Item Number: 7.1

Governing Body Meeting Date:
5 June 2014

NHS
Harrogate and Rural District
Clinical Commissioning Group

Report Sponsor	**Report Author**
Dilani Gamble Interim Chief Finance Office	Dilani Gamble Interim Chief Finance Officer

1. Title of Paper: Annual Accounts 2013/14

2. CCG Corporate Objectives supported by this paper

	CCG Corporate Objective	Tick
1	Engage and enable local people to be involved in decisions made about the healthcare we commission	
2	Commission services to ensure and improve quality and safety of services and improve outcomes	
3	Achieve a sustainable Health Economy	X
4	Deliver transformational service change	X
5	Develop strong and mature partnerships	X
6	Develop a strong, sustainable and successful CCG	X

3. CCG Values Underpinned in this paper

	CCG Values	Tick
1	Respect and Dignity	
2	Commitment to Quality of Care	X
3	Compassion	
4	Improving Lives	X
5	Working Together for Patients	X
6	Everyone Counts	X

4. Executive Summary

This report details the Annual Accounts of NHS Harrogate and Rural District Clinical Commissioning Group (CCG) for the year ending 31 March 2014.

The Annual Accounts confirm that the CCG has met all of its statutory financial duties for 2013/14 as summarised below:

Target	2013/14
Revenue Resource Limit (RRL)	*Achieved*
Cash Limit (CL)	Achieved
Running Cost Limit £25 per head	Achieved
Better Payment Practice Code	Achieved

Management Representation letter (Appendix A) by the CCG's Chief Officer to External Audit confirms that the CCG's financial statements give a true and fair view in accordance with the manual for Accounts and that all information required for External Audit review of CCG's financial statements have been disclosed.

External Audit has reviewed the CCG's Annual Accounts for 2013/14 and Draft Audit Report (Appendix B) gives the opinion that the CCG's financial statements give a true and fair view of the financial position as at 31 March 2014 and that these statements have been prepared properly in accordance with the accounting policies directed by the Secretary of State as relevant to the NHS in England. There are some changes that have been made to the Annual Accounts following External Audit advice and these have all been non material changes purely with respect to classification of expenditure.

The CCG's Audit Committee has reviewed External Audit findings and recommendations in detail and has approved the Annual Accounts and associated Notes for 2013/14 subject to the inclusion of 3 specific notes to the accounts, following receipt of NHS England guidance last week. These notes have been incorporated in the report presented to the Governing Body.

5. Any statutory / regulatory / legal / NHS Constitution implications

The CCG aspires to the highest standards of excellence and professionalism, works across organisational boundaries and in partnership with other organisations in the interest of patients, local communities and the wider population.

We are committed to providing best value for taxpayers' money and the most effective, fair and sustainable use of finite resources and are accountable to the public, communities and patients we serve.

6. Equality Impact Assessment

The CCG is committed to fulfilling its duty under the Equalities Act 2010 and to ensure its commissioned services are non-discriminatory. This report is intended to support delivery of our duty to have a continuing impact on equality and diversity.

The CCG will work with providers, communities of interest and service users to ensure that any issues relating to equality of service within this report have been identified and addressed.

7. Implications/Actions for Public and Patient Engagement

N/A

8. Recommendations / Action Required

The Governing Body is asked to Accept the Annual Accounts for the year ending 31 March 2014 following approval by the Audit Committee on 27 May 2014.

9. Assurance

Ongoing Financial Performance and risks are reported to the Finance, Performance and Commissioning Committee on a monthly basis.

The Governing Body will receive an assurance update on the financial performance of the CCG at each meeting.

For further information please contact:

Dilani Gamble
Interim Chief Finance Officer
01423 799304

NHS
Harrogate and Rural District
Clinical Commissioning Group

Financial Accounts
For the Year Ended
31 March 2014

CONTENTS Page Number

Statement of Comprehensive Net Expenditure for the year ended 31 March 2014

	Note	2013-14 £000
Administration Costs and Programme Expenditure		
Gross employee benefits	4	**1,765**
Other costs	5	**176,253**
Other operating revenue	2	**(3,185)**
Net operating costs before interest		**174,832**
Other operating revenue		**-**
Other (gains)/losses		**-**
Finance costs		**-**
Net operating costs for the financial year		**174,832**
Net (gain)/loss on transfers by absorption		**-**
Net operating costs for the financial year including absorption transfers		**174,832**
Of which:		
Administration Costs		
Gross employee benefits	4	**1,357**
Other costs	5	**2,163**
Other operating revenue	2	**(211)**
Net administration costs before interest		**3,309**
Programme Expenditure		
Gross employee benefits	4	**407**
Other costs	5	**174,090**
Other operating revenue	2	**(2,974)**
Net programme expenditure before interest		**171,523**

Other Comprehensive Net Expenditure	**2013-14 £000**
Impairments and reversals	**-**
Net gain/(loss) on revaluation of property, plant & equipment	**-**
Net gain/(loss) on revaluation of intangibles	**-**
Net gain/(loss) on revaluation of financial assets	**-**
Movements in other reserves	**-**
Net gain/(loss) on available for sale financial assets	**-**
Net gain/(loss) on assets held for sale	**-**
Net actuarial gain/(loss) on pension schemes	**-**
Share of (profit)/loss of associates and joint ventures	**-**
Reclassification Adjustments	
On disposal of available for sale financial assets	**-**
Total comprehensive net expenditure for the year	**174,832**

Statement of Financial Position as at 31 March 2014

	Note	31 March 2014 £000
Non-current assets:		
Property, plant and equipment		-
Intangible assets		-
Investment property		-
Trade and other receivables		-
Other financial assets		-
Total non-current assets		-
Current assets:		
Inventories		-
Trade and other receivables	10	**1,489**
Other financial assets		-
Other current assets		-
Cash and cash equivalents	11	**165**
Total current assets		**1,654**
Non-current assets held for sale		-
Total current assets		**1,654**
Total assets		**1,654**
Current liabilities		
Trade and other payables	12	**(8,290)**
Other financial liabilities		-
Other liabilities		-
Borrowings		-
Provisions	14	**(194)**
Total current liabilities		**(8,484)**
Total Assets less Current Liabilities		**(6,830)**
Non-current liabilities		
Trade and other payables		-
Other financial liabilities		-
Other liabilities		-
Borrowings		-
Provisions		-
Total non-current liabilities		-
Total Assets Employed		**(6,830)**
Financed by Taxpayers' Equity		
General fund		**(6,830)**
Revaluation reserve		-
Other reserves		-
Charitable Reserves		-
Total taxpayers' equity:		**(6,830)**

The notes on pages 27 to 30 form part of this statement.

