NHS
Gloucestershire
Clinical Commissioning Group

Governing Body

Extraordinary Meeting to be held at 2pm on Tuesday 3rd June 2014
Board Room, Sanger House, Brockworth, Gloucester, GL3 4FE

No.	Item	Lead	Recommendation
1	Apologies for Absence	Chair	
2	Declarations of Interest	Chair	
3	Final Annual Accounts 2013/14	Cath Leech	Approval
4	Annual Report 2013/14	Mary Hutton	Approval
5	External Audit - Assurances from Management and those charged with Governance	Cath Leech	To Receive
6	Public Questions	Chair	
Date and time of next meeting: Thursday 31st July 2014 at 2pm in Board Room at Sanger House			

Questions should be sent in advance to the Associate Director of Corporate Governance: alan.potter1@nhs.net by 12 noon on Thursday 29th May 2014. Questions must relate to items on the agenda.

Please note: there is very limited parking available at Sanger House and all spaces must be booked in advance. If parking is required by members of the public, please e-mail Alan Potter (as above) to establish if there are any visitor spaces available.

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Agenda Item 3

Extraordinary Governing Body

Governing Body Meeting Date	**Tuesday 3rd June 2014**
Title	**Review of Audited 2013/14 Annual Accounts**
Executive Summary	See page 2.
Key Issues	The submission date for the audited accounts is 6th June 2014.
Risk Issues: **Original Risk** **Residual Risk**	 C * L - 2 * 3 = 6 C * L - 2 * 3 = 6
Financial Impact	The CCG needs to ensure that accounts are prepared accurately and in a timely manner to ensure that the financial position for the organisation is understood and that the CCG receives an unqualified audit opinion.
Legal Issues	N/A
Impact on Health Inequalities	N/A
Impact on Equality and Diversity	N/A
Patient and Public Involvement	N/A
Recommendation	The Governing Body is asked to: • Note the contents of this report • Approve the CCG's 2013/14 Annual Accounts.
Author	Andrew Beard
Designation	Deputy CFO
Sponsoring Director (if not author)	Cath Leech

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EXTRAORDINARY GOVERNING BODY 3 JUNE 2014

Review of Audited 2013/14 Annual Accounts

Summary

- The reported financial position for the year was

	Programme Costs £000	Running Costs £000	TOTAL £000
Allocation	663,800	15,090	678,890
Expenditure	657,942	14,142	672,084
Surplus/(Deficit)	**5,858**	**948**	**6,806**

- In reviewing the above adjusted position, reference should be made to the following issues
  - this was achieved against an planned surplus of £6,757k
  - the CCG has remained within its Running Cost allocation

- Cash holdings at the end of the year were £30k and total drawings were within the Maximum Cash Drawdown limit set by NHS England. This balance is within the allowable limit.

- Performance against the Better Payment Practice code shows that the CCG has achieved its 95% target in value terms but not in respect of the volume of invoices (non NHS 92.6%; NHS 94.1%).

- The reported position does not include the impact of legacy transactions (i.e. relating to periods prior to 1 April 2013) which are included within the Accounts of NHS England.

- At the time of writing, the provisional final audit opinion had been received and indicates that the Accounts give a true and fair view of the CCG's position at 31 March 2014. However, further clarification was being sought on a national basis by Grant Thornton regarding GP pension disclosures, the outcome of which will be reported to the meeting.

- Following liaison with external audit, some small, presentational changes have been made to the Accounts since the submission of the first draft on 23 April 2014. These issues have been raised within Grant Thornton's ISA 260 report to the Audit Committee.

- This report was presented to the Audit Committee at their meeting on 3 June 2014.

NHS Gloucestershire Clinical Commissioning Group

Review of Audited 2013/14 Annual Accounts

1. Purpose of the Report

1.1. The purpose of this report is to present the 2013/14 Annual Accounts of NHS Gloucestershire CCG in their audited state to the committee for information and comment.

1.2. Although substantially complete, small (non-material and presentational) changes may be made to the Accounts prior to their submission.

2. The Process

2.1. The 2013/14 Annual Accounts timetable has remained broadly consistent with last year and aims to allow the Department of Health and NHS England to present the NHS's performance to Parliament prior to the summer recess. In summary, the key national deadlines for CCGs are as below:

Submission date	2013/14
Draft (unaudited) Accounts	23rd April (midday)
Final (audited) Accounts	6th June (midday)

2.2. In accordance with NHS England's timetable, the draft annual accounts were uploaded to Sharepoint and shared with external auditors by midday on 23 April 2014.

2.3. The Trust's External Auditors (Grant Thornton) commenced their on-site audit on the 24 April and will finish the audit by the end of May; on-site work having been completed by 16 May.

2.4. Meetings of the Audit Committee and Governing Body on 3 June have been arranged to adopt the Annual Accounts and Annual Report. Furthermore, at this time, declarations are required on behalf of Governing Body members in relation to Annual Governance.

2.5. The auditors, on behalf of the Trust, are required to submit the audit opinion electronically to NHS England by midday on Friday 6 June. Further to this deadline, an original signed copy of the audited Annual Accounts must be received by NHS England by 13 June.

2.6. Also on 13 June, the CCG should publish their annual report and full accounts on its website.

2.7. A return has to be completed and submitted by midday on Monday 30 June regarding post balance sheet events.

2.8. The Annual Public Meeting, which sees Accounts presented to the public, must be held no later than 30 September.

3. Prime Statements

3.1 There are four prime statements in the CCG's Annual Accounts. These are

- **Statement of Comprehensive Net Expenditure (SoCNE)**
  This statement details the utilisation of resources in the year and highlights the operational net expenditure reported by the CCG during that period. However, the analysis also highlights any movements in impairments and revaluations of assets.

- **Statement of Financial Position (SoFP)**
  This statement provides a summary of the assets and liabilities of the Trust at a fixed point in time i.e. at the end of the financial year.

- **Statement of changes in taxpayers equity (SoCiTE)**
  This statement highlights all movements on reserves during the year. In 2013/14, the movement are solely confined to transfer of opening balances and expenditure incurred during the year when compared against cash drawn.

- **Statement of cash flows (SCF)**
  This statement shows the cash receipts and payments and is sub-divided into components relating to operating, investing (the CCG has no entries in this category) and financing (e.g. drawdown of cash) activities. This statement reconciles to the balance of cash at the year end.

3.2 The CCG discloses its accounting policies (based on a national template) which govern the treatment of records within the Accounts and produces a full set of notes that provide detailed breakdowns of the figures summarised within the prime statements. It should be noted that the majority of the accounting policies are standard across CCGs and that a few have been amended for local circumstances.

4. Performance against key targets

Duty	Ref in Accounts	Target/Range	Actual	Within Target
Net Costs	SOCNE	£678,890k	£672,084k	Yes
Surplus	Note 2	£6,757k	£6,806k	Yes
Running Costs	SOCNE	£15,090k	£14,142k	Yes
Cash	Note 21	0 to £250k	£30k cash balance	Yes
Capital Resource Limit	Note 2	Nil	Nil	Yes
BPPC : Non NHS Payments	Note 7.1	95% number & value	92.6% by number and 97.3% by value	No

4.1 The CCG reported a year end surplus of £6,806k when compared with its revenue allocation at 31 March 2014. This surplus is £49k higher than the original plan.

4.2 The CCG's allocation is received in two categories (Programme and Running costs). Underspends against Running Cost allocation (i.e. administrative expenditure including estate costs) can be used to supplement Programme Expenditure but not vice versa. In the financial year, the CCG underspent it's Running Cost allocation by £948k.

