

**Statement of Comprehensive Net Expenditure for year ended  
31 March 2019**

	NOTE	<b>2018-19 Total £000</b>	2017-18 Total £000
Revenue from sale of goods and services	2	(10,132)	(13,102)
Other operating revenue	2	<u>(100)</u>	<u>(9)</u>
<b>Total Operating Revenue</b>		<b>(10,232)</b>	<b>(13,111)</b>
Staff costs		16,992	15,746
Purchase of goods and services	5	1,192,445	1,150,753
Depreciation and impairment charges	5	525	500
Provision expense	5	4,035	2,018
Other operating expenditure	5	<u>2,842</u>	<u>2,748</u>
<b>Total Operating Expenditure</b>		<b>1,216,839</b>	<b>1,171,765</b>
<b>Net Operating Expenditure</b>		<b>1,206,607</b>	<b>1,158,654</b>
<b>Financing</b>			
Finance expense	7	<u>109</u>	<u>(179)</u>
<b>Net financing costs for the financial year</b>		<b>109</b>	<b>(179)</b>
<b>Total Comprehensive Net Expenditure for the financial year</b>		<b><u>1,206,716</u></b>	<b><u>1,158,475</u></b>

The notes on pages 5 to 22 form part of this statement.

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

**Statement of Financial Position at  
31 March 2019**

		<b>31 March 2019</b>	31 March 2018
	NOTE	£000	£000
<b>Non-Current Assets</b>			
Property, plant and equipment	9	727	897
Intangible assets	10	<u>370</u>	<u>165</u>
<b>Total Non-Current Assets</b>		<b><u>1,096</u></b>	<b><u>1,062</u></b>
<b>Current Assets</b>			
Inventories	11	1,235	1,472
Trade & other receivables	12	10,513	10,734
Cash & cash equivalents	13	<u>28</u>	<u>17</u>
<b>Total Current Assets</b>		<b><u>11,776</u></b>	<b><u>12,223</u></b>
<b>Total Assets</b>		<b><u>12,872</u></b>	<b><u>13,285</u></b>
<b>Current Liabilities</b>			
Trade & other payables	14	(52,386)	(50,999)
Provisions	15	<u>(4,960)</u>	<u>(3,749)</u>
<b>Total Current Liabilities</b>		<b><u>(57,346)</u></b>	<b><u>(54,748)</u></b>
<b>Total Non Current Assets less Net Current Liabilities</b>		<b><u>(44,474)</u></b>	<b><u>(41,463)</u></b>
<b>Non-Current Liabilities</b>			
Provisions	15	<u>(2,053)</u>	<u>(580)</u>
<b>Total Non-Current Liabilities</b>		<b><u>(2,053)</u></b>	<b><u>(580)</u></b>
<b>Total Assets less Liabilities</b>		<b><u>(46,527)</u></b>	<b><u>(42,044)</u></b>
<b>Financed by Taxpayers' Equity</b>			
General fund		<u>(46,527)</u>	<u>(42,044)</u>
<b>Total Taxpayers' Equity</b>		<b><u>(46,527)</u></b>	<b><u>(42,044)</u></b>

The notes on pages 5 to 22 form part of this statement.

The financial statements on pages 1 to 4 were approved by the Governing Body on xx May 2019 and signed on its behalf by:

**Accountable Officer**

Date xx May 2019

**Statement of Changes In Taxpayers' Equity for the year ended  
31 March 2019**

	General Fund £000	Revaluation Reserve £000	Other Reserves £000	Total £000
<b>Balance at 1 April 2018</b>	<b>(42,044)</b>	<b>0</b>	<b>0</b>	<b>(42,044)</b>
<b>Net operating costs for the financial year</b>	<b>(1,206,716)</b>	<b>0</b>	<b>0</b>	<b>(1,206,716)</b>
	<u><b>(1,248,760)</b></u>	<u><b>0</b></u>	<u><b>0</b></u>	<u><b>(1,248,760)</b></u>
Net funding	1,202,233	0	0	1,202,233
<b>Balance at 31 March 2019</b>	<u><b>(46,527)</b></u>	<u><b>0</b></u>	<u><b>0</b></u>	<u><b>(46,527)</b></u>

	General Fund £000	Revaluation Reserve £000	Other Reserves £000	Total £000
Changes in taxpayers' equity for 2017-18				
Balance at 1 April 2017	(43,598)	0	0	(43,598)
Net operating costs for the financial year	(1,158,475)	0	0	(1,158,475)
	<u>(1,202,073)</u>	<u>0</u>	<u>0</u>	<u>(1,202,073)</u>
Net funding	1,160,029	0	0	1,160,029
Balance at 31 March 2018	<u>(42,044)</u>	<u>0</u>	<u>0</u>	<u>(42,044)</u>

