NHS Eastbourne, Hailsham & Seaford CCG

Final Accounts 2017/18

Prepared under International Financial Reporting Standards in accordance with the Department for Health Group Accounting Manual

NHS Eastbourne, Hailsham & Seaford CCG
36-38 Friars Walk, Lewes, East Sussex, BN7 2PB
Tel: 01273 403704 | Fax: 01273 403682

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The Primary Statements:

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

	Note	2017-18 £'000	2016-17 £'000
Income from sale of goods and services	2	(13)	(163)
Other operating income	2	(134)	(94)
Total operating income		**(147)**	**(257)**
Staff costs	4.1	2,505	2,390
Purchase of goods and services	5	314,106	286,004
Depreciation and impairment charges	5	19	8
Provision expense	5	(48)	(1,345)
Other Operating Expenditure	5	228	256
Total operating expenditure		**316,810**	**287,313**
Total Net Expenditure for the year		**316,663**	**287,056**

The notes on pages 5 to 21 form part of this statement

Statement of Financial Position as at 31 March 2018

	Note	2017-18 £'000	2016-17 £'000
Non-current assets:			
Property, plant and equipment	8	72	51
Current assets:			
Trade and other receivables	9	9,284	4,369
Cash and cash equivalents	10	32	128
Total current assets		**9,317**	4,497
Total assets		**9,388**	4,548
Current liabilities			
Trade and other payables	11	(24,434)	(20,171)
Provisions	12	(88)	(253)
Total current liabilities		**(24,522)**	(20,424)
Non-Current Assets plus/less Net Current Assets/Liabilities		**(15,133)**	(15,876)
Financed by Taxpayers' Equity			
General fund		(15,141)	(15,884)
Revaluation reserve		8	8
Total taxpayers' equity:		**(15,133)**	(15,876)

The notes on pages 5 to 21 form part of this statement

The financial statements on pages 1 to 21 were approved by the Audit Committee on 24th May 2018 under delegated authority of the Governing Body and signed on its behalf by:

Chief Accountable Officer

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

	General fund £'000	Revaluation reserve £'000	Total reserves £'000
Changes in taxpayers' equity for 2017-18			
Balance at 01 April 2017	(15,884)	8	**(15,876)**
Changes in NHS Clinical Commissioning Group taxpayers' equity for 2017-18			
Net operating expenditure for the financial year	(316,663)		(316,663)
Net Recognised NHS Clinical Commissioning Group Expenditure for the Financial Year	**(316,663)**	**0**	**(316,663)**
Net funding *	317,406	0	317,406
Balance at 31 March 2018	**(15,141)**	**8**	**(15,133)**

	General fund £'000	Revaluation reserve £'000	Total reserves £'000
Changes in taxpayers' equity for 2016-17			
Balance at 01 April 2016	**(20,909)**	**8**	**(20,902)**
Changes in NHS Clinical Commissioning Group taxpayers' equity for 2016-17			
Net operating costs for the financial year	(287,056)		(287,056)
Net Recognised NHS Clinical Commissioning Group Expenditure for the Financial Year	**(287,056)**	**0**	**(287,056)**
Net funding *	292,081	0	292,081
Balance at 31 March 2017	**(15,884)**	**8**	**(15,876)**

* The Net funding represents the cash received from NHS England

The notes on pages 5 to 21 form part of this statement

Statement of Cash Flows for the year ended 31 March 2018

	Note	2017-18 £'000	2016-17 £'000
Cash Flows from Operating Activities			
Net operating expenditure for the financial year		(316,663)	(287,056)
Depreciation and amortisation		19	8
Increase in trade & other receivables		(4,915)	(930)
Increase/(decrease) in trade & other payables		4,264	(2,519)
Provisions utilised		(118)	(117)
Decrease in provisions		(48)	(1,345)
Net Cash Outflow from Operating Activities		**(317,461)**	(291,959)
Cash Flows from Investing Activities			
Payments for property, plant and equipment		(41)	(35)
Net Cash Outflow from Investing Activities		**(41)**	(35)
Net Cash Outflow before Financing		**(317,502)**	(291,994)
Cash Flows from Financing Activities			
Grant in Aid Funding Received		317,406	292,081
Net Cash Inflow from Financing Activities		**317,406**	292,081
Net Increase / (Decrease) in Cash & Cash Equivalents	10	**(96)**	87
Cash & Cash Equivalents at the Beginning of the Financial Year		**128**	41
Cash & Cash Equivalents at the End of the Financial Year		**32**	128