The financial statements on pages 1 to 4 were approved by the Governing Body on the 5th June 2014 and signed on its behalf by:

Dilani Gamble
Chief Finance Officer

Statement of Changes In Taxpayers Equity for the year ended 31 March 2014

	Note	General fund £000	Revaluation reserve £000	Other reserves £000	Total reserves £000
Changes in taxpayers' equity for 2013-14					
Balance at 1 April 2013		-	-	-	-
Transfer of assets and liabilities from closed NHS Bodies as a result of the 1 April 2013 transition	9	26	-	-	26
Transfer between reserves in respect of assets transferred from closed NHS bodies		-	-	-	-
Adjusted CCG balance at 1 April 2013		**26**	**-**	**-**	**26**
Changes in CCG taxpayers' equity for 2013-14					
Net operating costs for the financial year		(174,832)	-	-	**(174,832)**
Net gain/(loss) on revaluation of property, plant and equipment		-	-	-	-
Net gain/(loss) on revaluation of intangible assets		-	-	-	-
Net gain/(loss) on revaluation of financial assets		-	-	-	-
Total revaluations against revaluation reserve		**-**	**-**	**-**	**-**
Net gain (loss) on available for sale financial assets		-	-	-	-
Net gain (loss) on revaluation of assets held for sale		-	-	-	-
Impairments and reversals		-	-	-	-
Net actuarial gain (loss) on pensions		-	-	-	-
Movements in other reserves		-	-	-	-
Transfers between reserves		-	-	-	-
Release of reserves to the Statement of Comprehensive Net Expenditure		-	-	-	-
Reclassification adjustment on disposal of available for sale financial		-	-	-	-
Transfers by absorption to (from) other bodies		-	-	-	-
Transfer between reserves in respect of assets transferred under absorption		-	-	-	-
Reserves eliminated on dissolution		-	-	-	-
Net Recognised CCG Expenditure for the Financial Year		(174,806)	-	-	**(174,806)**
Net funding		167,976	-	-	**167,976**
Balance at 31 March 2014		**(6,830)**	**-**	**-**	**(6,830)**

Statement of Cash Flows for the year ended 31 March 2014

	Note	2013-14 £000
Cash Flows from Operating Activities		
Net operating costs for the financial year		(174,832)
Depreciation and amortisation	9	26
Impairments and reversals		-
Other gains (losses) on foreign exchange		-
Donated assets received credited to revenue but non-cash		-
Government granted assets received credited to revenue but non-cash		-
Interest paid		-
Release of PFI deferred credit		-
(Increase)/decrease in inventories		-
(Increase)/decrease in trade & other receivables	10	(1,489)
(Increase)/decrease in other current assets		-
Increase/(decrease) in trade & other payables	12	8,290
Increase/(decrease) in other current liabilities		-
Provisions utilised		-
Increase/(decrease) in provisions	14	194
Net Cash Inflow (Outflow) from Operating Activities		(167,811)
Cash Flows from Investing Activities		
Interest received		-
(Payments) for property, plant and equipment		-
(Payments) for intangible assets		-
(Payments) for investments with the Department of Health		-
(Payments) for other financial assets		-
(Payments) for financial assets (LIFT)		-
Proceeds from disposal of assets held for sale: property, plant and equipment		-
Proceeds from disposal of assets held for sale: intangible assets		-
Proceeds from disposal of investments with the Department of Health		-
Proceeds from disposal of other financial assets		-
Proceeds from disposal of financial assets (LIFT)		-
Loans made in respect of LIFT		-
Loans repaid in respect of LIFT		-
Rental revenue		-
Net Cash Inflow (Outflow) from Investing Activities		-
Net Cash Inflow (Outflow) before Financing		(167,811)
Cash Flows from Financing Activities		
Net funding received		167,976
Other loans received		-
Other loans repaid		-
Capital element of payments in respect of finance leases and on Statement of Financial Position PFI and LIFT		-
Capital grants and other capital receipts		-
Capital receipts surrendered		-
Net Cash Inflow (Outflow) from Financing Activities		167,976
Net Increase (Decrease) in Cash & Cash Equivalents	11	165
Cash & Cash Equivalents at the Beginning of the Financial Year		-
Effect of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies		-
Cash & Cash Equivalents (including bank overdrafts) at the End of the Financial Year		165

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 *Manual for Accounts* issued by the Department of Health. Consequently, the following financial statements have been prepared in accordance with the *Manual for Accounts 2013-14* issued by the Department of Health. The accounting policies contained in the *Manual for Accounts* 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 *Manual for Accounts* 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.

In accordance with the Directions issued by NHS England comparative information is not provided in these Financial Statements.

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 Acquisitions & Discontinued Operations

Activities are considered to be ‘acquired’ only if they are taken on from outside the public sector. Activities are considered to be ‘discontinued’ only if they cease entirely. They are not considered to be ‘discontinued’ if they transfer from one public sector body to another. The operational activities of the CCG will continue.

1.4 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.

For transfers of assets and liabilities from those NHS bodies that closed on 1 April 2013, HM Treasury has agreed that a modified absorption approach should be applied. For these transactions only, gains and losses are recognised in reserves rather than the Statement of Comprehensive Net Expenditure.

1.5 Charitable Funds

From 2013-14, the divergence from the Government Financial Reporting Manual that NHS Charitable Funds are not consolidated with bodies’ own returns is removed. Under the provisions of IAS 27: Consolidated & Separate Financial Statements, those Charitable Funds that fall under common control with NHS bodies are consolidated within the entities’ accounts. Please note that the clinical commissioning group does not have any charitable funds.

Notes to the financial statements

1.6 Pooled Budgets

Where the clinical commissioning group has entered into a pooled budget arrangement under Section 75 of the National Health Service Act 2006 the clinical commissioning group accounts for its share of the assets, liabilities, income and expenditure arising from the activities of the pooled budget, identified in accordance with the pooled budget agreement.

If the clinical commissioning group is in a “jointly controlled operation”, the clinical commissioning group recognises:

- The assets the clinical commissioning group controls;
- The liabilities the clinical commissioning group incurs;
- The expenses the clinical commissioning group incurs; and,
- The clinical commissioning group’s share of the income from the pooled budget activities.

If the clinical commissioning group is involved in a “jointly controlled assets” arrangement, in addition to the above, the clinical commissioning group recognises:

- The clinical commissioning group’s share of the jointly controlled assets (classified according to the nature of the assets);
- The clinical commissioning group’s share of any liabilities incurred jointly; and
- The clinical commissioning group’s share of the expenses jointly incurred.

Please note that the clinical commissioning group does not have any pooled budgets.

1.7 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.

1.7.1 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:

- Arrangements for obtaining the use of property have the characteristics of operating leases under IAS17 and have been accounted for as such.

1.7.2 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:

- The re-imbursement to general practitioners for costs incurred in prescribing drugs occurs two months in arrears. The NHS Prescription Services (part of NHS Business Services Authority) undertake the monitoring of activity and associated costs on behalf of all clinical commissioning groups. Based on the infromation they have providered this clinical commissioning group has made an informed calculation on accounting for a £3.765million accrual.
- The clinical commissioning group has also received specialist information from its Partnership Commissioning Unit to enable it to make an informed decision for a £0.194million provision for unprocessed continuing care claims. These are claims that have arisen in year which the continuing health care teams have deemed a ligitimate claim but have not been able to quantify the cost which the NHS is legally responsible to cover.

1.8 Revenue

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

Where income is received for a specific activity that is to be delivered in the following year, that income is deferred. Please note that the clinical commissioning group did not have any deferred income.

Notes to the financial statements

1.9 Employee Benefits

1.9.1 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.

1.9.2 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.

1.10 Other Expenses

Other operating expenses are recognised when, and to the extent that, the goods or services have been received. They are measured at the fair value of the consideration payable.
Expenses and liabilities in respect of grants are recognised when the clinical commissioning group has a present legal or constructive obligation, which occurs when all of the conditions attached to the payment have been met.

1.11 Property, Plant & Equipment

1.11.1 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.

1.11.2 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 fair value.

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.

Notes to the financial statements

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 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 fair value.

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.

1.11.3 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.

1.12 Intangible Assets

1.12.1 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.

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.

1.12.2 Measurement

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

Following initial recognition, intangible assets are carried at fair value by reference to an active market, or, where no active market exists, at amortised replacement cost (modern equivalent assets basis), indexed for relevant price increases, as a proxy for fair value. Internally-developed software is held at historic cost to reflect the opposing effects of increases in development costs and technological advances.