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 2019**

	NOTE	2018-19 £000	2017-18 £000
<b>Cash Flows from Operating Activities</b>			
Net operating expenses for the financial year	2 & 5	(1,206,716)	(1,158,477)
Depreciation and amortisation	5, 9 & 10	525	500
Finance costs	5 & 15	179	(102)
Unwinding of discounts	15	109	(179)
(Increase)/decrease in inventories	11	237	(213)
(Increase)/decrease in trade & other receivables	12	221	1,099
Increase/(decrease) in trade & other payables	14	1,437	(4,110)
Provisions utilised	15	(1,461)	(455)
Increase/(decrease) in provisions	15	3,856	2,120
<b>Net Cash Inflow/(Outflow) from Operating Activities</b>		<b>(1,201,613)</b>	<b>(1,159,817)</b>
<b>Cash Flows from Investing Activities</b>			
(Payments) for property, plant and equipment	9	(338)	(124)
(Payments) for intangible assets	10	(272)	(90)
<b>Net Cash Inflow/(Outflow) from Investing Activities</b>		<b>(610)</b>	<b>(214)</b>
<b>Net Cash Inflow/(Outflow) before Financing</b>		<b>(1,202,223)</b>	<b>(1,160,031)</b>
<b>Cash Flows from Financing Activities</b>			
Net funding received		1,202,233	1,160,029
<b>Net Cash Inflow/(Outflow) from Financing Activities</b>		<b>1,202,233</b>	<b>1,160,029</b>
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>	13	<b>11</b>	<b>(1)</b>
<b>Cash &amp; Cash Equivalents at the Beginning of the Financial Year</b>		<b>17</b>	<b>17</b>
<b>Cash &amp; Cash Equivalents (including bank overdrafts) at the End of the Financial Year</b>	13	<b>28</b>	<b>17</b>

The Statement of Cash Flows provides information on Clinical Commissioning Group 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 2018-19 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 Operating Segments

Income and expenditure are analysed in the Operating Segments note and are reported in line with management information used within the clinical commissioning group.

### 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

The transition to IFRS 15 has been completed in accordance with paragraph C3 (b) of the Standard, applying the Standard retrospectively recognising the cumulative effects at the date of initial application.

In the adoption of IFRS 15 a number of practical expedients offered in the Standard have been employed. These are as follows;

- As per paragraph 121 of the Standard the Clinical Commissioning Group will not disclose information regarding performance obligations part of a contract that has an original expected duration of one year or less,
- The clinical commissioning group is to similarly not disclose information where revenue is recognised in line with the practical expedient offered in paragraph B16 of the Standard where the right to consideration corresponds directly with value of the performance completed to date.
- The HM Treasury published Financial Reporting Manual (FReM) has mandated the exercise of the practical expedient offered in C7(a) of the Standard that requires the clinical commissioning group to reflect the aggregate effect of all contracts modified before the date of initial application.

The main source of revenue is NHS England and other Clinical Commissioning Groups.

Revenue in respect of services provided is recognised when (or as) performance obligations are satisfied by transferring promised services to the customer, and is measured at the amount of the transaction price allocated to that performance obligation.

Where income is received for a specific activity that is to be delivered in the following year, that income is deferred.

Payment terms are standard reflecting cross government principles. Significant terms include payment within 30 days, more details can be found in Note 6 - Better Payment Practice Code, to the Accounts.

The value of the benefit received when the Clinical Commissioning Group accesses funds from the Government's apprenticeship service are recognised as income in accordance with IAS 20, Accounting for Government Grants. Where these funds are paid directly to an accredited training provider, non-cash income and a corresponding non-cash training expense are recognised, both equal to the cost of the training funded.

### 1.6 Employee Benefits

#### 1.6.1 Short-term Employee Benefits

Salaries, wages and employment-related payments, including payments arising from the apprenticeship levy, 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 Schemes. The schemes 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 schemes 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, the schemes are accounted for as if it were a defined contribution scheme: the cost to the Clinical Commissioning Group of participating in the schemes 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.

#### 1.8 Grants Payable

Where grant funding is not intended to be directly related to activity undertaken by a grant recipient in a specific period, the Clinical Commissioning Group recognises the expenditure in the period in which the grant is paid. All other grants are accounted for on an accruals basis.

#### 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 Measurement

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

Intangible assets acquired separately are initially recognised at cost. 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 amortised 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. Revaluations and impairments are treated in the same manner as for property, plant and equipment.

