estimated future cash payments through the life of the asset, to the net carrying amount of the financial liability. Interest is recognised using the effective interest method.

**1.22 Value Added Tax (VAT)**

Most of the activities of the Clinical Commissioning Group are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

**1.23 Foreign Currencies**

The Clinical Commissioning Group's functional currency and presentational currency is sterling. Transactions denominated in a foreign currency are translated into sterling at the exchange rate ruling on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the spot exchange rate on 31 March. Resulting exchange gains and losses for either of these are recognised in the Clinical Commissioning Group's surplus/deficit in the period in which they arise.

**1.24 Losses & Special Payments**

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 the Clinical Commissioning Group not been bearing its own risks (with insurance premiums then being included as normal revenue expenditure).

**1.25 Accounting Standards that have been Issued but have not yet been Adopted**

The Government Financial Reporting Manual does not require the following Standards and Interpretations to be applied in 2017-18. These standards are still subject to FREM adoption and early adoption is not therefore permitted.

- IFRS 9: Financial Instruments (application from 1 January 2018)
- IFRS 14: Regulatory Deferral Accounts (not applicable to DH groups bodies)
- IFRS 15: Revenue for Contract with Customers (application from 1 January 2018)
- IFRS 16: Leases (application from 1 January 2019)
- IFRS 17: Insurance Contracts (application from 1 January 2021)
- IFRIC 22: Foreign Currency Transactions and Advance Consideration (application from 1 January 2018)
- IFRIC 23: Uncertainty over Income Tax Treatments (application from 1 January 2019)

The application of the Standards as revised would not have a material impact on the accounts for 2017-18, were they applied in that year.

## 2. Other Operating Revenue

| | 2017-18 Total £000 | 2016-17 Total £000 |
|---|---|---|
| Recoveries in respect of employee benefits | **(113)** | (67) |
| Education, training and research | **(26)** | (10) |
| Charitable and other contributions to expenditure: non-NHS | **(9)** | 0 |
| Non-patient care services to other bodies | **(12,608)** | (6,866) |
| Other revenue | **(355)** | (409) |
| **Total** | **(13,111)** | (7,352) |

This note discloses the income that relates directly to the operating activities of the CCG. Admin revenue is revenue received that is not directly attributable to the provision of healthcare or healthcare services. It excludes cash received from NHS England by the CCG, which is credited directly to the General Fund.

## 3. Revenue

| | 2017-18 Total £000 | 2016-17 Total £000 |
|---|---|---|
| From rendering of services | **(13,111)** | (7,352) |
| From sale of goods | **0** | 0 |
| **Total** | **(13,111)** | (7,352) |

Revenue received is totally from the supply of services. The Clinical Commissioning Group receives no revenue from the sale of goods.

## 4. Employee Benefits

Please refer to the Annual Report for details of Employee Benefits and Staff Numbers.

### 4.1 Pension Costs

Past and present employees are covered by the provisions of the two NHS Pensions Schemes. Details of the benefits payable and rules of the Schemes can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions.

Both are unfunded defined benefit schemes that cover NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State in England and Wales. They are not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities.

Therefore, each scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in each scheme is taken as equal to the contributions payable to that scheme for the accounting period.

In order that the defined benefit obligations recognised in the financial statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation, the FReM requires that "the period between formal valuations shall be four years, with approximate assessments in intervening years". An outline of these follows:

#### 4.1.1 Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and is accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2018, is based on valuation data as 31 March 2017, updated to 31 March 2018 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

The latest assessment of the liabilities of the scheme is contained in the report of the scheme actuary, which forms part of the annual NHS Pension Scheme Accounts. These accounts can be viewed on the NHS Pensions website and are published annually. Copies can also be obtained from The Stationery Office.

#### 4.1.2 Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the schemes (taking into account recent demographic experience), and to recommend contribution rates payable by employees and employers.

The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2012. The Scheme Regulations allow for the level of contribution rates to be changed by the Secretary of State for Health, with the consent of HM Treasury, and consideration of the advice of the Scheme Actuary and employee and employer representatives as deemed appropriate.

The next actuarial valuation is to be carried out as at 31 March 2016 and is currently being prepared. The direction assumptions are published by HM Treasury which are used to complete the valuation calculations, from which the final valuation report can be signed off by the scheme actuary. This will set the employer contribution rate payable from April 2019 and will consider the cost of the Scheme relative to the employer cost cap. There are provisions in the Public Service Pension Act 2013 to adjust member benefits or contribution rates if the cost of the Scheme changes by more than 2% of pay. Subject to this 'employer cost cap' assessment, any required revisions to member benefits or contribution rates will be determined by the Secretary of State for Health after consultation with the relevant stakeholders.

| | 2017-18 £000 | 2016-17 £000 |
|---|---|---|
| Employers' contributions were payable to the NHS Pensions Scheme | **1,513** | 1,409 |
| | % | % |
| Payable to the NHS Pension Scheme of pensionable pay, at the rate of | **14.38** | 14.30 |

The scheme's actuary reviews employer contributions, usually every four years and now based on HMT Valuation Directions, following a full scheme valuation. The latest review used data from 31 March 2012 and was published on the Government website on 9 June 2012. These costs are included in the NHS pension line of Table 25 in Annual Report.