4.3 Throughout the latter part of the year, the CCG was issued with a Maximum Cash Drawdown Limit which was set by NHS England. The CCG's net cash outflow over the financial year was monitored against the limit and the difference was reported as the closing bank balance. The CCG year end balance was required to be less than the minimum of 1.75% of March drawdown (i.e. £787k) or £250k which was achieved.

4.4 The CCG did not receive a Capital Resource Limit in 2013/14.

4.5 The CCG's performance against the Better Payment Practice Code during the year regarding non-NHS invoices was 92.6% by number and 97.3% by value. The corresponding performance for NHS payments was 94.1% and 100%. Therefore, it has not met the target to pay 95% of all undisputed invoices by the due date or within 30 days of receipt of goods or a valid invoice.

5. Notes to the Accounts

5.1 Accounting Policies

The main text of accounting policies conforms to the NHS England standard approach. However, the issues below need to be highlighted to members and are pertinent to the 2013/14 position:

- **Critical Judgements in applying the CCG's accounting policies**
    - Lead Commissioning Agreements – a notes detailing the method of accounting for contributions for service level agreements received from GCC on a gross basis has been included.

- **Key sources of estimation uncertainty**
    - Partially completed spells
    - Accruals for Prescribing/Home Oxygen costs
    - Valuations for property, plant and equipment
    - Provisions recognised at 31 March 2014
    - Secondary healthcare service costs

5.2 Financial Performance Targets (Note 2)

This note primarily covers those metrics reported in Section 4 of this report.

5.3 **Other Operating Revenue (Note 3)**

Gross income of £18,262k was reported during 2013/14. This sum consisted of £427k (2.3%) in administrative areas and £17,855k (97.7%) in programme areas. The majority of income that was received relates to charges made to Gloucestershire County Council for their contribution to contracts where the CCG is the lead commissioner.

5.4 **Operating Expenses (Note 5)**

Overall, gross operating expenses of £690,367k were reported during the year, £14,569k (2.1%) on administrative expenses and £675,798k (97.9%) on programme spend.

Pay costs accounted for £6,397k (0.93%) of the overall total gross expenditure.

5.5 **Operating Leases (Note 13)**

The note includes the accounting treatment of the arrangement with NHS Property Services (PropCo) regarding the CCG's occupation of Sanger House.

5.6 **Property, Plant and Equipment (Note 14)**

Over the last twelve months, the value of assets has decreased by £525k to a net book value of £61k.

During the year, IT equipment was subjected to accelerated depreciation. Effectively, this wrote the value off the asset down over a faster period than envisaged on the initial capitalisation. The original life on all current IT assets was incorrectly stated at 10 years with lives of between 2 and 4 years remaining at 1 April 2013. However, the initial lives for such assets are required to be between 3 and 5 years. It was therefore, decided to relife the assets to a zero remaining life. This resulted in additional, in-year, depreciation charges of £338k (further to the normal charge of £167k).

Transport equipment (the Information Bus) was depreciated and valued at £61k at the end of the period and is, currently, the only asset the CCG hold which has not been fully depreciated.

5.7 **Receivables (Note 18)**

In overall terms, outstanding debts were £8,350k at the end of 2013/14. This consisted of £1,827k owed to the CCG by NHS organisations and £5,996k from non-NHS organisations which was primarily from Local Authorities.

Gloucestershire
Clinical Commissioning Group

5.8 **Payables (Note 24)**

At the end of the financial year, the CCG had outstanding creditors of £42,548k; £14,511k which related to NHS organisations. Invoices received from non-NHS organisations which remained unpaid at 31 March account for an additional £2,771k. Furthermore, accruals for costs owing to non-NHS bodies were £25,181k and this included two months of prescribing costs (£14,180k) and other items owed to Local Authorities.

5.9 **Provisions (Note 31)**

The total provided has for CHC cases was £870k at 31 March 2014. It should be noted that this sum relates only to those cases notified after the 1 April 2013 (although the qualifying period could be prior to this date). All previous retrospective claims are managed and accounted for by NHS England within the legacy system.

The CCG has no other provisions.

5.10 **Special Payments (Note 41.2)**

Following a re-review of the complete financial year, the CCG has made one payment within the period of £1,580 for a small claims court payment.

6. **Summary**

The audited 2013/14 Annual Accounts presented within this paper have been prepared in accordance with the CCG Annual Reporting Guidance and are to be submitted to NHSE by midday on 6 June 2014, in accordance with the NHSE national timetable.

The Annual Accounts show a position that is consistent with in-year performance reports presented to the Governing Body.

7. **Recommendation**

The Governing Body is asked to

- note the contents of this report
- approve the CCG's 2013/14 Annual Accounts.

Data entered below will be used throughout the workbook:

Entity name:	NHS GLOUCESTERSHIRE CCG
This year	2013-14
This year ended	31 March 2014
This year commencing:	1 April 2013

CONTENTS

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

	Note	2013-14 £000
Administration Costs and Programme Expenditure		
Gross employee benefits	6	**6,397**
Other costs	5	**683,442**
Other operating revenue	3	**(17,754)**
Net operating costs before interest		**672,084**
Investment revenue	9	**-**
Other (gains)/losses	10	**-**
Finance costs	11	**-**
Net operating costs for the financial year		**672,084**
Net (gain)/loss on transfers by absorption		
Net operating costs for the financial year including absorption transfers		**672,084**
Of which:		
Administration Costs		
Gross employee benefits	6	**5,385**
Other costs	5	**9,183**
Other operating revenue	3	**(427)**
Net administration costs before interest		**14,142**
Programme Expenditure		
Gross employee benefits	6	**1,011**
Other costs	5	**674,258**
Other operating revenue	3	**(17,327)**
Net programme expenditure before interest		**657,942**

Other Comprehensive Net Expenditure		**2013-14 £000**
Impairments and reversals	23	**-**
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		**672,084**

Statement of Financial Position as at 31 March 2014

	Note	31 March 2014 £000
Non-current assets:		
Property, plant and equipment	14	**61**
Intangible assets	15	**-**
Investment property	16	**-**
Trade and other receivables	18	**-**
Other financial assets	19	**-**
Total non-current assets		**61**
Current assets:		
Inventories	17	**-**
Trade and other receivables	18	**8,350**
Other financial assets	19	**-**
Other current assets	20	**-**
Cash and cash equivalents	21	**30**
Total current assets		**8,380**
Non-current assets held for sale	22	**-**
Total current assets		**8,380**
Total assets		**8,441**
Current liabilities		
Trade and other payables	24	**42,948**
Other financial liabilities	25	**-**
Other liabilities	26	**-**
Borrowings	27	**-**
Provisions	31	**870**
Total current liabilities		**43,819**
Total Assets less Current Liabilities		**(35,378)**
Non-current liabilities		
Trade and other payables	24	**-**
Other financial liabilities	25	**-**
Other liabilities	26	**-**
Borrowings	27	**-**
Provisions	31	**-**
Total non-current liabilities		**-**
Total Assets Employed		**(35,378)**
Financed by Taxpayers' Equity		
General fund		**(35,378)**
Revaluation reserve		**-**
Other reserves		**-**
Charitable Reserves		**-**
Total taxpayers' equity:		**(35,378)**

The notes on pages 5 to 35 form part of this statement

The financial statements on pages 1 to 4 were approved by the Governing Body on 3 June 2014 and signed on its behalf by:

Accountable Officer
Mary Hutton

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

	General fund	Revaluation reserve	Other reserves	Total reserves
	£000	£000	£000	£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	586	-	-	586
Transfer between reserves in respect of assets transferred from closed NHS bodies	-	-	-	-
Adjusted CCG balance at 1 April 2013	**586**	**-**	**-**	**586**
Changes in CCG taxpayers' equity for 2013-14				
Net operating costs for the financial year	(672,084)	-	-	**(672,084)**
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	-	-	-	-
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	(671,498)	-	-	**(671,498)**
Net funding	636,120	-	-	**636,120**
Balance at 31 March 2014	**(35,378)**	**-**	**-**	**(35,378)**

Statement of Cash Flows for the year ended 31 March 2014

	2013-14 £000
Cash Flows from Operating Activities	
Net operating costs for the financial year	**(672,084)**
Depreciation and amortisation	**525**
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	**(8,350)**
(Increase)/decrease in other current assets	**-**
Increase/(decrease) in trade & other payables	**42,948**
Increase/(decrease) in other current liabilities	**-**
Provisions utilised	**-**
Increase/(decrease) in provisions	**870**
Net Cash Inflow (Outflow) from Operating Activities	**(636,090)**
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	**(636,090)**
Cash Flows from Financing Activities	
Net funding received	**636,120**
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	**636,120**
Net Increase (Decrease) in Cash & Cash Equivalents	**30**
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	**30**

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.

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.

In accordance with the Health and Social Care Act 2012, Strategic Health Authorities and Primary Care Trusts were dissolved on 1 April 2013 and their assets and liabilities transferred to successor bodies in the NHS or to other entities. Under the terms of the Property Transfer Scheme and its supporting schedules, a number of assets and liabilities were transferred from Gloucestershire Primary Care Trust to the CCG on that date. The most significant of these was regarding IT equipment.

These assets and liabilities are associated with the transfer of commissioning functions.

The accounting arrangements in respect of these transfers are outlined in Note 1.3 to the Annual Accounts.

Notes to the financial statements

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.
The CCG does not hold any Charitable Funds.

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.

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:

- Lead Commissioning arrangements

Where the CCG is the lead commissioner for service level agreements that include a contribution from Gloucestershire County Council, all figures are shown in gross terms (i.e. the contribution from the local authority is shown within Other Operating Income).

Notes to the financial statements

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:

- Partially Completed Spells

Estimates of expenditure relating to such spells have primarily been taken from analysis provided by secondary care providers.

- Accruals for Prescribing/Home Oxygen costs

Primary care prescribing information is received from the Business Services Authority who process prescription items to reimburse and remunerate pharmacy contractors and provide information on the cost of drugs prescribed by primary care prescribers. Actual prescribing information is issued in arrears and, therefore, the annual estimate is based on forecast information issued by the NHS Business Services Authority.

- Valuation assumptions for property, plant and equipment

The valuation of IM & T assets has been assessed using an independent source.

- Provisions recognised as at 31st March 2014

The provision for continuing healthcare has been calculated by taking those claims outstanding at 31 March 2014 which had not previously been notified to NHS England. An assessment of the likely financial value is then made and a conversion rate applied (based on previous claim experience).

- Secondary Healthcare service costs

Secondary Healthcare activity information is collected on a national system "Secondary Users System" (SUS). This data is subsequently imported into a local contract monitoring system. Secondary Healthcare providers are paid in year for activity which has been carried out and which is due under the contract terms. However, the final year end activity for which the CCG will be charged will not be available until June, therefore estimates of the activity has been estimated based on the information from the contract monitoring system and providers themselves. The estimated creditor for the final month of the year is included within Trade and Other Payables.

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.

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.

Notes to the financial statements

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.

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.

Notes to the financial statements

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.

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.

Notes to the financial statements

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.

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.

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

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.

Notes to the financial statements

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.
NHS Gloucestershire CCG does not hold any PFI assets.

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.
NHS Gloucestershire CCG has no assets falling into such a relationship.

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.

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.

Notes to the financial statements

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.

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.

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.

Notes to the financial statements

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.

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.

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.

Notes to the financial statements

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.
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,
- 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.

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.

Notes to the financial statements

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).

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'.

The CCG does not have any subsidiaries.

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'.

The CCG does not have any associates.

Notes to the financial statements

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’.

The CCG does not have 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.

The CCG does not have 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 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. 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:

	See below	NHS Act 2006 Section	2013-14 Target £000	2013-14 Performance £000	Met (Y/N)?
Expenditure not to exceed income (i.e. to report surplus)	2.1	223H (1)	6,757	6,806	Yes
Capital resource use does not exceed the amount specified in Directions	2.2	223I (2)	Nil	Nil	Yes
Revenue resource use does not exceed the amount specified in Directions	2.1	223I (3)	678,890	672,084	Yes
Capital resource use on specified matter(s) does not exceed the amount specified in Directions	2.2	223J (1)	Nil	Nil	Yes
Revenue resource use on specified matter(s) does not exceed the amount specified in Directions (e.g. capital grants)	2.3	223J (2)	Nil	Nil	Yes
Revenue administration resource use does not exceed the amount specified in Directions	2.4	223J (3)	15,090	14,142	Yes

2.1 Performance against Revenue Resource limit

	£000	£000
From Statement of Comprehensive Net Expenditure (page 1)		
Net operating cost for the financial year	672,084	
Net gain/(loss) on transfers by absorption	0	
		672,084
Revenue Resource Limit		**678,890**
Under/(Over) spend against Revenue Resource Limit (RRL)		**6,806**

2.2 Performance against Capital Resource limit

The CCG did not receive a Capital Resource Limit in 2013/14 and has not committed to any capital expenditure during the period.

2.3 Revenue resource use on specified matters

The CCG did not receive any Revenue Resource Limit in 2013/14 for use on specified matters.

2.4 Performance against Revenue administration resource

	£000	£000
From Statement of Comprehensive Net Expenditure (page 1)		
Gross employee benefits	5,385	
Other costs	9,183	
Other operating revenue	(427)	
		14,142
Revenue administration resource ("running costs" allocation)		**15,090**
Under/(Over) spend against Revenue administration resource		**948**

3. 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	**0**	-	0
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	**24**	24	-
Receipt of donations for capital acquisitions: NHS Charity	**-**	-	-
Receipt of Government grants for capital acquisitions	**-**	-	-
Non-patient care services to other bodies	**17,625**	403	17,222
Income generation	**-**	-	-
Rental revenue from finance leases	**-**	-	-
Rental revenue from operating leases	**-**	-	-
Other revenue	**106**	1	105
Total other operating revenue	**17,754**	**427**	**17,327**

Administrative revenue is revenue received that is not directly attributable to commissioning of healthcare services.

Non-patient care services to other bodies primarily relates to charges made to Gloucestershire County Council for their contribution to contracts where the lead commissioner is NHS Gloucestershire CCG.

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.

4. Revenue

Revenue is almost totally from the supply of services. Revenue from the sale of goods is immaterial.