## 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. The Clinical Commissioning Group has no Deferred income.

## 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:

All general provisions are subject to four separate discount rates according to the expected timing of cashflows from the Statement of Financial Position date:

- A nominal short-term rate of 0.76% (2017-18: negative 2.42% in real terms) for inflation adjusted expected cash flows up to and including 5 years from Statement of Financial Position date.
- A nominal medium-term rate of 1.14% (2017-18: negative 1.85% in real terms) for inflation adjusted expected cash flows over 5 years up to and including 10 years from the Statement of Financial Position date.
- A nominal long-term rate of 1.99% (2017-18: negative 1.56% in real terms) for inflation adjusted expected cash flows over 10 years and up to and including 40 years from the Statement of Financial Position date.
- A nominal very long-term rate of 1.99% (2017-18: negative 1.56% in real terms) for inflation adjusted expected cash flows exceeding 40 years from the Statement of Financial Position date.

All 2018-19 percentages are expressed in nominal terms with 2017-18 being the last financial year that HM Treasury provided real general provision discount rates.

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.

**1.16 Clinical Negligence Costs**

NHS Resolution operates a risk pooling scheme under which the Clinical Commissioning Group pays an annual contribution to NHS Resolution which in return settles all clinical negligence claims. The contribution is charged to expenditure. Although NHS Resolution 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 NHS Resolution 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 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.

**1.19 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 amortised cost;
- Financial assets at fair value through other comprehensive income and ;
- Financial assets at fair value through profit and loss.

The classification is determined by the cash flow and business model characteristics of the financial assets, as set out in IFRS 9, and is determined at the time of initial recognition.

**1.19.1 Financial Assets at Amortised cost**

The Clinical Commissioning Group holds no Financial Assets at Amortised cost.

**1.19.2 Financial assets at fair value through other comprehensive income**

The Clinical Commissioning Group holds no Financial assets at fair value through other comprehensive income.

**1.19.3 Financial assets at fair value through profit and loss**

The Clinical Commissioning Group holds no Financial assets at fair value through profit and loss.

**1.19.4 Impairment**

For all financial assets measured at amortised cost or at fair value through other comprehensive income (except equity instruments designated at fair value through other comprehensive income), lease receivables and contract assets, the clinical commissioning group recognises a loss allowance representing the expected credit losses on the financial asset.

The clinical commissioning group adopts the simplified approach to impairment in accordance with IFRS 9, and measures the loss allowance for trade receivables, lease receivables and contract assets at an amount equal to lifetime expected credit losses. For other financial assets, the loss allowance is measured at an amount equal to lifetime expected credit losses if the credit risk on the financial instrument has increased significantly since initial recognition (stage 2) and otherwise at an amount equal to 12 month expected credit losses (stage 1).

HM Treasury has ruled that central government bodies may not recognise stage 1 or stage 2 impairments against other government departments, their executive agencies, the Bank of England, Exchequer Funds and Exchequer Funds assets where repayment is ensured by primary legislation. The clinical commissioning group therefore does not recognise loss allowances for stage 1 or stage 2 impairments against these bodies. Additionally DHSC provides a guarantee of last resort against the debts of its arm's lengths bodies and NHS bodies and the clinical commissioning group does not recognise allowances for stage 1 or stage 2 impairments against these bodies.

For financial assets that have become credit impaired since initial recognition (stage 3), expected credit losses at the reporting date are measured as the difference between the asset's gross carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. Any adjustment is recognised in profit or loss as an impairment gain or loss.

The Clinical Commissioning Group holds no Loans, only Receivables.

**1.20 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.

**1.20.1 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.

**1.20.2 Financial Liabilities at Fair Value Through Profit and Loss**

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

**1.20.3 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.

**1.21 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.

**1.22 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.

**1.23 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).

**1.24 Gifts**

Gifts are items that are voluntarily donated, with no preconditions and without the expectation of any return. Gifts include all transactions economically equivalent to free and unremunerated transfers, such as the loan of an asset for its expected useful life, and the sale or lease of assets at below market value. The Clinical Commissioning Groups Gifts, Hospitality Sponsorship register can be found on our website [www.dorsetccg.nhs.uk/gift](http://www.dorsetccg.nhs.uk/gift).

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

The Department of Health and Social Care Group Accounting Manual does not require the following IFRS Standards and Interpretations to be applied in 2018-19. These Standards are still subject to HM Treasury FReM adoption, with IFRS 16 being for implementation in 2019-20, and the government implementation date for IFRS 17 still subject to HM Treasury consideration.

