
Entity name:
This year
This year ended
This year commencing:

NHS Merton CCG
2015-16
31-March-2016
01-April-2015

CONTENTS

Page Number

The Primary Statements:

Statement of Comprehensive Net Expenditure for the year ended 31st March 2016	3
Statement of Financial Position as at 31st March 2016	4
Statement of Changes in Taxpayers' Equity for the year ended 31st March 2016	5
Statement of Cash Flows for the year ended 31st March 2016	6

Notes to the Accounts

Accounting policies	7-11
Other operating revenue	12
Revenue	11
Employee benefits and staff numbers	13-15
Operating expenses	16
Better payment practice code	17
Operating leases	18
Property, plant and equipment	19
Trade and other receivables	20
Cash and cash equivalents	21
Trade and other payables	22
Provisions	22
Commitments	23
Financial instruments	23-24
Operating segments	25
Pooled budgets	25
Related party transactions	26
Events after the end of the reporting period	27
Losses and special payments	27
Financial performance targets	28

Statement of Comprehensive Net Expenditure for the year ended 31-March-2016

	2015-16 £000	2014-15 £000
Total Income and Expenditure		
Employee benefits	4.1.1 3,877	3,225
Operating Expenses	5 256,726	232,762
Other operating revenue	2 (21,663)	(20,489)
Net operating expenditure before interest	238,940	215,498
Total Net Expenditure for the year	238,940	215,498
Of which:		
Administration Income and Expenditure		
Employee benefits	4.1.1 1,443	1,414
Operating Expenses	5 3,336	3,801
Other operating revenue	2 (236)	(305)
Net administration costs before interest	4,543	4,910
Programme Income and Expenditure		
Employee benefits	4.1.1 2,434	1,811
Operating Expenses	5 253,390	228,961
Other operating revenue	2 (21,427)	(20,184)
Net programme expenditure before interest	234,397	210,588
	2015-16	2014-15
	£000	£000
Other comprehensive net expenditure	0	0
Total comprehensive net expenditure for the year	238,940	215,498

The notes on pages 7 to 28 form part of this statement

**Statement of Financial Position as at
31-March-2016**

	2015-16	2014-15
Note	£000	£000
Non-current assets:		
Property, plant and equipment	8 <u>872</u>	<u>803</u>
Total non-current assets	872	803
Current assets:		
Trade and other receivables	9 3,092	2,466
Cash and cash equivalents	10 <u>76</u>	<u>76</u>
Total current assets	3,168	2,541
Total current assets	3,168	2,541
Total assets	<u>4,040</u>	<u>3,344</u>
Current liabilities		
Trade and other payables	11 (17,711)	(14,037)
Total current liabilities	(17,711)	(14,037)
Non-Current Assets plus/less Net Current Assets/Liabilities	<u>(13,671)</u>	<u>(10,693)</u>
Non-current liabilities		
Trade and other payables	0	0
Total non-current liabilities	0	0
Assets less Liabilities	<u>(13,671)</u>	<u>(10,693)</u>
Financed by Taxpayers' Equity		
General fund	(13,671)	(10,693)
Total taxpayers' equity:	<u>(13,671)</u>	<u>(10,693)</u>

The notes on pages 7 to 28 form part of this statement

The financial statements on pages 3 to 28 were approved by the Governing Body on the 20th of May 2016 and signed on its behalf by:

Chief Accountable Officer
Adam Doyle

**Statement of Changes In Taxpayers Equity for the year ended
31-March-2016**

	General fund £000
Changes in taxpayers' equity for 2015-16	
Balance at 1 April 2015	(10,693)
Transfer between reserves in respect of assets transferred from closed NHS bodies	<u>0</u>
Adjusted NHS Clinical Commissioning Group balance at 1 April 2015	(10,693)
Changes in NHS Clinical Commissioning Group taxpayers' equity for 2015-16	
Net operating expenditure for the financial year	(238,940)
Net Recognised NHS Clinical Commissioning Group Expenditure for the Financial Year	(238,940)
Net funding	<u>235,962</u>
Balance at 31 March 2016	<u>(13,671)</u>

