Adoption of NHS Sheffield CCG Audited Financial Accounts for 2016/17

Governing Body meeting

C

25 May 2017

Author(s)	Jackie Mills, Deputy Director of Finance
Sponsor	Julia Newton, Director of Finance

Is your report for Approval / Consideration / Noting

This report presents Governing Body with the final audited accounts for 2016/17 for approval.

Are there any Resource Implications (including Financial, Staffing etc)?

No

Audit Requirement

CCG Objectives

Which of the CCG's objectives does this paper support?

Strategic Objective - To ensure there is a sustainable, affordable healthcare system in Sheffield. It supports management of the CCG's principal risks 3.1, 4.1, 4.2 and 4.3 in the Assurance Framework.

Equality impact assessment

Have you carried out an Equality Impact Assessment and is it attached?No

If not, why not? There are no specific issues associated with this report.

PPE Activity

How does your paper support involving patients, carers and the public?
Not Applicable.

Recommendations

The Governing Body is asked to:

- Approve and adopt the final audited accounts for the financial year 2016/17
- Approve that the Chair and Accountable Officer sign the Letter of Management Representations on behalf of the Governing Body.

NHS
Sheffield
Clinical Commissioning Group

Adoption of NHS Sheffield CCG Audited Financial Accounts for 2016/17

Governing Body meeting

25 May 2017

1. Introduction / Background

1.1. This report accompanies the audited financial statements produced by the CCG in respect of the financial year 2016-17. Draft accounts were presented to the Governing Body on 4th May. At the time of writing this paper, the external auditors, KPMG, have substantially completed their audit of the financial statements and no significant issues have been identified. The final accounts are attached at Appendix A. The summary of the External Audit findings (ISA260) is attached at Appendix B. Small, mainly presentational changes have been made to the draft accounts (as detailed in section 3). No adjustments have been made to material figures in the accounts and the CCG continues to report an overall surplus against the agreed resource limit of £11.6m.

1.2. The accounts and auditors opinion will be considered at the meeting of the CCG's Audit and Integrated Governance Committee (AIGC) on the 25th May (the same day as the Governing Body meeting). A verbal update will be provided by the Chair of the AIGC at the governing body meeting. The Chair of AIGC will confirm the recommendations of the AIGC to the Governing Body.

2. Further information to support the understanding of the Accounts.

2.1. Following presentation of the draft accounts to Governing Body on the 4th May, the Chair of AIGC requested that further information be provided to support members understanding of the information presented in the accounts, in particular in relation to changes from the previous financial year. Key issues are noted below.

2.2. The accounts (or financial statements) consist of four primary statements

- A statement of comprehensive net expenditure
- A statement of financial position
- A statement of changes in taxpayer's equity
- A statement of cash flows.

These are accompanied by notes to the accounts which provide further information on the financial activities of the CCG. The accounts must include comparative figures for the prior year to show how the CCG's financial position has changed year on year. It is best practice, for clarity, that CCGs should not include any headings or notes for which no amount is recorded in either the current or the prior year.

2.3. Statement of Comprehensive Net Expenditure (SOCNE) (Page 1 of Accounts)
Accounting standards require the preparation of a Statement of Comprehensive Income. However, as CCGs are funded by an allocation from parliament, CCGs are required to prepare a Statement of Comprehensive Net Expenditure (SOCNE) instead. The SOCNE shows the amount spent by the CCG in the year less any income it has received from the provision of goods or services to other organisations. The SOCNE does not include the CCG's main source of funding which is its resource allocation from NHS England (referred to as parliamentary funding in the accounts). Parliamentary funding is not treated as income but is added to the general fund in the Statement of Changes in Taxpayers' Equity.

In 2016/17 net expenditure was £824.1m (i.e. total expenditure £830.1m less income of £5.9m). This compares to net expenditure in 2015/16 of £742.4m, representing an increase to net expenditure of £81.7m. £73.7m of this increase relates to increased spend on primary care after Sheffield CCG took on delegated co-commissioning responsibility from NHS England from April 2016. The remaining increase corresponds to increases to the programme allocations, offset by a reduction to the running cost allowance.

The SOCNE provides a breakdown of net expenditure between pay, non pay and income. Pay expenditure has increased by £3.8m as a result of the full year impact of staff which transferred from Yorkshire and Humber Commissioning Support (a number of staff transferred on 1 December 2015, with the remaining staff transferring on 1 March 2016). More detailed information on staff costs and numbers are included in note 4. Note 4.2 records that the average number of staff employed in 2016/17 was 246 compared to 162 in 2015/16.

The main change in non-pay costs related to expenditure on primary care co-commissioning. More detailed information on non-pay expenditure is included in note 5.

Income reduced from £8.3m in 2015/16 to £5.9m, mainly as a result of the fact that in 2015/16 NHS Sheffield received income from Sheffield Teaching Hospitals in relation to MSK expenditure. In 2016/17, Sheffield Teaching Hospitals incurred these costs directly. More information on income is contained in notes 2 and 3.

The CCG's surplus of £11.6m does not appear on this Statement because there is no comparison against the CCG's total resource allocation of £835.8m. Governing Body members will recall that the revised surplus of £11.6m has been delivered as, in addition to the planned surplus of £3.5m, which the CCG delivered, we have also released the 1% reserve which NHS England required all CCGs to hold in 2016/17.

2.4. Statement of Financial Position (Page 2 of Accounts)
The Statement of Financial Position, formerly called the Balance Sheet, provides a snapshot of the CCG's financial position at a specific date – the end of the financial year. In simple terms it lists assets (what the CCG owns or is owed), liabilities (what the CCG owes) and taxpayers' equity (public funds invested in the CCG).

Non-Current Assets:
The CCG has £175k of non-current assets (previously known as fixed assets) at the end of the financial year, as a result of a capital replacement scheme for IT assets undertaken in 2016/17. This IT replacement scheme was funded by a capital allocation from NHS England.

Current Assets:
The CCG had £7.8m (£10.3 in 2015/16) of current assets at the end of the financial year (£7,632k receivables and £141k cash). The CCG held no inventories. A breakdown of trade and other receivables is included in note 9 to the accounts. The main elements of our receivables were amounts owed to us by other NHS organisations (£1.3m); prepayments (£3.4m) made to other NHS organisations (mainly in relation to maternity pathway payments); and amounts owed to us by Sheffield City Council (£2.3m) in line with our normal trading arrangements.

Current Liabilities:
The CCG had £45m of current liabilities relating to outstanding payables at the end of the financial year. As recorded in note 11 to the accounts, of this balance, £16.3m related to the prescribing accrual relating to expenditure in February and March. £4.3m related to Continuing Healthcare accruals (including £1.2m owed to Sheffield City Council), £1.1m in relation to non NHS contracts and £5.6m in relation to primary care, including £1.1m in relation to outstanding achievement payments for QoF. Of the amounts owed to NHS bodies, £4.4m related to payments due to the three Sheffield foundation trusts plus accruals in relation to partially completed spells of £3.4m, with the remaining £2.7m being owed to the wider NHS.

2.5 Financial Performance Targets (Note 19 to Accounts – Page 25)

CCGs have the following statutory duties:

- not to overspend against the overall Revenue Resource limit (RRL) allocated by NHS England;
- not to overspend against the Revenue Resource limit allocated by NHS England for the purposes of Administration spend (also referred to as the Running Cost Allowance)
- not to overspend against the overall Capital Resource Limit allocated by NHS England.

Gross operating expenditure was £830.1m against a Revenue Resource limit (RRL) of £835.8m plus income of £5.9m, (totalling £841.7m), generating a net surplus of £11.6m. This demonstrates achievement of the statutory duty and was in line with the planned surplus agreed with NHS England.

Net running cost expenditure was £11.6m against a Running Cost Allocation (RCA) of £12.7m, which due to roundings, generated a surplus of £1.0m which forms part of the overall £11.6m surplus. Overall the position demonstrates achievement of the statutory duty.

Capital expenditure of £175k was in line with the capital allocation received from NHS England.

2.6 Other Notes to the Accounts

We have determined that we have no Contingent Liabilities to report or any post balance sheet events which will have a material effect on the financial statements.

As required, in Note 17 we have set out our Related Party Transactions. These are transactions with other organisations in which Members of Governing Body have a controlling interest which they have declared on the CCG's Register of Interests.

3. Issues arising at Audit

3.1 At the time of writing, the audit of the Annual Report and Annual Accounts is substantively complete. No significant changes have been identified. A summary of the minor changes made to the draft accounts adopted by Governing Body on 4th May is contained in the table below. In addition, NHS England has published late information in relation to sickness data for inclusion in the annual accounts. These changes are also shown in the table below.

Changes agreed with Auditors following review of Draft Accounts	**Accounting Note affected:**
Correction to formula on the line 'Net Recognised NHS Clinical Commissioning Group Expenditure for the Financial Year' in the Statement of Changes In Taxpayers Equity for both 2015/16 and 2016/17, as previously this incorrectly included the value brought forward from previous years.	Statement of Changes In Taxpayers Equity
Text note re Non NHS accruals corrected to read £4.9m Continuing Health Care Accrual not £4.3m	Note 11
Changes agreed with Auditors following late receipt of information from NHS England	
Input staff sickness data – this data is provided centrally by NHS England and was not available at the time of the production of the draft accounts	Note 4.3

4. Audit Opinion

4.1 Prior to signing their audit report on the CCG's accounts, KPMG are required to issue a report to those charged with governance which sets out the findings from their audit (referred to as the 'ISA 260' report). The purpose of this report is to ensure that the governing body is aware of and has considered any issues arising from the audit before approving and adopting the annual report and accounts. KPMG's ISA 260 report in relation to the 2016/17 accounts is included at Appendix B. This confirms that

- They expect to be in a position to issue an unqualified opinion on our accounts, following adoption of the accounts by the Governing Body and receipt of our letter of management representations (see note below).

- They have concluded that the CCG has adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.

Before the auditors sign their audit report they are required to ask the Governing Body to review and discuss a letter of representation (see Appendix B). This is a formal letter to the auditors from the governing body covering matters the auditors want confirmation on. Governing Body is asked to review the letter and approve that this should be signed by the Chair and Accountable Officer.

5. Next Steps

5.1 Following confirmation that the Governing Body has adopted the accounts and the letter of management representations has been approved by the Governing Body and signed by the Chair and Accountable Officer, the auditors will sign the Independent Auditors Report. The final annual report and audited financial statements will be submitted to NHS England by noon on 31 May 2017.

6. Recommendations

6.1 The Governing Body is asked to:

- Approve and adopt the final audited accounts for the financial year 2016/17
- Recommend that the Chair and Accountable Officer sign the Letter of Management Representations on behalf of the Governing Body.

Paper prepared by:
Jackie Mills, Deputy Director of Finance

On behalf of:
Julia Newton Director of Finance

May 2017

Attachments:
Appendix A Audited Final Accounts for 2016/17
Appendix B KPMG ISA260 Report
Appendix C Letter of Management Representations

Working with you to make Sheffield HEALTHIER

NHS Sheffield Clinical Commissioning Group

Annual Accounts for the Period

1st April 2016

to 31st March 2017

FOREWORD TO THE ACCOUNTS

NHS SHEFFIELD CLINICAL COMMISSIONING GROUP

The clinical commissioning group was licenced from 1 April 2013 under provisions enacted in the Health & Social Care Act 2012, which amended the National Health Service Act 2006.

These accounts for the year ended 31 March 2017 have been prepared by NHS Sheffield Clinical Commissioning Group under section 17 of schedule 1A of the National Health Service Act 2006 (as amended by the Health & Social Care Act 2012) in the form which the Secretary of State has, with the approval of the Treasury, directed.

The National Health Service Act 2006 (as amended by the Health & Social Care Act 2012) requires Clinical Commissioning Groups to prepare their Annual Accounts in accordance with directions issued by NHS England with the approval of the Secretary of State.