## 5. Operating Expenses

| | 2017-18 | 2016-17 |
|---|---|---|
| | **Total** | Total |
| | **£000** | £000 |
| **Gross Employee Benefits** | | |
| Employee benefits excluding governing body members | **15,397** | 15,200 |
| Executive governing body members | **349** | 316 |
| **Total gross employee benefits** | **15,746** | 15,516 |
| **Other Costs** | | |
| Services from other CCGs and NHS England | **445** | 698 |
| Services from foundation trusts | **751,560** | 732,308 |
| Services from other NHS trusts | **3,992** | 4,133 |
| Services from other WGA bodies | **74** | 42 |
| Purchase of healthcare from non-NHS bodies | **148,979** | 140,948 |
| Purchase of social care | **4,101** | 4,709 |
| Chair and lay membership body and governing body members | **689** | 662 |
| Supplies and services – clinical | **64** | 56 |
| Supplies and services – general | **349** | 431 |
| Consultancy services | **0** | 97 |
| Establishment | **3,256** | 3,049 |
| Transport | **83** | 73 |
| Premises | **1,215** | 962 |
| Impairments and reversals of receivables | **0** | 0 |
| Inventories written down and consumed | **1,242** | 1,106 |
| Depreciation | **462** | 404 |
| Amortisation | **37** | 0 |
| Audit fees | **64** | 90 |
| Other non statutory audit expenditure | | |
| • Internal audit services | **0** | 0 |
| • Other services | **0** | 0 |
| Prescribing costs | **126,103** | 124,608 |
| Pharmaceutical services | **0** | (1) |
| General ophthalmic services | **254** | 263 |
| GPMS/APMS and PCTMS | **109,513** | 107,248 |
| Other professional fees (excluding statutory audit) | **78** | 83 |
| Legal fees | **166** | 237 |
| Grants to other bodies | **765** | 351 |
| Clinical negligence | **14** | 17 |
| Research and development (excluding staff costs) | **20** | 0 |
| Education and training | **458** | 270 |
| Change in discount rate | **(102)** | (129) |
| Provisions | **2,120** | (376) |
| CHC risk pool contributions | **0** | 1,861 |
| Other expenditure | **18** | 3 |
| **Total Other Costs** | **1,156,019** | 1,124,203 |
| **Total Operating Expenses** | **1,171,765** | 1,139,719 |

**CHC risk pool contributions** – shows the contribution the Clinical Commissioning Group is required to make to NHS England for retrospective CHC claims relating to pre-1st April 2013 (from the previous Primary Care Trusts). The nationally required pool is managed centrally and contributions are determined annually, based on expectations of when claims will be agreed and settled. In 2017-18 there were no contributions taken from Clinical Commissioning Groups.

**GPMS/APMS and PCTMS** - shows costs related primary care services.

**Inventories written down and consumed** - shows the cost of stock utilised by the Pooled Budget for ICES, Note 11 refers.

**Internal Audit** - As Internal Audit is carried out by a different organisation to our Statutory Audit, the Department of Health guidance is to show Internal Audit costs in 'Other professional fees'.

**External Audit** - The figures in the 'Audit fees' line above include VAT. The net figures are £53,500 for 2017-18 and £75,000 for 2016-17. The Audit liability for Grant Thornton is restricted to £2,000,000.

**Expenditure category changes in 2017-18**

**Purchase of social care** - is a new reporting line for 2017-18. 2016-17 figure was £4,709k and was reported in the 'Purchase of healthcare from non-NHS bodies' line.

**Legal fees** - is a new reporting line for 2017-18. 2016-17 figure was £237k and was reported in the 'Other professional fees' line.

## 6. Better Payment Practice Code

6.1 Measure of Compliance

| | 2017-18 | | 2016-17 | |
|---|---|---|---|---|
| | **Number** | **£000** | Number | £000 |
| **Non-NHS Payables** | | | | |
| Total Non-NHS trade invoices paid in the year | 28,232 | 280,810 | 30,114 | 269,897 |
| Total Non-NHS trade invoices paid within target | 27,698 | 278,166 | 29,513 | 265,001 |
| Percentage of Non-NHS trade invoices paid within target | **98.11%** | **99.06%** | 98.00% | 98.19% |
| **NHS Payables** | | | | |
| Total NHS trade invoices paid in the year | 3,982 | 757,003 | 4,181 | 741,757 |
| Total NHS trade invoices paid within target | 3,935 | 757,063 | 4,129 | 739,856 |
| Percentage of NHS trade invoices paid within target | **98.82%** | **100.01%** | 98.76% | 99.74% |

Where the percentage of invoices paid within target is greater than 100%, this is due to the effect of credit notes.

This note shows the Clinical Commissioning Group's performance against its administrative duty to pay all creditors within 30 calendar days of receipt of goods or valid invoice, whichever is later, unless other payment terms have been agreed. There is a performance target of 95% for each measure.

## 7. Finance Costs

| | **2017-18** | 2016-17 |
|---|---|---|
| | **£000** | £000 |
| Provisions - unwinding of discount | (179) | 102 |
| **Total Finance Costs** | **(179)** | 102 |

This note identifies the Clinical Commissioning Group's interest costs, including the unwinding of discounts on provisions, and corresponds with the amount shown on the Statement of Comprehensive Net Expenditure.

## 8. Operating Leases

The Clinical Commissioning Group currently is lessee in respect of property leases and equipment rental. The most significant rents are for Trust Headquarters and related buildings across the county. The Clinical Commissioning Group does not have any contractual option to buy these properties.

8.1 As Lessee

| | | | 2017-18 | | | 2016-17 |
|---|---|---|---|---|---|---|
| | **Buildings** | **Other** | **Total** | Buildings | Other | Total |
| | **£000** | **£000** | **£000** | £000 | £000 | £000 |
| **Payments recognised as an Expense** | | | | | | |
| Minimum lease payments | 957 | 0 | **957** | 627 | (2) | 625 |
| Contingent rents | 0 | 0 | **0** | 0 | 0 | 0 |
| Sub-lease payments | 0 | 0 | **0** | 0 | 0 | 0 |
| **Total** | **957** | **0** | **957** | 627 | (2) | 625 |
| **Payable**: | | | | | | |
| No later than one year | 956 | 1 | **957** | 871 | (2) | 869 |
| Between one and five years | 1,098 | 0 | **1,098** | 1,278 | 0 | 1,278 |
| After five years | 0 | 0 | **0** | 0 | 0 | 0 |
| **Total** | **2,054** | **1** | **2,055** | 2,149 | (2) | 2,147 |

Our arrangements with NHS Property Services Ltd fall within the definition of operating leases. The rental charge for future years has been agreed and are reflected in the Buildings figures above. The future years payments are calculated up to the next break point in the lease.