- IFRS 16 Leases – Application required for accounting periods beginning on or after 1 January 2019, but not yet adopted by the FReM: early adoption is not therefore permitted.
- IFRS 17 Insurance Contracts – Application required for accounting periods beginning on or after 1 January 2021, but not yet adopted by the FReM: early adoption is not therefore permitted.
- IFRIC 23 Uncertainty over Income Tax Treatments – Application required for accounting periods beginning on or after 1 January 2019.

The application of the Standards as revised would not have a material impact on the accounts for 2018-19, were they applied in that year.

## 2. Other Operating Revenue

	2018-19	2017-18
	Total	Total
	£000	£000
<b>Revenue from sale of goods and services (contracts)</b>		
Education, training and research	3	(26)
Non-patient care services to other bodies	(9,583)	(12,608)
Other Contract revenue	(175)	(355)
Recoveries in respect of employee benefits	(377)	(113)
<b>Total revenue from sale of goods and services</b>	<b>(10,132)</b>	<b>(13,102)</b>
<b>Other operating revenue</b>		
Charitable and other contributions to expenditure: non-NHS	(100)	(9)
<b>Total Other operating revenue</b>	<b>(100)</b>	<b>(9)</b>
<b>Total Operating revenue</b>	<b>(10,232)</b>	<b>(13,111)</b>

This note discloses the revenue that relates directly to the operating activities of the Clinical Commissioning Group, it excludes cash received from NHS England by the Clinical Commissioning Group, which is credited directly to the General Fund.

## 3. Disaggregation of revenue - revenue from sale of good and services (contracts)

	NHS	Non NHS	2018-19
	£000	£000	Total
			£000
Source of Revenue			
Education, training and research	(17)	14	(3)
Non-patient care services to other bodies	2,495	7,087	9,582
Other Contract revenue	4	171	175
Recoveries in respect of employee benefits	333	44	377
<b>Total</b>	<b>2,815</b>	<b>7,316</b>	<b>10,131</b>

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 Pension 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](http://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 for Health 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 2019, is based on valuation data as 31 March 2018, updated to 31 March 2019 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 latest actuarial valuation undertaken for the NHS Pension Scheme was completed as at 31 March 2016. The results of this valuation set the employer contribution rate payable from April 2019. The Department of Health and Social Care have recently laid Scheme Regulations confirming that the employer contribution rate will increase to 20.6% of pensionable pay from this date.

The 2016 funding valuation was also expected to test the cost of the Scheme relative to the employer cost cap set following the 2012 valuation. Following a judgment from the Court of Appeal in December 2018 Government announced a pause to that part of the valuation process pending conclusion of the continuing legal process.

	2018-19	2017-18
	£000	£000
Employers' contributions were payable to the NHS Pensions Scheme	1,629	1,513
	%	%
Payable to the NHS Pension Scheme of pensionable pay, at the rate of	14.38	14.38

**5. Operating Expenses**

	2018-19	2017-18
	Total	Total
	£000	£000
<b>Purchase of goods and services</b>		
Services from other CCGs and NHS England	(612)	445
Services from foundation trusts	782,043	751,560
Services from other NHS trusts	4,706	3,992
Services from other WGA bodies	44	74
Purchase of healthcare from non-NHS bodies	157,643	148,979
Purchase of social care	4,202	4,101
Prescribing costs	124,638	126,103
Pharmaceutical services	1	0
General ophthalmic services	168	254
GPMS/APMS and PCTMS	112,000	109,513
Supplies and services – clinical	106	64
Supplies and services – general	438	349
Establishment	4,391	3,256
Transport	90	83
Premises	1,231	1,215
Audit fees	64	64
Other non statutory audit expenditure		
• Internal audit services	0	0
• Other services	0	0
Other professional fees (excluding statutory audit)	394	78
Legal fees	380	166
Education and training	518	458
<b>Total Purchase of goods and services</b>	<b>1,192,445</b>	<b>1,150,753</b>
<b>Depreciation and impairment charges</b>		
Depreciation	458	462
Amortisation	67	37
<b>Total Depreciation and impairment charges</b>	<b>525</b>	<b>500</b>
<b>Provision expense</b>		
Change in discount rate	179	(102)
Provisions	3,856	2,120
<b>Total Provision expense</b>	<b>4,035</b>	<b>2,018</b>
<b>Other operating expenditure</b>		
Chair and lay membership body and governing body members	665	689
Grants to other bodies	175	765
Clinical negligence	13	14
Research and development (excluding staff costs)	60	20
Expected credit loss on receivables	20	0
Inventories consumed	1,877	1,242
Other expenditure	33	18
<b>Total Other operating expenditure</b>	<b>2,842</b>	<b>2,748</b>
<b>Total Operating Expenses</b>	<b>1,199,847</b>	<b>1,156,019</b>

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

**External Audit** - The figures in the 'Audit fees' line above include VAT. The net figures are £53,500 for 2018-19 and £53,500 for 2017-18. The Audit liability for Grant Thornton is restricted to £2,000,000.