CONTENTS **Page Number**

The Primary Statements:

Notes to the Accounts

Statement of Comprehensive Net Expenditure for the year ended 31 March 2017

	Note	2016-17 £'000	2015-16 £'000
Income from sale of goods and services	2	(2,421)	(961)
Other operating income	2	(3,499)	(7,317)
Total operating income		**(5,920)**	**(8,278)**
Staff costs	4	13,593	9,756
Purchase of goods and services	5	816,068	740,003
Depreciation and impairment charges	5	0	0
Provision expense	5	0	0
Other Operating Expenditure	5	408	967
Total operating expenditure		**830,069**	**750,726**
Net Operating Expenditure		**824,149**	**742,448**
Finance income			
Finance expense		0	0
Net expenditure for the year		**824,149**	**742,448**
Net Gain/(Loss) on Transfer by Absorption		0	0
Total Net Expenditure for the year		**824,149**	**742,448**
Other Comprehensive Expenditure			
Items which will not be reclassified to net operating costs			
Net (gain)/loss on revaluation of PPE		0	0
Net (gain)/loss on revaluation of Intangibles		0	0
Net (gain)/loss on revaluation of Financial Assets		0	0
Actuarial (gain)/loss in pension schemes		0	0
Impairments and reversals taken to Revaluation Reserve		0	0
Items that may be reclassified to Net Operating Costs		0	0
Net gain/loss on revaluation of available for sale financial assets		0	0
Reclassification adjustment on disposal of available for sale financial assets		0	0
Sub total		0	0
Comprehensive Expenditure for the year ended 31 March 2017		**824,149**	**742,448**

The notes on pages 5 to 25 form part of this statement

Statement of Financial Position as at 31 March 2017

	Note	2016-17 £'000	2015-16 £'000
Non-current assets:			
Property, plant and equipment	8	175	0
Intangible assets		0	0
Investment property		0	0
Trade and other receivables	9	0	0
Other financial assets		0	0
Total non-current assets		175	0
Current assets:			
Inventories		0	0
Trade and other receivables	9	7,632	10,254
Other financial assets		0	0
Other current assets		0	0
Cash and cash equivalents	10	141	60
Total current assets		**7,773**	10,314
Non-current assets held for sale		0	0
Total current assets		**7,773**	10,314
Total assets		**7,948**	10,314
Current liabilities			
Trade and other payables	11	(45,015)	(37,544)
Other financial liabilities		0	0
Other liabilities		0	0
Borrowings		0	0
Provisions	12	0	0
Total current liabilities		**(45,015)**	(37,544)
Non-Current Assets plus/less Net Current Assets/Liabilities		**(37,067)**	(27,230)
Non-current liabilities			
Trade and other payables	11	0	0
Other financial liabilities		0	0
Other liabilities		0	0
Borrowings		0	0
Provisions	12	0	0
Total non-current liabilities		**0**	0
Assets less Liabilities		**(37,067)**	(27,230)
Financed by Taxpayers' Equity			
General fund		(37,067)	(27,230)
Revaluation reserve		0	0
Other reserves		0	0
Charitable Reserves		0	0
Total taxpayers' equity:		**(37,067)**	(27,230)

The notes on pages 5 to 25 form part of this statement

The financial statements on pages 1 to 4 were approved by the Governing Body on 24th May 2017 and signed on its behalf by:

Accountable Officer
Maddy Ruff

Statement of Changes In Taxpayers Equity for the year ended 31 March 2017

	General fund £'000	Revaluation reserve £'000	Other reserves £'000	Total reserves £'000
Changes in taxpayers' equity for 2016-17				
Balance at 01 April 2016	(27,230)	0	0	**(27,230)**
Transfer between reserves in respect of assets transferred from closed NHS bodies	0	0	0	**0**
Adjusted NHS Clinical Commissioning Group balance at 31 March 2017	**(27,230)**	**0**	**0**	**(27,230)**
Changes in NHS Clinical Commissioning Group taxpayers' equity for 2016-17				
Net operating expenditure for the financial year	(824,149)			(824,149)
Net gain/(loss) on revaluation of property, plant and equipment		0		0
Net gain/(loss) on revaluation of intangible assets		0		0
Net gain/(loss) on revaluation of financial assets		0		0
Total revaluations against revaluation reserve	**0**	**0**	**0**	**0**
Net gain (loss) on available for sale financial assets	0	0	0	0
Net gain (loss) on revaluation of assets held for sale	0	0	0	0
Impairments and reversals	0	0	0	0
Net actuarial gain (loss) on pensions	0	0	0	0
Movements in other reserves	0	0	0	0
Transfers between reserves	0	0	0	0
Release of reserves to the Statement of Comprehensive Net Expenditure	0	0	0	0
Reclassification adjustment on disposal of available for sale financial assets	0	0	0	0
Transfers by absorption to (from) other bodies	0	0	0	0
Reserves eliminated on dissolution	0	0	0	0
Net Recognised NHS Clinical Commissioning Group Expenditure for the Financial Year	**(824,149)**	**0**	**0**	**(824,149)**
Net funding	814,312	0	0	814,312
Balance at 31 March 2017	**(37,067)**	**0**	**0**	**(37,067)**

	General fund £'000	Revaluation reserve £'000	Other reserves £'000	Total reserves £'000
Changes in taxpayers' equity for 2015-16				
Balance at 01 April 2015	**(24,002)**	**0**	**0**	**(24,002)**
Transfer of assets and liabilities from closed NHS bodies as a result of the 1 April 2013 transition	**0**	**0**	**0**	**0**
Adjusted NHS Clinical Commissioning Group balance at 31 March 2016	**(24,002)**	**0**	**0**	**(24,002)**
Changes in NHS Clinical Commissioning Group taxpayers' equity for 2015-16				
Net operating costs for the financial year	(742,448)			(742,448)
Net gain/(loss) on revaluation of property, plant and equipment		0		0
Net gain/(loss) on revaluation of intangible assets		0		0
Net gain/(loss) on revaluation of financial assets		0		0
Total revaluations against revaluation reserve	**0**	**0**	**0**	**0**
Net gain (loss) on available for sale financial assets	0	0	0	0
Net gain (loss) on revaluation of assets held for sale	0	0	0	0
Impairments and reversals	0	0	0	0
Net actuarial gain (loss) on pensions	0	0	0	0
Movements in other reserves	0	0	0	0
Transfers between reserves	0	0	0	0
Release of reserves to the Statement of Comprehensive Net Expenditure	0	0	0	0
Reclassification adjustment on disposal of available for sale financial assets	0	0	0	0
Transfers by absorption to (from) other bodies	0	0	0	0
Reserves eliminated on dissolution	0	0	0	0
Net Recognised NHS Clinical Commissioning Group Expenditure for the Financial Year	**(742,448)**	**0**	**0**	**(742,448)**
Net funding	739,220	0	0	739,220
Balance at 31 March 2016	**(27,230)**	**0**	**0**	**(27,230)**

The notes on pages 5 to 25 form part of this statement

Statement of Cash Flows for the year ended
31 March 2017

	Note	**2016-17** **£'000**	2015-16 £'000
Cash Flows from Operating Activities			
Net operating expenditure for the financial year		(824,149)	(742,448)
Depreciation and amortisation	5	0	0
Impairments and reversals	5	0	0
Movement due to transfer by Modified Absorption		0	0
Other gains (losses) on foreign exchange		0	0
Donated assets received credited to revenue but non-cash		0	0
Government granted assets received credited to revenue but non-cash		0	0
Interest paid		0	0
Release of PFI deferred credit		0	0
Other Gains & Losses		0	0
Finance Costs		0	0
Unwinding of Discounts		0	0
(Increase)/decrease in inventories		0	0
(Increase)/decrease in trade & other receivables	9	2,622	(3,544)
(Increase)/decrease in other current assets		0	0
Increase/(decrease) in trade & other payables	11	7,444	6,711
Increase/(decrease) in other current liabilities		0	0
Provisions utilised	12	0	0
Increase/(decrease) in provisions	12	0	0
Net Cash Inflow (Outflow) from Operating Activities		**(814,083)**	(739,281)
Cash Flows from Investing Activities			
Interest received		0	0
(Payments) for property, plant and equipment		(148)	0
(Payments) for intangible assets		0	0
(Payments) for investments with the Department of Health		0	0
(Payments) for other financial assets		0	0
(Payments) for financial assets (LIFT)		0	0
Proceeds from disposal of assets held for sale: property, plant and equipment		0	0
Proceeds from disposal of assets held for sale: intangible assets		0	0
Proceeds from disposal of investments with the Department of Health		0	0
Proceeds from disposal of other financial assets		0	0
Proceeds from disposal of financial assets (LIFT)		0	0
Loans made in respect of LIFT		0	0
Loans repaid in respect of LIFT		0	0
Rental revenue		0	0
Net Cash Inflow (Outflow) from Investing Activities		**(148)**	0
Net Cash Inflow (Outflow) before Financing		**(814,231)**	(739,281)
Cash Flows from Financing Activities			
Grant in Aid Funding Received		814,312	739,220
Other loans received		0	0
Other loans repaid		0	0
Capital element of payments in respect of finance leases and on Statement of Financial Position PFI and LIFT		0	0
Capital grants and other capital receipts		0	0
Capital receipts surrendered		0	0
Net Cash Inflow (Outflow) from Financing Activities		**814,312**	739,220
Net Increase (Decrease) in Cash & Cash Equivalents	10	**81**	(61)
Cash & Cash Equivalents at the Beginning of the Financial Year		**60**	121
Effect of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies		0	0
Cash & Cash Equivalents (including bank overdrafts) at the End of the Financial Year		**141**	60

The notes on pages 5 to 25 form part of this statement

Notes to the financial statements

1 **Accounting Policies**

NHS England has directed that the financial statements of clinical commissioning groups shall meet the accounting requirements of the Group Accounting Manual issued by the Department of Health. Consequently, the following financial statements have been prepared in accordance with the Group Accounting Manual 2016-17 issued by the Department of Health. The accounting policies contained in the Group Accounting Manual follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to clinical commissioning groups, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the Group Accounting Manual permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the clinical commissioning group for the purpose of giving a true and fair view has been selected. The particular policies adopted by the clinical commissioning group are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 **Going Concern**

These accounts have been prepared on the going concern basis.

Public sector bodies are assumed to be going concerns where the continuation of the provision of a service in the future is anticipated, as evidenced by inclusion of financial provision for that service in published documents.

Where a clinical commissioning group ceases to exist, it considers whether or not its services will continue to be provided (using the same assets, by another public sector entity) in determining whether to use the concept of going concern for the final set of Financial Statements. If services will continue to be provided the financial statements are prepared on the going concern basis.

1.2 **Accounting Convention**

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets, inventories and certain financial assets and financial liabilities.

1.3 **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.

1.4 **Critical Accounting Judgements & Key Sources of Estimation Uncertainty**

In the application of the clinical commissioning group's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates and the estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

1.4.1 **Critical Judgements in Applying Accounting Policies**

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:

- Operating lease commitments - Sheffield CCG has in substance a property lease arrangement with NHS Property Services Ltd relating to the headquarters site. As it has been determined that Sheffield CCG has not obtained substantially all the risks and rewards of ownership of this property, the lease has been classified as an operating lease and accounted for accordingly.

1.4.2 **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:

- Basis of estimation of key accruals - The CCG has included certain accruals within the financial statements which are estimates. The basis of the estimation of key accruals have been approved by the Director of Finance and reported to the Audit & Integrated Governance Committee. The key areas requiring estimation were healthcare contracts and prescribing expenditure.

1.5 **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.

1.6 **Employee Benefits**

1.6.1 **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.

1.6.2 **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

1.7 **Other Expenses**

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

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.

1.8 **Property, Plant & Equipment**

1.8.1 **Recognition**

Property, plant and equipment is capitalised if:

- It is held for use in delivering services or for administrative purposes;
- It is probable that future economic benefits will flow to, or service potential will be supplied to the clinical commissioning group;
- It is expected to be used for more than one financial year;
- The cost of the item can be measured reliably; and,
- The item has a cost of at least £5,000; or,
- Collectively, a number of items have a cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or,
- Items form part of the initial equipping and setting-up cost of a new building, ward or unit, irrespective of their individual or collective cost.

Where a large asset, for example a building, includes a number of components with significantly different asset lives, the components are treated as separate assets and depreciated over their own useful economic lives.

1.8.2 **Valuation**

All property, plant and equipment are measured initially at cost, representing the cost directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management. All assets are measured subsequently at valuation.

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.

Fixtures and equipment are carried at depreciated historic cost as this is not considered to be materially different from current value in existing use.

An increase arising on revaluation is taken to the revaluation reserve except when it reverses an impairment for the same asset previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there. A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefit are taken to expenditure. Gains and losses recognised in the revaluation reserve are reported as other comprehensive income in the Statement of Comprehensive Net Expenditure.

1.8.3 **Subsequent Expenditure**

Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is capitalised. Where subsequent expenditure restores the asset to its original specification, the expenditure is capitalised and any existing carrying value of the item replaced is written-out and charged to operating expenses.

1.9 **Intangible Assets**

1.9.1 **Recognition**

Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of the clinical commissioning group's business or which arise from contractual or other legal rights. They are recognised only:

- When it is probable that future economic benefits will flow to, or service potential be provided to, the clinical commissioning group;
- Where the cost of the asset can be measured reliably; and,
- Where the cost is at least £5,000.

Intangible assets acquired separately are initially recognised at fair value. Software that is integral to the operating of hardware, for example an operating system, is capitalised as part of the relevant item of property, plant and equipment. Software that is not integral to the operation of hardware, for example application software, is capitalised as an intangible asset. Expenditure on research is not capitalised but is recognised as an operating expense in the period in which it is incurred. Internally-generated assets are recognised if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use;
- The intention to complete the intangible asset and use it;
- The ability to sell or use the intangible asset;
- How the intangible asset will generate probable future economic benefits or service potential;
- The availability of adequate technical, financial and other resources to complete the intangible asset and sell or use it; and,
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

1.9.2 **Measurement**

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

Following initial recognition, intangible assets are carried at current value in existing use by reference to an active market, or, where no active market exists, at the lower of depreciated replacement cost or the value in use where the asset is income generating . Internally-developed software is held at historic cost to reflect the opposing effects of increases in development costs and technological advances.

Notes to the financial statements

1.10 **Depreciation, Amortisation & Impairments**

Assets held for sale are not depreciated.

Otherwise, depreciation and amortisation are charged to write off the costs or valuation of plant and equipment and intangible non-current assets, less any residual value, over their estimated useful lives, in a manner that reflects the consumption of economic benefits or service potential of the assets. The estimated useful life of an asset is the period over which the clinical commissioning group expects to obtain economic benefits or service potential from the asset. This is specific to the clinical commissioning group and may be shorter than the physical life of the asset itself. Estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis. Assets held under finance leases are depreciated over their estimated useful lives.

At each reporting period end, the clinical commissioning group checks whether there is any indication that any of its tangible or intangible non-current assets have suffered an impairment loss. If there is indication of an impairment loss, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount. Intangible assets not yet available for use are tested for impairment annually.