Other Lease costs are for the rental of combined photocopier/scanners and lease cars.

This note identifies the amount included in operating expenses in respect of operating lease agreements. It also highlights the amounts the Clinical Commissioning Group is liable for under non-cancellable leases over the next five years.

All operating leases relating to items with a purchase cost above the capitalisation limit are regarded as non-cancellable.

8.2 As Lessor

The Clinical Commissioning Group does not act as a lessor.

This note identifies the amount included in operating expenses in respect of operating lease agreements. It also highlights the amounts the Clinical Commissioning Group expects to receive under non-cancellable leases over the next five years.

All operating leases relating to items with a purchase cost above the capitalisation limit are regarded as non-cancellable.

## 9. Property, Plant and Equipment

| 2017-18 | Plant & Machinery £000 | Information Technology £000 | Furniture & Fittings £000 | Total £000 |
|---|---|---|---|---|
| **Cost or Valuation at 1 April 2017** | 150 | 1,432 | 203 | **1,785** |
| Additions Purchased | 0 | 407 | 0 | **407** |
| **Cost or Valuation at 31 March 2018** | **150** | **1,839** | **203** | **2,192** |
| **Depreciation at 1 April 2017** | 100 | 548 | 184 | **833** |
| Charged During the Year | 50 | 394 | 18 | **462** |
| **Depreciation at 31 March 2018** | **150** | **942** | **203** | **1,295** |
| **Net Book Value at 31 March 2018** | **0** | **897** | **0** | **897** |
| Purchased | 0 | 897 | 0 | **897** |
| **Total at 31 March 2018** | **0** | **897** | **0** | **897** |
| **Asset financing:** | | | | |
| Owned | 0 | 897 | 0 | **897** |
| **Total at 31 March 2018** | **0** | **897** | **0** | **897** |

Property, plant and equipment is a sub-classification of the total non-current assets recorded on the Statement of Financial Position, and are, land, buildings, plant and machinery, information technology and furniture and fittings.

9.1 Economic Lives

| | Minimum Life (Years) | Maximum Life (Years) |
|---|---|---|
| Plant & Machinery | 3 | 3 |
| Information Technology | 0 | 0 |
| Furniture and Fittings | 0 | 0 |

This note records the range of remaining useful economic lives of property, plant and equipment employed by the Clinical Commissioning Group.

## 10. Intangible non-current assets

| 2017-18 | Computer Software: Purchased £'000 | Total £'000 |
|---|---|---|
| **Cost or valuation at 1 April 2017** | 112 | 112 |
| Additions purchased | 90 | 90 |
| **Cost / Valuation At 31 March 2018** | **202** | **202** |
| **Amortisation 1 April 2017** | 0 | 0 |
| Charged during the year | 37 | 37 |
| **Amortisation At 31 March 2018** | **37** | **37** |
| **Net Book Value at 31 March 2018** | **165** | **165** |
| Purchased | 165 | 165 |
| **Total at 31 March 2018** | **165** | **165** |

10.1 Economic lives

| | Minimum Life (years) | Maximum Life (Years) |
|---|---|---|
| Computer software: purchased | 3 | 3 |

Intangible non-current assets are defined as brand value or some other right, which although invisible is likely to derive financial benefit for its owner in the future, and for which you might be willing to pay.

## 11. Inventories

| | Other | Total |
|---|---|---|
| | **£000** | **£000** |
| Balance at 1 April 2017 | 1,259 | **1,259** |
| Additions | 1,455 | **1,455** |
| Inventories recognised as an expense in the period | (1,242) | **(1,242)** |
| **Balance at 31 March 2018** | **1,472** | **1,472** |

| | Other | Total |
|---|---|---|
| | £000 | £000 |
| Balance at 1 April 2016 | 1,106 | 1,106 |
| Additions | 3,183 | 3,183 |
| Inventories recognised as an expense in the period | (3,030) | (3,030) |
| Balance at 31 March 2017 | 1,259 | 1,259 |

The Inventories held by the Clinical Commissioning Group relate to the proportion of the items held on its behalf by one Pooled Budget.

The total value of inventories corresponds with the amount shown on the face of the Statement of Financial Position. Finished processed goods is the value of stocks after completion of manufacture or processing and where the goods concerned are to be sold or consumed in a future accounting period. This note does not include the provision of health care services under partially completed contracts; or assets in the course of construction.

## 12. Trade and Other Receivables

| | **Current** | | **Non-current** | |
|---|---|---|---|---|
| | **31 March 2018** | 31 March 2017 | **31 March 2018** | 31 March 2017 |
| | **£000** | £000 | **£000** | £000 |
| NHS receivables: Revenue | 4,276 | 4,246 | 0 | 0 |
| NHS prepayments | 2,132 | 2,321 | 0 | 0 |
| NHS accrued income | 2,996 | 2,520 | 0 | 0 |
| Non-NHS and other WGA receivables: Revenue | 469 | 1,619 | 0 | 0 |
| Non-NHS and other WGA prepayments | 497 | 843 | 0 | 0 |
| Non-NHS and other WGA accrued income | 146 | 56 | 0 | 0 |
| VAT | 214 | 228 | 0 | 0 |
| Other receivables | 4 | 0 | 0 | 0 |
| **Total** | **10,734** | 11,833 | **0** | 0 |
| **Total Current and Non-current** | **10,734** | 11,833 | | |
| Included in NHS receivables are pre-paid pension contributions | **0** | 0 | | |

The great majority of trade is with NHS England. As NHS England is funded by Government to buy NHS patient care services, no credit scoring of them is considered necessary. The level of trade with non-NHS organisations is immaterial and is covered by contractual terms, therefore no credit scoring of them is considered necessary.