The notes on pages 5 to 21 form part of this statement

Notes to the financial statements

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 and Social Care. Consequently, the following financial statements have been prepared in accordance with the Group Accounting Manual 2017-18 issued by the Department of Health and Social Care. 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 Movement of Assets within the Department of Health Group

Transfers as part of reorganisation fall to be accounted for by use of absorption accounting in line with the Government Financial Reporting Manual, issued by HM Treasury. The Government Financial Reporting Manual does not require retrospective adoption, so prior year transactions (which have been accounted for under merger accounting) have not been restated. Absorption accounting requires that entities account for their transactions in the period in which they took place, with no restatement of performance required when functions transfer within the public sector. Where assets and liabilities transfer, the gain or loss resulting is recognised in the Statement of Comprehensive Net Expenditure, and is disclosed separately from operating costs.
Other transfers of assets and liabilities within the Department of Health Group are accounted for in line with IAS 20 and similarly give rise to income and expenditure entries.

1.4 Pooled Budgets

The CCG has entered into a pooled budget with East Sussex County Council and Hastings and Rother CCG. Under the arrangement funds are pooled under S75 of the NHS Act 2006 for the provision of an integrated community equipment loan service.
The pool is hosted by East Sussex County Council. The CCG accounts for expenditure with the County Council within purchase of healthcare from non-NHS bodies in note 5.
2017/18. The substance of the arrangement, however, is not one of a pooled budget. Individual members have continued to contract with individual providers without reference to other members and using their own sources of finding. In substance these are neither joint operations nor lead commissioner transactions and not a vehicle for joint commissioning. The CCGs and ESCC will continue to work towards greater integration and joint commissioning of services in future years and the accounting for the Better Care Fund will therefore be reviewed each year.

Notes to the financial statements

1.5 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.

1.5.1 *Critical Judgements in Applying Accounting Policies*

The following are the critical judgements, apart from those involving estimations (see below) that management has made in the process of applying the clinical commissioning group's accounting policies that have the most significant effect on the amounts recognised in the financial statements:

Accounting for Accruals

Various methods are used for calculating different types of accruals. They include:

- Trend analysis
- Expert judgement of Finance Managers
- Supplier statements
- Formulaic approach based upon historic cost information

Provisions

A provision is recognised when the CCG has a legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits will be required to settle an obligation. In addition to widely used estimation techniques, judgement is required when determining the probable outflow of economic benefits. Any estimates have been made in line with IAS 37: Provisions, Contingent Liabilities and Contingent Assets. The significant estimates for provision are included in note 12.

Provision for Impairment of Receivables

Management will use their judgement to decide when to write-off revenue or to provide against the probability of not being able to collect a debt.

1.5.2 Key Sources of Estimation Uncertainty

The following are the key estimations that management has made in the process of applying the clinical commissioning group's accounting policies that have the most significant effect on the amounts recognised in the financial statements:

Current Assets

Included in the receivables balance are a number of prepayments and accrued income. These may inevitably require an element of estimation. Where estimates have been applied, the CCG has adhered to guidance stipulated in the NHS Group Accounting Manual.

Payables

Trade payables include a number of NHS and non-NHS accruals which will require an element of judgement. Where applicable, the CCG adheres to guidance set out in the NHS Manual for Accounts and relevant financial standards.

Prescribing Accrual

Prescribing information is sent to the CCG monthly in arrears by the relevant prescribing authorities. This is always at least two months behind the current month. Each month, the CCG has to estimate the year to date expenditure - including at the year end - based on the last set of available data. At the year end, the CCG has estimated prescribing expenditure based on 11 months data, but with information about profiling and extrapolated trends.

