

**Statement of Comprehensive Net Expenditure for year ended
31 March 2020**

	NOTE	2019-20 Total £000	2018-19 Total £000
Revenue from sale of goods and services	2	(20,070)	(10,132)
Other operating revenue	2	<u>(35)</u>	<u>(100)</u>
Total Operating Revenue		(20,105)	(10,232)
Staff costs		20,213	16,992
Purchase of goods and services	5	1,260,840	1,192,445
Depreciation and impairment charges	5	581	525
Provision expense	5	(2,415)	4,035
Other operating expenditure	5	<u>3,086</u>	<u>2,842</u>
Total Operating Expenditure		1,282,305	1,216,839
Net Operating Expenditure		1,262,200	1,206,607
Financing			
Finance expense	7	<u>88</u>	<u>109</u>
Net financing costs for the financial year		88	109
Total Comprehensive Net Expenditure for the financial year		<u>1,262,288</u>	<u>1,206,716</u>

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 2020**

		31 March 2020	31 March 2019
	NOTE	£000	£000
Non-Current Assets			
Property, plant and equipment	9	724	727
Intangible assets	10	1,732	370
Total Non-Current Assets		2,456	1,096
Current Assets			
Inventories	11	1,379	1,235
Trade & other receivables	12	9,845	10,513
Cash & cash equivalents	13	516	28
Total Current Assets		11,740	11,776
Total Assets		14,196	12,872
Current Liabilities			
Trade & other payables	14	(62,116)	(52,386)
Provisions	15	(2,824)	(4,960)
Total Current Liabilities		(64,940)	(57,346)
Total Assets less Current Liabilities		(50,745)	(44,474)
Non-Current Liabilities			
Provisions	15	(1,111)	(2,053)
Total Non-Current Liabilities		(1,111)	(2,053)
Total Assets less Liabilities		(51,856)	(46,527)
Financed by Taxpayers' Equity			
General fund		(51,856)	(46,527)
Total Taxpayers' Equity		(51,856)	(46,527)

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 June 2020 and signed on its behalf by: -

Accountable Officer

Date xxxxxx

**Statement of Changes In Taxpayers' Equity for the year ended
31 March 2020**

	General Fund £000	Total £000
Balance at 1 April 2019	(46,527)	(46,527)
Net operating costs for the financial year	(1,262,288)	(1,262,288)
	<u>(1,308,815)</u>	<u>(1,308,815)</u>
Net funding	1,256,959	1,256,959
Balance at 31 March 2020	<u>(51,856)</u>	<u>(51,856)</u>

	General Fund £000	Total £000
Changes in taxpayers' equity for 2018-19		
Balance at 1 April 2018	(42,044)	(42,044)
Net operating costs for the financial year	(1,206,716)	(1,206,716)
	<u>(1,248,760)</u>	<u>(1,248,760)</u>
Net funding	1,202,233	1,202,233
Balance at 31 March 2019	<u>(46,527)</u>	<u>(46,527)</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 2020**

	NOTE	2019-20 £000	2018-19 £000
Cash Flows from Operating Activities			
Net operating expenses for the financial year	2 & 5	(1,262,288)	(1,206,716)
Depreciation and amortisation	5, 9 & 10	581	525
Finance costs	5 & 15	(109)	179
Unwinding of discounts	15	87	109
(Increase)/decrease in inventories	11	(144)	237
(Increase)/decrease in trade & other receivables	12	668	221
Increase/(decrease) in trade & other payables	14	8,577	1,437
Provisions utilised	15	(750)	(1,461)
Increase/(decrease) in provisions	15	(2,306)	3,856
Net Cash Inflow/(Outflow) from Operating Activities		(1,255,685)	(1,201,613)
Cash Flows from Investing Activities			
(Payments) for property, plant and equipment	9	734	(338)
(Payments) for intangible assets	10	(1,520)	(272)
Net Cash Inflow/(Outflow) from Investing Activities		(786)	(610)
Net Cash Inflow/(Outflow) before Financing		(1,256,471)	(1,202,223)
Cash Flows from Financing Activities			
Net funding received		1,256,959	1,202,233
Net Cash Inflow/(Outflow) from Financing Activities		1,256,959	1,202,233
Net Increase/(Decrease) in Cash & Cash Equivalents	13	488	11
Cash & Cash Equivalents at the Beginning of the Financial Year		28	17
Cash & Cash Equivalents (including bank overdrafts) at the End of the Financial Year	13	516	28

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 2019-20 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.