5. Operating expenses

	2013-14 Total £000	2013-14 Admin £000	2013-14 Programme £000
Gross employee benefits			
Employee benefits excluding governing body members	5,757	4,745	1,011
Executive governing body members	640	640	-
Total gross employee benefits	**6,397**	**5,385**	**1,011**
Other costs			
Services from other CCGs and NHS England	**4,670**	4,649	21
Services from foundation trusts	**405,055**	66	404,988
Services from other NHS trusts	**101,410**	2	101,408
Services from other NHS bodies	**(186)**	-	(186)
Purchase of healthcare from non-NHS bodies	**64,965**	266	64,698
Chair and lay membership body and governing body members	**639**	639	-
Supplies and services – clinical	**3,105**	-	3,105
Supplies and services – general	**1,577**	209	1,368
Consultancy services	**364**	263	101
Establishment	**876**	515	361
Transport	**23**	23	-
Premises	**1,462**	1,453	9
Impairments and reversals of receivables	**61**	61	-
Inventories written down	**-**	-	-
Depreciation	**525**	525	-
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	**116**	116	-
Other auditor's remuneration			
· Internal audit services	**-**	-	-
· Other services	**-**	-	-
General dental services and personal dental services	**-**	-	-
Prescribing costs	**87,371**	-	87,371
Pharmaceutical services	**-**	-	-
General opthalmic services	**-**	-	-
GPMS/APMS and PCTMS	**4,785**	-	4,785
Other professional fees excl. audit	**622**	215	407
Grants to other public bodies	**4,928**	-	4,928
Clinical negligence	**-**	-	-
Research and development (excluding staff costs)	**-**	-	-
Education and training	**133**	109	24
Change in discount rate	**-**	-	-
Other expenditure	**942**	72	870
Total other costs	**683,970**	9,183	674,786
Total operating expenses	**690,367**	**14,569**	**675,798**

Administrative expenditure is expenditure incurred that is not a direct payment for the provision of healthcare or healthcare service

6. Employee benefits and staff numbers

6.1.1 Employee benefits

	2013-14 Total	Total Permanent Employees	Other	Total	Admin Permanent Employees	Other	Total	Programme Permanent Employees	Other
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Employee Benefits									
Salaries and wages	**5,313**	4,990	323	**4,462**	4,220	242	**851**	770	81
Social security costs	**435**	435	-	**376**	376	-	**59**	59	-
Employer Contributions to NHS Pension scheme	**645**	645	-	**543**	543	-	**102**	102	-
Other pension costs	**-**	-	-	**-**	-	-	**-**	-	-
Other post-employment benefits	**-**	-	-	**-**	-	-	**-**	-	-
Other employment benefits	**-**	-	-	**-**	-	-	**-**	-	-
Termination benefits	**4**	4	-	**4**	4	-	**-**	-	-
Gross employee benefits expenditure	**6,397**	**6,074**	**323**	**5,385**	**5,144**	**242**	**1,011**	**930**	**81**
Less recoveries in respect of employee benefits (note 6.1.2)	**-**	-	-	**-**	**-**	**-**	**-**	**-**	**-**
Total - Net admin employee benefits including capitalised costs	**6,397**	**6,074**	**323**	**5,385**	**5,144**	**242**	**1,011**	**930**	**81**
Less: Employee costs capitalised	**-**	-	-	**-**	-	-	**-**	-	-
Net employee benefits excluding capitalised costs	**6,397**	**6,074**	**323**	**5,385**	**5,144**	**242**	**1,011**	**930**	**81**

Employees reported against programme costs solely relate to those staff engaged on Continuing Healthcare duties.

6.1.2 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	**-**	**-**	**-**

6.2 Average number of people employed

	2013-14		
	Total	Permanently employed	Other
	Number	Number	Number
Total	**132**	122	10
Of the above:			
Number of whole time equivalent people engaged on capital projects	**Nil**	Nil	Nil

6.3 Staff sickness absence and ill health retirements

	2013-14
	Number
Total Days Lost	786
Total Staff Years	126
Average working Days Lost	6

Average working days lost has been calculated by NHS England and is based on the period April 2013 to December 2013 inclusive.

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

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.

6.4 Exit packages agreed in the financial year

	2013-14					
	Compulsory redundancies		Other agreed departures		Total	
	Number	£	Number	£	Number	£
Less than £10,000	-	-	1	3,817	**1**	**3,817**
£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**	**3,817**	**1**	**3,817**

	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	**-**	**-**

Analysis of Other Agreed Departures

	Other agreed departures	
	Number	£
Voluntary redundancies including early retirement contractual costs	-	-
Mutually agreed resignations (MARS) contractual costs	-	-
Early retirements in the efficiency of the service contractual costs	-	-
Contractual payments in lieu of notice	1	3,817
Exit payments following Employment Tribunals or court orders	-	-
Non-contractual payments requiring HMT approval*	-	-
Total	**1**	**3,817**

[#] Includes any non-contractual severance payments made following judicial mediation, and none relating to non-contractual payments in lieu of notice.

6.5 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:

6.5.1 Full actuarial (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.

6.5.2 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.

6.5 Pension costs

6.5.3 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.

7.1 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	5,291	73,400
Total Non-NHS Trade Invoices paid within target	4,899	71,409
Percentage of Non-NHS Trade invoices paid within target	92.59%	97.29%
NHS Payables		
Total NHS Trade Invoices Paid in the Year	2,556	503,800
Total NHS Trade Invoices Paid within target	2,405	503,800
Percentage of NHS Trade Invoices paid within target	94.09%	100.00%

The CCG supports the Better Payment Practice Code which requires the CCG to aim to pay 95% of all valid invoices by the due date or within 30 days of receipt of a valid invoice, whichever is later.

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

The CCG did not make payments totalling more than £500 under this legislation in 2013/14

8. Income Generation Activites

The clinical commissioning group does not undertake any income generation activities.

9. Investment revenue

The CCG did not receive any investment revenue in 2013/14.

10. Other gains and losses

No other gains or losses have been recorded by the CCG during the financial year

11. Finance costs

The CCG did not incur any finance costs during 2013/14.

12. Net gain/(loss) on transfer by absorption

No gains or losses have been recognised by the CCG during the financial year resulting from transfers by absorption.

13. Operating Leases

13.1 As lessee

The CCG occupies property owned and managed by NHS Property Services Ltd. For 2013/14, a transitional occupancy rent based on annual property cost allocations was agreed. This is reflected in Note 13.1.1.

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.

Other lease costs relate to a leased car.

Independent Sector Treatment Centres were opened in November 2009 at Emerson's Green, South Gloucestershire and at Cirencester Hospital, Gloucestershire. There is a service agreement between UKSH, the service provider, and the Department of Health to provide an agreed range of treatments for the term of the contract. This activity is provided to and purchased by NHS Gloucestershire and CCGs adjacent to the area. An assessment of the contract against IFRIC 12, IFRIC 4 and IAS 17 has determined that an operating lease exists. The price within the service contract uses the NHS tariff for secondary care. The service payment to UKSH in 2013/14 was £6,650k.

13.1.1 Payments recognised as an Expense

				2013-14
	Land	**Buildings**	**Other**	**Total**
	£000	**£000**	**£000**	**£000**
Payments recognised as an expense				
Minimum lease payments	-	**1,362**	**(0)**	**1,362**
Contingent rents	-	-	-	-
Sub-lease payments	-	-	-	-
Total	-	**1,362**	**(0)**	**1,362**

13.1.2 Future minimum lease payments

				2013-14
	Land	**Buildings**	**Other**	**Total**
	£000	**£000**	**£000**	**£000**
Payable:				
No later than one year	-	-	-	-
Between one and five years	-	-	-	-
After five years	-	-	-	-
Total	-	-	-	-

13.2 As lessor

The CCG did not act as a lessor on any assets in the financial year.

14. Property, plant and equipment

The CCG did not own any land, buildings or dwellings throughout the year.