Please note that the clinical commissioning group does not have any intangible assets.

Notes to the financial statements

1.13 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.

1.14 Donated Assets

Donated non-current assets are capitalised at their fair value on receipt, with a matching credit to Income. They are valued, depreciated and impaired as described above for purchased assets. Gains and losses on revaluations, impairments and sales are as described above for purchased assets. Deferred income is recognised only where conditions attached to the donation preclude immediate recognition of the gain.
Please note that the clinical commissioning group does not have any donated assets.

1.15 Government Grants

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

1.16 Non-current Assets Held For Sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met when:

- The sale is highly probable;
- The asset is available for immediate sale in its present condition; and,
- Management is committed to the sale, which is expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Fair value is open market value including alternative uses.
The profit or loss arising on disposal of an asset is the difference between the sale proceeds and the carrying amount and is recognised in the Statement of Comprehensive Net Expenditure. On disposal, the balance for the asset on the revaluation reserve is transferred to the general reserve.
Property, plant and equipment that is to be scrapped or demolished does not qualify for recognition as held for sale. Instead, it is retained as an operational asset and its economic life is adjusted. The asset is de-recognised when it is scrapped or demolished.
Please note that the clinical commissioning group does not have any non-current assets for sale.

1.17 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.

1.17.1 The Clinical Commissioning Group as Lessee

Notes to the financial statements

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.

1.17.2 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.

1.18 Private Finance Initiative Transactions

HM Treasury has determined that government bodies shall account for infrastructure Private Finance Initiative (PFI) schemes where the government body controls the use of the infrastructure and the residual interest in the infrastructure at the end of the arrangement as service concession arrangements, following the principles of the requirements of IFRIC 12. The clinical commissioning group therefore recognises the PFI asset as an item of property, plant and equipment together with a liability to pay for it. The services received under the contract are recorded as operating expenses.

The annual unitary payment is separated into the following component parts, using appropriate estimation techniques where necessary:

- Payment for the fair value of services received;
- Payment for the PFI asset, including finance costs; and,
- Payment for the replacement of components of the asset during the contract 'lifecycle replacement'.

1.18.1 Services Received

The fair value of services received in the year is recorded under the relevant expenditure headings within 'operating expenses'.

1.18.2 PFI Asset

The PFI assets are recognised as property, plant and equipment, when they come into use. The assets are measured initially at fair value in accordance with the principles of IAS17. Subsequently, the assets are measured at fair value, which is kept up to date in accordance with the clinical commissioning group's approach for each relevant class of asset in accordance with the principles of IAS 16.

1.18.3 PFI Liability

A PFI liability is recognised at the same time as the PFI assets are recognised. It is measured initially at the same amount as the fair value of the PFI assets and is subsequently measured as a finance lease liability in accordance with IAS 17.

An annual finance cost is calculated by applying the implicit interest rate in the lease to the opening lease liability for the period, and is charged to 'finance costs' within the Statement of Comprehensive Net Expenditure.

The element of the annual unitary payment that is allocated as a finance lease rental is applied to meet the annual finance cost and to repay the lease liability over the contract term.

An element of the annual unitary payment increase due to cumulative indexation is allocated to the finance lease. In accordance with IAS 17, this amount is not included in the minimum lease payments, but is instead treated as contingent rent and is expensed as incurred. In substance, this amount is a finance cost in respect of the liability and the expense is presented as a contingent finance cost in the Statement of Comprehensive Net Expenditure.

Notes to the financial statements

1.18.4 Lifecycle Replacement

Components of the asset replaced by the operator during the contract (‘lifecycle replacement’) are capitalised where they meet the clinical commissioning group’s criteria for capital expenditure. They are capitalised at the time they are provided by the operator and are measured initially at their fair value.

The element of the annual unitary payment allocated to lifecycle replacement is pre-determined for each year of the contract from the operator’s planned programme of lifecycle replacement. Where the lifecycle component is provided earlier or later than expected, a short-term finance lease liability or prepayment is recognised respectively.

Where the fair value of the lifecycle component is less than the amount determined in the contract, the difference is recognised as an expense when the replacement is provided. If the fair value is greater than the amount determined in the contract, the difference is treated as a ‘free’ asset and a deferred income balance is recognised. The deferred income is released to the operating income over the shorter of the remaining contract period or the useful economic life of the replacement component.

1.18.5 Assets Contributed by the Clinical Commissioning Group to the Operator For Use in the Scheme

Assets contributed for use in the scheme continue to be recognised as items of property, plant and equipment in the clinical commissioning group’s Statement of Financial Position.

1.18.6 Other Assets Contributed by the Clinical Commissioning Group to the Operator

Assets contributed (e.g. cash payments, surplus property) by the clinical commissioning group to the operator before the asset is brought into use, which are intended to defray the operator’s capital costs, are recognised initially as prepayments during the construction phase of the contract. Subsequently, when the asset is made available to the clinical commissioning group, the prepayment is treated as an initial payment towards the finance lease liability and is set against the carrying value of the liability.

Please note that the clinical commissioning group does not have any Private Finance Initiative transactions.

1.19 Inventories

Inventories are valued at the lower of cost and net realisable value using the first-in first-out cost formula. This is considered to be a reasonable approximation to fair value due to the high turnover of stocks.

Please note that the clinical commissioning group does not have any inventories.

1.20 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.

1.21 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 1.90%
- Timing of cash flows (6 to 10 years inclusive): Minus 0.65%
- Timing of cash flows (over 10 years): Plus 2.20%
- All employee early departures: 1.80%

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.

Notes to the financial statements

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

1.22 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

1.23 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.

1.24 Carbon Reduction Commitment Scheme

Carbon Reduction Commitment and similar allowances are accounted for as government grant funded intangible assets if they are not expected to be realised within twelve months, and otherwise as other current assets. They are valued at open market value. As the clinical commissioning group makes emissions, a provision is recognised with an offsetting transfer from deferred income. The provision is settled on surrender of the allowances. The asset, provision and deferred income amounts are valued at fair value at the end of the reporting period.
Please note that the clinical commissioning group does not participate in any carbon reduction commitment schemes.

1.25 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.
Please note that the clinical commissioning group does not have any contingencies.

1.26 Financial Assets

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

Financial assets are classified into the following categories:

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

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

Notes to the financial statements

1.26.1 Financial Assets at Fair Value Through Profit and Loss

Embedded derivatives that have different risks and characteristics to their host contracts, and contracts with embedded derivatives whose separate value cannot be ascertained, are treated as financial assets at fair value through profit and loss. They are held at fair value, with any resultant gain or loss recognised in calculating the clinical commissioning group’s surplus or deficit for the year. The net gain or loss incorporates any interest earned on the financial asset.

Please note that the clinical commissioning group does not hold any financial assets that need to be valued at 'fair value'.

1.26.2 Held to Maturity Assets

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity, and there is a positive intention and ability to hold to maturity. After initial recognition, they are held at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

1.26.3 Available For Sale Financial Assets

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or that do not fall within any of the other three financial asset classifications. They are measured at fair value with changes in value taken to the revaluation reserve, with the exception of impairment losses. Accumulated gains or losses are recycled to surplus/deficit on de-recognition.

Please note that the clinical commissioning group does not hold any financial assets for sale that need to be valued at 'fair value'.

1.26.4 Loans & Receivables

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

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

Please note that the clinical commissioning group does not hold any financial loans or receivables that need to be valued at 'fair value'.

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

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

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

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

1.27 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.