In March 2020 there was a global pandemic caused by a new coronavirus - Covid 19. The impact on healthcare delivery in direct response to this virus, changes in demand and capacity for other healthcare and the impact on wider society (through social distancing and the so-called 'lockdown') and economy has been dramatic. Two specific items of relevance are firstly, the UK Government publicly stating it will fund the NHS 'whatever it takes' to manage the pandemic; and secondly a significant overhaul of the financial architecture of the NHS, for example suspending the current financial performance management regime, moving all NHS providers onto a cost based 'block' payment regime, authorising pre-payments of one months operating costs to NHS providers, centralising the procurement of Independent Sector Capacity, providing new funding for Hospital Discharge Programme and NHS Nightingale 'surge' capacity. Taken together this package and Government statements effectively demonstrate how the Clinical Commissioning Group, as a statutory body in the NHS, will have its finances supported by the Government for the period of the pandemic and in the event of any future radical change to demand and funding for healthcare.

On this basis of the above the Clinical Commissioning Group considers it remains a going concern.

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 Judgments & Key Sources of Estimation Uncertainty

In the application of the Clinical Commissioning Group's accounting policies, management is required to make judgments, 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 Judgments in Applying Accounting Policies

No critical judgments 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.

In March 2020 there was a global pandemic caused by novel coronavirus - Covid 19. As described in Note 1.1 this has radically changed demand for healthcare in the short term, as a result there is less certainty than usual about the value of primary care prescribing spend in March and the value of partially completed care hospital activity as at 31 March. The Clinical Commissioning Group has considered the impact of these estimates and chosen to continue to estimate on a historic basis. This is due to the lack of precedent to establish a more accurate estimate, and the two estimates are temporary in nature and are expected to revert to long term trends in time; and therefore using the historic basis still presents a true and fair view of the expenditure, assets and liabilities and financial performance of the Clinical Commissioning Group.

1.5 Revenue

In the application 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 (FRM) 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 funding for the Clinical Commissioning Group is from NHS England. This is drawn down and credited to the general fund. Funding is recognised in the period in which it is received. There is also revenue from 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 are 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 they 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 are 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 0.51% (2018-19: 0.76%) for inflation adjusted expected cash flows up to and including 5 years from Statement of Financial Position date;
- A nominal medium-term rate of 0.55% (2018-19: 1.14%) 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% (2018-19: 1.99%) 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% (2018-19: 1.99%) for inflation adjusted expected cash flows exceeding 40 years from the Statement of Financial Position date.

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.

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 2019-20. 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 – HM Treasury has announced that IFRS 16, Leases, as interpreted and adapted by the FReM is to be effective from 1 April 2021. This represents a further one year deferral.
- 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.

The application of the Standards as revised would not have a material impact on the accounts for 2019-20, were they applied in that year.

2. Other Operating Revenue

	2019-20	2018-19
	Total	Total
	£000	£000
Revenue from sale of goods and services (contracts)		
Education, training and research	(55)	3
Non-patient care services to other bodies	(10,739)	(9,583)
Other Contract revenue	(8,202)	(175)
Recoveries in respect of employee benefits	(1,074)	(377)
Total Revenue from sale of goods and services	(20,070)	(10,132)
Other Operating Revenue		
Charitable and other contributions to expenditure: non-NHS	(19)	(100)
Non cash apprenticeship training grants revenue	(16)	0
Total Other Operating Revenue	(35)	(100)
Total Operating Revenue	(20,105)	(10,232)

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)

Source of Revenue			2019-20
	NHS	Non NHS	Total
	£000	£000	£000
Education, training and research	48	7	55
Non-patient care services to other bodies	5,489	5,250	10,739
Other contract revenue	50	8,152	8,202
Recoveries in respect of employee benefits	1,047	27	1,074
Total	6,634	13,436	20,070

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. 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 2020, is based on valuation data as at 31 March 2019, updated to 31 March 2020 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 has 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 judgement 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.