Since the financial statements were produced, NHS England have advised us that external assurance on the mental health investment standard (MHIS) will be required to be undertaken by our External Auditors. The standard fee for this work will be £10,000 + VAT and the work will be completed by the end of September 2019. Due to the late notification, this amount was not originally included in the financial statements; it is considered to be trivial and so the financial statements have not been updated to reflect the costs of this work.

**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'.

**Purchase of healthcare from non-NHS bodies** - includes an increase of £6m related to Continuing Healthcare spend.

**Staff costs** - this information is now included in the Annual Report.

**Expenditure category changes in 2018-19**

**Expected credit loss on receivables** - is a new reporting line for 2018-19. 2018/19 is also the first year that the Clinical Commissioning Group has any expenditure of this type.

## 6. Better Payment Practice Code

### 6.1 Measure of Compliance

	2018-19		2017-18	
	Number	£000	Number	£000
<b>Non-NHS Payables</b>				
Total Non-NHS trade invoices paid in the year	27,820	292,978	28,232	280,810
Total Non-NHS trade invoices paid within target	<u>27,457</u>	<u>291,471</u>	<u>27,698</u>	<u>278,166</u>
Percentage of Non-NHS trade invoices paid within target	<b>98.70%</b>	<b>99.49%</b>	<b>98.11%</b>	<b>99.06%</b>
<b>NHS Payables</b>				
Total NHS trade invoices paid in the year	4,081	791,269	3,982	757,003
Total NHS trade invoices paid within target	<u>4,039</u>	<u>791,507</u>	<u>3,935</u>	<u>757,063</u>
Percentage of NHS trade invoices paid within target	<b>98.97%</b>	<b>100.03%</b>	<b>98.82%</b>	<b>100.01%</b>

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

	2018-19	2017-18
	£000	£000
Provisions - unwinding of discount	<u>109</u>	<u>(179)</u>
<b>Total Finance Costs</b>	<b>109</b>	<b>(179)</b>

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

	2018-19			2017-18		
	Buildings £000	Other £000	Total £000	Buildings £000	Other £000	Total £000
<b>Payments recognised as an Expense</b>						
Minimum lease payments	781	1	782	957	0	957
Contingent rents	0	0	0	0	0	0
Sub-lease payments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total</b>	<b>781</b>	<b>1</b>	<b>782</b>	<b>957</b>	<b>0</b>	<b>957</b>
<b>Payable:</b>						
No later than one year	781	0	781	956	1	957
Between one and five years	1,193	0	1,193	1,098	0	1,098
After five years	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total</b>	<b>1,974</b>	<b>0</b>	<b>1,974</b>	<b>2,054</b>	<b>1</b>	<b>2,055</b>

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

2018-19	Plant & Machinery £000	Information Technology £000	Furniture & Fittings £000	Total £000
<b>Cost or Valuation at 1 April 2018</b>	150	1,839	203	<b>2,192</b>
Additions Purchased	0	288	0	<b>288</b>
<b>Cost or Valuation at 31 March 2019</b>	<b>150</b>	<b>2,127</b>	<b>203</b>	<b>2,480</b>
<b>Depreciation at 1 April 2018</b>	150	942	203	<b>1,295</b>
Charged During the Year	0	458	0	<b>458</b>
<b>Depreciation at 31 March 2019</b>	<b>150</b>	<b>1,400</b>	<b>203</b>	<b>1,753</b>
<b>Net Book Value at 31 March 2019</b>	<b>0</b>	<b>727</b>	<b>0</b>	<b>727</b>
Purchased	0	727	0	<b>727</b>
<b>Total at 31 March 2019</b>	<b>0</b>	<b>727</b>	<b>0</b>	<b>727</b>
<b>Asset financing:</b>				
Owned	0	727	0	<b>727</b>
<b>Total at 31 March 2019</b>	<b>0</b>	<b>727</b>	<b>0</b>	<b>727</b>

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)
Information Technology	3	3

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

2018-19	Computer Software: Purchased £000	Total £000
<b>Cost or valuation at 1 April 2018</b>	202	202
Additions purchased	272	272
<b>Cost / Valuation At 31 March 2019</b>	<b>474</b>	<b>474</b>
<b>Amortisation 1 April 2018</b>	37	37
Charged during the year	67	67
<b>Amortisation At 31 March 2019</b>	<b>105</b>	<b>105</b>
<b>Net Book Value at 31 March 2019</b>	<b>370</b>	<b>370</b>
Purchased	370	370
<b>Total at 31 March 2019</b>	<b>370</b>	<b>370</b>