This note analyses the amounts owing to the Clinical Commissioning Group at the Statement of Financial Position date.

### 12.1 Receivables Past Their Due Date But Not Impaired

| | **31 March 2018** | 31 March 2017 |
|---|---|---|
| | **£000** | £000 |
| By up to three months | 1,853 | 487 |
| By three to six months | 0 | 525 |
| By more than six months | 389 | 228 |
| **Total** | **2,242** | 1,240 |

This note analyses the length of time beyond their due date the amounts owing to the Clinical Commissioning Group at the Statement of Financial Position date have been outstanding.

## 13. Cash and Cash Equivalents

| | **31 March 2018** | 31 March 2017 |
|---|---|---|
| | **£000** | £000 |
| **Opening balance** | 17 | 16 |
| Net change in year | (0) | 1 |
| **Closing balance** | **17** | 17 |
| **Made up of:** | | |
| Cash with Government Banking Service | 0 | 1 |
| Cash in hand | 17 | 16 |
| **Cash and cash equivalents as in statement of financial position** | **17** | 17 |
| Bank overdraft - Government Banking Service | 0 | 0 |
| **Cash and cash equivalents as in statement of cash flows** | **17** | 17 |
| Patients' money held by the Clinical Commissioning Group, not included above | **0** | 0 |

## 14. Trade and Other Payables

| | Current | | Non-current | |
|---|---|---|---|---|
| | **31 March 2018** | 31 March 2017 | **31 March 2018** | 31 March 2017 |
| | **£000** | £000 | **£000** | £000 |
| NHS payables: revenue | (4,482) | (2,486) | 0 | 0 |
| NHS accruals | (2,657) | (5,206) | 0 | 0 |
| Non-NHS and other WGA payables: Revenue | (2,954) | (5,057) | 0 | 0 |
| Non-NHS and other WGA payables: Capital | (283) | 0 | 0 | 0 |
| Non-NHS and other WGA accruals | (33,644) | (33,369) | 0 | 0 |
| Social security costs | (193) | (181) | 0 | 0 |
| Tax | (156) | (142) | 0 | 0 |
| Other payables and accruals | (6,631) | (8,385) | 0 | 0 |
| **Total** | **(50,999)** | (54,826) | **0** | 0 |
| **Total Current and Non-current** | **(50,999)** | (54,826) | | |

| | **31 March 2018** | 31 March 2017 |
|---|---|---|
| | **£000** | £000 |
| Included above are liabilities, due in future years under arrangements to buy out the liability for early retirement over 5 years. | **0** | 0 |
| Other payables include outstanding pension contributions. The increase in outstanding pension contributions is due to the Clinical Commissioning Group taking on the devolved primary care co-commissioning role from NHS England. | **1,202** | 1,048 |
| Other payables also includes accruals for invoices registered on the finance ledger, but not approved. | **85** | 125 |
| Other payables also includes primary care accruals, which is due to the Clinical Commissioning Group taking on the devolved primary care co-commissioning role from NHS England. | **5,344** | 7156 |

This note analyses the amounts owed by the Clinical Commissioning Group at the Statement of Financial Position date.

## 15. Provisions

| | **Current** | **Non Current** | Current | Non-current |
|---|---|---|---|---|
| | **31 March 2018** | **31 March 2018** | 31 March 2017 | 31 March 2017 |
| | **£000** | **£000** | £000 | £000 |
| Continuing care | (3,749) | (235) | (2,198) | (355) |
| Other | 0 | (345) | 0 | (393) |
| **Total** | **(3,749)** | **(580)** | (2,198) | (748) |
| **Total Current and Non-current** | **(4,329)** | | (2,946) | |

Comprising:

| | **Continuing Care** | **Other** | **Total** |
|---|---|---|---|
| | **£000** | **£000** | **£000** |
| Balance at 1 April 2017 | (2,553) | (393) | **(2,946)** |
| Arising during the year | (4,188) | 0 | **(4,188)** |
| Utilised during the year | 455 | 0 | **455** |
| Reversed unused | 2,069 | 0 | **2,069** |
| Unwinding of discount | 161 | 18 | **179** |
| Change in discount rate | 71 | 31 | **102** |
| **Balance at 31 March 2018** | **(3,984)** | **(345)** | **(4,329)** |
| **Expected Timing of Cash Flows:** | | | |
| No Later than One Year | (3,748) | 0 | **(3,748)** |
| Later than One Year and not later than Five Years | (236) | (345) | **(581)** |
| **Balance at 31 March 2018** | **(3,984)** | **(345)** | **(4,329)** |

**Amount Included in the Provisions of the NHS Litigation Authority in Respect of Clinical Negligence Liabilities:**

| | **£000** |
|---|---|
| **As at 31 March 2018** | 0 |
| As at 31 March 2017 | 0 |

Finance costs on the Statement of Cash Flows refers to the change in discount rate, shown above.

The balance of the Continuing Care provision is reversed out of the Ledger in March and shows here as 'Reversed unused' and then the new provision is created and this is shown as 'Arising during the year'. This approach is taken because the provision is calculated case by case during March.