	2019-20	2018-19
	£000	£000
Employers' contributions payable to the NHS Pensions Scheme	2,667	1,629
	%	%
Payable to the NHS Pension Scheme of pensionable pay, at the rate of	20.60	14.38

5. Operating Expenses

	2019-20	2018-19
	Total	Total
	£000	£000
Purchase of Goods and Services		
Services from other CCGs and NHS England	1,092	(612)
Services from foundation trusts	829,759	782,043
Services from other NHS trusts	4,693	4,706
Services from other WGA bodies	22	44
Purchase of healthcare from non-NHS bodies	165,830	157,643
Purchase of social care	4,111	4,202
Prescribing costs	131,606	124,638
Pharmaceutical services	0	1
General ophthalmic services	273	168
GPMS/APMS and PCTMS	117,232	112,000
Supplies and services – clinical	0	106
Supplies and services – general	690	438
Establishment	3,855	4,391
Transport	70	90
Premises	1,105	1,231
Audit fees	64	64
Other non statutory audit expenditure		
• Internal audit services	0	0
• Other services	18	0
Other professional fees (excluding statutory audit)	50	394
Legal fees	236	380
Education and training	118	518
Non cash apprenticeship training grants	16	0
Total Purchase of Goods and Services	1,260,840	1,192,445
Depreciation and Impairment Charges		
Depreciation	423	458
Amortisation	158	67
Total Depreciation and Impairment Charges	581	525
Provision Expense		
Change in discount rate	(109)	179
Provisions	(2,306)	3,856
Total Provision Expense	(2,415)	4,035
Other Operating Expenditure		
Chair and lay membership body and governing body members	674	665
Grants to other bodies	527	175
Clinical negligence	13	13
Research and development (excluding staff costs)	16	60
Expected credit loss on receivables	46	20
Inventories consumed	1,802	1,877
Other expenditure	8	32
Total Other Operating Expenditure	3,086	2,842
Total Operating Expenses	1,262,092	1,199,847

GPMS/APMS and PCTMS - shows costs related to 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 2019-20. The Audit liability for Grant Thornton is restricted to £2,000,000.

The 'Other services' from Grant Thornton were for the external assurance on the mental health investment standard (MHIS), as procured by NHS England. The fee for this work was £15,000.

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 £6.7m related to Continuing Healthcare spend.

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

6. Better Payment Practice Code

	2019-20		2018-19	
	Number	£000	Number	£000
Non-NHS Payables				
Total Non-NHS trade invoices paid in the year	27,504	300,040	27,820	292,978
Total Non-NHS trade invoices paid within target	26,840	296,370	27,457	291,471
Percentage of Non-NHS trade invoices paid within target	<u>97.59%</u>	<u>98.78%</u>	<u>98.70%</u>	<u>99.49%</u>
NHS Payables				
Total NHS trade invoices paid in the year	4,137	862,223	4,081	791,269
Total NHS trade invoices paid within target	4,045	862,370	4,039	791,507
Percentage of NHS trade invoices paid within target	<u>97.78%</u>	<u>100.02%</u>	<u>98.97%</u>	<u>100.03%</u>

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

	2019-20	2018-19
	£000	£000
Provisions - unwinding of discount	88	109
Total Finance Costs	<u>88</u>	<u>109</u>

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

	2019-20			2018-19		
	Buildings £000	Other £000	Total £000	Buildings £000	Other £000	Total £000
Payments recognised as an Expense						
Minimum lease payments	551	15	566	781	1	782
Contingent rents	0	0	0	0	0	0
Sub-lease payments	0	0	0	0	0	0
Total	<u>551</u>	<u>15</u>	<u>566</u>	<u>781</u>	<u>1</u>	<u>782</u>
Payable:						
No later than one year	479	8	487	781	0	781
Between one and five years	1,658	0	1,658	1,193	0	1,193
After five years	26	0	26	0	0	0
Total	<u>2,163</u>	<u>8</u>	<u>2,171</u>	<u>1,974</u>	<u>0</u>	<u>1,974</u>

Our arrangements with NHS Property Services Ltd fall within the definition of operating leases. The rental charge for future years has been agreed and is 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 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

2019-20	Plant & Machinery £000	Information Technology £000	Furniture & Fittings £000	Total £000
Cost or Valuation at 1 April 2019	150	2,127	203	2,480
Additions Purchased	0	420	0	420
Cost or Valuation at 31 March 2020	150	2,547	203	2,900
Depreciation at 1 April 2019	150	1,400	203	1,753
Charged During the Year	0	423	0	423
Depreciation at 31 March 2020	150	1,823	203	2,176
Net Book Value at 31 March 2020	0	724	0	724
Purchased	0	724	0	724
Total at 31 March 2020	0	724	0	724
Asset financing:				
Owned	0	724	0	724
Total at 31 March 2020	0	724	0	724