### 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**

	Loan Equipment £000	Loan Equipment £000	Total £000
Balance at 1 April 2018	0	1,472	1,472
Additions	1,640	0	1,640
Inventories recognised as an expense in the period	(1,877)	0	(1,877)
Transfer (to)/from Goods for resale	1,472	(1,472)	0
<b>Balance at 31 March 2019</b>	<b>1,235</b>	<b>0</b>	<b>1,235</b>
	Loan Equipment £000	Other £000	Total £000
Balance at 1 April 2017	0	1,259	1,259
Additions	0	1,455	1,455
Inventories recognised as an expense in the period	0	(1,242)	(1,242)
Balance at 31 March 2018	0	1,472	1,472

This year we have recategorised the inventory from Other to Loan Equipment as we feel it is a better narrative for the Integrated Community Equipment, which is managed by Bournemouth Borough Council and the Clinical Commissioning Group contributes to.

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 31 March 2019 £000	31 March 2018 £000	Non-current 31 March 2019 £000	31 March 2018 £000
NHS receivables: revenue	4,059	4,276	0	0
NHS prepayments	2,178	2,132	0	0
NHS accrued income	2,270	2,996	0	0
Non-NHS and other WGA receivables: Revenue	727	469	0	0
Non-NHS and other WGA prepayments	776	497	0	0
Non-NHS and other WGA accrued income	116	146	0	0
Expected credit loss allowance-receivables	(20)	0	0	0
VAT	406	214	0	0
Other receivables	0	4	0	0
<b>Total</b>	<b>10,513</b>	<b>10,734</b>	<b>0</b>	<b>0</b>
<b>Total Current and Non-current</b>	<b>10,513</b>	<b>10,734</b>		
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 2019 DHSC Group Bodies £000	31 March 2019 Non DHSC Group Bodies £000	31 March 2018 DHSC Group Bodies £000	31 March 2018 Non DHSC Group Bodies £000
By up to three months	1,728	202	1,853	(6)
By three to six months	98	0	0	35
By more than six months	743	82	389	35
<b>Total</b>	<b>2,569</b>	<b>284</b>	<b>2,242</b>	<b>64</b>

£78,809.31 (as at 23 April 2019) of the amount above has subsequently been recovered post the statement of financial position date.

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.

**12.2 Impact of Application of IFRS 9 on financial assets at 1 April 2018**

	Trade and other receivables - NHSE bodies £000	Trade and other receivables - other DHSC group bodies £000	Trade and other receivables - external £000	Other financial assets £000	Total £000
<b>Classification under IAS 39 as at 31st March 2018</b>					
Financial Assets held at Amortised cost	17	5,079	1,977	834	7,907
<b>Total at 31st March 2018</b>	<b>17</b>	<b>5,079</b>	<b>1,977</b>	<b>834</b>	<b>7,907</b>
<b>Classification under IFRS 9 as at 1st April 2018</b>					
Financial Assets measured at amortised cost	17	5,079	1,977	834	7,907
<b>Total at 1st April 2018</b>	<b>17</b>	<b>5,079</b>	<b>1,977</b>	<b>834</b>	<b>7,907</b>
<b>Change in carrying amount</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**13. Cash and Cash Equivalents**

	31 March 2019 £000	31 March 2018 £000
Opening balance	17	17
Net change in year	11	(0)
<b>Closing balance</b>	<b>28</b>	<b>17</b>
<b>Made up of:</b>		
Cash with Government Banking Service	13	0
Cash in hand	15	17
<b>Cash and cash equivalents as in statement of financial position</b>	<b>28</b>	<b>17</b>
Bank overdraft - Government Banking Service	0	0
<b>Cash and cash equivalents as in statement of cash flows</b>	<b>28</b>	<b>17</b>
Patients' money held by the Clinical Commissioning Group, not included above	0	0

#### 14. Trade and Other Payables

	Current		Non-current	
	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000
NHS payables: revenue	(1,220)	(4,482)	0	0
NHS accruals	(3,967)	(2,657)	0	0
Non-NHS and other WGA payables: revenue	(2,354)	(2,954)	0	0
Non-NHS and other WGA payables: capital	(233)	(283)	0	0
Non-NHS and other WGA accruals	(27,396)	(33,644)	0	0
Social security costs	(217)	(193)	0	0
Tax	(195)	(156)	0	0
Other payables and accruals	(16,804)	(6,631)	0	0
<b>Total</b>	<b>(52,386)</b>	<b>(50,999)</b>	<b>0</b>	<b>0</b>
<b>Total Current and Non-current</b>	<b>(52,386)</b>	<b>(50,999)</b>		

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.