A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefit are taken to expenditure. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but capped at the amount that would have been determined had there been no initial impairment loss. The reversal of the impairment loss is credited to expenditure to the extent of the decrease previously charged there and thereafter to the revaluation reserve.

1.11 **Leases**

Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases.

1.11.1 **The Clinical Commissioning Group as Lessee**

Property, plant and equipment held under finance leases are initially recognised, at the inception of the lease, at fair value or, if lower, at the present value of the minimum lease payments, with a matching liability for the lease obligation to the lessor. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate on interest on the remaining balance of the liability. Finance charges are recognised in calculating the clinical commissioning group's surplus/deficit.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised initially as a liability and subsequently as a reduction of rentals on a straight-line basis over the lease term.

Contingent rentals are recognised as an expense in the period in which they are incurred.

Where a lease is for land and buildings, the land and building components are separated and individually assessed as to whether they are operating or finance leases.

1.11.2 **The Clinical Commissioning Group as Lessor**

Amounts due from lessees under finance leases are recorded as receivables at the amount of the clinical commissioning group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the clinical commissioning group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

1.12 **Cash & Cash Equivalents**

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and that form an integral part of the clinical commissioning group's cash management.

1.13 **Provisions**

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

- Timing of cash flows (0 to 5 years inclusive): Minus 2.70% (previously: minus 1.55%)
- Timing of cash flows (6 to 10 years inclusive): Minus 1.95% (previously: minus 1.%)
- Timing of cash flows (over 10 years): Minus 0.80% (previously: minus 0.80%)

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

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.

1.14 **Clinical Negligence Costs**

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

1.15 **Non-clinical Risk Pooling**

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

1.16 **Continuing healthcare risk pooling**

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

Notes to the financial statements

1.17 **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.

1.17.1 **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.

1.17.2 **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.

1.17.3 **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.

1.17.4 **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.

1.18 **Financial Liabilities**

Financial liabilities are recognised on the statement of financial position when the clinical commissioning group becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are de-recognised when the liability has been discharged, that is, the liability has been paid or has expired.

1.18.1 **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.

1.18.2 **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.

1.18.3 **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.

1.19 **Value Added Tax**

Most of the activities of the clinical commissioning group are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

1.20 **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.

Notes to the financial statements

1.21 **Losses & Special Payments**

Losses and special payments are items that Parliament would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories, which govern the way that individual cases are handled.

Losses and special payments are charged to the relevant functional headings in expenditure on an accruals basis, including losses which would have been made good through insurance cover had the clinical commissioning group not been bearing its own risks (with insurance premiums then being included as normal revenue expenditure).

1.22 **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.

1.23 **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.

1.24 **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 2016-17, all of which are subject to consultation:

- IFRS 9: Financial Instruments (application from 1 January 2018)
- IFRS 14: Regulatory Deferral Accounts (not applicable to DH groups bodies)
- IFRS 15: Revenue for Contract with Customers (application from 1 January 2018)
- IFRS 16: Leases (application from 1 January 2019)

The application of the Standards as revised would not have a material impact on the accounts for 2016-17, were they applied in that year.

2 Other Operating Revenue

	2016-17 Total £'000	2016-17 Admin £'000	2016-17 Programme £'000	2015-16 Total £'000
Recoveries in respect of employee benefits	344	300	44	365
Patient transport services	0	0	0	0
Prescription fees and charges	0	0	0	0
Dental fees and charges	0	0	0	0
Education, training and research	46	36	10	120
Charitable and other contributions to revenue expenditure: NHS	0	0	0	0
Charitable and other contributions to revenue expenditure: non-NHS	327	299	28	376
Receipt of donations for capital acquisitions: NHS Charity	0	0	0	0
Receipt of Government grants for capital acquisitions	0	0	0	0
Non-patient care services to other bodies	2,375	655	1,720	841
Continuing Health Care risk pool contributions	0	0	0	0
Income generation	0	0	0	0
Rental revenue from finance leases	0	0	0	0
Rental revenue from operating leases	0	0	0	0
Other revenue	2,828	506	2,322	6,576
Total other operating revenue	**5,920**	**1,796**	**4,124**	**8,278**

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

Revenue in this note does not include cash received from NHS England, which is drawn down directly into the bank account of the clinical commissioning group and credited to the general fund.

For 2016/17, revenue shown under 'Other revenue' includes £1m income received from Sheffield City Council (SCC) for the recharge of prescribing costs for the services that SCC commission, £0.8m was income for staffing and associated costs for hosted services, £0.4m relates to pharmaceutical rebate schemes, £0.4m income for Resettlement programmes and £0.1m recharge of care costs for care where SCC have funding responsibility.

For 2015/16, revenue shown under 'Other revenue' includes £2.9m income received from Sheffield Teaching Hospitals NHS Foundation Trust, in their role as lead provider for Musculo Skeletal (MSK) Services to cover expenditure incurred by NHS Sheffield Clinical Commissioning Group for MSK services from specific providers; and £2.7m income received from SCC, the main elements of which related to the following: recharge of care costs for care where SCC have funding responsibility (£1.2m); the recharge of prescribing costs for the services that SCC commission (£1.1m); and the SCC contribution to the Community Equipment Service which was administered by NHS Sheffield Clinical Commissioning Group up to June 2015, after which point responsibility transferred to SCC (£0.2m). Of the remaining £0.9m, £0.5m relates to pharmaceutical rebate schemes.

3 Revenue

	2016-17 Total £'000	2016-17 Admin £'000	2016-17 Programme £'000	2015-16 Total £'000
From rendering of services	5,920	1,796	4,124	8,278
From sale of goods	0	0	0	0
Total	**5,920**	**1,796**	**4,124**	**8,278**

4. Employee benefits and staff numbers

4.1.1 Employee benefits

2016-17

	Total £'000	Total Permanent Employees £'000	Other £'000
Employee Benefits			
Salaries and wages	11,009	9,696	1,313
Social security costs	1,055	1,031	24
Employer Contributions to NHS Pension scheme	1,306	1,280	26
Other pension costs	0	0	0
Other post-employment benefits	0	0	0
Other employment benefits	0	0	0
Termination benefits	223	223	0
Gross employee benefits expenditure	**13,593**	**12,230**	**1,363**
Less recoveries in respect of employee benefits (note 4.1.2)	(344)	(344)	0
Total - Net admin employee benefits including capitalised costs	**13,249**	**11,886**	**1,363**
Less: Employee costs capitalised	0	0	0
Net employee benefits excluding capitalised costs	**13,249**	**11,886**	**1,363**

2015-16

	Total £'000	Total Permanent Employees £'000	Other £'000
Employee Benefits			
Salaries and wages	8,122	7,250	872
Social security costs	655	637	18
Employer Contributions to NHS Pension scheme	979	963	16
Other pension costs	0	0	0
Other post-employment benefits	0	0	0
Other employment benefits	0	0	0
Termination benefits	0	0	0
Gross employee benefits expenditure	**9,756**	**8,850**	**906**
Less recoveries in respect of employee benefits (note 4.1.2)	(365)	(365)	0
Total - Net admin employee benefits including capitalised costs	**9,391**	**8,485**	**906**
Less: Employee costs capitalised	0	0	0
Net employee benefits excluding capitalised costs	**9,391**	**8,485**	**906**

4.1.2 Recoveries in respect of employee benefits

	2016-17 Total £'000	2016-17 Permanent Employees £'000	2016-17 Other £'000	2015-16 Total £'000
Employee Benefits - Revenue				
Salaries and wages	(275)	(275)	0	(301)
Social security costs	(31)	(31)	0	(25)
Employer contributions to the NHS Pension Scheme	(38)	(38)	0	(39)
Other pension costs	0	0	0	0
Other post-employment benefits	0	0	0	0
Other employment benefits	0	0	0	0
Termination benefits	0	0	0	0
Total recoveries in respect of employee benefits	**(344)**	**(344)**	**0**	**(365)**

4.2 Average number of people employed

	2016-17 Total Number	2016-17 Permanently employed Number	2016-17 Other Number	2015-16 Total Number
Total	**246**	**235**	**11**	162
Of the above:				
Number of whole time equivalent people engaged on capital projects	**0**	**0**	**0**	0

4.3 Staff sickness absence and ill health retirements

	2016-17 Number	2015-16 Number
Total Days Lost	2,228	760
Total Staff Years	240	147
Average working Days Lost	9	5

	2016-17 Number	2015-16 Number
Number of persons retired early on ill health grounds	0	0
	£'000	**£'000**
Total additional Pensions liabilities accrued in the year	0	0

Ill health retirement costs are met by the NHS Pension Scheme

4.4 Exit packages agreed in the financial year

	2016-17 Compulsory redundancies		2016-17 Other agreed departures		2016-17 Total	
	Number	**£**	**Number**	**£**	**Number**	**£**
Less than £10,000	0	0	0	0	0	0
£10,001 to £25,000	0	0	1	24,859	1	24,859
£25,001 to £50,000	0	0	0	0	0	0
£50,001 to £100,000	0	0	0	0	0	0
£100,001 to £150,000	2	222,908	0	0	2	222,908
£150,001 to £200,000	0	0	0	0	0	0
Over £200,001	0	0	0	0	0	0
Total	**2**	**222,908**	**1**	**24,859**	**3**	**247,767**

	2015-16 Compulsory redundancies		2015-16 Other agreed departures		2015-16 Total	
	Number	**£**	**Number**	**£**	**Number**	**£**
Less than £10,000	0	0	0	0	0	0
£10,001 to £25,000	0	0	0	0	0	0
£25,001 to £50,000	0	0	0	0	0	0
£50,001 to £100,000	0	0	0	0	0	0
£100,001 to £150,000	0	0	0	0	0	0
£150,001 to £200,000	0	0	0	0	0	0
Over £200,001	0	0	0	0	0	0
Total	0	0	0	0	0	0

Analysis of Other Agreed Departures

	2016-17 Other agreed departures		2015-16 Other agreed departures	
	Number	**£**	**Number**	**£**
Voluntary redundancies including early retirement contractual costs	0	0	0	0
Mutually agreed resignations (MARS) contractual costs	0	0	0	0
Early retirements in the efficiency of the service contractual costs	0	0	0	0
Contractual payments in lieu of notice	1	24,859	0	0
Exit payments following Employment Tribunals or court orders	0	0	0	0
Non-contractual payments requiring HMT approval	0	0	0	0
Total	**1**	**24,859**	**0**	**0**

As a single exit package can be made up of several components each of which will be counted separately in this table, the total number will not necessarily match the total number in the table above. Whilst the number of packages in Table 4.4 above totals 3, the number of individuals with exit package was 2 (one individual received a contractual payment in lieu of notice, in addition to a compulsory redundancy payment)

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

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

Where entities has agreed early retirements, the additional costs are met by NHS Entities and not by the NHS Pension Scheme, and are included in the tables. Ill-health retirement costs are met by the NHS Pension Scheme and are not included in the tables.

The Remuneration Report includes the disclosure of exit payments payable to individuals named in that Report.

4.5 Pension costs

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

The Scheme is an unfunded, defined benefit scheme that covers NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The Scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities.

Therefore, the Scheme is accounted for as if it were a defined contribution scheme: the cost to the clinical commissioning group of participating in the Scheme is taken as equal to the contributions payable to the Scheme for the accounting period.

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

4.5.1 Full 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 2012 and covered the period from 1 April 2008 to that date. Details can be found on the pension scheme website at **www.nhsbsa.nhs.uk/pensions**.

For 2016-17, employers' contributions of £1,300,444 were payable to the NHS Pensions Scheme (2015-16: £987,678) were payable to the NHS Pension Scheme at the rate of 14.3% of pensionable pay. The scheme's actuary reviews employer contributions, usually every four years and now based on HMT Valuation Directions, following a full scheme valuation. The latest review used data from 31 March 2012 and was published on the Government website on 9 June 2012.