	General fund £000
Changes in taxpayers' equity for 2014-15	
Balance at 1 April 2014	(10,618)
Transfer of assets and liabilities from closed NHS bodies as a result of the 1 April 2013 transition	<u>0</u>
Adjusted NHS Commissioning Board balance at 1 April 2014	(10,618)
Changes in NHS Commissioning Board taxpayers' equity for 2014-15	
Net operating costs for the financial year	(215,498)
Net Recognised NHS Commissioning Board Expenditure for the Financial Year	(215,498)
Net funding	<u>215,423</u>
Balance at 31 March 2015	<u>(10,693)</u>

The notes on pages 7 to 28 form part of this statement

NHS Merton CCG - Annual Accounts 2015-16

Statement of Cash Flows for the year ended
31-March-2016

	Note	2015-16 £000	2014-15 £000
Cash Flows from Operating Activities			
Net operating expenditure for the financial year		(238,940)	(215,498)
Depreciation and amortisation	5	129	0
(Increase)/decrease in trade & other receivables	9	(627)	2,013
Increase/(decrease) in trade & other payables	11	3,674	(946)
Increase/(decrease) in provisions	12	0	(319)
Net Cash Inflow (Outflow) from Operating Activities		(235,764)	(214,750)
Cash Flows from Investing Activities			
(Payments) for property, plant and equipment	8	(198)	(771)
Net Cash Inflow (Outflow) from Investing Activities		(198)	(771)
Net Cash Inflow (Outflow) before Financing		(235,962)	(215,521)
Cash Flows from Financing Activities			
Grant in Aid Funding Received		235,962	215,423
Net Cash Inflow (Outflow) from Financing Activities		235,962	215,423
Net Increase (Decrease) in Cash & Cash Equivalents	10	0	(97)
Cash & Cash Equivalents at the Beginning of the Financial Year		76	173
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		76	76

The notes on pages 7 to 28 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 *Manual for Accounts*, which shall be agreed with the Department of Health. Consequently, the following Financial Statements have been prepared in accordance with the *Manual for Accounts 2015-16* issued by the Department of Health. The accounting policies contained in the *Manual for Accounts* follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to clinical commissioning groups, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the *Manual for Accounts* permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the clinical commissioning group for the purpose of giving a true and fair view has been selected. The particular policies adopted by the clinical commissioning group are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

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 the 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.

The accounts have been prepared under the going concern basis as

- the CCG is a continuing entity and has its resource limit set for the following financial year;
- the CCG is able to meet its current liabilities;
- the CCG is a member of the SWL risk sharing arrangements to manage in year risk, which is part of the wider NHS arrangements to support CCGs where appropriate;
- the services the CCG commissions will continue to be commissioned; and
- the agreed revenue resource limit provides Merton CCG with the drawdown.

In 2015/16 NHS Merton CCG did not meet its statutory duty to achieve a 1% surplus. The CCG is currently in discussions with NHS England regarding setting a deficit budget for 2016/17. These discussions are ongoing and a deficit budget will only be agreed following the completion of the financial recovery plan which details how the CCG will return to a sustainable financial position.

1.2 Accounting convention

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

1.3 Acquisitions and discontinued operations

Activities are considered to be 'acquired' only if they are taken on from outside the public sector. Activities are considered to be 'discontinued' only if they cease entirely. They are not considered to be 'discontinued' if they transfer from one public sector body to another.

1.4 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.

In 2015/16 NHS Merton CCG had a pooled budget with the London Borough of Merton for the Better Care Fund and Integrated Community Equipment Services. The Fund is hosted and accounted for by the London Borough of Merton.

Notes to the financial statements

1.5 Critical accounting judgements and key sources of estimation uncertainty

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

1.5.1 Critical judgements in applying accounting policies

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

The accounting arrangements for balances transferred from predecessor PCTs ("legacy balances") are determined by the Accounts Direction issued by NHS England on 12 February 2014. The Accounts Directions state that the only legacy balances to be accounted for by the CCG are in respect of property, plant and equipment (and related liabilities) and inventories.

1.5.2 Key sources of estimation uncertainty

The following are the key estimations that management has made in the process of applying NHS Merton CCG's accounting policies that have the most significant effect on the amounts recognised in the Financial Statements:

The largest estimated cost in the CCG's accounts relates to the March 2016 prescribing accrual. This accrual has been calculated at £2m and is a best estimate based on the spend from April 2015 to February 2016.

1.6 Revenue

Revenue in respect of services provided is recognised when, and to the extent that, performance occurs, and is measured at the fair value of the consideration receivable. Where income is received for a specific activity that is to be delivered in the following year, that income is deferred. Where the CCG hosts services and recharges other organisations, the recharges are also recognised as operating revenue.