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

1.27.1 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,

Notes to the financial statements

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

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

Embedded derivatives that have different risks and characteristics to their host contracts, and contracts with embedded derivatives whose separate value cannot be ascertained, are treated as financial liabilities at fair value through profit and loss. They are held at fair value, with any resultant gain or loss recognised in the clinical commissioning group's surplus/deficit. The net gain or loss incorporates any interest payable on the financial liability.

Please note that the clinical commissioning group does not hold any financial liabilities that need to be valued at 'fair value'.

1.27.3 *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.

1.28 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.

1.29 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

1.30 Third Party Assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the clinical commissioning group has no beneficial interest in them.

1.31 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).

Please note that the clinical commissioning group did not incur any losses or special payments.

1.32 Subsidiaries

Material entities over which the clinical commissioning group has the power to exercise control so as to obtain economic or other benefits are classified as subsidiaries and are consolidated. Their income and expenses; gains and losses; assets, liabilities and reserves; and cash flows are consolidated in full into the appropriate financial statement lines. Appropriate adjustments are made on consolidation where the subsidiary's accounting policies are not aligned with the clinical commissioning group or where the subsidiary's accounting date is not co-terminus.

Subsidiaries that are classified as 'held for sale' are measured at the lower of their carrying amount or 'fair value less costs to sell'.

Please note that the clinical commissioning group does not have any subsidiaries.

Notes to the financial statements

1.33 Associates

Material entities over which the clinical commissioning group has the power to exercise significant influence so as to obtain economic or other benefits are classified as associates and are recognised in the clinical commissioning group's accounts using the equity method. The investment is recognised initially at cost and is adjusted subsequently to reflect the clinical commissioning group's share of the entity's profit/loss and other gains/losses. It is also reduced when any distribution is received by the clinical commissioning group from the entity.

Joint ventures that are classified as 'held for sale' are measured at the lower of their carrying amount or 'fair value less costs to sell'.

Please note that the clinical commissioning group is not an associate to any other entity.

1.34 Joint Ventures

Material entities over which the clinical commissioning group has joint control with one or more other parties so as to obtain economic or other benefits are classified as joint ventures. Joint ventures are accounted for using the equity method.

Joint ventures that are classified as 'held for sale' are measured at the lower of their carrying amount or 'fair value less costs to sell'.

Please note that the clinical commissioning group has not entered into any joint ventures.

1.35 Joint Operations

Joint operations are activities undertaken by the clinical commissioning group in conjunction with one or more other parties but which are not performed through a separate entity. The clinical commissioning group records its share of the income and expenditure; gains and losses; assets and liabilities; and cash flows.

Please note that the clinical commissioning group has not entered into any joint operations.

1.36 Research & Development

Research and development expenditure is charged in the year in which it is incurred, except insofar as development expenditure relates to a clearly defined project and the benefits of it can reasonably be regarded as assured. Expenditure so deferred is limited to the value of future benefits expected and is amortised through the Statement of Comprehensive Net Expenditure on a systematic basis over the period expected to benefit from the project. It should be re-valued on the basis of current cost. The amortisation is calculated on the same basis as depreciation.

1.37 Partnership Commissioning

Scarborough & Ryedale Clinical Commissioning Group (SRCCG) host a Partnership Commissioning Unit (PCU) for the provision of Continuing Healthcare services and the commissioning of Mental Health, Adult Safeguarding and Childrens services, on behalf of Scarborough & Ryedale CCG, Harrogate and Rural District CCG, Hambleton Richmondshire & Whitby CCG and Vale of York CCG. All payments relating to these services are transacted through the Scarborough & Ryedale CCG's ledger and expenditure is recharged to the other CCG parties on a risk share basis, the terms of which are defined in the Partnership Commissioning Unit Service Level Agreement.

The costs of PCU hosted services are apportioned between the CCG's as follows:

Continuing Healthcare/Funded Nursing Care:
Harrogate & Rural District CCG - 24.5%
Hambleton, Richmondshire & Whitby CCG - 20.2%
Scarborough & Ryedale CCG - 34.6%
Vale of York CCG - 20.7%

Mental Health Out of Contract Placements:
Harrogate & Rural District CCG - 21.0%
Hambleton, Richmondshire & Whitby CCG - 17.8%
Scarborough & Ryedale CCG - 19.8%
Vale of York CCG - 41.4%

The Partnership Commissioning unit staff are employed by Scarborough & Ryedale CCG. The costs of these staff are apportioned between the CCG's on a weighted capitation basis, as follows:

Notes to the financial statements

Harrogate & Rural District CCG - 20.4%
Hambleton, Richmondshire & Whitby CCG - 19.0%
Scarborough & Ryedale CCG - 15.2%
Vale of York CCG - 45.4%

SRCCG also hosts Childrens Safeguarding and Specialist Neurological Rehab. services on behalf of Scarborough & Ryedale CCG, Harrogate and Rural District CCG, Hambleton Richmondshire & Whitby CCG and Vale of York CCG.

The costs of these hosted services are apportioned between the CCG's as follows:

Childrens Safeguarding:
Harrogate & Rural District CCG - 20.4%
Hambleton, Richmondshire & Whitby CCG - 19.0%
Scarborough & Ryedale CCG - 15.2%
Vale of York CCG - 45.4%

Specialist Neurological Rehab:

Harrogate & Rural District CCG - 25.0%
Hambleton, Richmondshire & Whitby CCG - 5.0%
Scarborough & Ryedale CCG - 20.0%
Vale of York CCG - 50.0%

IAS 18 determines that the nature of these hosted arrangements constitutes an agency relationship, and therefore 'net' accounting principles are applicable. Therefore only this clinical commissioning groups share of costs and staff numbers are represented in these accounts.

1.38 NHS Continuing Healthcare - Legacy

The accounting arrangements for balances transferred from predecessor PCTs ("legacy" balances) are determined by the Accounts Direction issued by NHS England on 12 February 2014. The Accounts Directions state that the only legacy balances to be accounted for by the CCG are in respect of property, plant and equipment (and related liabilities) and inventories. All other legacy balances in respect of assets or liabilities arising from transactions or delivery of care prior to 31 March 2013 are accounted for by NHS England. The impact of the legacy balances accounted for by the CCG relate only to £26,000 of IT & Communications equipment. The CCG's arrangements in respect of settling NHS Continuing Healthcare claims are disclosed in note 14 to these financial statements."

1.39 Accounting Standards That Have Been Issued But Have Not Yet Been Adopted

The Government Financial Reporting Manual does not require the following Standards and Interpretations to be applied in 2013-14, all of which are subject to consultation:

- IAS 27: Separate Financial Statements
- IAS 28: Investments in Associates & Joint Ventures
- IAS 32: Financial Instruments – Presentation (amendment)
- IFRS 9: Financial Instruments
- IFRS 10: Consolidated Financial Statements
- IFRS 11: Joint Arrangements
- IFRS 12: Disclosure of Interests in Other Entities
- IFRS 13: Fair Value Measurement

The application of the Standards as revised would not have a material impact on the accounts for 2013-14, were they applied in that year.

2 Other Operating Revenue

	2013-14 Total £000	2013-14 Admin £000	2013-14 Programme £000
Recoveries in respect of employee benefits	-	-	-
Patient transport services	-	-	-
Prescription fees and charges	-	-	-
Dental fees and charges	-	-	-
Education, training and research	-	-	-
Charitable and other contributions to revenue expenditure: NHS	-	-	-
Charitable and other contributions to revenue expenditure: non-NHS	-	-	-
Receipt of donations for capital acquisitions: NHS Charity	-	-	-
Receipt of Government grants for capital acquisitions	-	-	-
Non-patient care services to other bodies	**2,956**	206	2,750
Income generation	-	-	-
Rental revenue from finance leases	-	-	-
Rental revenue from operating leases	-	-	-
Other revenue	**229**	5	224
Total other operating revenue	**3,185**	**211**	**2,974**

Admin 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.