**15. Provisions continued**
**Critical accounting judgements and key sources of estimation uncertainty:**

The provisions shown under the heading 'Other' relate to dilapidation costs associated with leases for Vespasian House, and the future costs are uncertain.

A provision has been made against applications for continuing healthcare support where a panel has not yet met to determine whether the application is approved. The provision is calculated on a named basis for the period that continuing healthcare may be eligible, at the probability rate of the application being awarded.

Under the Accounts Direction issued by NHS England on 12 February 2014, NHS England is responsible for accounting for liabilities relating to NHS Continuing Healthcare claims relating to periods of care before establishment of the Clinical Commissioning Group. However, the legal liability remains with the Clinical Commissioning Group.

This note analyses the amounts recorded as provisions by the Clinical Commissioning Group at the Statement of Financial Position date.

## 16. Contingencies

| | **31 March 2018** | 31 March 2017 |
|---|---|---|
| | **£000** | £000 |
| **Contingent liabilities** | | |
| Continuing care | 8,811 | 4,722 |
| **Net Value of Contingent Liabilities** | **8,811** | 4,722 |

**There are no contingent Assets**

The contingent liability above relates to continuing care claims, and is directly linked with the continuing care provision included in the Provisions Note. An estimation has been made of the value based upon the amounts claimed. The uncertainties relate to the eligibility of the claims. Whilst possible, it has been deemed unlikely that these amounts will be reimbursed. It is not practicable to provide an estimate of the financial effect.

The purpose of this note is to disclose material contingent liabilities or assets, if there is more than a remote possibility that there will be a transfer of 'economic benefit' as a result of events that existed before the Statement of Financial Position date.

## 17. Commitments

17.1 Other financial commitments

The Clinical Commissioning Group has entered into non-cancellable contracts (which are not leases or PFI contracts or other service concession arrangements), for information management and technology equipment and support. The payments to which the Clinical Commissioning Group are committed are as follows:-

| | **31 March 2018** | 31 March 2017 |
|---|---|---|
| | **£000** | £000 |
| Not later than one year | 245 | 46 |
| Later than one year and not later than five year | 54 | 32 |
| Later than five years | 0 | 0 |
| **Total** | **299** | 78 |

This note discloses undertakings that have been committed at a future date.

## 18. Financial Instruments

18.1 Financial Risk Management

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities.

Because the Clinical Commissioning Group is financed through parliamentary funding, it is not exposed to the degree of financial risk faced by business entities. Also, financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies, to which the financial reporting standards mainly apply. The Clinical Commissioning Group has limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the Clinical Commissioning Group in undertaking its activities.

Treasury management operations are carried out by the finance department, within parameters defined formally within the Clinical Commissioning Group's standing financial instructions and policies agreed by the Governing Body. Treasury activity is subject to review by the Clinical Commissioning Group's internal auditors.

Only where the Clinical Commissioning Group is exposed to material risk should the appropriate IFRS 7 disclosures be made. The headings in IFRS 7 should be used to the extent that they are relevant.

18.1.1 Currency Risk
The Clinical Commissioning Group is principally a domestic organisation with the great majority of transactions, assets and liabilities being in the UK and sterling based. The Clinical Commissioning Group has no overseas operations. The Clinical Commissioning Group therefore has low exposure to currency rate fluctuations.

18.1.2 Interest Rate Risk
The Clinical Commissioning Group borrows from government for capital expenditure, subject to affordability as confirmed by NHS England. The borrowings are for 1 to 25 years, in line with the life of the associated assets, and interest is charged at the National Loans Fund rate, fixed for the life of the loan. The Clinical Commissioning Group therefore has low exposure to interest rate fluctuations.

18.1.3 Credit Risk
Because the majority of the Clinical Commissioning Group's revenue comes from parliamentary funding, the Clinical Commissioning Group has low exposure to credit risk. The maximum exposures as at the end of the financial year are in receivables from customers, as disclosed in the trade and other receivables note.

18.1.4 Liquidity Risk
The Clinical Commissioning Group is required to operate within resource allocations agreed with NHS England, which are financed from resources voted annually by Parliament. The Clinical Commissioning Group draws down cash to cover expenditure, from NHS England, as the need arises, unrelated to its performance against resource limits. The Clinical Commissioning Group is not, therefore, exposed to significant liquidity risks.

| 18.2 Financial Assets | **Loans and receivables** | **Total** |
|---|---|---|
| | **£000** | **£000** |
| Receivables - NHS | 7,271 | **7,271** |
| Receivables - non-NHS | 615 | **615** |
| Cash at bank and in hand | 17 | **17** |
| Other financial assets | 4 | **4** |
| **Total at 31 March 2018** | **7,907** | **7,907** |
| | | |
| Receivables - NHS | 6,766 | 6,766 |
| Receivables - non-NHS | 1,675 | 1,675 |
| Cash at bank and in hand | 17 | 17 |
| Total at 31 March 2017 | 8,458 | 8,458 |

| 18.3 Financial Liabilities | **Other** | **Total** |
|---|---|---|
| | **£000** | **£000** |
| NHS payables | (7,139) | **(7,139)** |
| Non-NHS payables | (43,512) | **(43,512)** |
| **Total at 31 March 2018** | **(50,650)** | **(50,650)** |
| | | |
| NHS payables | (7,692) | (7,692) |
| Non-NHS payables | (46,810) | (46,810) |
| Total at 31 March 2017 | (54,502) | (54,502) |

Due to the short-term nature of these transactions, the fair value of these financial assets and liabilities approximate the carrying amounts at the balance sheet date.

Financial instruments are a broad range of assets and liabilities that arise from contracts and result in a financial asset being created in one entity and a financial liability in another. This note discloses the interest rate risks arising from the Clinical Commissioning Group's financial assets and liabilities, which largely comprise items due after more than one year, such as long-term debtors and creditors, and provisions made under contract.