2013-14	Plant & machinery £000	Transport equipment £000	Information technology £000	Total £000
Cost or valuation at 1 April 2013	-	-	-	-
Transfer of assets from closed NHS bodies as a result of the 1 April 2013 transition	**81**	**-**	**505**	**586**
Adjusted Cost or valuation at 1 April 2013	**81**	**-**	**505**	**586**
Addition of assets under construction and payments on account	-	-	-	**-**
Additions purchased	-	-	-	**-**
Additions donated	-	-	-	**-**
Additions government granted	-	-	-	**-**
Additions leased	-	-	-	**-**
Reclassifications	(81)	81	-	**-**
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	**-**	**81**	**505**	**586**
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	-	20	505	**525**
Transfer (to)/from other public sector body	-	-	-	**-**
Cumulative depreciation adjustment following revaluation	-	-	-	**-**
At 31 March 2014	**-**	**20**	**505**	**525**
Net Book Value at 31 March 2014	**-**	**61**	**-**	**61**
Purchased	-	61	-	**61**
Donated	-	-	-	**-**
Government Granted	-	-	-	**-**
Total at 31 March 2014	**-**	**61**	**-**	**61**
Asset financing:				
Owned	-	61	-	**61**
Held on finance lease	-	-	-	**-**
On-SOFP Lift contracts	-	-	-	**-**
PFI residual: interests	-	-	-	**-**
Total PFI & LIFT assets	-	-	-	**-**
Total at 31 March 2014	**-**	**61**	**-**	**61**

Revaluation Reserve Balance for Property, Plant & Equipment

	Plant & machinery £000's	Transport equipment £000's	Information technology £000's	Total £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	-	-	-	**-**

14. Property, plant and equipment cont'd

14.1 Additions to assets under construction
The CCG did not own any assets under construction at any point during the financial year.

14.2 Donated assets
The CCG does not own any donated assets.

14.3 Government granted assets
The CCG does not own any assets that have been funded through a Government grant.

14.5 Compensation from third parties
No compensation has been received or is due from third parties as a result of assets being either impaired, lost or given up.

14.6 Write downs to recoverable amount
The CCG inherited IM & T assets from Gloucestershire PCT and, following advice, they have been subjected to accelerated depreciation in order to write their net book value down to a recoverable value of zero.

14.7 Temporarily idle assets
There are no assets that are temporarily idle.

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

	2013-14 **£000**
Plant & machinery	Nil
Transport equipment	Nil
Information technology	505
Total	505

14.9 Economic lives

	Minimum Life (years)	**Maximum Life (Years)**
Transport equipment	3	3
Information technology	Nil	Nil

15. Intangible non-current assets
The CCG does not own any intangible assets.

16. Investment property

The clinical commissioning group had no investment property as at 31 March 2014

17. Inventories

The clinical commissioning group had no inventories as at 31 March 2014

18. Trade and other receivables

	Current 2013-14 £000	Non-current 2013-14 £000
NHS receivables: Revenue	1,827	-
NHS receivables: Capital	-	-
NHS prepayments and accrued income	-	-
Non-NHS receivables: Revenue	5,996	-
Non-NHS receivables: Capital	-	-
Non-NHS prepayments and accrued income	458	-
Provision for the impairment of receivables	(61)	-
VAT	26	-
Private finance initiative and other public private partnership arrangement prepayments and accrued income	-	-
Interest receivables	-	-
Finance lease receivables	-	-
Operating lease receivables	-	-
Other receivables	104	-
Total	8,350	-
Total current and non current	8,350	
Included above:		
Prepaid pensions contributions	-	

The great majority of trade is with NHS England and Gloucestershire County Council. 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 similar approach has been taken with Gloucestershire County Council.

18.1 Receivables past their due date but not impaired

	2013-14 £000
By up to three months	1,485
By three to six months	37
By more than six months	-
Total	1,522

£860k 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.

18.2 Provision for impairment of receivables

	2013-14 £000
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	-
Amounts written off during the year	-
Amounts recovered during the year	-
(Increase) decrease in receivables impaired	(61)
Transfer (to) from other public sector body	-
Balance at 31 March 2014	(61)

The provision relates to a single supplier which had been overpaid by the CCG's financial services provider. Although a payment plan had been agreed, the first payment was defaulted upon and the case is now being pursued through a formal legal process.

19. Other financial assets

The CCG does not hold any financial assets.

20. Other current assets

The clinical commissioning group had no other current assets as at 31 March 2014.

21. Cash and cash equivalents

	2013-14 £000
Balance at 1 April 2013	-
Net change in year	30
Balance at 31 March 2014	30
Made up of:	
Cash with the Government Banking Service	29
Cash with Commercial banks	-
Cash in hand	1
Current investments	-
Cash and cash equivalents as in statement of financial position	30
Bank overdraft: Government Banking Service	-
Bank overdraft: Commercial banks	-
Total bank overdrafts	-
Balance at 31 March 2014	30
No Patients' money is held by the clinical commissioning group	-

22. Non-current assets held for sale
The CCG does not hold any non-current assets that are due for sale

23. Analysis of impairments and reversals
There were no impairments or reversals during the financial year

24. Trade and other payables

	Current 2013-14 £000	Non-current 2013-14 £000
Interest payable	-	-
NHS payables: revenue	14,511	-
NHS payables: capital	-	-
NHS accruals and deferred income	-	-
Non-NHS payables: revenue	2,771	-
Non-NHS payables: capital	-	-
Non-NHS accruals and deferred income	25,181	-
Social security costs	80	-
VAT	-	-
Tax	85	-
Payments received on account	-	-
Other payables	322	-
Total	42,948	-
Total payables (current and non-current)	42,948	

Other payables include £111k of outstanding pension contributions at 31 March 2014

25. Other financial liabilities
The CCG does not have any other financial liabilities.

26. Other liabilities
The CCG does not have any other liabilities.

27. Borrowings
The CCG did not have any borrowings in the financial year.

28. Private finance initiative, LIFT and other service concession arrangements
The CCG had no PFI, LIFT or other service concession arrangements during the financial year.

29. Finance lease obligations
The CCG does not hold any finance leases.

30. Finance lease receivables
The CCG does not receive any funds from finance lease arrangements.

31. Provisions

	Current 2013-14 £000	Non-current 2013-14 £000
Pensions relating to former directors	-	-
Pensions relating to other staff	-	-
Legal claims	-	-
Continuing care	870	-
Other	-	-
Total	870	-

Total current and non-current

	Pensions Relating to Former Directors £000s	Pensions Relating to Other Staff £000s	Legal Claims £000s	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	-	-	-	870	-	870
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	-	-	-	870	-	870
Expected timing of cash flows:						
Within one year	-	-	-	870	-	870
Between one and five years	-	-	-	-	-	-
After five years	-	-	-	-	-	-
Balance at 31 March 2014	-	-	-	870	-	870

The Continuing Care provision of £870k is for costs expected to be incurred in relation to backdated claims received by the CCG since 1st April 2013 for continuing healthcare and which have yet to be assessed. Claims are assessed for eligibility using the national guidance and toolkit.

NHS England hold a provision for all backdated claims received prior to 1 April 2013.

The claims outstanding at 31 March 2014 will be assessed and are expected to be paid within the 2014/15 financial year.

32. Contingencies
The CCG has not recognised any contingent assets or liabilities.

33. Commitments
The CCG does not have any outstanding capital commitments and has not entered into non-cancellable contracts which are not leases, private finance initiative contracts or other service concession arrangements.

34. Financial instruments

34.1 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 Prime Financial Policies and policies agreed by the Governing Body. Treasury activity is subject to review by the clinical commissioning group’s internal auditors.

34.1.1 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.

34.1.2 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.

34.1.3 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.

34.1.3 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.