5. Operating expenses

	2016-17 Total £'000	2016-17 Admin £'000	2016-17 Programme £'000	2015-16 Total £'000
Gross employee benefits				
Employee benefits excluding governing body members	12,915	8,561	4,354	8,947
Executive governing body members	678	678	0	809
Total gross employee benefits	**13,593**	**9,239**	**4,354**	**9,756**
Other costs				
Services from other CCGs and NHS England	689	361	328	3,003
Services from foundation trusts	522,807	10	522,797	505,700
Services from other NHS trusts	24,389	49	24,340	23,365
Services from other WGA bodies	2	0	2	0
Purchase of healthcare from non-NHS bodies	81,348	0	81,348	94,915
Chair and Non Executive Members	296	296	0	307
Supplies and services – clinical	0	0	0	0
Supplies and services – general	1,990	1,163	827	1,892
Consultancy services [1]	1,126	526	600	327
Establishment	1,032	729	303	530
Transport	27	22	5	26
Premises	2,460	610	1,850	2,204
Impairments and reversals of receivables	0	0	0	123
Inventories written down and consumed	0	0	0	0
Depreciation	0	0	0	0
Amortisation	0	0	0	0
Impairments and reversals of property, plant and equipment	0	0	0	0
Impairments and reversals of intangible assets	0	0	0	0
Impairments and reversals of financial assets				
· Assets carried at amortised cost	0	0	0	0
· Assets carried at cost	0	0	0	0
· Available for sale financial assets	0	0	0	0
Impairments and reversals of non-current assets held for sale	0	0	0	0
Impairments and reversals of investment properties	0	0	0	0
Audit fees	86	86	0	86
Other non statutory audit expenditure				
· Internal audit services	0	0	0	0
· Other services	0	0	0	0
General dental services and personal dental services	0	0	0	0
Prescribing costs	96,568	0	96,568	96,787
Pharmaceutical services	429	0	429	410
General ophthalmic services	291	0	291	255
GPMS/APMS and PCTMS	81,254	0	81,254	7,572
Other professional fees excl. audit	365	95	270	231
Grants to Other bodies	0	0	0	345
Clinical negligence	0	0	0	0
Research and development (excluding staff costs)	49	51	(2)	131
Education and training	177	141	36	131
Change in discount rate	0	0	0	0
Provisions	0	0	0	0
Funding to group bodies		0	0	0
CHC Risk Pool contributions	1,028	0	1,028	2,569
Other expenditure	63	63	0	61
Total other costs	**816,476**	**4,202**	**812,274**	**740,970**
Total operating expenses	**830,069**	**13,441**	**816,628**	**750,726**

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

[1] Sheffield CCG spent £1.126m on consultancy services in 2016/17 but received income from other partner organisations such as Sheffield City Council, the 3 Sheffield Foundation Trusts and other local CCGs towards this totalling £506k. In addition, we received £85k income from NHS England relating to the STP work, leaving the net spend by Sheffield CCG at £535k. £685k of gross spend was in relation to developing both our Sheffield Placed Based Plan and the wider South Yorkshire and Bassetlaw Sustainability & Transformation Plan (STP). Sheffield CCG has played a leading role in this work and hence hosted certain areas of expenditure. A further £76k expenditure was incurred on behalf of Better Care Fund with Sheffield City Council. Income of £47k was received to contribute to this. £338k of gross spend was incurred solely by the CCG to support service transformation including developing out of hospital care and mental health services.

6.1 Better Payment Practice Code

Measure of compliance	**2016-17 Number**	**2016-17 £'000**	2015-16 **Number**	2015-16 **£'000**
Non-NHS Payables				
Total Non-NHS Trade invoices paid in the Year	14,714	206,139	13,168	107,909
Total Non-NHS Trade Invoices paid within target	14,511	205,339	13,011	107,233
Percentage of Non-NHS Trade invoices paid within target	**98.62%**	**99.61%**	**98.81%**	**99.37%**
NHS Payables				
Total NHS Trade Invoices Paid in the Year	4,179	563,685	3,447	574,025
Total NHS Trade Invoices Paid within target	4,171	563,636	3,418	573,952
Percentage of NHS Trade Invoices paid within target	**99.81%**	**99.99%**	**99.16%**	**99.99%**

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

7. Operating Leases

7.1 As lessee

7.1.1 Payments recognised as an Expense

	2016-17				2015-16			
	Land £'000	**Buildings £'000**	**Other £'000**	**Total £'000**	**Land £'000**	**Buildings £'000**	**Other £'000**	**Total £'000**
Payments recognised as an expense								
Minimum lease payments	0	2,235	18	**2,253**	0	559	6	**565**
Contingent rents	0	0	0	**0**	0	0	0	**0**
Sub-lease payments	0	0	0	**0**	0	0	0	**0**
Total	**0**	**2,235**	**18**	**2,253**	**0**	**559**	**6**	**565**

Whilst NHS Sheffield Clinical Commissioning Group has an arrangement with NHS Property Services Limited which falls within the definition of operating leases, rental charges for future years have not yet been agreed. Consequently this note does not include future minimum lease payments for the arrangement. The financial value included in the Statement of Comprehensive Net Expenditure for 2016-17 is £890k (2015-16 £259k). This figure has increased due to increased space for Sheffield CCG's Headquarters as a result of bringing services in house and void space and subsidies in other buildings which have previously not been defined as Operating Leases.

Clinical Commissioning Groups are required to pay for void space in Primary and Community Care building that predecessor organisations had responsibility for or commissioned services within. On 1st April 2016, NHS Sheffield Clinical Commissioning Group assumed delegated responsibility for primary care co-commissioning, which has increased the amount paid on void space and subsidies. This arrangement with Community Health Partnerships Limited falls within the definition of operating leases but rental charges for future years have not yet been agreed. Consequently this note does not include future minimum lease payments for the arrangement. The financial value included in the Statement of Comprehensive Net Expenditure for 2016-17 is £1,231k (2015-16 £nil). This increase is due to assuming delegated responsibility for primary care co-commissioning and void space and subsidies which have previously not been defined as Operating Leases.

NHS Sheffield Clinical Commissioning Group had entered into a financial arrangement involving the use of Walk In Centre premises with One Medicare Limited. This arrangement ceased in year. Whilst this arrangement fell within the definition of an operating lease, there was no formal contract in place. The financial value included in the Statement of Comprehensive Net Expenditure for 2016-17 is £114k (2015-16 £300k).

7.1.2 Future minimum lease payments

	2016-17				2015-16			
	Land £'000	**Buildings £'000**	**Other £'000**	**Total £'000**	**Land £'000**	**Buildings £'000**	**Other £'000**	**Total £'000**
Payable:								
No later than one year	0	0	62	**62**	0	-	9	**9**
Between one and five years	0	0	39	**39**	0	-	9	**9**
After five years	0	0	0	**0**	0	-	-	**0**
Total	**0**	**0**	**101**	**101**	**0**	**0**	**18**	**18**

8 Property, plant and equipment

2016-17	Land £'000	Buildings excluding dwellings £'000	Dwellings £'000	Assets under construction and payments on account £'000	Plant & machinery £'000	Transport equipment £'000	Information technology £'000	Furniture & fittings £'000	Total £'000
Cost or valuation at 01 April 2016	0	0	0	0	0	0	0	205	205
Addition of assets under construction and payments on account				0					0
Additions purchased	0	0	0	0	0	0	175	0	175
Additions donated	0	0	0	0	0	0	0	0	0
Additions government granted	0	0	0	0	0	0	0	0	0
Additions leased	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0	0
Reclassified as held for sale and reversals	0	0	0	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	0	0	0	0	0
Upward revaluation gains	0	0	0	0	0	0	0	0	0
Impairments charged	0	0	0	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0	0	0	0
Transfer (to)/from other public sector body	0	0	0	0	0	0	0	0	0
Cumulative depreciation adjustment following revaluation	0	0	0	0	0	0	0	0	0
Cost/Valuation at 31 March 2017	**0**	**0**	**0**	**0**	**0**	**0**	**175**	**205**	**380**
Depreciation 01 April 2016	0	0	0	0	0	0	0	205	205
Reclassifications	0	0	0	0	0	0	0	0	0
Reclassified as held for sale and reversals	0	0	0	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	0	0	0	0	0
Upward revaluation gains	0	0	0	0	0	0	0	0	0
Impairments charged	0	0	0	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0	0	0	0
Charged during the year	0	0	0	0	0	0	0	0	0
Transfer (to)/from other public sector body	0	0	0	0	0	0	0	0	0
Cumulative depreciation adjustment following revaluation	0	0	0	0	0	0	0	0	0
Depreciation at 31 March 2017	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**205**	**205**
Net Book Value at 31 March 2017	**0**	**0**	**0**	**0**	**0**	**0**	**175**	**0**	**175**
Purchased	0	0	0	0	0	0	175	0	175
Donated	0	0	0	0	0	0	0	0	0
Government Granted	0	0	0	0	0	0	0	0	0
Total at 31 March 2017	**0**	**0**	**0**	**0**	**0**	**0**	**175**	**0**	**175**
Asset financing:									
Owned	0	0	0	0	0	0	175	0	175
Held on finance lease	0	0	0	0	0	0	0	0	0
On-SOFP Lift contracts	0	0	0	0	0	0	0	0	0
PFI residual: interests	0	0	0	0	0	0	0	0	0
Total at 31 March 2017	**0**	**0**	**0**	**0**	**0**	**0**	**175**	**0**	**175**

Revaluation Reserve Balance for Property, Plant & Equipment

	Land £'000	Buildings £'000	Dwellings £'000	Assets under construction & payments on account £'000	Plant & machinery £'000	Transport equipment £'000	Information technology £'000	Furniture & fittings £'000	Total £'000
Balance at 01 April 2016	0	0	0	0	0	0	0	0	0
Revaluation gains	0	0	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0	0
Release to general fund	0	0	0	0	0	0	0	0	0
Other movements	0	0	0	0	0	0	0	0	0
Balance at 31 March 2017	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

8 Property, plant and equipment cont'd

8.1 Cost or valuation of fully depreciated assets

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

	2016-17 £'000	2015-16 £'000
Land	0	0
Buildings excluding dwellings	0	0
Dwellings	0	0
Plant & machinery	0	0
Transport equipment	0	0
Information technology	0	0
Furniture & fittings	205	205
Total	**205**	**205**

8.2 Economic lives

	Minimum Life (years)	**Maximum**
Buildings excluding dwellings	0	0
Dwellings	0	0
Plant & machinery	0	0
Transport equipment	0	0
Information technology	5	5
Furniture & fittings	0	0

9 Trade and other receivables	**Current 2016-17 £'000**	**Non-current 2016-17 £'000**	Current 2015-16 £'000	Non-current 2015-16 £'000
NHS receivables: Revenue	966	0	2,214	0
NHS receivables: Capital	0	0	0	0
NHS prepayments	3,405	0	3,354	0
NHS accrued income	386	0	1,271	0
Non-NHS and Other WGA receivables: Revenue	1,355	0	487	0
Non-NHS and Other WGA receivables: Capital	0	0	0	0
Non-NHS and Other WGA prepayments	121	0	77	0
Non-NHS and Other WGA accrued income	1,256	0	2,930	0
Provision for the impairment of receivables	0	0	(123)	0
VAT	90	0	36	0
Private finance initiative and other public private partnership arrangement prepayments and accrued income	0	0	0	0
Interest receivables	0	0	0	0
Finance lease receivables	0	0	0	0
Operating lease receivables	0	0	0	0
Other receivables and accruals	53	0	8	0
Total Trade & other receivables	**7,632**	**0**	**10,254**	**0**
Total current and non current	**7,632**		**10,254**	
Included above:				
Prepaid pensions contributions	0		0	

The credit quality of any receivables, that are neither past due or impaired, are all assessed to be fully recoverable.

9.1 Receivables past their due date but not impaired	**2016-17 £'000**	2015-16 £'000
By up to three months	586	1,643
By three to six months	31	871
By more than six months	1	0
Total	**618**	**2,514**

£3k of the amount above has subsequently been recovered post the statement of financial position date.

NHS Sheffield Clinical Commissioning Group did not hold any collateral against receivables outstanding as at 31 March 2017.

9.2 Provision for impairment of receivables	**2016-17 £'000**	2015-16 £'000
Balance at 01 April 2016	(123)	0
Amounts written off during the year	0	0
Amounts recovered during the year	123	0
(Increase) decrease in receivables impaired	0	(123)
Transfer (to) from other public sector body	0	0
Balance at 31 March 2017	**0**	**(123)**

	2016-17 %	2015-16 %
Receivables are provided against at the following rates:		
NHS debt	0%	0%
Debt with a payment plan in place that is being adhered to	0%	0%
All other non-NHS debt between 1-90 days overdue	0%	10%
All other non-NHS debt between 91-120 days overdue	0%	50%
All other non-NHS debt over 121 days overdue	0%	50%

10 Cash and cash equivalents

	2016-17 £'000	2015-16 £'000
Balance at 01 April 2016	60	121
Net change in year	81	(61)
Balance at 31 March 2017	**141**	**60**
Made up of:		
Cash with the Government Banking Service	141	60
Cash with Commercial banks	0	0
Cash in hand	0	0
Current investments	0	0
Cash and cash equivalents as in statement of financial position	**141**	**60**
Bank overdraft: Government Banking Service	0	0
Bank overdraft: Commercial banks	0	0
Total bank overdrafts	**0**	**0**
Balance at 31 March 2017	**141**	**60**
Patients' money held by the clinical commissioning group, not included above	0	0

11 Trade and other payables	**Current 2016-17 £'000**	**Non-current 2016-17 £'000**	Current 2015-16 £'000	Non-current 2015-16 £'000
Interest payable	0	0	0	0
NHS payables: revenue	2,571	0	2,354	0
NHS payables: capital	0	0	0	0
NHS accruals	8,550	0	4,893	0
NHS deferred income	0	0	0	0
Non-NHS and Other WGA payables: Revenue	4,107	0	4,094	0
Non-NHS and Other WGA payables: Capital	27	0	0	0
Non-NHS and Other WGA accruals	28,512	0	25,658	0
Non-NHS and Other WGA deferred income	0	0	0	0
Social security costs	149	0	118	0
VAT	0	0	0	0
Tax	118	0	119	0
Payments received on account	0	0	0	0
Other payables and accruals	981	0	308	0
Total Trade & Other Payables	**45,015**	**0**	**37,544**	**0**
Total current and non-current	**45,015**		**37,544**	

Non-NHS and Other WGA accruals includes £16.3m Prescribing accrual, £5.6m in relation to Primary Care, £4.9m Continuing Healthcare accruals and £1m in relation to Non-NHS contracts (31 March 2016: £16.1m Prescribing accrual and £6m relating to Continuing Healthcare and £1.3m Non-NHS contract accruals).

Other payables include £194k outstanding pension contributions at 31 March 2017 (31 March 2016: £187k).

12 Provisions

NHS Sheffield Clinical Commissioning Group had no provisions as at 31 March 2017 (as at 31 March 2016 nil).