## 19. Operating Segments

The Clinical Commissioning Group has only one operating segment, that of commissioning healthcare services for the population of Dorset.

An operating segment is a component of an entity:
* that engages in business activities from which it may earn revenues and incur expenses;
* whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
* for which discrete financial information is available.

## 20. Pooled Budget

There are 11 schemes within the pan Dorset Better Care Fund for 2017-18 and these have been reviewed to identify the substance of each scheme for accounting purposes. None of the schemes have been identified as joint arrangements within the IFRS 11 definition.

Within the Better Care Fund, for 2017-18 the Community Equipment scheme is provided as a pan Dorset service, bringing together the previous two arrangements for the Dorset County Council areas and Bournemouth Borough Council/Borough of Poole areas respectively. Bournemouth Borough Council is lead commissioner for the pan Dorset service and there is a risk share agreement covering the contributors to the scheme, requiring a pooled budget arrangement.

**Memorandum Account for the pooled budget is reproduced below.**

| | **2017-18** | 2016-17 |
|---|---|---|
| | **£000** | £000 |
| **Revenue** | | |
| Bournemouth Borough Council | 661 | 684 |
| Borough of Poole | 616 | 637 |
| Dorset County Council | 1,346 | 1,375 |
| Dorset Clinical Commissioning Group | 1,243 | 3,031 |
| Dorset Healthcare University NHS Foundation Trust | 3,200 | 1,600 |
| Royal Bournemouth & Christchurch Hospitals NHS Foundation Trust | 350 | 346 |
| Dorset County Hospital NHS Foundation Trust | 187 | 185 |
| Poole Hospital NHS Foundation Trust | 177 | 175 |
| **Total contributions to revenue** | **7,780** | 8,033 |
| **Expenditure** | | |
| Integrated Community Equipment Service | **7,780** | 8,033 |
| **Under/ (over) spend** | **0** | 0 |

| **Additional information** | **2017-18** | 2016-17 |
|---|---|---|
| | **£000** | £000 |
| Trade Receivables | 0 | (1) |
| Cash | 0 | 0 |
| **Total receivables balance as at 31 March** | 0 | (1) |
| | | |
| Partner contribution | 1,145 | 2,752 |
| Allocation of over/underspend | 66 | 247 |
| Administration contribution | 32 | 32 |
| **Total Clinical Commissioning Group's contribution to income for the pool** | **1,243** | 3,031 |

A pooled budget is the term used to describe a project financed by several mutually interested organisations. By definition, pooled funds are flexible, intended to meet local needs and priorities. A pooled budget, such as the Integrated Community Equipment Service, is not an entity in its own right.

## 21. Related Party Transactions

The Department of Health is regarded as a related party. During the year the Clinical Commissioning Group has had a significant number of material transactions with entities for which the Department is regarded as the parent Department. For example:

- NHS England (including commissioning support units);
- NHS Foundation Trusts;
- NHS Trusts;
- NHS Litigation Authority; and,
- NHS Business Services Authority.

In addition, the Clinical Commissioning Group has had a number of material transactions with other government departments and other central and local government bodies. Most of these transactions have been with Dorset County Council, Bournemouth Borough Council and Borough of Poole Council Local Authorities in respect of Better Care Fund arrangements.

The Clinical Commissioning Group has received revenue grant monies from Macmillian Cancer Support. No capital payments have been recieved from charitable funds.

Dorset Clinical Commissioning Group is a body corporate established by order of the Secretary of State for Health.