3 Revenue

	2013-14 Total £000	2013-14 Admin £000	2013-14 Programme £000
From rendering of services	**3,185**	**211**	**2,974**
From sale of goods	-	-	-
Total	**3,185**	**211**	**2,974**

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

4. Employee benefits and staff numbers

4.1.1 Employee benefits

	2013-14 Total	Total Permanent Employees	Total Other	Admin Total	Admin Permanent Employees	Admin Other	Programme Total	Programme Permanent Employees	Programme Other
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Employee Benefits									
Salaries and wages	**1,453**	1,384	69	**1,111**	1,063	49	**341**	322	20
Social security costs	**128**	128	-	**102**	102	-	**25**	25	-
Employer Contributions to NHS Pension scheme	**181**	181	-	**144**	144	-	**38**	38	-
Other pension costs	**-**	-	-	**-**	-	-	**-**	-	-
Other post-employment benefits	**-**	-	-	**-**	-	-	**-**	-	-
Other employment benefits	**-**	-	-	**-**	-	-	**-**	-	-
Termination benefits	**3**	3	-	**-**	-	-	**3**	3	-
Gross employee benefits expenditure	**1,765**	**1,696**	**69**	**1,357**	**1,308**	**49**	**407**	**388**	**20**
Less recoveries in respect of employee benefits (note 4.1.2)	**-**	-	-	**-**	**-**	**-**	**-**	**-**	**-**
Total - Net admin employee benefits including capitalised costs	**1,765**	**1,696**	**69**	**1,357**	**1,308**	**49**	**407**	**388**	**20**
Less: Employee costs capitalised	**-**	-	-	**-**	-	-	**-**	-	-
Net employee benefits excluding capitalised costs	**1,765**	**1,696**	**69**	**1,357**	**1,308**	**49**	**407**	**388**	**20**

4.1.2 Recoveries in respect of employee benefits

	2013-14 Total	Permanent Employees	Other
	£000	£000	£000
Employee Benefits - Revenue			
Salaries and wages	-	-	-
Social security costs	-	-	-
Employer contributions to the NHS Pension Scheme	-	-	-
Other pension costs	-	-	-
Other post-employment benefits	-	-	-
Other employment benefits	-	-	-
Termination benefits	-	-	-
Total recoveries in respect of employee benefits	**-**	**-**	**-**

4.2 Average number of people employed

	2013-14 Total	Permanently employed	Other
	Number	Number	Number
Total	**32**	30	2
Of the above: Number of whole time equivalent people engaged on capital projects	**-**	-	-

4.3 Staff sickness absence and ill health retirements

	2013-14 Number
Total Days Lost	281
Total Staff Years	30
Average working Days Lost	9

	2013-14 Number
Number of persons retired early on ill health grounds	**-**
Total additional Pensions liabilities accrued in the year	**-**

Ill health retirement costs are met by the NHS Pension Scheme

Where the clinical commissioning group has agreed early retirements, the additional costs are met by the clinical commissioning group and not by the NHS Pension Scheme.

4.4 Exit packages agreed in the financial year

	2013-14 Compulsory redundancies		Other agreed departures		Total	
	Number	£	Number	£	Number	£
Less than £10,000	1	3,087	-	-	**1**	**3,087**
£10,001 to £25,000	-	-	-	-	**-**	**-**
£25,001 to £50,000	-	-	-	-	**-**	**-**
£50,001 to £100,000	-	-	-	-	**-**	**-**
£100,001 to £150,000	-	-	-	-	**-**	**-**
£150,001 to £200,000	-	-	-	-	**-**	**-**
Over £200,001	-	-	-	-	**-**	**-**
Total	**1**	**3,087**	**-**	**-**	**1**	**3,087**

	Departures where special payments have been made	
	Number	£
Less than £10,000	-	-
£10,001 to £25,000	-	-
£25,001 to £50,000	-	-
£50,001 to £100,000	-	-
£100,001 to £150,000	-	-
£150,001 to £200,000	-	-
Over £200,001	-	-
Total	**-**	**-**

Redundancy and other departure costs have been paid in accordance with the provisions of section 16 of the NHS Terms & Conditions of Service Handbook (Agenda for Change) for compulsory redundancies.

As a single exit package can be made up of several components each of which will be counted separately in this table, the total number will not necessarily match the total number in the table above, which will be the number of individuals.

These tables report the number and value of exit packages agreed in the financial year. The expense associated with these departures may have been recognised in part or in full in a previous period.

Exit costs are accounted for in accordance with relevant accounting standards and at the latest in full in the year of departure.

4.5 Pension costs

Past and present employees are covered by the provisions of the NHS Pension Scheme. Details of the benefits payable under these provisions can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/Pensions.

The Scheme is an unfunded, defined benefit scheme that covers NHS employers, GP 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.

The Scheme is subject to a full actuarial valuation every four years (until 2004, every five years) and an accounting valuation every year. An outline of these follows:

4.5.1 Full actuartial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the Scheme (taking into account its recent demographic experience), and to recommend the contribution rates to be paid by employers and scheme members. The last such valuation, which determined current contribution rates was undertaken as at 31 March 2004 and covered the period from 1 April 1999 to that date. The conclusion from the 2004 valuation was that the Scheme had accumulated a notional deficit of £3.3 billion against the notional assets as at 31 March 2004.

In order to defray the costs of benefits, employers pay contributions at 14% of Pensionable pay and most employees had up to April 2008 paid 6%, with manual staff paying 5%.

Following the full actuarial review by the Government Actuary undertaken as at 31 March 2004, and after consideration of changes to the NHS Pension Scheme taking effect from 1 April 2008, his Valuation report recommended that employer contributions could continue at the existing rate of 14% of Pensionable pay, from 1 April 2008, following the introduction of employee contributions on a tiered scale from 5% up to 8.5% of their Pensionable pay depending on total earnings. On advice from the scheme actuary, scheme contributions may be varied from time to time to reflect changes in the scheme’s liabilities.

4.5.2 Accounting valuation

A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period by updating the results of the full actuarial valuation.

Between the full actuarial valuations at a two-year midpoint, a full and detailed member data-set is provided to the scheme actuary. At this point the assumptions regarding the composition of the scheme membership are updated to allow the scheme liability to be valued.

The valuation of the scheme liability as at 31 March 2011 is based on detailed membership data as at 31 March 2008 (the latest midpoint) updated to 31 March 2011 with summary global member and accounting data.

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

4.5 Pension costs

4.5.3 Scheme Provisions

The NHS Pension Scheme provides defined benefits, which are summarised below. This list is an illustrative guide only, and is not intended to detail all the benefits provided by the Scheme or the specific conditions that must be met before these benefits can be obtained:

• The Scheme is a “final salary” scheme. Annual pensions are normally based on 1/80th for the 1995 section and of the best of the last three years pensionable pay for each year of service, and 1/60th for the 2008 section of reckonable pay per year of membership. Members who are practitioners as defined by the Scheme Regulations have their annual pensions based upon total pensionable earnings over the relevant pensionable service;

• With effect from 1 April 2008 members can choose to give up some of their annual pension for an additional tax free lump sum, up to a maximum amount permitted under HM Revenue & Customs rules. This new provision is known as “pension commutation”;

• Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year;

• Early payment of a pension, with enhancement, is available to members of the Scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice final year’s pensionable pay for death in service, and five times their annual pension for death after retirement is payable;

• 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 the statement of comprehensive net expenditure at the time the clinical commissioning group commits itself to the retirement, regardless of the method of payment; and,

• Members can purchase additional service in the Scheme and contribute to money purchase AVC’s run by the Scheme’s approved providers or by other Free Standing Additional Voluntary Contributions (FSAVC) providers.