Non-Contract Activity

Non-Contract Activity is traditionally 'behind' in being relayed, by the nature of the activity. The CCG has made an estimate of the likely uninvoiced value of the NCAs and accrued for them.

Notes to the financial statements

Clinical Work in Progress

This relates to clinical work being carried out by the providers which is in progress at the year-end. The CCG, through discussion with providers, has made a judgement to whether the work in progress should be included in the accounts, based upon materiality. The work in progress is calculated based upon a cost of treatment, the number of patients being treated, and the proportion of days in progress against average length of treatment.

Contract Monitoring

Several of the CCG's contracts with provider Trusts are relatively straightforward as "block" payments are agreed at the start of the year. However, contracts with acute providers can be complex and information in relation to performance on the contracts may not be fully available when the accounts are being prepared. Negotiations take place with the provider Trusts at year-end and payments / accruals for any over-performance are agreed. NHS agreements are binding once made reducing the risk of bad debts / spurious accruals. The process is facilitated by an NHS Agreement of Balances (AoB) process at the year end whereby respective debit/credit balances between NHS bodies are reconciled on a national level.

1.6 **Revenue**

Revenue in respect of services provided is recognised when, and to the extent that, performance occurs, and is measured at the fair value of the consideration receivable.

Government funding for activities is received from NHS England as cash support. This is drawn down directly into the bank account of the CCG and credited to the General Fund. It is not accounted for as revenue to the CCG.

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

1.7 **Employee Benefits**

1.7.1 **Short-term Employee Benefits**

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees, including bonuses earned but not yet taken.
The cost of leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period.

1.7.2 **Retirement Benefit Costs**

Past and present employees are covered by the provisions of the NHS Pensions Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the clinical commissioning group of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period. For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to expenditure at the time the clinical commissioning group commits itself to the retirement, regardless of the method of payment.

1.8 **Other Expenses**

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

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

Notes to the financial statements

1.9 Property, Plant & Equipment

1.9.1 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.

1.9.2 Valuation

All property, plant and equipment are measured initially at cost, representing the cost directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management. All assets are measured subsequently at valuation.
Land and buildings used for the clinical commissioning group's services or for administrative purposes are stated in the statement of financial position at their re-valued amounts, being the fair value at the date of revaluation less any impairment.

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

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

HM Treasury has adopted a standard approach to depreciated replacement cost valuations based on modern equivalent assets and, where it would meet the location requirements of the service being provided, an alternative site can be valued.
Land and buildings that are surplus to requirements are valued at fair value using IFRS 13, unless there are restrictions on the entity or the asset which would prevent access to the market and are valued at current value in existing use as above.
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 re-valued 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.

Notes to the financial statements

1.9.3 **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.

1.10 **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 **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.

1.11.1 **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.

1.11.2 **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.

Notes to the financial statements

1.12 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.

1.13 Provisions

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

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

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

1.14 Clinical Negligence Costs

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

1.15 Non-clinical Risk Pooling

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

1.16 Continuing healthcare risk pooling

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

1.17 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.

Notes to the financial statements

1.18 **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.

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

Fair value is determined by reference to quoted market prices where possible, otherwise by valuation techniques. At the end of the reporting period, the clinical commissioning group assesses whether any financial assets, other than those held at 'fair value through profit and loss' are impaired. Financial assets are impaired and impairment losses recognised if there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cash flows of the asset. For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. The loss is recognised in expenditure and the carrying amount of the asset is reduced through a provision for impairment of receivables.

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

1.19 **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 de-recognised when the liability has been discharged, that is, the liability has been paid or has expired.

1.20 **Value Added Tax**

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.

1.21 **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).

1.22 **Accounting Standards That Have Been Issued But Have Not Yet Been Adopted**

The Department of Health and Social Care (DHSC) Group Accounting Manual does not require the following Standards and Interpretations to be applied in 2017-18. HM Treasury has adopted IFRS 9 and IFRS 15 into the Financial Reporting Manual (FReM) for 2018-19 and is expected to adopt IFRS 16 in the FReM for 2019-20. The standards will become effective for future financial reporting periods and have not been adopted in these financial statements.