Under the Accounts Direction issued by NHS England on 12 February 2014, NHS England is responsible for accounting for liabilities relating to NHS Continuing Healthcare claims relating to periods of care before establishment of the clinical commissioning group. However, the legal liability remains with the NHS Sheffield Clinical Commissioning Group. The value of legacy NHS Continuing Healthcare provisions accounted for by NHS England on behalf of this CCG at 31 March 2017 is £668k (31 March 2016: £2,516k).

13 Commitments

13.1 Other financial commitments

The NHS Sheffield Clinical Commissioning Group has entered into a non-cancellable contract (which is not a lease, private finance initiative contract or other service concession arrangement) with eMBED Health Consortium to provide IT support and Business Intelligence services. The payments to which the clinical commissioning group are committed are as follows:-

	2016-17	2015-16
	£'000	£'000
In not more than one year	1,253	1,424
In more than one year but not more than five years	2,414	3,666
In more than five years	0	0
Total	**3,667**	**5,090**

14 Financial instruments

14.1 Financial risk management

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities.

As NHS Sheffield Clinical Commissioning Group is financed through parliamentary funding, it is not exposed to the degree of financial risk faced by business entities. Also, financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies, to which the financial reporting standards mainly apply. The clinical commissioning group has limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the clinical commissioning group in undertaking its activities.

Treasury management operations are carried out by the finance department, within parameters defined formally within the NHS Sheffield Clinical Commissioning Group standing financial instructions and policies agreed by the Governing Body. Treasury activity is subject to review by the NHS Sheffield Clinical Commissioning Group and internal auditors.

14.1.1 Currency risk

The NHS Sheffield 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 NHS Sheffield Clinical Commissioning Group has no overseas operations. The NHS Sheffield Clinical Commissioning Group and therefore has low exposure to currency rate fluctuations.

14.1.2 Interest rate risk

The NHS Sheffield 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.

14.1.3 Credit risk

Because the majority of the NHS Sheffield Clinical Commissioning Group and revenue comes parliamentary funding, NHS Sheffield Clinical Commissioning Group has low exposure to credit risk. The maximum exposures as at the end of the financial year are in receivables from customers, as disclosed in the trade and other receivables note.

14.1.3 Liquidity risk

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

14 Financial instruments cont'd

14.2 Financial assets

	At 'fair value through profit and loss' 2016-17 £'000	**Loans and Receivables 2016-17 £'000**	**Available for Sale 2016-17 £'000**	**Total 2016-17 £'000**
Embedded derivatives	0	0	0	0
Receivables:				
· NHS	0	1,352	0	1,352
· Non-NHS	0	2,611	0	2,611
Cash at bank and in hand	0	141	0	141
Other financial assets	0	53	0	53
Total at 31 March 2017	**0**	**4,157**	**0**	**4,157**

	At 'fair value through profit and loss' 2015-16 £'000	Loans and Receivables 2015-16 £'000	Available for Sale 2015-16 £'000	Total 2015-16 £'000
Embedded derivatives	0	0	0	0
Receivables:				
· NHS	0	3,485	0	3,485
· Non-NHS	0	3,417	0	3,417
Cash at bank and in hand	0	60	0	60
Other financial assets	0	8	0	8
Total at 31 March 2017	**0**	**6,970**	**0**	**6,970**

14.3 Financial liabilities

	At 'fair value through profit and loss' 2016-17 £'000	**Other 2016-17 £'000**	**Total 2016-17 £'000**
Embedded derivatives	0	0	0
Payables:			
· NHS	0	11,122	11,122
· Non-NHS	0	33,626	33,626
Private finance initiative, LIFT and finance lease obligations	0	0	0
Other borrowings	0	0	0
Other financial liabilities	0	0	0
Total at 31 March 2017	**0**	**44,748**	**44,748**

	At 'fair value through profit and loss' 2015-16 £'000	Other 2015-16 £'000	Total 2015-16 £'000
Embedded derivatives	0	0	0
Payables:			
· NHS	0	7,247	7,247
· Non-NHS	0	30,060	30,060
Private finance initiative, LIFT and finance lease obligations	0	0	0
Other borrowings	0	0	0
Other financial liabilities	0	0	0
Total at 31 March 2017	**0**	**37,307**	**37,307**

15 Operating segments

NHS Sheffield Clinical Commissioning Group considers that there is only one operating segment: Commissioning of Healthcare Services.

	Gross expenditure	Income	Net expenditure	Total assets	Total liabilities	Net assets
	£'000	£'000	£'000	£'000	£'000	£'000
Commissioning of Healthcare Services	830,069	(5,920)	**824,149**	7,948	(45,015)	**(37,067)**

During the year NHS Sheffield Clinical Commissioning Group paid £393,677k, approx. 48% of total expenditure, (2015-16: £376,499k approx. 50%) to Sheffield Teaching Hospitals NHS Foundation Trust for the purchase of healthcare and other services provided.

During the year NHS Sheffield Clinical Commissioning Group paid £82,232k, approx. 10% of total expenditure (2015-16: £80,478k approx. 11%) to Sheffield Health and Social Care NHS Foundation Trust for the purchase of healthcare and other services provided.

16 Pooled budgets

Section 75 of the National Health Services Act 2006 allows partnership arrangements between NHS bodies, Local Authorities and other agencies in order to improve and co-ordinate services. Generally each partner makes a contribution to a pooled budget, with the aim of focussing services and activities for a client group. Funds contributed are those normally used for the services represented in the pooled budget and allow the organisations involved to act in a more cohesive way.

NHS Sheffield Clinical Commissioning Group and Sheffield City Council entered into a Section 75 agreement covering the Better Care Fund with effect from 1st April 2015. This pool is hosted by Sheffield City Council. The Better Care Fund was announced by the Government in the June 2013 spending round, to ensure a transformation in integrated health and social care. It creates a local single pooled budget to incentivise the NHS and local government to work more closely together around people, placing their wellbeing as the focus of health and care services, and shifting resources into social care and community services for the benefit of the people, communities and health and care systems. The Sheffield Better Care Fund pool was constructed around six themes focussed around the different areas of integration.

The following table summarises the contributions made by Sheffield City Council and the NHS Sheffield Clinical Commissioning Group into pooled budget

	2016/17			2015/16		
	NHS Sheffield CCG	Sheffield City Council	Total	NHS Sheffield CCG	Sheffield City Council	Total
	£'000	£'000	£'000	£'000	£'000	£'000
The Better Care Fund	175,008	113,806	288,814	180,478	102,065	282,543
	175,008	**113,806**	**288,814**	**180,478**	**102,065**	**282,543**

The CCG net contribution to the Better Care Fund for 2016/17 shown above is included within the expenditure recorded in note 5 to these accounts (Services from foundation trusts £105,792k; Purchase of healthcare from non-NHS bodies £68,190k; GPMS/APMS and PCTMS £1,099k; Services from other CCGs and NHS England £45k) and within the revenue recorded in note 2 to these accounts (-£118k Other Revenue).

The memorandum account for the pooled budget is:

The Better Care Fund	2016/17	2015/16
Income	£'000	£'000
NHS Sheffield Clinical Commissioning Group	175,008	180,478
Sheffield City Council	113,806	102,065
	288,814	**282,543**
Allocation of expenditure		
Theme 1 - People Keeping Well in their Local Community	(8,122)	(8,454)
Theme 2 - Active Support and Recovery	(52,161)	(53,358)
Theme 3 - Independent Living Solutions	(4,394)	(4,380)
Theme 4 - Ongoing Care	(162,315)	(154,438)
Theme 5 - Adult inpatient Medical Emergency Admissions	(59,230)	(59,385)
Theme 6 - Capital Grants	(2,592)	(2,528)
	(288,814)	**(282,543)**

17 Related party transactions

Details of related party transactions with individuals are as follows:

Name & Role of Individual	Related Parties for which transactions made & Role of Individual	Purpose of Payment/Receipt	Payments to Related Party £000	Receipts from Related Party £000	Amounts owed to Related Party £000	Amounts due from Related Party £000
A Afzal, Locality Appointed GP	Duke Medical Centre - Senior Partner	Core Contract/Locality Reimbursement	866	0	63	0
N Anumba, Locality Appointed GP	Woodhouse Health Centre - GP Partner	Core Contract/LCS/Locality Allowance/VPN Receipts	1,704	-3	155	0
	Woodhouse Healthcare Services Ltd - Director	Contract Payments	10	0	0	0
N Bates, GP Elected Member	Porterbrook Medical Centre - GP Partner	Core Contract/LCS/VPN Receipts	2,395	-1	151	0
	Rivelin Healthcare Ltd - Minority Stakeholder	Contract Payments	68	0	7	0
J Boyington, Lay Member	Masonic Care Ltd - Chair	Continuing Healthcare Payments	12	0	0	0
T Furness, Chief of Business Planning and Partnership (to 1 September 2016)	Community First Sheffield LIFT Company - Local Public Sector Director	Estates Strategy Development Support	20	0	0	0
M Gamsu, Lay Member	Voluntary Action Sheffield - Trustee	Contract Payments	30	0	0	0
	Darnall Wellbeing - Committee Member	Contract Payments	73	0	0	0
	Citizens Advice - Trustee	Contract Payments	247	0	0	0
A Gill, GP Elected Member (to 23 September 2016)	Selborne Road Medical Centre - GP Principal	Core Contract/LCS/VPN Receipts	283	0	21	0
	NHS Sheffield CCG - GP Elected Member	Overpayment of salary	0	-2	0	0
T Hudsen, GP Elected Member (from 1 January 2017)	University of Sheffield Health Service - GP Principal	Contract Payments	2,035	0	0	0
A Majoka, GP Elected Member (from 1 January 2017)	Abbey Lane Surgery - GP Principal	Core Contract/LCS/VPN Receipts	383	0	26	0
Z McMurray, Medical Director	Woodhouse Healthcare Services Ltd - Shareholder	Contract Payments	10	0	0	0
T Moorhead, Chair of the Governing Body	Rivelin Healthcare Ltd - Minority Stakeholder	Contract Payments	68	0	7	0
	Oughtibridge Surgery - Senior Partner	Core Contract/LCS/Locality Allowance	898	0	51	0
	Sheffield Local Medical Committee - Executive Member	Voluntary & Statutory Levy	249	0	0	0
J Newton, Director of Finance	NHS Sheffield CCG	Pension adjustment	0	0	0	-1
M Sloan, GP Elected Member	Sloan Medical Centre - GP Principal	Core Contract/LCS/Locality Allowance/VPN Receipts	1,657	0	107	0
L Sorsbie, Locality Appointed GP	Firth Park Surgery - GP Partner	Core Contract/LCS/Locality Allowance	1,150	0	105	0
T Turner, GP Elected Member (to 30 September 2016)	Shiregreen Medical Centre - GP Partner & Principal	Core Contract/LCS/Locality Allowance	932	0	76	0
	Sheffield Local Medical Committee - Committee Member	Voluntary & Statutory Levy	249	0	0	0

The values shown for related party transactions are for the full financial year including when the relevant individual has a part year interest in the organisation.

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, NHS Sheffield 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 Sheffield City Council.

Prior Year Comparator 2015-16

Name & Role of Individual	Related Parties for which transactions made & Role of Individual	Purpose of Payment	Payments to Related Party £000	Receipts from Related Party £000	Amounts owed to Related Party £000	Amounts due from Related Party £000
A Afzal, Locality Appointed GP	Duke Medical Centre - Senior Partner	Practice Payments	83	0	17	0
N Anumba, Locality Appointed GP	Woodhouse Health Centre - GP Partner	Practice Payments	213	0	47	0
	Woodhouse Healthcare Services Ltd - Director	Contract Payments	9	0	0	0
N Bates, GP Elected Member	Porterbrook Medical Centre - GP Partner	Practice Payments	182	(1)	57	0
	Rivelin Healthcare Ltd - Minority Stakeholder	Contract Payments	63	0	5	0
M Gamsu, Lay Member	Darnall Wellbeing - Committee Member	Rent of Building	0	0	50	0
	Voluntary Action Sheffield - Trustee	Contract Payments	32	0	1	0
	Citizens Advice - Trustee	Contract Payments	238	0	0	0
A Gill, GP Elected Member	Selborne Road Medical Centre - GP Principal	Practice Payments	16	0	11	0
	NHS Sheffield CCG - GP Elected Member	Overpayment of salary	0	0	0	(8)
Z McMurray, Medical Director	Woodhouse Healthcare Services Ltd - Shareholder	Contract Payments	9	0	0	0
T Moorhead, Chair of the Governing Body	Oughtibridge Surgery - Senior Partner	Practice Payments	298	0	20	0
	Rivelin Healthcare Ltd - Minority Stakeholder	Contract Payments	63	0	5	0
M Sloan, GP Elected Member	Sloan Medical Centre - GP Principal	Practice Payments	127	0	34	0
L Sorsbie, Locality Appointed GP	Firth Park Surgery - GP Partner	Practice Payments	95	0	28	0
T Turner, GP Elected Member	Shiregreen Medical Centre - GP Partner & Principal	Practice Payments	85	0	24	0

18 Losses and special payments

18.1 Losses

The total number of NHS Clinical Commissioning Group losses and special payments cases, and their total value, was as follows:

	Total Number of Cases 2016-17 Number	**Total Value of Cases 2016-17 £'000**	Total Number of Cases 2015-16 Number	Total Value of Cases 2015-16 £'000
Administrative write-offs	0	0	2	123
Fruitless payments	0	0	0	0
Store losses	0	0	0	0
Book Keeping Losses	0	0	0	0
Constructive loss	0	0	0	0
Cash losses	0	0	0	0
Claims abandoned	0	0	0	0
Total	**0**	**0**	**2**	**123**