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

2019-20	Computer Software: Purchased £000	Total £000
Cost or valuation at 1 April 2019	474	474
Additions purchased	1,520	1,520
Cost / Valuation At 31 March 2020	1,994	1,994
Amortisation 1 April 2019	105	105
Charged during the year	158	158
Amortisation At 31 March 2020	262	262
Net Book Value at 31 March 2020	1,732	1,732
Purchased	1,732	1,732
Total at 31 March 2020	1,732	1,732

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	Other	Total
	£000	£000	£000
Balance at 1 April 2019	1,235	0	1,235
Additions	1,946	0	1,946
Inventories recognised as an expense in the period	(1,802)	0	(1,802)
Balance at 31 March 2020	1,379	0	1,379
	Loan Equipment	Other	Total
	£000	£000	£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
Balance at 31 March 2019	1,235	0	1,235

In 2018/19 we recategorised the inventory from Other to Loan Equipment as we feel it is a better narrative for the Integrated Community Equipment, which was managed by Bournemouth Borough Council and to which the Clinical Commissioning Group contributes. In 2019/20 the Integrated Community Equipment is managed by Bournemouth Borough Council's successor organisation, Bournemouth, Christchurch and Poole Council.

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 2020	31 March 2019	31 March 2020	31 March 2019
	£000	£000	£000	£000
NHS receivables: revenue	3,008	4,059	0	0
NHS prepayments	2,178	2,178	0	0
NHS accrued income	1,831	2,270	0	0
Non-NHS and other WGA receivables: Revenue	1,715	728	0	0
Non-NHS and other WGA prepayments	929	776	0	0
Non-NHS and other WGA accrued income	116	116	0	0
Expected credit loss allowance-receivables	(66)	(20)	0	0
VAT	134	406	0	0
Total	9,845	10,513	0	0
Total Current and Non-current	9,845	10,513		
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 2020	31 March 2020	31 March 2019	31 March 2019
	DHSC Group	Non DHSC	DHSC Group	Non DHSC
	Bodies	Group Bodies	Bodies	Group Bodies
	£000	£000	£000	£000
By up to three months	582	251	1,728	202
By three to six months	66	183	98	0
By more than six months	1,145	356	743	82
Total	1,793	790	2,569	284

£76,613.26 (as at 19 May 2020) 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 Loss allowance on asset classes

	Trade and other	Total
	receivables -	£000
	Non DHSC	£000
	Group Bodies	£000
Balance as at 1 April 2019		(20)
Lifetime expected credit losses on trade and other receivables - Stage 2	(46)	(46)
Total	(66)	(66)

This is an estimate linked to expected credit losses on a financial asset that is applied to reduce the carrying amount of the financial asset in the statement of financial position.

13. Cash and Cash Equivalents

	31 March 2020	31 March 2019
	£000	£000
Opening balance	28	17
Net change in year	488	11
Closing balance	516	28
Made up of:		
Cash with Government Banking Service	503	13
Cash in hand	13	15
Cash and cash equivalents as in statement of financial position	516	28
Bank overdraft - Government Banking Service	0	0
Cash and cash equivalents as in statement of cash flows	516	28
Patients' money held by the Clinical Commissioning Group, not included above	0	0

14. Trade and Other Payables

	Current		Non-current	
	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000
NHS payables: revenue	(4,859)	(1,220)	0	0
NHS accruals	(630)	(3,967)	0	0
Non-NHS and other WGA payables: revenue	(578)	(2,354)	0	0
Non-NHS and other WGA payables: capital	(1,387)	(233)	0	0
Non-NHS and other WGA accruals	(36,760)	(27,396)	0	0
Social security costs	(251)	(217)	0	0
Tax	(224)	(195)	0	0
Other payables and accruals	(17,427)	(16,804)	0	0
Total	(62,116)	(52,386)	0	0
Total Current and Non-current	(62,116)	(52,386)		

Included above are liabilities, due in future years under arrangements to buy out the liability for early retirement over 5 years.

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.

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

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.