- IFRS 9: Financial Instruments (application from 1 January 2018)
- IFRS 15: Revenue for Contract with Customers (application from 1 January 2018)
- IFRS 16: Leases (application from 1 January 2019)

The application of IFRS 9 and IFRS 15 as revised would not have a material impact on the accounts for 2017-18, were they applied in that year.

As disclosed in note 7, the CCG does not currently have a signed lease with NHS Property Services and therefore based on current leases, it is not expected that IFRS 16 will have a material impact once it is applied.

2. Other Operating Revenue

	2017-18 Total £'000	2017-18 Admin £'000	2017-18 Programme £'000	2016-17 Total £'000
Non-patient care services to other bodies	13	13	0	163
Other revenue	134	24	109	94
Total other operating revenue	**147**	**37**	**109**	**257**

Administration revenue is revenue received that is not directly attributable to the provision of healthcare or healthcare services.

Revenue in this note does not include cash received from NHS England, which is drawn down directly into the bank account of the CCG and credited to the General Fund.

The CCG operates one segment in respect of commissioning healthcare services.

3. Revenue

	2017-18 Total £'000	2017-18 Admin £'000	2017-18 Programme £'000	2016-17 Total £'000
From rendering of services	146	37	109	257

Revenue is totally from the supply of services. The clinical commissioning group receives no revenue from the sale of goods.

4. Employee benefits and staff numbers

4.1 Employee benefits

	2017-18 Total £'000	2016-17 Total £'000
Employee Benefits		
Salaries and wages	2,043	1,949
Social security costs	206	197
Employer Contributions to NHS Pension scheme	247	244
Apprenticeship Levy	9	0
Gross employee benefits expenditure	**2,505**	**2,390**

4.2 Average number of people employed

	2017-18 Total Number	2016-17 Total Number
Total	**42**	**42**

4. Employee benefits and staff numbers (cont.)

4.3 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 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:

4.3.1 Accounting valuation

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

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

4.3.2 Full actuarial (funding) valuation

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

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

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

For 2017-18, employers' contributions of £1,009 were payable to the NHS Pensions Scheme (2016-17: £4,824) were payable to the NHS Pension Scheme at the rate of 14.38% of pensionable pay. The scheme's actuary reviews employer contributions, usually every four years and now based on HMT Valuation Directions, following a full scheme valuation. The latest review used data from 31 March 2012 and was published on the Government website on 9 June 2012. These costs are included in the NHS pension line of note 4.1.

5. Operating expenses

	2017-18 Total £'000	2017-18 Admin £'000	2017-18 Programme £'000	2016-17 Total £'000
Gross employee benefits				
Employee benefits excluding governing body m	2,343	1,848	494	2,229
Executive governing body members	162	162	0	161
Total gross employee benefits	**2,505**	**2,010**	**494**	**2,390**
Other costs				
Services from other CCGs and NHS England	2,495	1,010	1,486	2,518
Services from foundation trusts	44,572	0	44,572	38,911
Services from other NHS trusts	138,271	44	138,227	125,255
Purchase of healthcare from non-NHS bodies	52,702	0	52,702	49,933
Purchase of social care	722	0	722	0
Chair and Non Executive Members	228	228	0	256
Supplies and services – clinical	3	0	3	0
Supplies and services – general	7,233	50	7,183	1,863
Consultancy services	108	33	75	78
Establishment	388	104	284	491
Transport	74	1	73	1,817
Premises	942	165	777	917
Depreciation	19	19	0	8
Audit fees *	40	40	0	59
Prescribing costs	35,910	0	35,910	34,978
General ophthalmic services	43	0	43	46
GPMS/APMS and PCTMS	30,250	0	30,250	28,600
Other professional fees	164	164	0	220
Legal fees	161	161	(0)	0
Education and training	30	20	9	27
Provisions	(48)	0	(48)	(1,345)
CHC Risk Pool contributions	0	0	0	290
Total other costs	**314,305**	**2,039**	**312,266**	**284,923**
Total operating expenses	**316,810**	**4,049**	**312,761**	**287,313**

Administration expenditure is expenditure incurred that is not a direct payment for the provision of healthcare or healthcare services.