5. Operating expenses

	2013-14 Total £000	2013-14 Admin £000	2013-14 Programme £000
Gross employee benefits			
Employee benefits excluding governing body members	995	587	407
Executive governing body members	770	770	-
Total gross employee benefits	**1,765**	**1,357**	**407**
Other costs			
Services from other CCGs and NHS England	**2,819**	1,342	1,477
Services from foundation trusts	**113,364**	121	113,243
Services from other NHS trusts	**12,672**	-	12,672
Services from other NHS bodies	**25**	-	25
Purchase of healthcare from non-NHS bodies	**21,192**	18	21,174
Chair and lay membership body and governing body members	**36**	36	-
Supplies and services – clinical	**-**	-	-
Supplies and services – general	**1**	1	-
Consultancy services	**40**	32	8
Establishment	**105**	61	44
Transport	**8**	-	8
Premises	**410**	381	29
Impairments and reversals of receivables	**-**	-	-
Inventories written down	**-**	-	-
Depreciation	**26**	26	-
Amortisation	**-**	-	-
Impairments and reversals of property, plant and equipment	**-**	-	-
Impairments and reversals of intangible assets	**-**	-	-
Impairments and reversals of financial assets	**-**	-	-
· Assets carried at amortised cost	**-**	-	-
· Assets carried at cost	**-**	-	-
· Available for sale financial assets	**-**	-	-
Impairments and reversals of non-current assets held for sale	**-**	-	-
Impairments and reversals of investment properties	**-**	-	-
Audit fees	**79**	79	-
Other auditor's remuneration			
· Internal audit services	**-**	-	-
· Other services	**-**	-	-
General dental services and personal dental services	**-**	-	-
Prescribing costs	**24,599**	-	24,599
Pharmaceutical services	**-**	-	-
General opthalmic services	**78**	-	78
GPMS/APMS and PCTMS	**473**	-	473
Other professional fees excl. audit	**123**	57	66
Grants to other public bodies	**-**	-	-
Clinical negligence	**-**	-	-
Research and development (excluding staff costs)	**-**	-	-
Education and training	**8**	8	-
Change in discount rate	**-**	-	-
Other expenditure	**194**	-	194
Total other costs	**176,253**	2,163	174,090
Total operating expenses	**178,017**	**3,520**	**174,498**

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

6.1 Better Payment Practice Code

Measure of compliance	2013-14 Number	2013-14 £000
Non-NHS Payables		
Total Non-NHS Trade invoices paid in the Year	1,375	7,808
Total Non-NHS Trade Invoices paid within target	1,255	7,466
Percentage of Non-NHS Trade invoices paid within target	91.27%	95.62%
NHS Payables		
Total NHS Trade Invoices Paid in the Year	1,395	145,158
Total NHS Trade Invoices Paid within target	1,036	142,172
Percentage of NHS Trade Invoices paid within target	74.27%	97.94%

The Better Payment Practice Code requires the CCG to aim to pay all valid invoices by the due date or within 30 days of receipt of a valid invoice, whichever is later.

6.2 The Late Payment of Commercial Debts (Interest) Act 1998

The clinical commissioning group did not incur any interest charges resulting from the late payment of commercial debts.

7. Income Generation Activities

The clinical commissioning group did not generate any income during the year from undertaking any type of activities.

8. Operating Leases

8.1. Payments recognised as an Expense

	Land	Buildings	Other	Total
				2013-14
	£000	£000	£000	£000
Payments recognised as an expense				
Minimum lease payments	-	363	7	370
Contingent rents	-	-	-	-
Sub-lease payments	-	-	-	-
Total	-	363	7	370

8.2 Future minimum lease payments

The clinical commissioning group occupies property leased and managed through NHS Property Services Ltd. For 2013-14, a transitional occupancy rent based on annual property costs allocations was agreed. This is reflected in Note 8.1.1

While our arrangements with NHS Property Services Ltd fall within the definition of operating leases, the rental charge for future years has not yet been agreed. Consequently, this note does not include future minimum lease payments for these arrangements.

9 Property, plant and equipment

2013-14	Land	Buildings excluding dwellings	Dwellings	Assets under construction and payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2013	-	-	-	-	-	-	-	-	-
Transfer of assets from closed NHS bodies as a result of the 1 April 2013 transition	-	-	-	-	-	-	26	-	26
Adjusted Cost or valuation at 1 April 2013	-	-	-	-	-	-	26	-	26
Addition of assets under construction and payments on account	-	-	-	-	-	-	-	-	-
Additions purchased	-	-	-	-	-	-	-	-	-
Additions donated	-	-	-	-	-	-	-	-	-
Additions government granted	-	-	-	-	-	-	-	-	-
Additions leased	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-	-
Reclassified as held for sale and reversals	-	-	-	-	-	-	-	-	-
Disposals other than by sale	-	-	-	-	-	-	-	-	-
Upward revaluation gains	-	-	-	-	-	-	-	-	-
Impairments charged	-	-	-	-	-	-	-	-	-
Reversal of impairments	-	-	-	-	-	-	-	-	-
Transfer (to)/from other public sector body	-	-	-	-	-	-	-	-	-
Cumulative depreciation adjustment following revaluation	-	-	-	-	-	-	-	-	-
At 31 March 2014	-	-	-	-	-	-	26	-	26
Depreciation 1 April 2013	-	-	-	-	-	-	-	-	-
Adjusted depreciation 1 April 2013	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-	-
Reclassified as held for sale and reversals	-	-	-	-	-	-	-	-	-
Disposals other than by sale	-	-	-	-	-	-	-	-	-
Upward revaluation gains	-	-	-	-	-	-	-	-	-
Impairments charged	-	-	-	-	-	-	-	-	-
Reversal of impairments	-	-	-	-	-	-	-	-	-
Charged during the year	-	-	-	-	-	-	26	-	26
Transfer (to)/from other public sector body	-	-	-	-	-	-	-	-	-
Cumulative depreciation adjustment following revaluation	-	-	-	-	-	-	-	-	-
At 31 March 2014	-	-	-	-	-	-	26	-	26
Net Book Value at 31 March 2014	-	-	-	-	-	-	-	-	-
Purchased	-	-	-	-	-	-	-	-	-
Donated	-	-	-	-	-	-	-	-	-
Government Granted	-	-	-	-	-	-	-	-	-
Total at 31 March 2014	-	-	-	-	-	-	-	-	-
Asset financing:									
Owned	-	-	-	-	-	-	-	-	-
Held on finance lease	-	-	-	-	-	-	-	-	-
On-SOFP Lift contracts	-	-	-	-	-	-	-	-	-
PFI residual: interests	-	-	-	-	-	-	-	-	-
Total PFI & LIFT assets	-	-	-	-	-	-	-	-	-
Total at 31 March 2014	-	-	-	-	-	-	-	-	-

Revaluation Reserve Balance for Property, Plant & Equipment

	Land	Buildings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Balance at 1 April 2013	-	-	-	-	-	-	-	-	-
Transfer of assets from closed NHS bodies as a result of the 1 April 2013 transition	-	-	-	-	-	-	-	-	-
Adjusted balance at 1 April 2013	-	-	-	-	-	-	-	-	-
Revaluation gains	-	-	-	-	-	-	-	-	-
Impairments	-	-	-	-	-	-	-	-	-
Release to general fund	-	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-	-
At 31 March 2014	-	-	-	-	-	-	-	-	-