31 March 2020 £000	31 March 2019 £000
0	0
1,058	1,017
444	135
16,305	13,324

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 2020 £000	31 March 2020 £000	31 March 2019 £000	31 March 2019 £000
Continuing care	(2,824)	(727)	(4,960)	(1,682)
Other	0	(384)	0	(371)
Total	(2,824)	(1,111)	(4,960)	(2,053)
Total Current and Non-current	(3,935)		(7,013)	

Comprising:

	Continuing Care £000	Other £000	Total £000
Balance at 1 April 2019	(6,642)	(371)	(7,013)
Arising during the year	(3,402)	0	(3,402)
Utilised during the year	750	0	750
Reversed unused	5,708	0	5,708
Unwinding of discount	(65)	(22)	(87)
Change in discount rate	100	8	108
Balance at 31 March 2020	(3,551)	(384)	(3,935)

Expected Timing of Cash Flows:

No Later than One Year	(2,824)	0	(2,824)
Later than One Year and not later than Five Years	(727)	(384)	(1,111)
Balance at 31 March 2020	(3,551)	(384)	(3,935)

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

	£000
As at 31 March 2020	0
As at 31 March 2019	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 judgments and key sources of estimation uncertainty:

The provisions shown under the heading 'Other' relates 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 2020	31 March 2019
	£000	£000
Contingent liabilities		
Continuing Healthcare	5,160	9,214
Net Value of Contingent Liabilities	<u>5,160</u>	<u>9,214</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: -

	31 March 2020	31 March 2019
	£000	£000
Not later than one year	4,941	1,569
Later than one year and not later than five year	2,062	1,146
Later than five years	0	0
Total	<u>7,003</u>	<u>2,715</u>

The Clinical Commissioning Group has three contracts that exceed one million pounds. Two of which are for network and computer services and the third for nutritional supplies.

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

	Financial Assets measured at amortised cost 2019-20 £000	Total 2019-20 £000
Trade and other receivables with NHSE bodies	2,596	2,596
Trade and other receivables with other DHSC group bodies	2,403	2,403
Trade and other receivables with external bodies	1,672	1,672
Cash and cash equivalents	516	516
Total at 31 March 2020	7,187	7,187

18.3 Financial Liabilities

	Financial Liabilities measured at amortised cost 2019-20 £000	Total 2019-20 £000
Trade and other payables with NHSE bodies	1,246	1,246
Trade and other payables with other DHSC group bodies	26,363	26,363
Trade and other payables with external bodies	34,032	34,032
Other financial liabilities	0	0
Total at 31 March 2020	61,641	61,641

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 Council and Bournemouth, Christchurch & Poole Council 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 Group Chair, Remuneration Committee, Clinical Commissioning Committee Chair (disbanded September 2019). Chair of ICS Clinical Reference Group. Principal GP, Lyme Bay Practice. Transactions disclosed for Lyme Bay Medical Centre.	1,102.0	0.0	0.0	0.0
2 Dr Colin Davidson - Governing Body, Clinical Commissioning Committee (disbanded September 2019), Senior Partner at Cranborne Practice, Locality Chair for East Dorset. Spouse is a GP and equity partner at Eagle House Surgery. Transactions disclosed for Eagle House Surgery.	622.0	0.0	0.0	0.0
3 Dr Nick Evans - Governing Body, Clinical Commissioning Committee (disbanded September 2019), Locality Chair for Poole Bay. GP Principal at Wessex Road Surgery, Poole. Transactions disclosed for Wessex Road Surgery.	731.0	0.0	0.0	0.0
	2,455.0	0.0	0.0	0.0

In formulating this note the Clinical Commissioning Group has considered all declarations of interest for Governing Body Members. Under IAS 24, related party transactions have only been disclosed where they meet the following criteria:

- (i) have control or joint control over the reporting entity;
- (ii) have significant influence over the reporting entity; or
- (iii) are a member of the key management personnel.

The Declaration of Interest register can be found on our web site www.dorsetccg.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	2019-20		Duty Achieved?
		Target	Performance	
		£'000	£'000	
223H(1)	Expenditure not to exceed income	1,320,136	1,284,317	Yes
223I(2)	Capital resource use does not exceed the amount specified in Directions	1,940	1,940	Yes
223I(3)	Revenue resource use does not exceed the amount specified in Directions	1,298,107	1,262,288	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	17,591	17,138	Yes

The planned expenditure not to exceed income target was set at £37,319k surplus, which comprised an historic allocation of £35,319k and an in year agreed underspend of £2,000k. This was subject to an agreed in year use of £1,500k of the legacy drawdown to support the Dorset ICS system control total, taking the revised expenditure not to exceed income target to £35,819k surplus comprising the revised historic allocation of £33,819k and an in year agreed underspend of £2,000k.

The Revenue administration resource use does not exceed the amount specified in Directions and was underspent by £453k due to planned local savings on Clinical Commissioning Group administrative costs.

National Health Service Act Section	Duty	2018-19		Duty Achieved?
		Target	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

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