The CCG contract with external auditors BDO includes the term that BDO's aggregate liability for all services of whatever nature whether in contract, tort or otherwise, shall not exceed £1million.

* Audit Fees excluding VAT are £33,000.

6. Better Payment Practice Code

Measure of compliance	2017-18 Number	2017-18 £'000	2016-17 Number	2016-17 £'000
Non-NHS Payables				
Total Non-NHS Trade invoices paid in the Year	6,513	58,055	7,026	56,408
Total Non-NHS Trade Invoices paid within target	6,454	56,976	6,862	55,362
Percentage of Non-NHS Trade invoices paid within target	**99.1%**	**98.1%**	**97.7%**	**98.1%**
NHS Payables				
Total NHS Trade Invoices Paid in the Year	2,415	228,671	2,549	209,515
Total NHS Trade Invoices Paid within target	2,403	228,376	2,538	209,191
Percentage of NHS Trade Invoices paid within target	**99.5%**	**99.9%**	**99.6%**	**99.8%**

The Better Payment Practice Code has a target for CCGs to aim to pay all invoices by the due date or within 30 days of receipt of a valid invoice, whichever is later. Compliance is achieved if at least 95% of all invoices are paid within 30 days or by the due date.

7. Operating Leases

7.1 As lessee

7.1.1 Payments recognised as an Expense

	2017-18 Buildings £'000	2016-17 Buildings £'000
Payments recognised as an expense		
Minimum lease payments	917	877

Eastbourne, Hailsham & Seaford CCG occupies property owned and managed by NHS Property Services Ltd. Whilst our arrangements with NHS Property Services Ltd fall within the definition of operating leases, the rental charge for future years, including void spaces, has not yet been agreed. Consequently, this note includes only the annual amount of rent and does not include future minimum lease payments for these arrangements beyond one year.

7.1.2 Future minimum lease payments

	2017-18 Buildings £'000	2016-17 Buildings £'000
Payable:		
No later than one year	26	0
Between one and five years	91	0
After five years	0	0
Total	**117**	**0**

8. Property, plant and equipment

2017-18	Plant & machinery £'000	Information technology £'000	Total £'000
Cost or valuation at 01 April 2017	179	378	557
Additions purchased	0	41	41
Cost/Valuation at 31 March 2018	**179**	**419**	**598**
Depreciation 01 April 2017	179	327	507
Charged during the year	0	19	19
Depreciation at 31 March 2018	**179**	**347**	**526**
Net Book Value at 31 March 2018	**0**	**72**	**72**
Purchased	0	72	72
Asset financing:			
Owned	0	72	72

2016-17	Plant & machinery £'000	Information technology £'000	Total £'000
Cost or valuation at 01 April 2016	179	343	522
Additions purchased	0	35	35
Cost/Valuation at 31 March 2017	**179**	**378**	**557**
Depreciation 01 April 2016	179	319	499
Charged during the year	0	8	8
Depreciation at 31 March 2017	**179**	**327**	**507**
Net Book Value at 31 March 2017	**0**	**51**	**51**
Purchased	0	51	51
Asset financing:			
Owned	0	51	51

8.1 Economic lives

	Minimum Life (years)	Maximum Life (Years)
Information technology	1	3

9. Trade and other receivables

	Current 2017-18 £'000	Current 2016-17 £'000
NHS receivables: Revenue	4,426	2,690
NHS prepayments	686	615
NHS accrued income	127	516
Non-NHS and Other WGA receivables: Revenue	2,398	44
Non-NHS and Other WGA prepayments	56	227
Non-NHS and Other WGA accrued income	1,584	95
VAT	6	(0)
Other receivables and accruals	0	181
Total Trade & other receivables	**9,284**	**4,369**
Total current and non current	**9,284**	**4,369**

No prepaid pensions contributions included above.

9.1 Receivables past their due date but not impaired

	2017-18 £'000	2016-17 £'000
By up to three months	0	136
By three to six months	0	1
By more than six months	112	6
Total	**112**	**143**

None of the amount above has subsequently been recovered post the statement of financial position date.