18.2 Special payments

	Total Number of Cases 2016-17 Number	**Total Value of Cases 2016-17 £'000**	Total Number of Cases 2015-16 Number	Total Value of Cases 2015-16 £'000
Compensation payments	0	0	0	0
Extra contractual Payments	0	0	0	0
Ex gratia payments	2	21	0	0
Extra statutory extra regulatory payments	0	0	0	0
Special severance payments	0	0	0	0
Total	**2**	**21**	**0**	**0**

19 Financial performance targets

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

	2016-17 Target £'000	**2016-17 Performance £'000**	2015-16 Target £'000	2015-16 Performance £'000
Expenditure not to exceed income	841,694	830,069	758,216	750,726
Capital resource use does not exceed the amount specified in Directions	175	175	0	0
Revenue resource use does not exceed the amount specified in Directions	835,774	824,149	749,938	742,448
Capital resource use on specified matter(s) does not exceed the amount specified in Directions	0	0	0	0
Revenue resource use on specified matter(s) does not exceed the amount specified in Directions	0	0	0	0
Revenue administration resource use does not exceed the amount specified in Directions	12,682	11,645	14,119	10,697

Appendix B

External Audit Report 2016/17

NHS Sheffield Clinical Commissioning Group

—

May 2017

Content

The contacts at KPMG in connection with this report are:

Clare Partridge
Engagement Lead

Tel: 0113 231 3922
Clare.Partridge@kpmg.co.uk

Alison Ormston
Senior Manager, Leeds

Tel: 0113 231 3942
Alison.Ormston@kpmg.co.uk

Juliet Aluoch
Assistant Manager, Leeds

Tel: 0113 231 3306
Juliet.Aluoch@kpmg.co.uk

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Clare Partridge, the engagement lead to the CCG, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers (on 0207 6948981, or by email to andrew.sayers@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

Important Notice

This report is presented under the terms of our PSAA engagement. Circulation of this report is restricted. The content of this report is based solely on the procedures necessary for our audit. This report is addressed to NHS Sheffield Clinical Commissioning Group (the CCG) and has been prepared for your use only. We accept no responsibility towards any member of staff acting on their own, or to any third parties. The National Audit Office (NAO) has issued a document entitled Code of Audit Practice (the Code). This summarises where the responsibilities of auditors begin and end and what is expected from the CCG. External auditors do not act as a substitute for the CCG's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

Basis of preparation: We have prepared this External Audit Report (Report) in accordance with our responsibilities under the National Audit Office Code of Audit Practice (the Code) and the terms of our Public Sector Audit Appointments Ltd (PSAA) engagement.

Purpose of this report: This Report is made to the CCG's Audit Committee in order to communicate matters as required by International Audit Standards (ISAs) (UK and Ireland), and other matters coming to our attention during our audit work that we consider might be of interest, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone (beyond that which we may have as auditors) for this Report, or for the opinions we have formed in respect of this Report.

Limitations on work performed: We have not designed or performed procedures outside those required of us as auditors for the purpose of identifying or communicating any of the matters covered by this Report. The matters reported are based on the knowledge gained as a result of being your auditors. We have not verified the accuracy or completeness of any such information other than in connection with and to the extent required for the purposes of our audit.

Status of our audit: Our audit is not yet complete and matters communicated in this Report may change pending signature of our audit report. We will provide an oral update on the status of our audit at the Audit Committee meeting but would highlight that the following work is still outstanding:

- Co-commissioning (GPMS/APMS and PCTMS line in Note 5);
- Some aspects of work around the Remuneration Report;
- Losses / special payments note;
- Financial commitments note;
- Trade and other payables;
- Trade receivables; and
- Whole of Government Accounts.

Use of Resources: finalising our lines of enquiry and documenting this work around our use of resources focus areas as highlighted in our audit plan:

- Financial Standing.

KPMG

Summary

Section One

Summary

Financial Statements Audit

We intend to issue an unqualified audit opinion on the accounts following the Audit Committee adopting them and receipt of the management representations letter.

We have completed our audit of the financial statements and formed our regularity opinion on whether, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. We have also read the content of the Annual Report (including the Remuneration Report) and reviewed the Annual Governance Statement (AGS). Our key findings are:

- There are no unadjusted audit differences, explained in section 2 and appendix 2.
- We have agreed presentational changes to the accounts with Finance, relating to the remuneration report.
- We have read the annual report and have no matters to raise with you.
- We have reviewed the AGS and have no matters to raise with you.
- We have no matters to raise with you in relation to the regularity of transactions.

Value for Money

We are required to report to you if we are not satisfied that the CCG has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Based on the findings of our work, we have nothing to report.

.

Other Matters

We intend to issue an unqualified Group Audit Assurance Certificate to the NAO regarding the Whole of Government Accounts submission, made through the submission of the summarisation schedules to NHS England.

We have made no control recommendations to make as a result of our 2016/17 work.

In auditing the accounts of a CCG, auditors have a responsibility to consider whether there is a need to issue a public interest report or whether there are any issues which require referral to the Secretary of State. There were no matters in the public interest that we needed to report or refer to the Secretary of State in 2016/17.

We are required to certify that we have completed the audit of the CCG's financial statements in accordance with the requirements of the Code. If there are any circumstances under which we cannot issue a certificate, then we must report this to those charged with governance. There are no issues that would cause us to delay the issue of our certificate of completion of the audit.

KPMG

Financial Statements Audit

Section Two

Financial Statements Audit

We audit your financial statements by undertaking the following tasks:

Work Performed	Accounts production stage		
	Before	During	After
1. Business Understanding: review your operations	✓	✓	–
2. Controls: assess the control framework	✓	✓	–
3. Prepared by Client Request (PBC): issue our prepared by client request	✓	–	–
4. Accounting Standards: agree the impact of any new accounting standards	✓	✓	–
5. Accounts Production: review the accounts production process	✓	✓	✓
6. Testing: test and confirm material or significant balances and disclosures	–	✓	✓
7. Representations and opinions: seek and provide representations before issuing our opinions	✓	✓	✓

We have completed the first six stages shown above and report our key findings below:

1. Business Understanding	In our 2016/17 audit plan we assessed your operations to identify significant issues that might have a financial statements consequence. We confirmed this risk assessment as part of our audit work. We have provided an update on each of the risks identified later in this section.
2. Assessment of the control environment	We have assessed the effectiveness of your key financial system controls that prevent and detect material fraud and error. We found that the financial controls on which we seek to place reliance are operating effectively. As part of our external audit work, we have considered the matters set out in ISAE *3402 'Assurance Reports on Controls at a Service Organisation*' relating to the following organisations: – NHS Shared Business Services – received; – NHS Business Services Authority – received; – NHS England – received; – NHS Digital – received. The assurance report in relation to NHSE and Co-Commissioning expenditure provided an adverse opinion and as such we have had to perform additional controls and substantive testing of transactions.

Section Two

Financial Statements Audit

3. Prepared by client request	We produced this document to summarise the working papers and evidence we ask you to collate as part of the preparation of the financial statements. We discussed and tailored our request with the Financial Accountant and this was issued as a final document to the finance team. The working papers provided for audit were prepared to a good standard.
4. Accounting Standards	We work with you to understand the changes to accounting standards and other technical issues. For 2016/17 there have not been any significant changes to the GAM, although the presentation of some element of your annual report and accounts have been clarified.
5. Accounts Production	We received complete draft accounts by 24 April 2017 in accordance with the Department of Health's deadline. As in previous years, we will debrief with the Finance team to share views on the final accounts audit. Hopefully this will lead to further efficiencies in the 2017/18 audit process. In particularly we would like to commend CCG finance staff who were available throughout the audit visit to answer our queries. We thank the finance team for their co-operation throughout the visit which allowed the audit to progress and complete within the allocated timeframe.
6. Testing	We have summarised the findings from our testing of significant risks and areas of judgement within the financial statements on the following pages. During the audit we identified only presentational issues which have been adjusted as they have no material effect on the financial statements.
7. Represent-ations	You are required to provide us with representations on specific matters such as your going concern assertion and whether the transactions in the accounts are legal and unaffected by fraud. We provided a draft of this representation letter to the Chief Finance Officer on 22 May 2017. We draw your attention to the requirement in our representation letter for you to confirm to us that you have disclosed all relevant related parties to us and that you have accurately reflected your transactions with other Government bodies within the Agreement of Balances process.

We are required under ISA 260 to communicate to you any matters specifically required by other auditing standards to be communicated to those charged with governance; and any other audit matters of governance interest. **We have not identified any other such matters to report.**

Section Two

Financial Statements Audit

To ensure that we have provided a comprehensive summary of our work, we have below set out:

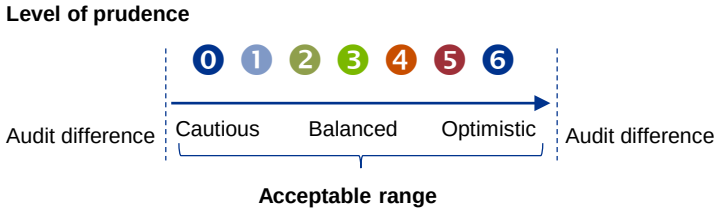
- The results of our procedures to review the required risks of the fraudulent risk of revenue recognition and management override of control; and
- Our view of the level of prudence you have applied to key balances within your financial statements.

Risks that ISAs require us to assess in all cases	Why	Our findings from the audit
Fraud risk from revenue recognition	Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. We recognise that the incentives in the NHS differ significantly to those in the private sector which have driven the requirement to make a rebuttable presumption that this is a significant risk. These incentives in the NHS include the requirement to meet regulatory and financial covenants, rather than broader financial reporting or share based management concerns.	We recognise that the incentives in the NHS differ significantly to those in the private sector which have driven the requirement to make a rebuttable presumption that this is a significant risk. These incentives in the NHS include the requirement to meet regulatory and financial covenants, rather than broader financial reporting or share based management concerns. In our External Audit Plan 2016/17 we reported that we do not consider the fraud risk from revenue recognition to be a significant audit opinion risk for NHS bodies, and for CCGs in particular. As the CCG receives a revenue resource allocation from the Department of Health, and has very little direct income, there is unlikely to be an incentive to fraudulently recognise revenue. This is still the case. Since we have rebutted this presumed risk, there has been no impact on our audit work.
Fraud risk from management override of controls	Professional standards require us to communicate the fraud risk from management override of controls as significant because management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We have not identified any specific additional risks of management override relating to this audit.	Our procedures, included testing of journal entries, accounting estimates and significant transaction outside the normal course of business, from this no instances of fraud were identified.

Financial Statements Audit

Judgements in your financial statements

During the audit we have considered a number of significant judgements and estimates affecting the CCG this year and have summarised our findings below to give the Audit Committee a view as to whether we believe these judgements are reasonable and where within the acceptable range they sit:



Assessment of subjective areas				
Asset/liability class	**Current year**	**Prior year**	**Balance (£m)**	**KPMG comment**
Prescribing accrual	3	3	£16.3m (PY £15.8m)	The CCG has made a balanced estimate of the accrual for the prescribing costs for March 2017, in 2016 the accrual related to February and March.
CHC Accrued Income (JPOC)	3	4	£0.4m (PY : £3.3m)	Last year we identified a number of prior year (2013/14 and 2014/15) balances relating to continuing healthcare (joint packages of care) income and expenditure with Sheffield City Council that had not been settled in cash terms. This year we identified that the CCG have taken action against all amounts relating to pre 16/17. It has invoiced the council and the council have invoiced the CCG based on agreed amounts. There are no balances within accrued income or accrued expenditure relating to pre16/17.
CHC Accruals Payables (JPOC)	3	4	£1.2m (PY : 2.4m)	

Section Two

Financial Statements Audit

Regularity Opinion

We are required to form a view on the regularity of the CCG's income and expenditure i.e. that the expenditure and income included in the CCG's financial statements has been applied to the purposes intended by Parliament and the financial transactions in the financial statements conform to the authorities which govern them.

We have reviewed the CCG's expenditure and income and in our opinion, in all material respects, it has been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Annual report

We have read the contents of the Annual Report (including the Accountability Report, Performance Report and AGS) and audited the relevant parts of the Remuneration Report. Based on the work performed:

- We have not identified any inconsistencies between the contents of the Accountability and Performance Reports and the financial statements.
- We have not identified any material inconsistencies between the knowledge acquired during our audit and the Accountable Officer's statements. The Accountable Officer confirms that the annual report and accounts taken as a whole are fair, balanced and understandable.
- With the exception of minor amendments to the Remuneration Report for the taxable expense payments for the Accountable Officer being amended the parts of the Remuneration Report that are required to be audited were all found to be materially accurate; and
- The AGS is consistent with the financial statements and complies with relevant guidance subject to updates as outlined within section three.

Independence and Objectivity

ISA 260 also requires us to make an annual declaration that we are in a position of sufficient independence and objectivity to act as your auditors. We have provided this declaration at Appendix 3.

Audit Fees

Our fee for the audit was £71,250 plus VAT (£71,250 in 2015/16). This fee was in line with that highlighted within our audit plan agreed by the Audit Committee in February 2017. However, due to additional audit procedures being required via NHS England to gain assurance on Co-Commissioning expenditure, additional fees (value to be confirmed but we anticipate to be around £2,300 plus VAT) will be required. We have discussed with management the additional fee required in this respect and this will be subject to final determination by Public Sector Audit Appointments Limited.