1,017 1,202

Other payables also includes accruals for invoices registered on the finance ledger, but not approved.

135 85

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.

13,324 5344

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

#### 14.1 Impact of Application of IFRS 9 on financial liabilities at 1 April 2018

	Trade and other payables - NHSE bodies £000	Trade and other payables - other DHSC group bodies £000	Trade and other payables - external £000	Other borrowings (including finance lease obligations) £000	Other financial liabilities £000	Total £000
<b>Classification under IAS 39 as at 31st March 2018</b>						
Financial Assets held at Amortised cost	1,334	5,805	43,511	0	0	50,650
<b>Total at 31st March 2018</b>	<b>1,334</b>	<b>5,805</b>	<b>43,511</b>	<b>0</b>	<b>0</b>	<b>50,650</b>
<b>Classification under IFRS 9 as at 1st April 2018</b>						
Financial Liabilities measured at amortised cost	1,334	5,805	43,511	0	0	50,650
<b>Total at 1st April 2018</b>	<b>1,334</b>	<b>5,805</b>	<b>43,511</b>	<b>0</b>	<b>0</b>	<b>50,650</b>
<b>Change in carrying amount</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

#### 15. Provisions

	Current 31 March 2019 £000	Non Current 31 March 2019 £000	Current 31 March 2018 £000	Non-current 31 March 2018 £000
Continuing care	(4,960)	(1,682)	(3,749)	(234)
Other	0	(371)	0	(345)
<b>Total</b>	<b>(4,960)</b>	<b>(2,054)</b>	<b>(3,749)</b>	<b>(580)</b>
<b>Total Current and Non-current</b>	<b>(7,013)</b>		<b>(4,329)</b>	

Comprising:

	Continuing Care £000	Other £000	Total £000
Balance at 1 April 2018	(3,985)	(345)	(4,329)
Arising during the year	(7,451)	0	(7,451)
Utilised during the year	1,461	0	1,461
Reversed unused	3,595	0	3,595
Unwinding of discount	(101)	(9)	(109)
Change in discount rate	(161)	(18)	(179)
<b>Balance at 31 March 2019</b>	<b>(6,642)</b>	<b>(371)</b>	<b>(7,013)</b>
<b>Expected Timing of Cash Flows:</b>			
No Later than One Year	(4,960)	0	(4,960)
Later than One Year and not later than Five Years	(1,682)	(371)	(2,053)
<b>Balance at 31 March 2019</b>	<b>(6,642)</b>	<b>(371)</b>	<b>(7,013)</b>

Amount Included in the Provisions of NHS Resolution in Respect of Clinical Negligence Liabilities:

	£000
As at 31 March 2019	0
As at 31 March 2018	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**

	<b>31 March 2019</b>	31 March 2018
	<b>£000</b>	£000
<b>Contingent liabilities</b>		
Continuing care	9,214	8,811
<b>Net Value of Contingent Liabilities</b>	<u><b>9,214</b></u>	<u><b>8,811</b></u>

**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:-

	<b>31 March 2019</b>	31 March 2018
	<b>£000</b>	£000
Not later than one year	1,569	245
Later than one year and not later than five year	1,146	54
Later than five years	0	0
<b>Total</b>	<u><b>2,715</b></u>	<u><b>299</b></u>

The Clinical Commissioning Group has one contract that exceed one million pounds and that is for replacement of the NHS's secure network.

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

	<b>Financial Assets measured at amortised cost 2018-19 £000</b>	<b>Total 2018-19 £000</b>
Trade and other receivables with NHSE bodies	4,007	4,007
Trade and other receivables with other DHSC group bodies	2,438	2,438
Trade and other receivables with external bodies	728	728
Cash and cash equivalents	28	28
<b>Total at 31 March 2019</b>	<b>7,200</b>	<b>7,200</b>

18.3 Financial Liabilities

	<b>Financial Liabilities measured at amortised cost 2018-19 £000</b>	<b>Total 2018-19 £000</b>
Trade and other payables with NHSE bodies	595	595
Trade and other payables with other DHSC group bodies	26,436	26,436
Trade and other payables with external bodies	8,138	8,138
Other financial liabilities	16,804	16,804
<b>Total at 31 March 2019</b>	<b>51,974</b>	<b>51,974</b>