10. Cash and cash equivalents

	2017-18 £'000	2016-17 £'000
Balance at 01 April 2017	128	41
Net change in year	(96)	87
Balance at 31 March 2018	**32**	**128**
Cash with the Government Banking Service	32	128

11. Trade and other payables	Current 2017-18 £'000	Current 2016-17 £'000
NHS payables: revenue	5,266	3,939
NHS accruals	4,641	5,427
Non-NHS and Other WGA payables: Revenue	1,075	459
Non-NHS and Other WGA accruals	13,251	9,822
Social security costs	3	3
Tax	1	2
Other payables and accruals	197	519
Total Trade & Other Payables	**24,434**	**20,171**
Total current and non-current	24,434	20,171

Other payables include £109,084 outstanding pension contributions at 31 March 2018 (£348,999 at 31 March 2017).

12. Provisions

	Current 2017-18 £'000	Current 2016-17 £'000
Continuing care	88	253
Total current and non-current	88	253

	Continuing Care £'000
Balance at 01 April 2017	**253**
Utilised during the year	(118)
Reversed unused	(48)
Balance at 31 March 2018	**88**
Expected timing of cash flows:	
Within one year	88

The Continuing care provision relates to 322 inidividual claims received whilst the CCG has been in operation. 92 of these cases required no further action either on request of the family or through no response. The remaining 230 cases have all been assessed of which 53 have been found eligible for Continuing Healthcare. We have now settled all eligible cases, with any over provision being reversed as unused. The only provision remaining is for those cases found not eligible where there is a possibility of appeal. All amounts are based on a weighted share split between the 3 East Sussex CCGs.

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 CCG. The total value of legacy NHS Continuing Healthcare provisions accounted for by NHS England on behalf of this CCG at 31 March 2018 is £0.5m.

13. Contingencies

13.1 Contingent liabilities

The seven Sussex CCGs are jointly taking legal steps to enforce the terms of a parent company guarantee submitted as part of a non-emergency patient transport services (PTS) contract which was terminated with effect from 31st March 2017. The case is being supported by NHS High Weald Lewes Havens CCG's (the host CCG's) solicitors who are currently engaged in negotiations with the parent company who provided the guarantee. The process is ongoing but may result in court proceedings At this stage, it is not possible to give an accurate quantification of the precise financial consequences of the legal steps initiated but it is considered that these will not have a material impact on the future reported financial position of the CCGs.

14. Financial instruments

14.1 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 NHS 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 NHS Clinical Commissioning Group standing financial instructions and policies agreed by the Governing Body. Treasury activity is subject to review by the NHS Clinical Commissioning Group and internal auditors.

14.1.1 Credit risk

Because the majority of the NHS Clinical Commissioning Group's revenue comes from parliamentary funding, the NHS 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.

14.1.2 Liquidity risk

The NHS Clinical Commissioning Group is required to operate within revenue and capital resource limits, which are financed from resources voted annually by Parliament. The NHS Clinical Commissioning Group draws down cash to cover expenditure, as the need arises. The NHS Clinical Commissioning Group is not, therefore, exposed to significant liquidity risks.

14.2 Financial assets

	Loans and Receivables 2017-18 £'000	Loans and Receivables 2016-17 £'000
Receivables:		
· NHS	4,553	3,206
· Non-NHS	3,983	139
Cash at bank and in hand	32	128
Other financial assets	0	181
Total at 31 March 2018	8,568	3,655

14.3 Financial liabilities

	Other 2017-18 £'000	Other 2016-17 £'000
Payables:		
· NHS	9,907	9,366
· Non-NHS	14,524	10,800
Total at 31 March 2018	24,431	20,166

15. Related party transactions

During the year none of the Department of Health Ministers or parties related to any of them, has undertaken any material transactions with the clinical commissioning group. The table below records related party transactions with organisations where Governing Body members of the CCG have declared an interest.