We have not performed any non-audit work at the CCG during the year.

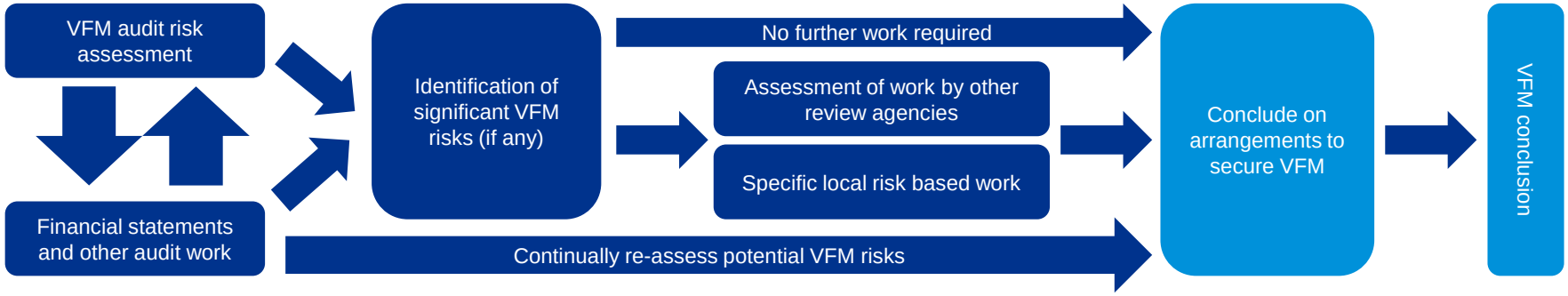
KPMG

Value for Money

Section Three

Value for Money

For 2016/17 our value for money (VFM) work follows the NAO's guidance. It is risk based and targets audit effort on the areas of greatest audit risk. Our methodology is summarised below. We identified two significant VFM risks which are reported overleaf and provide a summary below of the routine work required to issue our VFM conclusion, which is that we are satisfied that the CCG has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2017, based upon the criteria of informed decision making, sustainable resource deployment and working with partners and third parties.



AGS review	Regulatory review	Other matters considered in risk assessment
We reviewed the 2016/17 AGS and took into consideration the work of internal audit. We confirm that the AGS reflects our understanding of the CCG's operations and risk management arrangements.	We considered the outcomes of relevant regulatory reviews (NHS England, CQC, etc.) in reaching our conclusion. NHS England's CCG Assurance Framework has had no impact on our VFM conclusion.	As part of our risk assessment we reviewed various matters, including: • forecast financial position. • core assumptions in the 2016/17 Annual Plan. • recurrent cost improvement schemes are identified and delivered. • current operational performance and provider relationships / contractual risks. • planned VS actual outturn. • commissioning support arrangements. • management's assessment of the CCG's ability to continue as a going concern. • partnership arrangements / relationships with key third parties.

Section Three

Value for Money

Significant risk based VFM audit work

The table below sets out the detailed findings of our significant risk based VFM work. This work was completed to address the residual risks remaining after our assessment of the higher level controls in place to address the VFM risks identified in our planning and financial statements audit work.

Value for money risk	Why this risk is significant	Our audit response and findings
Financial Standing	NHS bodies submitted financial plans for 2016/17 that in aggregate totalled a £580 million deficit. The achievement of financial balance, whilst maintaining the quality of healthcare provision, is therefore a key objective for all NHS organisations. The CCG's duty is to deliver £3.5m surplus (control total). As per discussion with NHS England, the CCG was allowed to plan on 0.5% surplus for 2016/2017 but in the context that they implement a financial recovery plan to move back to 1% surplus in 2017/2018. The financial position at month 9 shows an overall surplus of £2.7m year to date and forecast achievement of the planned surplus of £3.5m. The CCG has a QIPP target of £19.4m for 2016/17. As at month 9, the CCG has a shortfall of £3.5m (32%) against net QIPP plan to date and was forecasting a £5.3m (30%) shortfall on the net QIPP plan. The main reason behind slippage is the challenge in achieving efficiency savings.	The CCG achieved all of its statutory financial duties in 2016/17, reporting a surplus of £11.6m. This was the result of a planned surplus of £3.5m and a release of the 1% revenue resource (£8.1m) in month 11 as instructed by NHS England. The position at year end of performance against the QIPP, was a £5.8m overspend. This was in line with the position that had been reported to both the Governing Body and NHS England in the final few months of the year. To provide additional assurance to the Governing Body a QIPP sub group was established monitoring actions being taken to support the delivery. However the main reason for this overspend was due to significant savings not being achieved on urgent and elective care. During this period the CCG has kept all stakeholders informed of the current projected position and have managed the risks within their control. Our discussions with management and following the review of documentation regarding the delivery of financial targets and of QIPP plans led us to conclude that the CCG has satisfactory arrangements in place in this area.

KPMG

Appendices

Appendix 1

Data Analytics: Co-Commissioning Benchmarking

Background

As part of our interim visit we gathered data from our CCG clients to conduct a benchmarking exercise. Data from 30 CCGs with Co-Commissioning responsibilities were amalgamated to produce a benchmarking report identifying the proportion of total budgeted spend represented by different categories of co-commissioning spend:

- GMS/PMS/APMS expenditure;
- Enhanced services expenditure;
- QOF expenditure; and
- Premises expenditure.

How the data was used

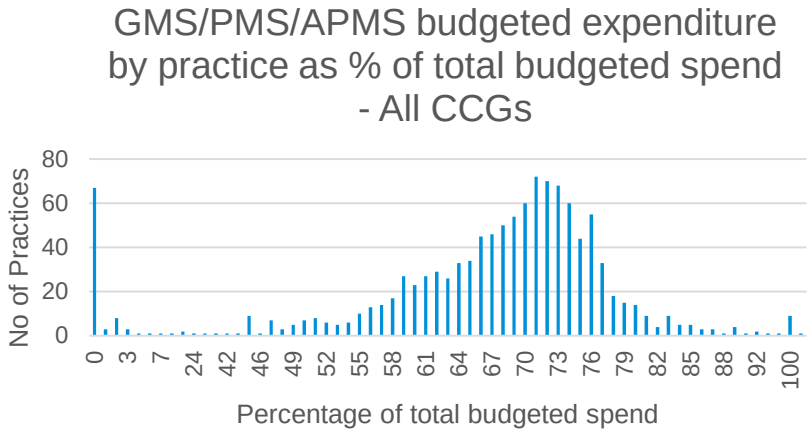
For each category the data were graphed to show the spread of percentages across the full sample of CCGs, and for each participating CCG. The analysis was used to identify outliers and help compare the CCG's arrangements.

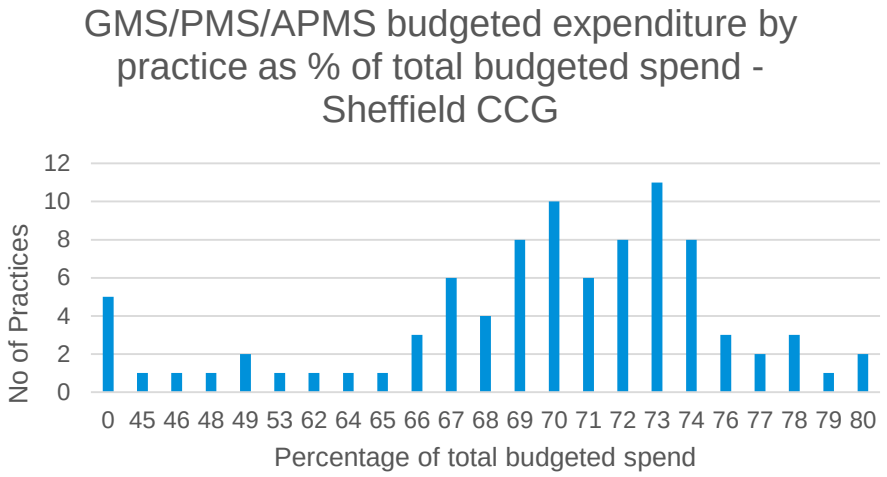
Key Messages

The comparative results for Sheffield largely provided reassurance that the CCG's spend in each area fell in line with those of other CCGs, albeit with variation across individual practices.

Several anomalies were identified within the results for GMS/PMS/APMS spend and premises spend (see below) which on investigation were found to be errors within the data set used for the exercise, rather than true outliers. The results have not led to any payment errors being identified within Sheffield CCG.

Figs. 1 & 2: Analysis of GMS/PMS/APMS expenditure

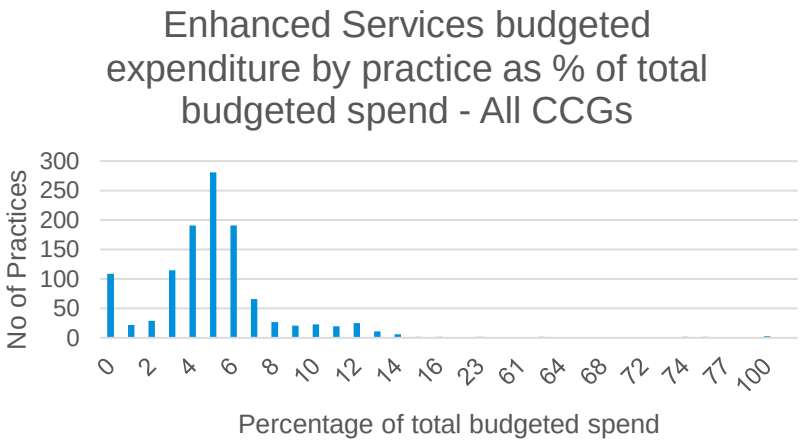


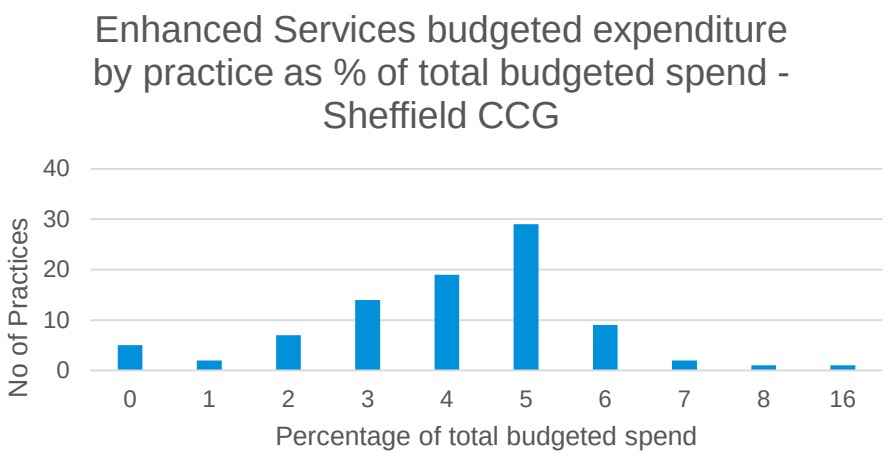


Appendix 1

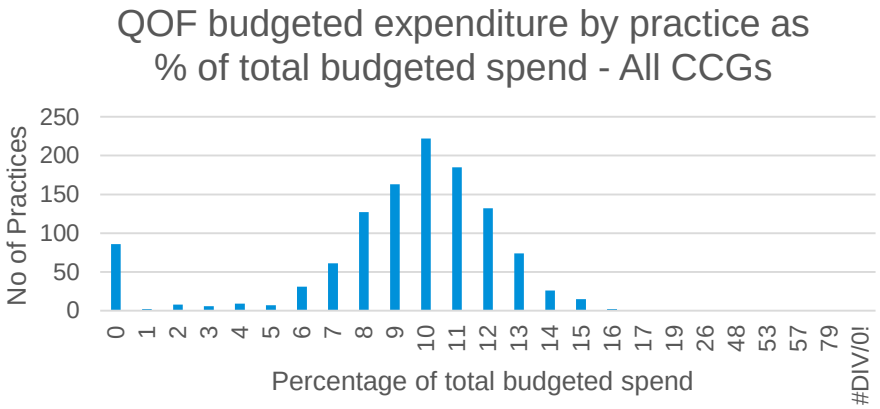
Data Analytics: Co-Commissioning Benchmarking

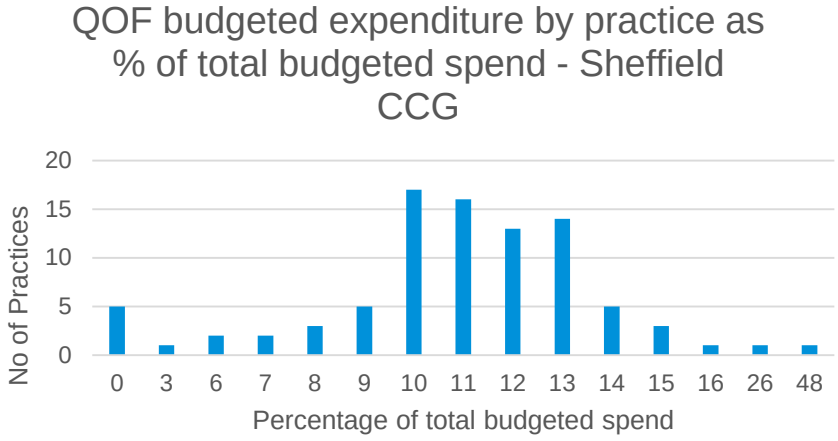
Figs. 3 & 4: Analysis of Enhanced Services expenditure