| | | Payments to Related Party £000 | Receipts from Related Party £000 | Amounts owed to Related Party £000 | Amounts due from Related Party £000 |
|---|---|---|---|---|---|
| 1 | Dr Forbes Watson - Governing Body, Clinical Commissioning Committee Remuneration Committee, CCG Chair, Clinical Commissioning Committee Chair. Principal GP, Lyme Bay Practice. Contract with VH Doctors Ltd for medical care at Lyme Regis Medical Centre. Contract holder for Lyme Regis Primary Dental Services. Co-opted member of Dorset County Council for Health and Wellbeing Board purposes. Member of Jurassic Coast Healthcare GP federation. Honorary Medical Advisor and Chairman of RNLI Lyme Regis. Spouse is a clinical employee for Dorset Healthcare University NHS Foundation Trust. Transactions disclosed for Lyme Bay Medical Centre. | 3,144.0 | 0.0 | 0.0 | 0.0 |
| 2 | Dr Jenny Bubb - Governing Body, Clinical Commissioning Committee, Locality Chair for Mid Dorset. Partner, Cerne Abbas GP Surgery. Co-opted member of Dorset County Council for Health and Wellbeing Board purposes. Spouse is a partner GP at Puddletown Surgery. Cerne Abbas Surgery is a member of the Mid Dorset Primary Healthcare Federation. Transactions disclosed for Cerne Abbas Surgery. | 7,047.0 | 0.0 | 0.0 | 0.0 |
| 3 | Dr Colin Davidson - Governing Body, Clinical Commissioning Committee, Locality Chair for East Dorset. Senior Partner, The Cranborne Practice. The Cranborne Practice is a shareholder of Castleman Healthcare. Director and majority owner of Dorset Diagnostics Ltd. Spouse is a Director of Dorset Diagnostics Ltd. Spouse is a GP and equity partner at Eagle House Surgery. Transactions disclosed for The Cranborne Practice. | 12,544.0 | 0.0 | 0.0 | 0.0 |
| 4 | Dr Nick Evans - Governing Body, Clinical Commissioning Committee, Locality Chair for Poole Bay. GP Principal at Wessex Road Surgery, Poole. Out of Hours clinical sessions with South Western Ambulance NHS Foundation Trust, approximately three sessions per month. Transactions disclosed for Wessex Road Surgery. | 4,537.0 | 0.0 | 0.0 | 0.0 |
| 5 | Dr Mufeed Ni'man - Governing Body, Clinical Commissioning Committee, Locality Chair for East Bournemouth. GP at Providence Surgery, Crescent Surgery and Boscombe & Springbourne Health Centre Walk in Service. GP with Special Interests: orthopaedic - Dorset Healthcare University NHS Foundation Trust. GP with Special Interests: Diabetes - Poole Hospital NHS Foundation Trust (ceased May-17). GP shared care. Trainer and appraiser for the Deanery. AFC Bournemouth Club Doctor. Teaching at the Chiropractor College occasionally. Medical Director for New Wave Integrated Centre. Both surgeries are members of the Healthstones Federation. Memberships:- Fellow Royal College of General Practitioners. Members of family employed by own organisation. Director of South Coast Medical Group (used to be called Centrepoint) - dormant company. Director of Connection4Health. Director of Ni'Man Healthcare Services Ltd. Partner at Marine & Oakridge Surgeries and Grove Surgery. Member of the Christchurch Federation - Coastal Health GP Services Ltd. Transactions disclosed for Providence Surgery. | 18,617.0 | 0.0 | 0.0 | 0.0 |
| 6 | Dr George Thomson - Governing Body, Clinical Commissioning Committee, Secondary Care Consultant Member. Executive Medical Director of the Trust Board of Northern Devon Healthcare NHS Trust which provides a small number of non contracted services to the population of Dorset on an ad-hoc basis. (Stepped down from the role in May 2017). Transactions disclosed for Northern Devon Healthcare NHS Trust. | 106.0 | 0.0 | 3.0 | 0.0 |
| 7 | Dr Christian Verrinder - Clinical Commissioning Committee, Clinical Delivery Group Lead. GP Partner, Wellbridge Practice, Wool Surgery. GP with Special Interests - MSK at Dorset Healthcare University NHS Foundation Trust. Transactions disclosed for The Wellbridge Practice. | 8,228.0 | 0.0 | 0.0 | 0.0 |
| 8 | Dr Craig Wakeham - Clinical Commissioning Committee, Chief Clinical Information Officer. Senior Partner, Cerne Abbas Surgery (PMS dispensing practice). Dorset LMC representative. Transactions disclosed for Cerne Abbas Surgery. | Amounts for Cerne Abbas Surgery are disclosed at line 2 above | | | |
| | | **54,223.0** | **0.0** | **3.0** | **0.0** |

The Clinical Commissioning Group has detailed in this note all declarations of interest for Governing Body Members, however only related party transactions have been disclosed where they meet the criteria of having (i) have significant influence over the reporting entity or (ii) are a member of the key management personnel.

## 22. Events after the end of the Reporting Period

The Clinical Commissioning Group has no Events after the end of the Reporting Period.

This note discloses the financial consequences of events (both favourable or unfavourable) that occur between the Statement of Financial Position date and the date on which the financial statements are approved by the Board, if appropriate. Two types of events can be identified:
* those that provide evidence of conditions that existed at the end of the reporting period (adjusting events); and
* those that are indicative of conditions that arose after the reporting period (non-adjusting events).

## 23. Financial Performance Targets

Clinical Commissioning Groups have a number of financial duties under the NHS Act 2006 (as amended).
The Clinical Commissioning Group's performance against those duties was as follows:

| National Health Service Act Section | Duty | Target | 2017-18 Performance | Duty Achieved? |
|---|---|---|---|---|
| | | **£'000** | **£'000** | |
| **223H(1)** | **Expenditure not to exceed income** | **1,205,668** | **1,172,083** | **Yes** |
| **223I(2)** | **Capital resource use does not exceed the amount specified in Directions** | **497** | **497** | **Yes** |
| **223I(3)** | **Revenue resource use does not exceed the amount specified in Directions** | **1,192,060** | **1,158,475** | **Yes** |
| **223J(1)** | **Capital resource use on specified matter(s) does not exceed the amount specified in Directions** | **0** | **0** | **Yes** |
| **223J(2)** | **Revenue resource use on specified matter(s) does not exceed the amount specified in Directions** | **0** | **0** | **Yes** |
| **223J(3)** | **Revenue administration resource use does not exceed the amount specified in Directions** | **16,989** | **16,006** | **Yes** |

The Expenditure not to exceed income target was set at £27,211k surplus for 2017-18, but in addition the Clinical Commissioning Group was directed by NHS England to achieve a 0.5% non-recurrent system risk reserve of £5,138k, and a category M prescribing rebate of £1,236k, to be released as additional surplus as at 31 March 2018.

The Revenue administration resource use does not exceed the amount specified in Directions and was underspent by £983k due to planned local savings on Clinical Commissioning Group administrative costs.

| National Health Service Act Section | Duty | Target | 2016-17 Performance | Duty Achieved? |
|---|---|---|---|---|
| | | £'000 | £'000 | |
| 223H(1) | Expenditure not to exceed income | 1,169,179 | 1,140,374 | Yes |
| 223I(2) | Capital resource use does not exceed the amount specified in Directions | 685 | 685 | Yes |
| 223I(3) | Revenue resource use does not exceed the amount specified in Directions | 1,161,142 | 1,132,337 | Yes |
| 223J(1) | Capital resource use on specified matter(s) does not exceed the amount specified in Directions | 0 | 0 | Yes |
| 223J(2) | Revenue resource use on specified matter(s) does not exceed the amount specified in Directions | 0 | 0 | Yes |
| 223J(3) | Revenue administration resource use does not exceed the amount specified in Directions | 16,833 | 16,311 | Yes |

Note: For the purposes of 223H(1); expenditure is defined as the aggregate of gross expenditure on revenue and capital in the financial year; and, income is defined as the aggregate of the notified maximum revenue resource, notified capital resource and all other amounts accounted as received in the financial year (whether under provisions of the Act or from other sources, and included here on a gross basis).