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. 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 Resolution; 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 Macmillan Cancer Support. No capital payments have been received 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, Clinical Commissioning Group Chair, Clinical Commissioning Committee Chair. Principal GP, Lyme Bay Practice. Transactions disclosed for Lyme Bay Medical Centre.	3,253.0	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. Transactions disclosed for Cerne Abbas Surgery.	8,207.0	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. Transactions disclosed for The Cranborne Practice.	11,501.0	0.0	0.0	0.0
4 Dr Colin Davidson - Spouse is a GP and equity partner at Eagle House Surgery. Transactions disclosed for Eagle House Surgery.	7,900.0	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. Transactions disclosed for Providence Surgery.	25,833.0	4.0	1.0	1.0
6 Dr Mufeed Ni'man - Partner at Marine & Oakridge Surgeries and Grove Surgery. Transactions disclosed for The Marine & Oakridge Partnership.	9,609.0	0.0	0.0	0.0
7 Dr Christian Verrinder - Clinical Commissioning Committee, Clinical Delivery Group Lead. Salaried GP Providence Surgery. Transactions disclosed for Providence Surgery.	25,833.0	4.0	1.0	1.0
8 Dr Christian Verrinder - Previously GP Partner, Wellbridge Practice, Wool Surgery - finished role during 2018/19. Transactions disclosed for The Wellbridge Practice.	11,435.0	0.0	0.0	0.0
9 Dr Craig Wakeham - Clinical Commissioning Committee, Chief Clinical Information Officer. Partner, Cerne Abbas Surgery (PMS dispensing practice). Transactions disclosed for Cerne Abbas Surgery.	8,207.0	0.0	0.0	0.0
	<b>111,778.0</b>	<b>8.0</b>	<b>2.0</b>	<b>2.0</b>

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. The Declaration of Interest register can be found on our web site [www.dorsetcgg.nhs.uk/ccg/members/#doi](http://www.dorsetcgg.nhs.uk/ccg/members/#doi).

## 21. 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).

## 22. 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	2018-19	Duty Achieved?
			Performance	
		£'000	£'000	
223H(1)	Expenditure not to exceed income	1,252,827	1,217,508	Yes
223I(2)	Capital resource use does not exceed the amount specified in Directions	560	560	Yes
223I(3)	Revenue resource use does not exceed the amount specified in Directions	1,242,035	1,206,716	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	16,968	16,151	Yes

The expenditure not to exceed income target was set at £35,319k surplus which comprises the historic allocation of £33,585k and an in-year agreed underspend of £1,734k. There was no 2018-19 nationally mandated requirement to achieve a non-recurrent risk reserve.

The Revenue administration resource use does not exceed the amount specified in Directions and was underspent by £817k due to planned local savings on Clinical Commissioning Group administrative costs.

National Health Service Act Section	Duty	Target	2017-18	Duty Achieved?
			Performance	
		£'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

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.

## 23. 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

<b>Accruals</b>	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.
<b>Assets</b>	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.
<b>Assurance</b>	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.
<b>Audit</b>	The process of validation of the accuracy, completeness and adequacy of disclosure of financial records.
<b>Capital</b>	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.
<b>Cash limit</b>	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.
<b>Co-Commissioning</b>	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.
<b>Commissioning</b>	Purchase of healthcare from external service providers (NHS, other public sector, private and voluntary) to meet the needs of the population.
<b>Current Assets</b>	Trade receivables, inventories, cash or similar, whose value is, or can be converted into, cash within the next twelve months.
<b>Deep dive</b>	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.
<b>Governance</b>	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.
<b>Gross Operating Costs</b>	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.
<b>Intangible Assets</b>	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.
<b>Lay Member</b>	A person who has specialised or professional knowledge of a subject.
<b>Locality</b>	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.
<b>Locality Cluster</b>	This refers to the 3 clusters made up of the 13 geographical localities in Dorset.
<b>Miscellaneous Revenue</b>	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.
<b>NHS Constitution</b>	The constitution brings together in one place details of what staff, patients and the public can expect from the NHS.
<b>Non-Current Assets</b>	Land, buildings, equipment and other long term assets that are expected to have a life of more than one year.
<b>Procurement</b>	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.
<b>Quality Premium</b>	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.
<b>Remuneration</b>	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.
<b>Resource limit</b>	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).
<b>Transformation</b>	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.
<b>Safeguarding</b>	Protecting from harm or damage with an appropriate measure.
<b>Stakeholders</b>	A person, group or organisation that has interest or concern in an organisation.
<b>Sustainability</b>	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.
<b>WGA</b>	Whole of Government Accounting (WGA) are organisations such as Local Authorities, Scottish and Welsh NHS bodies, NHS Property Services and NHS Resolution etc.