Figs. 5 & 6: Analysis of QOF expenditure

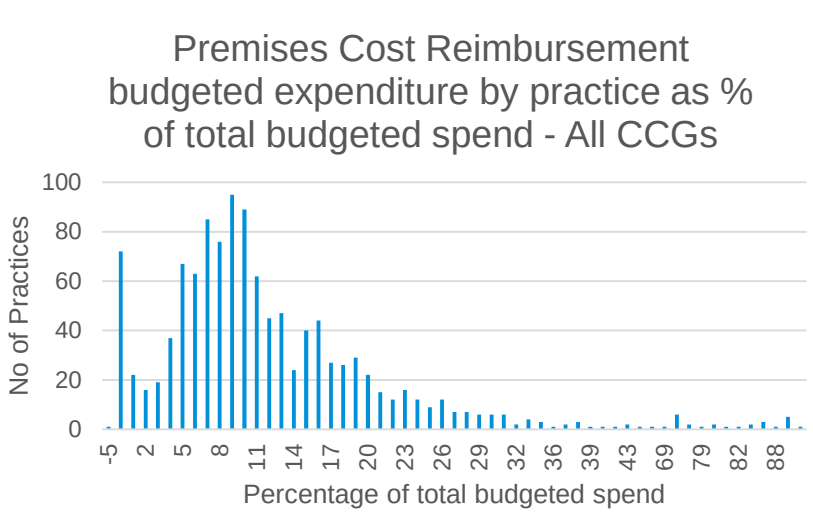


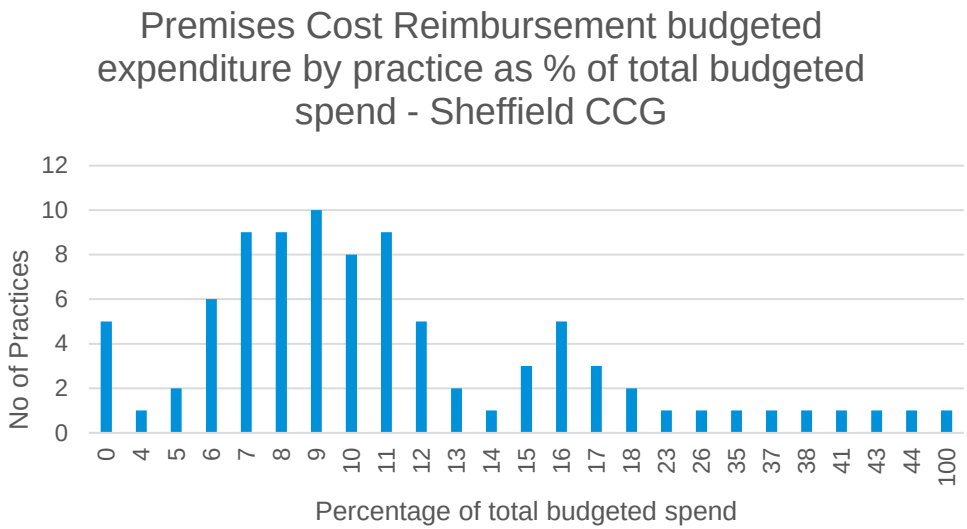


Appendix 1

Data Analytics: Co-Commissioning Benchmarking

Figs. 7 & 8: Analysis of Premises expenditure





Appendix 2

Audit Independence

The purpose of this Appendix is to communicate all significant facts and matters that bear on KPMG LLP's independence and objectivity and to inform you of the requirements of *ISA 260 (UK and Ireland) Communication of Audit Matters to Those Charged with Governance.*

Integrity, objectivity and independence

We are required to communicate to you in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Engagement Lead and the audit team.

We have considered the fees paid to us by the CCG for professional services provided by us during the reporting period. We are satisfied that our general procedures support our independence and objectivity.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP Audit Partners and staff annually confirm their compliance with our Ethics and Independence Manual including in particular that they have no prohibited shareholdings.

Our Ethics and Independence Manual is fully consistent with the requirements of the Ethical Standards issued by the UK Auditing Practices Board. As a result we have underlying safeguards in place to maintain independence through: Instilling professional values, Communications, Internal accountability, Risk management and Independent reviews.

We would be happy to discuss any of these aspects of our procedures in more detail. There are no other matters that, in our professional judgement, bear on our independence which need to be disclosed to the those charged with governance.

Audit matters

We are required to comply with *ISA (UK and Ireland) 260 Communication of Audit Matters to Those Charged with Governance* when carrying out the audit of the accounts.

ISA 260 requires that we consider the following audit matters and formally communicate them to those charged with governance:

- Relationships that may bear on the firm's independence and the integrity and objectivity of the audit engagement lead and audit staff.
- The general approach and overall scope of the audit, including any expected limitations thereon, or any additional requirements.
- The selection of, or changes in, significant accounting policies and practices that have, or could have, a material effect on the CCG's financial statements.
- The potential effect on the financial statements of any material risks and exposures, such as pending litigation, that are required to be disclosed in the financial statements.
- Audit adjustments, whether or not recorded by the entity that have, or could have, a material effect on the CCG's financial statements.

Appendix 2

Audit Independence

- Material uncertainties related to event and conditions that may cast significant doubt on the CCG's ability to continue as a going concern.
- Disagreements with management about matters that, individually or in aggregate, could be significant to the CCG's financial statements or the auditor's report. These communications include consideration of whether the matter has, or has not, been resolved and the significance of the matter.
- Expected modifications to the auditor's report.
- Other matters warranting attention by those charged with governance, such as material weaknesses in internal control, questions regarding management integrity, and fraud involving management.
- Any other matters agreed upon in the terms of the audit engagement.

We continue to discharge these responsibilities through our attendance at Audit Committees, commentary and reporting and, in the case of uncorrected misstatements, through our request for management representations.

Auditor Declaration

In relation to the audit of the financial statements of the CCG for the financial year ending 31 March 2017, we confirm that there were no relationships between KPMG LLP and the CCG, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards in relation to independence and objectivity.

Appendix 3

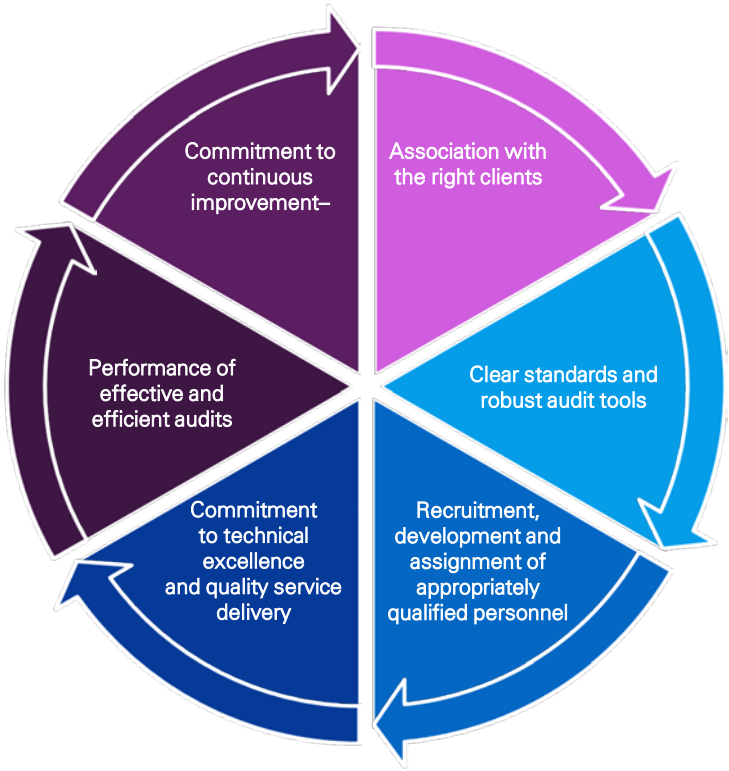
KPMG's Audit quality framework

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion. To ensure that every partner and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework

- Comprehensive effective monitoring processes
- Proactive identification of emerging risks and opportunities to improve quality and provide insights
- Obtain feedback from key stakeholders
- Evaluate and appropriately respond to feedback and findings

- Professional judgement and scepticism
- Direction, supervision and review
- Ongoing mentoring and on the job coaching
- Critical assessment of audit evidence
- Appropriately supported and documented conclusions
- Relationships built on mutual respect
- Insightful, open and honest two way communications

- Technical training and support
- Accreditation and licensing
- Access to specialist networks
- Consultation processes
- Business understanding and industry knowledge
- Capacity to deliver valued insights



- Select clients within risk tolerance
- Manage audit responses to risk
- Robust client and engagement acceptance and continuance processes
- Client portfolio management

- KPMG Audit and Risk Management Manuals
- Audit technology tools, templates and guidance
- Independence policies

- Recruitment, promotion, retention
- Development of core competencies, skills and personal qualities
- Recognition and reward for quality work
- Capacity and resource management
- Assignment of team members and specialists

kpmg.com/socialmedia

kpmg.com/app

Appendix C

Working with you to make Sheffield HEALTHIER

NHS Sheffield Clinical Commissioning Group

722 Prince of Wales Road
Darnall
Sheffield
S9 4EU
Telephone: 0114 305 1104

25 May 2017

Ms C Partridge
Partner
KPMG LLP
1 Sovereign Square
Sovereign Street
LEEDS LS1 4DA

Dear Clare

This representation letter is provided in connection with your audit of the financial statements of NHS Sheffield Clinical Commissioning Group ("the CCG"), for the year ended 31 March 2017, for the purpose of expressing an opinion:

- as to whether these financial statements give a true and fair view of the state of the financial position of the CCG as at 31 March 2017 and of the net operating expenditure for the financial year then ended; and;
- whether the CCG's financial statements have been prepared in accordance with the accounting policies directed by NHS England with consent of the Secretary of State as relevant to Clinical Commissioning Groups in England and the Department of Health Group Accounting Manual (GAM).

These financial statements comprise the Statement of Financial Position, the Statement of Net Expenditure, the Statement of Cash Flows, the Statement of Changes in Taxpayers Equity and notes, comprising a summary of significant accounting policies and other explanatory notes.

The Governing Body confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Governing Body confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial statements

1. The Governing Body has fulfilled its responsibilities for the preparation of financial statements that:

i. give a true and fair view of the financial position of the CCG as at 31 March 2017 and of the net operating expenditure for that financial year; and

ii. have been prepared in accordance with the accounting policies directed by NHS England with consent of the Secretary of State as relevant to Clinical Commissioning Groups in England and the GAM 2016/17.

The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Governing Body in making accounting estimates, including those measured at fair value, are reasonable.

3. All events subsequent to the date of the financial statements and for which IAS 10 Events after the reporting period requires adjustment or disclosure have been adjusted or disclosed.

4. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. There are no uncorrected adjustments above £400,000 following audit of the 2016/17 financial statements.

Information provided

5. The Governing Body has provided you with:

- access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
- additional information that you have requested from the Governing Body for the purpose of the audit; and
- unrestricted access to persons within the CCG from whom you determined it necessary to obtain audit evidence.

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

7. The Governing Body confirms the following:

i. The Governing Body has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Included in the Appendix to this letter are the definition of fraud, including misstatement arising from fraudulent financial reporting and from misappropriation of assets.

ii. The Governing Body has disclosed to you all information in relation to:

a) Fraud or suspected fraud that it is aware of and that affects the CCG and involves:

- management;

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

b) allegations of fraud, or suspected fraud, affecting the CCG's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, the Governing Body acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Governing Body acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

8. The Governing Body has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements. The Governing Body also confirms that, in all material respects, the expenditure and income recognised in the financial statements has been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

9. The Governing Body has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

10. The Governing Body has disclosed to you the identity of the CCG's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 Related Party Disclosures. Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as we understand them and as defined in IAS 24.

11. The Governing Body confirms that all intra-NHS balances included in the Statement of Financial Position (SOFP) at 31 March 2017 in excess of £100,000 have been disclosed to you and that the CCG has complied with the requirements of the Intra NHS Agreement of Balances Exercise. The Governing Body confirms that Intra-NHS balances includes all balances with NHS counterparties, regardless of whether these balances are reported within those SOFP classifications formally deemed to be included within the Agreement of Balances exercise.

12. The Governing Body confirms that:

a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the CCG's ability to continue as a going concern as required to provide a true and fair view.

b) Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the CCG to continue as a going concern.

This letter was tabled and agreed at the meeting of the Governing Body on 25 May 2017.

Yours sincerely

Dr Tim Moorhead	Maddy Ruff
Chair	Accountable Officer

Appendix to the Governing Body Representation Letter: Definitions

Financial Statements

IAS 1.10 states that a complete set of financial statements comprises:

- a statement of financial position as at the end of the period;
- a statement of comprehensive income for the period;
- a statement of changes in equity for the period;
- a statement of cash flows for the period;
- notes, comprising a summary of significant accounting policies and other explanatory information;
- comparative information in respect of the previous period; and
- a statement of financial position as at the beginning of the earliest comparative period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state that:

"Material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor."

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

a) was available when financial statements for those periods were authorised for issue; and

b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management

For the purposes of this letter, references to "management" should be read as "management and, where appropriate, those charged with governance".

Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

a) A person or a close member of that person's family is related to a reporting entity if that person:
    i. has control or joint control over the reporting entity;
    ii. has significant influence over the reporting entity; or
    iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

b) An entity is related to a reporting entity if any of the following conditions applies:
    i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
    ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
    iii. Both entities are joint ventures of the same third party.
    iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
    v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
    vi. The entity is controlled, or jointly controlled by a person identified in (a).
    vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Related party transaction

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.