The purpose of this note is to disclose the Financial Performance of the Clinical Commissioning Group. Where a Clinical Commissioning Group breaches, or plans to breach, one of the statutory financial provisions, even if this is agreed with NHS England (e.g. setting a deficit budget) local auditors are under a duty to make a report to the Secretary of State for Health under Section 28 of the Audit Commission Act 1998.

## 24. Other

The Clinical Commissioning Group has considered the following areas and has no details to disclose under these headings:-

- The Late Payment of Commercial Debts (Interest) Act 1998
- Income Generation Activities
- Investment Revenue
- Other Gains and Losses
- Net Gain (Loss) on Transfer by Absorption
- Impairments & Reversals
- Investment Property
- Other Financial Assets
- Other Current Assets
- Non-Current Assets Held for Sale
- Analysis of Impairments and Reversals
- Other Financial liabilities
- Other Liabilities
- Borrowings
- PFI & LIFT Contracts
- NHS LIFT Investments
- Finance Lease Obligations
- Finance lease receivables
- Third Party Assets
- Impact of IFRS Treatment
- Analysis of Charitable Reserve

**GLOSSARY OF FINANCIAL TERMS**

| | |
|---|---|
| **Accruals** | An accounting concept. In addition to payments and receipts of cash, adjustment is made for outstanding payments, debts to be collected and inventory. This means that the accounts show all of the income and expenditure that related to the financial year. |
| **Assets** | An item that has a value in the future. For example, a debtor (someone who owes money) is an asset, as they will in future pay. A building is an asset, because it houses activity that will provide a future income stream. |
| **Assurance** | Process through which accurate and current information is provided to stakeholders about the efficiency and effectiveness of policies and operations, and the status of compliance with statutory obligations. |
| **Audit** | The process of validation of the accuracy, completeness and adequacy of disclosure of financial records. |
| **Capital** | Land, buildings, equipment and other non-current assets owned by the Clinical Commissioning Group, the cost of which exceeds £5,000 and has an expected life of more than one year. |
| **Cash limit** | A limit set by the NHS England which restricts the amount of cash drawings that the Clinical Commissioning Group can make in the financial year. There is a combined cash limit for both revenue and capital. |
| **Co-Commissioning** | Refers to the process whereby the Clinical Commissioning Group can directly commission primary medical services and performance manage practices but not individuals. This role was transferred from NHS England on the 1 April 2016. |
| **Commissioning** | Purchase of healthcare from external service providers (NHS, other public sector, private and voluntary) to meet the needs of the population. |
| **Current Assets** | Trade receivables, inventories, cash or similar, whose value is, or can be converted into, cash within the next twelve months. |
| **Deep dive** | A technique to rapidly immerse a group or team into a situation for problem solving or idea creation. It is often used for brainstorming product or process development. |
| **Governance** | The framework of rules and practices by which a board of directors ensures accountability, fairness, and transparency in relationships with its stakeholders. Corporate governance should underpin all that an organisation does. In the NHS, this means it must encompass clinical, financial and organisational aspects. |
| **Gross Operating Costs** | This is the total revenue expenditure, including accruals and provisions, incurred in the course of performing all aspects of the Clinical Commissioning Group's functions during the year. |
| **Intangible Assets** | Brand value or some other right (for example, a software licence), which although invisible is likely to derive financial benefit for its owner in the future, and for which you might be willing to pay. |
| **Lay Member** | A person who has specialised or professional knowledge of a subject. |
| **Locality** | In general meaning a community in which people live. Specifically to the Clinical Commissioning Group this refers to the 13 different geographical areas in Dorset for which we commission services. |
| **Locality Cluster** | This refers to the 3 clusters made up of the 13 geographical localities in Dorset. |
| **Miscellaneous Revenue** | Income that relates directly to the operating activities of the Clinical Commissioning Group. This excludes cash from NHS England, which is credited to the general fund. |
| **NHS Constitution** | The constitution brings together in one place details of what staff, patients and the public can expect from the NHS. |
| **Non-Current Assets** | Land, buildings, equipment and other long term assets that are expected to have a life of more than one year. |
| **Procurement** | The act of obtaining or buying goods and services. The process includes preparation and processing of a demand as well as the end receipt and approval of payment. |
| **Quality Premium** | Is intended to reward Clinical Commissioning Groups for improvements in the quality of the services that they commission and for associated improvements in health outcomes and reducing inequalities. |
| **Remuneration** | Reward for employment in the form of pay, salary, or wage, including allowances, benefits (such as company car, medical plan, pension plan), bonuses, cash incentives, and monetary value of the noncash incentives. |
| **Resource limit** | Expenditure limits are determined for each NHS organisation by NHS England for both revenue and capital, which limit the amount that may be expended on revenue purchases, as assessed on an accruals basis (that is, after adjusting for receivables and payables). |
| **Transformation** | A process of profound and radical change that orients an organisation in a new direction and takes it to an entirely different level of effectiveness. |
| **Safeguarding** | Protecting from harm or damage with an appropriate measure. |
| **Stakeholders** | A person, group or organisation that has interest or concern in an organisation. |
| **Sustainability** | An approach that creates long-term strategy aimed toward the natural environment and taking into consideration every dimension of how a business operates in the social, cultural, and economic environment. |
| **WGA** | Whole of Government Accounting (WGA) are organisations such as Local Authorities, Scottish and Welsh NHS bodies, NHS Property Services and the NHS Litigation Authority etc. |