34. Financial instruments cont'd

34.2 Financial assets

	At 'fair value through profit and loss' 2013-14 £000	Loans and Receivables 2013-14 £000	Available for Sale 2013-14 £000	Total 2013-14 £000
Embedded derivatives	-	-	-	-
Receivables:	-	-	-	-
· NHS	-	1,827	-	1,827
· Non-NHS	-	5,996	-	5,996
Cash at bank and in hand	-	30	-	30
Other financial assets	-	372	-	372
Total at 31 March 2014	-	8,225	-	8,225

34.3 Financial liabilities

	At 'fair value through profit and loss' 2013-14 £000	Other 2013-14 £000	Total 2013-14 £000
Embedded derivatives	-	-	-
Payables:	-	-	-
· NHS	-	14,511	14,511
· Non-NHS	-	27,951	27,951
Private finance initiative, LIFT and finance lease obligations	-	-	-
Other borrowings	-	-	-
Other financial liabilities	-	327	327
Total at 31 March 2014	-	42,789	42,789

35. Operating segments

The clinical commissioning group and consolidated group consider they have only one segment: commissioning of healthcare services.
NHS Gloucestershire CCG presents its regular reports to the Governing Body (designated as the organisation's Chief Operating Decision Maker) in this format.

36. Pooled budgets

The pooled budget relates to Integrated Community Equipment Services with Gloucestershire Council. The clinical commissioning group's and consolidated group's shares of the income and expenditure handled by the pooled budget in the financial year were:

	2013-14 £000
Income	3,950
Expenditure	- 3,950

37. NHS Lift investments

The CCG has no investments in NHS LIFT schemes.

38. 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	26	-	276	-
· Local Authorities	3,115	-	6,120	-
Balances with NHS bodies:				
· NHS bodies outside the Departmental Group	1,185	-	342	-
· NHS Trusts and Foundation Trusts	642	-	14,169	-
Total of balances with NHS bodies:	1,827	-	14,511	-
· Public corporations and trading funds	-	-	-	-
· Bodies external to Government	3,382	-	22,041	-
Total balances at 31 March 2014	8,350	-	42,948	-

39. Related party transactions

During the year, with the exception of those listed below, none of the Department of Health Ministers, clinical commissioning group Governing Body members or members of the key management staff, or parties related to any of them, has undertaken any material transactions with the clinical commissioning group.

	2013/14 Payments to Related Party £000
Dr Helen Miller (Clinical Chair of CCG)	282
Partner - The College Yard and Highnam Surgery	
Dr Caroline Bennett (CCG Member/GP Locality Lead)	559
Partner - Cotswold Medical Practice	
Dr Charles Buckley (CCG Member/GP Locality Lead)	311
Partner - Frampton Surgery	
Dr Malcolm Gerald (CCG Member/GP Locality Lead)	194
Partner - Romney House Surgery	
Dr Martin Gibbs (CCG Member/GP Locality Lead)	287
Partner - Blakeney Surgery	
Dr William Haynes (CCG Member/GP Locality Lead)	232
Partner - Hadwen Medical Practice	
Dr Hein Le Roux (CCG Member/GP Locality Lead)	102
Minchinhampton Surgery	
Dr Andy Seymour (CCG Deputy Clinical Chair)	108
Partner - Heathville Road Surgery	
Dr Jeremy Welch (CCG Member/GP Locality Lead)	47
Partner - Jesmond House Surgery	
Jonathan Jeanes (Interim Dir of Transformation/Service Redesign)	46
MD of Jeanes Consulting Ltd	
Dr Steven Allder (Secondary Care Doctor Advisor to CCG)	13
Consultant Neurologist (Plymouth Hospitals NHS FT)/Consultant for Kings Fund	

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;
- NHS Foundation Trusts;
- NHS Trusts;
- NHS Litigation Authority; and,
- NHS Business Services Authority.

In addition, the clinical commissioning group has had a number of material transactions with other government departments and other central and local government bodies. Most of these transactions have been with [e.g. Gloucestershire County Council in respect of joint commissioning of services].

The clinical commissioning group has also received revenue and capital payments from a number of charitable funds.

40. 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.

41. Losses and special payments

41.1 Losses

There have been no losses reported during the year.

41.2 Special payments

	Total Number of Cases 2013-14 Number	Total Value of Cases 2013-14 £'000
Compensation payments	-	-
Extra contractual Payments	-	-
Ex gratia payments	1	2
Extra statutory extra regulatory payments	-	-
Special severance payments	-	-
Total	1	2

42. Third party assets

The CCG held no third party assets.

43. Impact of IFRS

There has been no in-year financial impacts regarding the introduction of IFRS.

44. Analysis of charitable reserves

The CCG does not hold any charitable reserves.

Gloucestershire
Clinical Commissioning Group

3rd June 2014

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BS1 6FT

Dear Sirs

Gloucestershire Clinical Commissioning Group

Financial Statements for the year ended 31 March 2014

This representation letter is provided in connection with the audit of the financial statements of Gloucestershire Clinical Commissioning Group 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 International Financial Reporting Standards 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 confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i We acknowledge, as CCG Governing Body members our responsibilities under the National Health Services Act 2006 for preparing financial statements which give a true and fair view and for making accurate representation to you.

ii We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

iii Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

iv Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Manual for Accounts.

v All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Manual for Accounts requires adjustment or disclosure have been adjusted or disclosed.

vi We have not adjusted the misstatements brought to our attention in the Audit Findings report, which are considered to be immaterial to the results of the CCG and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

vii In calculating the amount of income to be recognized in the accounts from the NHS organisations we have applied judgement, where appropriate, to reflect the appropriate amount of income expected to be received by the CCG in accordance with the Accounting Standards and Manual for Accounts.

viii We acknowledge our responsibility to participate in the Department of Health's agreement of balances exercise and have followed the requisite guidance and directions to do so. We are satisfied that the balances calculated for the CCG ensure the financial statements and consolidation schedules are free from material misstatement, including the impact of any disagreements.

ix Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

x We confirm that the financial statements have been properly considered and approved by an appropriate body in accordance with the CCG constitution.

Information Provided

xii We have provided you with:

a. 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 matters;

b. additional information that you have requested from us for the purpose of your audit; and

c. unrestricted access to persons within the CCG from whom you determined it necessary to obtain audit evidence.

xiii All transactions have been recorded in the accounting records and are reflected in the financial statements.

xiv We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xv We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the CCG and involves:

a. management;

b. employees who have significant roles in internal control; or

c. others where the fraud could have a material effect on the financial statements.

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

xvii We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xviii We have disclosed to you all of the CCG's related parties and all the related party relationships and transactions of which we are aware.

xix We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Report

xxi The disclosures within the Annual Report fairly reflect our understanding of the CCG's financial and operating performance over the period covered by the financial statements.

Governance Statement

xxii The CCG has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of the Care Quality Commission or other regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

xxiii We are satisfied that the Governance Statement fairly reflects the CCG's risk assurance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Approval

The approval of this letter of representation was minuted by the CCG's Governing Body at their meeting on 3 June 2014

Signed on behalf of the Governing Body

Name……………………………

Position………………………….

Date…………………………….

Name……………………………

Position………………………….

Date…………………………….

NHS
Gloucestershire
Clinical Commissioning Group

Agenda Item 5

Governing Body

Governing Body Meeting Date	**Tuesday 3rd June 2014**
Title	**External Audit - Assurances from Management and those charged with Governance**
Executive Summary	The attached documents have been provided to the external auditors by the Chief Finance Officer and Chair of the Audit Committee in order to provide additional assurances to the auditors in relation to their assessment of the final accounts.
Key Issues	The documents provide assurances regarding the governance and internal control processes operated by the CCG. A fraud risk assessment and an outline of the processes by which the organisation ensures that it complies with laws and regulations are also provided.
Risk Issues: **Original Risk** **Residual Risk**	None.
Financial Impact	None.
Legal Issues (including NHS Constitution)	None.
Impact on Health Inequalities	None.
Impact on Equality and Diversity	None.
Impact on Sustainable Development	None.
Patient and Public Involvement	Not applicable.
Recommendation	The Governing Body is requested to note these documents.