9 Property, plant and equipment cont'd

9.1 Cost or valuation of fully depreciated assets

The cost or valuation of fully depreciated assets still in use was as follows:

	2013-14 £000
Land	-
Buildings excluding dwellings	-
Dwellings	-
Plant & machinery	-
Transport equipment	-
Information technology	26
Furniture & fittings	-
Total	26

10 Trade and other receivables

	Current 2013-14 £000	Non-current 2013-14 £000
NHS receivables: Revenue	694	-
NHS receivables: Capital	-	-
NHS prepayments and accrued income	307	-
Non-NHS receivables: Revenue	227	-
Non-NHS receivables: Capital	-	-
Non-NHS prepayments and accrued income	264	-
Provision for the impairment of receivables	-	-
VAT	(3)	-
Private finance initiative and other public private partnership arrangement prepayments and accrued income	-	-
Interest receivables	-	-
Finance lease receivables	-	-
Operating lease receivables	-	-
Other receivables	-	-
Total	1,489	-
Total current and non current	1,489	
Included above:		
Prepaid pensions contributions	-	

The great majority of trade is with NHS England. As NHS England is funded by Government to provide funding to clinical commissioning groups to commission services, no credit scoring of them is considered necessary. A significant proportion of the non-NHS trade is with North Yorkshire County Council, and again no credit scoring is considered necessary.

10.1 Receivables past their due date but not impaired

	2013-14 £000
By up to three months	706
By three to six months	201
By more than six months	14
Total	921

£56,500 of the amount above has subsequently been recovered post the statement of financial position date.

The clinical commissioning group did not hold any collateral against receivables outstanding at 31 March 2014.

10.2 Provision for impairment of receivables

The clinical commissioning group did not provide for any impairment of receivables.

11 Cash and cash equivalents

	2013-14 £000
Balance at 1 April 2013	**-**
Net change in year	**165**
Balance at 31 March 2014	**165**
Made up of:	
Cash with the Government Banking Service	**165**
Cash with Commercial banks	**-**
Cash in hand	**-**
Current investments	**-**
Cash and cash equivalents as in statement of financial position	**165**
Bank overdraft: Government Banking Service	**-**
Bank overdraft: Commercial banks	**-**
Total bank overdrafts	**-**
Balance at 31 March 2014	**165**
Patients' money held by the clinical commissioning group, not included above	**-**

12 Trade and other payables

	Current 2013-14 £000	Non-current 2013-14 £000
Interest Payable	-	-
NHS payables: revenue	2,663	-
NHS payables: capital	-	-
NHS accruals and deferred income	896	-
Non-NHS payables: revenue	148	-
Non-NHS payables: capital	-	-
Non-NHS accruals and deferred income	4,526	-
Social security costs	14	-
VAT	-	-
Tax	16	-
Payments received on account	-	-
Other payables	28	-
Total	**8,290**	**-**
Total payables (current and non-current)	**8,290**	

The clinical commissioning group does not have any liabilities for future years under arrangements to buy out the liability for early retirement.

Other payables include £21,128 outstanding pension contributions at 31 March 2014

13 Private Finance Initiative, LIFT & Other Service Concession Arrangements

The clinical commissioning group is not party to an any private finance initiatives, LIFT schemes, or any service concession arrangements.

14 Provisions

	Current 2013-14 £000	Non-current 2013-14 £000
Continuing care	194	-
Other	-	-
Total	194	-

Total current and non-current

	Continuing Care £000s	Other £000s	Total £000s
Balance at 1 April 2013	-	-	-
Transfer of assets from closed NHS bodies as a result of the 1 April 2013 transition	-	-	-
Adjusted balance at 1 April 2013	-	-	-
Arising during the year	194	-	194
Utilised during the year	-	-	-
Reversed unused	-	-	-
Unwinding of discount	-	-	-
Change in discount rate	-	-	-
Transfer (to) from other public sector body	-	-	-
Balance at 31 March 2014	194	-	194
Expected timing of cash flows:			
Within one year	194	-	194
Between one and five years	-	-	-
After five years	-	-	-
Balance at 31 March 2014	194	-	194

The clinical commissioning group has created a provision to cover the costs of outstanding claims, arising in year, that have not yet been fully investigated and financially clarified. It is likely that these claims will be investigated within the next 12 months and the financial outcomes transacted.

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 2014 is £2,786,000.

15 Contingencies

The clinical commissioning group has not accounted for any contingencies within its accounts, nor does it consider any are necessary base on all the information available.

16 Capital Commitments

The clinical commissioning group has not made any capital commitments.

17 Other Financial Commitments

The clinical commissioning group does not have any other financial commitments.

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.

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 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.

18.1.3 Liquidity risk

The clinical commissioning group is required to operate within revenue and capital resource limits 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. The clinical commissioning group is not, therefore, exposed to significant liquidity risks.

18 Financial instruments cont'd

18.2 Financial assets

	At 'fair value through profit and loss'	Loans and Receivables	Available for Sale	Total
	2013-14 £000	2013-14 £000	2013-14 £000	2013-14 £000
Embedded derivatives	-	-	-	-
Receivables:	-	-	-	-
· NHS	-	694	-	694
· Non-NHS	-	227	-	227
Cash at bank and in hand	-	165	-	165
Other financial assets	-	-	-	-
Total at 31 March 2014	-	1,086	-	1,086

18.3 Financial liabilities

	At 'fair value through profit and loss'	Other	Total
	2013-14 £000	2013-14 £000	2013-14 £000
Embedded derivatives	-	-	-
Payables:	-	-	-
· NHS	-	3,559	3,559
· Non-NHS	-	4,674	4,674
Private finance initiative, LIFT and finance lease obligations	-	-	-
Other borrowings	-	-	-
Other financial liabilities	-	-	-
Total at 31 March 2014	-	8,233	8,233

19 Operating segments

	Gross expenditure £'000	Income £'000	Net expenditure £'000	Total assets £'000	Total liabilities £'000	Net assets £'000
Commissioned National Health Services	178,017	(3,185)	174,832	1,654	(8,484)	(6,830)
	178,017	(3,185)	174,832	1,654	(8,484)	(8,484)

19.1 Reconciliation between Operating Segments and SoCNE

	2013-14 £'000
Total net expenditure reported for operating segments	174,832
Reconciling items:	
Total net expenditure per the Statement of Comprehensive Net Expenditure	174,832

19.2 Reconciliation between Operating Segments and SoFP

	2013-14 £'000
Total net expenditure reported for operating segments	1,654
Reconciling items:	
Total net expenditure per the Statement of Comprehensive Net Expenditure	1,654

	2013-14 £'000
Total liabilities reported for operating segments	(8,484)
Reconciling items:	
Total liabilities per Statement of Financial Position	(8,484)

20 Intra-government and other balances

	Current Receivables 2013-14 £000	Non-current Receivables 2013-14 £000	Current Payables 2013-14 £000	Non-current Payables 2013-14 £000
Balances with:				
· Other Central Government bodies	(3)	-	51	-
· Local Authorities	477	-	-	-
Balances with NHS bodies:				
· NHS bodies outside the Departmental Group	265	-	2,316	-
· NHS Trusts and Foundation Trusts	736	-	1,243	-
Total of balances with NHS bodies:	1,001	-	3,559	-
· Public corporations and trading funds	-	-	-	-
· Bodies external to Government	14	-	4,680	-
Total balances at 31 March 2014	1,489	-	8,290	-