Details of related party transactions with individuals are as follows:

	2017/18		2016/17		
	Payments to Related Party £'000	Amounts owed to Related Party £'000	Payments to Related Party £'000	Amounts owed to Related Party £'000	Amounts due from Related Party £'000
Dr Martin Writer (CCG Chair) - Partner Park Practice	3,784	340	3,316	300	
Dr Martin Writer (CCG Chair) - Member of Federation of Practices - South Downs Health and Care LTD	415	97			
Dr Joerg Bruuns (GP Member) - Partner Grove Surgery	2,259	191	2,239	199	
Dr Joerg Bruuns (GP Member) - Managing Director and part owner of East Sussex Out Patient Services (ESOPS)	1,113	19	1,122	76	
Dr Joerg Bruuns (GP member) - Member of Federation of Practices - South Downs Health and Care LTD	415	97			
Dr Tim Caroe (GP Member) - Partner Lighthouse Medical practice	5,344	504	4,840	463	
Dr Tim Caroe (GP member) - Member of Federation of Practices - South Downs Health and Care LTD	415	97			
Phil Abbott (Practice Manager member) - Seaford Medical Practice	6,212	587	5,444	559	
Phil Abbott (Practice Manager member) - Business Partner at a member of Federation of Practices - South Downs Health and Care	415	97			
Dr Graham Dodge (Independent Clinician) - BSUH employee	10,500	130	9,979		(17)
Dr Keith Grimes (GP Member) - Employee of Integrated Care 24 Ltd	3,570	129	2,162	15	
Dr Keith Grimes (GP Member) - Seaford Medical Practice	6,212	587	5,445	559	

A related party is someone who has significant influence over the CCG or is a member of the key management personnel of the CCG. This note provides details of any significant transactions that related parties, or their relations or any bodies that they may control, have undertaken with the CCG (shown above) and any outstanding balances with them. All transactions recorded between the CCG and the organisations with which the Governing Body members are associated have been undertaken at arms-length using national tariff or local tariff where national tariff does not apply.

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. The NHS organisations listed below are those where transactions over the year 2017/18 have exceeded £500,000:

NHS Hastings & Rother CCG
Brighton & Sussex University Hospitals NHS Trust
East Sussex Healthcare NHS Trust
Maidstone & Tunbridge Wells NHS Trust
Guy's & St Thomas' NHS Foundation Trust
Kent Community Health NHS Foundation Trust
South Central Ambulance NHS Foundation Trust
South East Coast Ambulance Service NHS Foundation Trust
Sussex Community NHS Foundation Trust
Sussex Partnership NHS Foundation Trust
Queen Victoria Hospital NHS Foundation Trust
King's College Hospital NHS Foundation Trust
NHS South, Central & West Commissioning Support Unit

In addition, the clinical commissioning group has had a number of material transactions with other government departments and other central and local government bodies. Transactions with other bodies over the year which have exceeded £500,000:

East Sussex County Council

16. Events after the end of the reporting period

There are no post balance sheet events which will have a material effect on the financial statements of the clinical commissioning group.

17. Losses and special payments

There have been no losses or special payments.

18. Financial performance targets

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

	2017-18 Target £'000	**2017-18 Performance £'000**	2016-17 Target £'000	2016-17 Performance £'000
Expenditure not to exceed income	289,895	316,810	292,977	287,313
Capital resource use does not exceed the amount specified in Directions	50	41	50	35
Revenue resource use does not exceed the amount specified in Directions	289,748	316,663	292,720	287,056
Capital resource use on specified matter(s) does not exceed the amount specified in Directions	0	0	0	0
Revenue resource use on Primary Care - Co-Commissioning does not exceed the amount specified in Directions	25,295	24,906	24,821	24,634
Revenue administration resource use does not exceed the amount specified in Directions	4,098	4,012	4,098	3,953

In prior years the Revenue Resource Limit was calculated as a cumulative amount, this meant that any underspend from one year was carried forward and included in the limit for the following year. From 2017-18 NHSE amended the way in which the limit is determined such that it now excludes prior year underspends. The CCG has recorded an overspend of £26.9m against its in year revenue resource limit target for 2017-18 (£5.6m underspend against in year & historic underspend revenue resource for 2016-17).

A referral under section 30(1)(a) of the Local Audit and Accountability Act 2014 has been made to the Secretary of State for Health and Social Care by the CCG's auditor.