Author	Cath Leech
Designation	Chief Finance Officer
Sponsoring Director (if not author)	

Our Ref NHS GLOUCESTERSHIRE CCG

Cath Leech
Chief Financial Officer

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10th March 2014

Dear Cath

NHS Gloucestershire Clinical Commissioning Group (CCG) Financial Statements for the year end 31 March 2014

To comply with International Auditing Standards, we need to establish an understanding of the management processes in place to prevent and detect fraud and to ensure compliance with law and regulation. We are also required to make inquiries of both management and the 'those charged with governance'(the Audit and Accounts Committee) as to their knowledge of any actual, suspected or alleged fraud. International Auditing Standards also place certain obligations on auditors to document Management's view on some key areas affecting the financial statements

To assist us in meeting these requirements, I would be grateful if you would consider and formally respond to the matters set out in the attached appendix. In completing this task, you may wish to take into account the views of other directors where you think appropriate. The schedule relates to operational issues as well as the financial statements.

In addition to our request to management, we also will need to gain an understanding of how the Audit Committee maintains oversight of the above processes. I will also made a similar request for information to the Chair of the Audit Committee, and include managements response as part of that request.

In preparing your responses, it would assist me greatly if you could include a summary of evidence that you have relied on to inform your responses, and the sources of assurance that you have that the relevant management controls have operated effectively through the financial year to date and will operate up to the date the accounts are approved.

As always, please do not hesitate to contact me if you wish to discuss anything in relation to this request.

Yours sincerely

Peter Smith
Audit Manager
For Grant Thornton UK LLP

T 0117 305 7832
E peter.w.smith@uk.gt.com

Responses from Management:

Auditor question	Response
What do you regard as the key events or issues that will have a significant impact on the financial statements for 2013/14?	2013/14 is the first year of establishment for the CCG. There have been a number of adjustments to the CCG's baseline during the year to reflect corrections to the opening baseline position; these adjustments have been agreed with NHS England. The impact of legacy balances has been brought into the CCG's financial statements in line with NHS England guidance.
Have you considered the appropriateness of the accounting policies adopted by the CCG? Have there been any events or transactions that may cause you to change or adopt new accounting policies?	The CCG have reviewed the accounting policies issued by NHS England and will be adopting these policies. These policies have been presented to the CCG's Audit Committee. There are no events or transactions to date that have necessitated a change to accounting policies
Are you aware of any changes to the CCG's regulatory environment that may have a significant impact on the CCG's financial statements?	We are not aware of any changes that would significantly impact on the CCG's financial statements
How would you assess the quality of the CCG's internal control processes?	The CCG's internal control processes were primarily inherited from the PCT and there were no significant inherited issues. The CCG has a contract for internal audit services, the internal auditors have carried out a risk based assessment to inform their internal audit plan. Issues identified are not felt to impact significantly on the CCG's control environment. The internal audit plan and all completed reviews have been brought to the Audit Committee. The CCG also has a counter fraud service, any outcomes from investigations are fed into the organisation to ensure that any changes to internal controls required are implemented. Summary reports are brought to the CCG audit committee.
How would you assess the process for reviewing the effectiveness of internal control?	The CCG has a contract for internal audit which the key source of assurance on internal controls. The internal audit plan is based on risk assessments of the organisation. This plan, and it's basis, is reviewed by the CCG's Audit Committee. Internal audit reports are brought to the CCG's Audit Committee once complete. Updates on the recommendations as to whether they have been implemented are brought back to the Audit Committee.
How do the CCG's risk management processes link to financial reporting?	Risk assessments feeding into the CCG's risk management process include an assessment of

	financial risk as well as other risks. The risks identified through this route as well as usual budget/contract review processes are included in the financial position on a monthly basis.
How would you assess the CCG's arrangements for identifying and responding to the risk of fraud?	The CCG has a contract for counter fraud services. The plan for these services was developed using provider and previous PCT plans as well as knowledge of the CCG's business in the absence of any guidance for CCG counter fraud services. The plan includes proactive work as well as investigative work. The plan and progress against this are brought to each audit committee. The CCG has a whistleblowing policy and a named executive lead for counter fraud.
What has been the outcome of these arrangements so far this year?	Counter fraud - One investigation followed through, results and changes made to internal processes to strengthen controls, this was reported through to audit committee. Pro-active work with teams to ensure that all staff are aware of counter fraud services, each session tailored to the team involved.
What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?	The most significant areas of potential fraud for the CCG have been deemed to be around the procurement of services. The CCG has robust processes and procedures around procurement to minimise the potential for fraud.
Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?	No complaints or actual complaints by whistleblowers.
Have any reports been made under the Bribery Act?	No
As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	The CCG has a risk management framework which feeds into the CCG assurance framework; these cover all aspects of the CCG's business. The risk register and assurance framework are reported to the Integrated Governance Committee. The assurance framework is reported to the Governing Body.
As a management team, how do you communicate to staff and employees your views on business practices and ethical behaviour?	The CCG has polices covering ethical behaviour and code of conduct. These policies are approved by the Governing Body and are published on the CCG's intranet. New policies or changes to existing policies are notified to staff through the monthly team brief.
What are your policies and procedures for identifying, assessing and accounting for litigation and claims?	The Associate Director for Corporate Governance is the lead for dealing with litigation and claims and is named within the Detailed Scheme of Delegation. Assessing claims forms part of the risk management process and this includes financial

	risk. The CCG has liability insurance with the NHSLA. NHSLA procedures would be followed for any claims arising.
Is there any use of financial instruments, including derivatives?	No
Are you aware of any significant transaction outside the normal course of business?	No
Are you aware of any changes in circumstances that would lead to impairment of non-current assets?	No
Are you aware of any guarantee contracts?	No
Are you aware of allegations of fraud, errors, or other irregularities during the period?	One instance of fraud has been investigated by the counter fraud service. The report has been brought to the Audit Committee to sign off actions. No other errors or irregularities raised in the period
Are you aware of any instances of non-compliance with laws or regulations or is the CCG on notice of any such possible instances of non-compliance?	The CCG management is not aware of any non compliance with laws or regulations.
Have there been any examinations, investigations or inquiries by any licensing or authorising bodies or the tax and customs authorities?	No
Are you aware of any transactions, events and conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement?	The CCG has included a note in its accounting policies on the way that income contributions for contracts from Gloucestershire County Council being reported on a gross basis.
Where the financial statements include amounts based on significant estimates, how have the accounting estimates been made, what is the nature of the data used, and the degree of estimate uncertainty inherent in the estimate?	The basis of amounts based on significant estimates is detailed in the CCG's accounting policies. These previously have included: Provisions Contingencies Accruals for prescribing costs Secondary healthcare service costs Partially completed spells Valuation assumptions for property, plant and equipment and impairments (unlikely to be significant for 13/14 as no property held by the CCG
Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?	Not at present
Can you provide details of those solicitors utilised by the CCG's during the year. Please indicate where they are working on open litigation or contingencies from prior years?	Bevan Brittan
Can you provide details of other advisors consulted	No other advisors consulted in year

during the year and the issue on which they were consulted?	
Have any of the CCG's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements?	No

Going Concern

In considering whether the CCG is a going concern for at least 12 months after the accounting period, and that its accounts are prepared on that basis, the CCG should document its consideration of any material uncertainties that may cast doubt on its ability to continue in business.