21 Related party transactions

Details of related party transactions with individuals are as follows;

	Payments to Related Party £000	Receipts from Related Party £000	Amounts owed to Related Party £000	Amounts due from Related Party £000
BEECH HOUSE SURGERY	1,237,122		10,131	
CHURCH LANE SURGERY	1,339,317		5,047	
DR AKESTER & PARTNERS	721,059		7,534	
DR DF BANNATYNE & PARTNERS	1,574,285		2,117	
DR FLETCHER & PTRS	957,274		4,529	
DR YOUNG & PARTNERS	1,822,791		5,202	
EAST PARADE SURGERY	901,083		6,275	
EASTGATE MEDICAL GROUP	1,633,426		10,759	
JENNYFIELD HEALTH CENTRE	407,736		3,709	
KINGSWOOD SURGERY	870,282		3,349	
NIDDERDALE GROUP PRACTICE	1,297,559		6,481	
NORTH HOUSE SURGERY	1,330,783		3,685	
PARK PARADE SURGERY	654,505		7,881	
RIPON SPA SURGERY	961,796		1,496	
SPRINGBANK SURGERY	698,259		5,558	
STLUKES MEDICAL PRACTICE	611,806		5,130	
STOCKWELL ROAD SURGERY	726,179		6,868	
THE LEEDS ROAD PRACTICE	1,531,836		6,774	
THE SPA SURGERY	1,213,265		8,504	
ST MICHAELS HOSPICE	672,000		0	

The above figures for GP practices includes the dispensing of drugs through the NHS Business Service Authority. The clinical commissioning group also has an accrual for such dispensing costs relating to GP practices of £3.865 million. This is to cover the months of February 2014 and March 2014. This accural cannot be allocated to GP practices as the information was not available from NHS Business Services Authority at the time the accounts were submitted.

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;
• Harrogate & District NHS Foundation Trust;
• Tees, Esk & Wear Valleys NHS Foundation Trust;
• York Teaching Hospitals NHS Foundation Trust;
• South Tees NHS Foundation Trust;
• Leeds Teaching Hospitals NHS Trust;

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 North Yorkshire County Council in respect of joint enterprises.

22 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 or consolidated group.

23 Losses and special payments

The clinical commissioning group did not incur and losses or make any special payments.

24 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	2013-14 Maximum £'000	2013-14 Performance £'000	Duty Achieved?
223H(1)	Expenditure not to exceed income	179,822	178,018	Yes
223I(2)	Capital resource use does not exceed the amount specified in Directions	0	0	Yes
223I(3)	Revenue resource use does not exceed the amount specified in Directions	176,637	174,832	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	3,820	3,309	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 revenie 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).

25 Impact of IFRS

There was no impact to the clinical commissioning group resulting from IFRS

NHS
Harrogate and Rural District
Clinical Commissioning Group

Email: Amanda.Bloor@nhs.net
Direct Tel: 01423 799304

Reference: HaRD.320-14

Harrogate and Rural District
Clinical Commissioning Group
1 Grimbald Crag Court
St James Business Park
Knaresborough
HG5 8QB

Tel: 01423 799300
Fax: 01423 799301
Email: hardccg.enquiries@nhs.net
Web: www.harrogateandruraldistrictccg.nhs.uk

SENT VIA EMAIL

Mark Kirkham
Mazars LLP
The Rivergreen Centre
Aykley Heads
Durham, DH1 5TS

Dear Mark

NHS Harrogate and Rural District CCG – Audit for year ended 31 March 2014

This representation letter is provided in connection with your audit of the financial statements of NHS Harrogate and Rural District CCG for the year ended 31 March 2014 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the Manual for Accounts.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Manual for Accounts and relevant legislation and International Financial Reporting Standards (IFRS) as adopted by HM Treasury.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the CCG you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Accountable Officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material affect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Governing Body and Committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with the Manual for Accounts and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the CCG's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the CCG in making accounting estimates, including those measured at fair value, are reasonable.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the CCG have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Manual for Accounts and relevant legislation and IFRSs as adopted by HM Treasury.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.
We have complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility Accountable Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the CCG involving:
- management and those charged with governance;

- employees who have significant roles in internal control; and
- others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the CCG's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Manual for Accounts and relevant legislation and IFRSs.

I have disclosed to you the identity of the CCG's related parties and all related party relationships and transactions of which I am aware.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Manual for Accounts, relevant legislation and IFRSs require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Going concern

To the best of my knowledge there is nothing to indicate that the CCG will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. The uncorrected misstatements are namely;
£1.061million of NHS accruals categorised in the accounts as Non-NHS.

Yours sincerely

Amanda Bloor
Chief Officer

Appendix B – Draft audit report

INDEPENDENT AUDITORS' REPORT TO THE ACCOUNTABLE OFFICER FOR NHS HARROGATE AND RURAL DISTRICT CLINICAL COMMISSIONING GROUP

We have audited the financial statements of NHS Harrogate and Rural District CCG for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Changes in Taxpayers' Equity, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the accounting policies directed by the Secretary of State with the consent of the Treasury as relevant to the National Health Service in England.

We have also audited the information in the Remuneration Report that is subject to audit, being:

- the table of salaries and allowances of senior managers on page 65;
- the table of pension benefits of senior managers and related narrative notes on page 66; and
- the table of pay multiples and related narrative notes on page 67.

This report is made solely to the Accountable Officer for NHS Harrogate and Rural District CCG in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 45 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Accountable Officer and auditors

As explained more fully in the Statement of Responsibilities in respect of the accounts, the Accountable Officer is responsible for overseeing the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the clinical commissioning group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the clinical commissioning group; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

In addition, we are required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on regularity

In our opinion, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of NHS Harrogate and Rural District CCG as at 31 March 2014 and of its net operating costs for the year then ended; and
- have been prepared properly in accordance with the accounting policies directed by the Secretary of State with the consent of the Treasury as relevant to the National Health Service in England.

Opinion on other matters

In our opinion:

- the part of the Remuneration Report subject to audit has been prepared properly in accordance with the requirements directed by the Secretary of State with the consent of the Treasury as relevant to the National Health Service in England; and
- the information given in the annual report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the governance statement does not reflect compliance with the Department of Health's Guidance;
- we refer the matter to the Secretary of State under section 19 of the Audit Commission Act 1998 because we have reason to believe that the clinical commissioning group, or an officer of the clinical commissioning group, is about to make, or has made, a decision involving unlawful expenditure, or is about to take, or has taken, unlawful action likely to cause a loss or deficiency; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998

We have nothing to report in these respects

Conclusion on the CCG's arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the clinical commissioning group has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report any matters that prevent us being satisfied that the audited body has put in place such arrangements.

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance issued by the Audit Commission. We have considered the results of the following:

- our review of the annual governance statement; and
- the work of other relevant regulatory bodies or inspectorates, to the extent that the results of this work impact on our responsibilities at the clinical commissioning group; and
- our locally determined risk-based work on risks associated with establishing the CCG as a new organisation.

As a result, we have concluded that there are the following matters to report:

As a new organisation, the CCG did not have proper arrangements in place for the early part of the year. Arrangements for financial planning, commissioning and procurement were developed during the year but were not fully established for the whole year.

Certificate

We certify that we have completed the audit of the accounts of NHS Harrogate and Rural District CCG in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

[*Signature*]

Mark Kirkham
on behalf of Mazars LLP

The Rivergreen Centre
Aykley Heads
Durham
DH1 5TS

[*Date*]