To assist the CCG in its considerations, we have identified a number of specific areas which may impact upon its assessment. The CCG should document its response for each of these areas, alongside any other specific areas, that it considers appropriate in forming its assessment of Going Concern.

Has the management team carried out an assessment of the going concern basis for preparing the financial statements? What was the outcome of that assessment?	Yes, the CCG believes that preparation of the accounts on a going concern is an appropriate basis.
Management is required to consider whether there are any material uncertainties that cast doubt on the CCG's ability to continue as a business.	
1. Is the CCG dependent on significant unidentified cost improvements?	The CCG has a QIPP programme in 2014/15 of £18.5m, more than 80% of the programme is identified.
2. Are planned savings e.g. QIPP being achieved?	The CCG does have slippage on planned savings, however, as part of its financial management framework, other contingencies are identified to compensate for any slippage to ensure that the CCG is able to achieve its statutory duty.
3. Have any serious concerns been raised by LAT, NHSE or DH about its finances e.g. has the CCG been given a "Red" RAG rating?	No
4. Is the CCG likely to achieve its agreed budgeted financial position?	Yes
5. Has the CCG received significant financial support to help meets its financial objective?	No
6. Has the CCG failed to comply with the better payment practice code?	The CCG has achieved the BPPC in terms of the value of invoices paid, the BPPC has not been achieved in terms of the numbers (92.3% non NHS, 93.4% for NHS), the under performance this year is believed to be due to the change in systems and the transition between organisations.
7. Does the CCG have negative operating cash flows?	No
8. What are the results of the preliminary going concern assessment, including any awareness of the existence of other events or conditions that may cast doubt on the CCG's ability to continue as a going concern?	The CCG does not believe that there are any events or conditions that cast doubt on the CCG's ability to continue as a going concern

Sources of information

- CCG internal audit plan
- Internal audit reports
- Counter fraud plan and progress against plan
- Counter fraud updates to Audit Committee
- CCG Risk register papers to Integrated Governance Committee
- CCG Assurance framework papers to Integrated Governance Committee & Governing Body
- CCG Governing Body Performance report
- CCG constitution

Colin Greaves, Chair of the Audit Committee
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23 April 2014

Dear Colin

Gloucestershire Clinical Commissioning Group (CCG)
Financial Statements for the year ending 31 March 2014
Audit Committee assurance over management processes and arrangements

To comply with International Auditing Standards, we need to establish an understanding of how the Governing Body gained assurance over management processes and arrangements during 2013-14.

We are also required to make enquiries of management and I attach a copy of their response, provided by Cath Leech.

I would be grateful if, in your role as member of the Governing Body and Audit Committee Chair, you could review the management response and then read and respond to the attached Audit Committee Chair Risk Assessment. You will notice that some areas are covered by both management and Audit Committee; this is to bring out the fact that the committee has to form its own opinion on the information provided by management.

We suggest that it would be useful to complete this so that it can be discussed at the next Audit Committee meeting on 20 May 2014.

As always, please do not hesitate to contact me if you wish to discuss anything in relation to this request.

Your sincerely,

Peter Smith
Audit Manager

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Audit Committee Chair

Fraud risk assessment for year ended 31 March 2014

Auditor Question	Response
Has the CCG assessed the risk of material misstatement in the financial statements due to fraud?	Yes – this risk assessment is completed by the Local Counter Fraud Officer, who provides reports to management and the Audit Committee.
What are the results of this process?	The risk has been assessed as low.
What processes does the CCG have in place to identify and respond to risks of fraud?	The CCG has a contract for a local counter fraud service and the Local Counter Fraud Officer operates in accordance with national guidelines.
Have any specific fraud risks, or areas with a high risk of fraud, been identified and what has been done to mitigate these risks?	No areas of specific fraud risk, or areas with a high risk of fraud, have been identified. The mitigation of these risks is through the risk assessment and the control processes that management has in place.
Are internal controls, including segregation of duties, in place and operating effectively?	Some duties are segregated as services are provided by the CSU and SBS. In addition, management delegates responsibilities in accordance with the Scheme of Delegation, which has been approved by the Governing Body. As regards internal controls, they are operating effectively as reported by management to the Audit Committee. The Audit Committee gains its assurance on internal controls from the internal auditors.
If not, where are the risk areas and what mitigating actions have been taken?	
Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?	This is always possible but the internal controls are such that it is unlikely. Moreover, the monthly reporting on finance matters at business meetings mitigates this risk. These meetings are attended by Governing Body members who have access to the financial data.
Are there any areas where there is a potential for misreporting?	Yes – but the internal controls that are in place mean that any such misreporting would be readily apparent.
How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud?	By challenging management and gaining assurance from the reports by the Local Counter Fraud Officer and the internal auditors.

What arrangements are in place to report fraud issues and risks to the Governing Body?	Fraud issues and risks are brought to the Governing Body's attention by the minutes of the Audit Committee meetings. However, if there are significant and time critical issues, these would be reported directly to the Governing Body.
How does the CCG communicate and encourage ethical behaviour of its staff and contractors?	Ethical behaviour is communicated and encouraged through policy directives and training.
How does the Audit Committee encourage staff to report their concerns about fraud? Have any significant issues been reported?	Members of staff are encouraged to report their concerns about fraud through the normal management structure as laid down in the CCG's policies. Members of staff with concerns over fraud are able to consult lay and executive members. In addition, there is a whistle blowing policy and procedure.
Are you aware of any related party relationships or transactions that could give rise to risks of fraud?	Not aware of any related party transactions that could give rise to risks of fraud. All Governing Body members have to make a related party declaration.
Are you aware of any instances of actual, suspected or alleged, fraud, either within the CCG as a whole or within specific departments since 1 April 2013?	No – however, the Audit Committee was briefed on an alleged fraud by a supplier in Jul 13. This was in relation to a contract with the PCT in 2011/12 and was investigated by the Local Counter Fraud Service.

Law and regulation

Auditor Question	Response
What arrangements does the CCG have in place to prevent and detect non-compliance with laws and regulations?	The CCG's Constitution provides guidance on statutory and regulatory matters. The Associate Director for Corporate Governance is the lead officer for providing guidance on non-compliance with laws and regulations. If necessary he has access to advice from Bevan Brittan solicitors. As regards briefing the Governing Body, members information is made available at Governing Body Development Sessions.
How does management gain assurance that all relevant laws and regulations have been complied with?	Advice and guidance on laws and regulations is provided by a number of sources: NHS Local Area Team, HFMA and the Associate Director for Corporate Governance. Management gains assurance that all relevant laws and regulations have been complied with by: adherence to the CCG's policies and procedures; the challenges from the Audit Committee; and the reports by the internal and external auditors.
How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?	The Audit Committee receives its assurance that all relevant laws and regulations have been complied with from: the Associate Director for Corporate Governance; the Local Counter Fraud Officer; and the internal and external auditors.
Have there been any instances of non-compliance or suspected non-compliance with law and regulation since 1 April 2013?	I am not aware of any instances of non-compliance, or suspected non-compliance, with laws or regulations since 1 April 2013.
What arrangements does the CCG have in place to identify, evaluate and account for litigation or claims?	The Associate Director for Corporate Governance is the lead officer for dealing with litigation and claims. Assessing claims would form part of the risk management process and this would include financial risk. The CCG has liability insurance with NHSLA.
Is there any actual or potential litigation or claims that would affect the financial statements?	I am not aware of any actual or potential litigations or claims that would affect the financial statements.
Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance?	I am not aware of any reports from other regulatory bodies, which indicate non-compliance.