1.7 Employee Benefits

1.7.1 Short-term employee benefits

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees, including bonuses earned but not yet taken.

The cost of leave earned but not taken by employees at the end of the period is recognised in the Financial Statements to the extent that employees are permitted to carry forward leave into the following period.

1.7.2 Retirement benefit costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body 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 NHS Merton CCG commits itself to the retirement, regardless of the method of payment.

1.8 Other expenses

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

Notes to the financial statements

1.9 Property, plant and equipment

1.9.1 Recognition

Property, plant and equipment is capitalised if:

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

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

1.9.2 Valuation

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

NHS Merton CCG does not own any land or buildings. On the dissolution of the former Sutton & Merton Primary Care Trust, all land and buildings were transferred to NHS Property Services Limited.

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

1.9.3 Subsequent Expenditure

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

1.10 Depreciation, amortisation and impairments

At each reporting period end, NHS Merton CCG 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 should be 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 is 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.

Notes to the financial statements

1.12 Cash and 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 NHS Merton CCG'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 1.55% (2014-15: minus 1.50%)
- Timing of cash flows (6 to 10 years inclusive): Minus 1% (2014-15: minus 1.05%)
- Timing of cash flows (over 10 years): Minus 0.80% (2014-15: plus 2.20%)

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

1.14 Clinical negligence costs

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

1.15 Non-clinical risk pooling

NHS Merton CCG participates in the Property Expenses Scheme and the Liabilities to Third Parties Scheme. Both are risk pooling schemes under which NHS Merton CCG 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 Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of NHS Merton CCG, or a present obligation that is not recognised because it is not probable that a payment will be required to settle the obligation or the amount of the obligation cannot be measured sufficiently reliably. A contingent liability is disclosed unless the possibility of a payment is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of NHS Merton CCG. A contingent asset is disclosed where an inflow of economic benefits is probable.

Where the time value of money is material, contingencies are disclosed at their present value.

1.17 Financial assets

Financial assets are recognised when NHS Merton CCG 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 de-recognised when the contractual rights have expired or the asset has been transferred.

The only financial assets held are loans and receivables.

1.17.1 Loans and 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, NHS Merton CCG 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 directly/through a provision for impairment of receivables.

Notes to the financial statements

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 NHS Merton CCG becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are de-recognised when the liability has been discharged, that is, the liability has been paid or has expired.

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

1.19 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 Losses and 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 NHS Merton CCG not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure).

1.21 Joint operations

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

1.22 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 2015-16, all of which are subject to consultation:

- IFRS 9: Financial Instruments
- IFRS 14: Regulatory Deferral Accounts
- IFRS 15: Revenue for Contract with Customers

The application of the Standards as revised would not have a material impact on the accounts for 2015-16, were they applied in that year.

2 Other Operating Revenue

	2015-16 Total £000	2015-16 Admin £000	2015-16 Programme £000	2014-15 Total £000
Prescription fees and charges	0	0	0	4
Education, training and research	62	62	0	265
Charitable and other contributions to revenue expenditure: non-NHS	60	0	60	0
Rental revenue from operating leases	51	51	0	0
Other revenue	21,490	123	21,367	20,219
Total other operating revenue	21,663	236	21,427	20,489

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

Programme revenue is revenue received that is directly attributable to the provision of healthcare or healthcare services.

Programme revenue relates to:

- Hosting Community Services contract - 89%
- Hosting South West London Cancer Network - 5%
- Other - 6%

2015/16 was the final year that NHS Merton CCG hosted the Community Services contract on behalf of NHS Sutton CCG and Sutton Borough Council. In 2016/17 NHS Merton CCG will host the Community Services contract on behalf of the London Borough of Merton only.

3 Revenue

	2015-16 Total £000	2015-16 Admin £000	2015-16 Programme £000	2014-15 Total £000
From rendering of services	21,663	236	21,427	20,489
Total	21,663	236	21,427	20,489

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

NHS Merton CCG - Annual Accounts 2015-16

4. Employee benefits and staff numbers

4.1.1 Employee benefits

	2015-16			Total			Admin			Programme		
	Total £000	Permanent Employees £000	Other £000	Total £000	Permanent Employees £000	Other £000	Total £000	Permanent Employees £000	Other £000	Total £000	Permanent Employees £000	Other £000
Employee Benefits												
Salaries and wages	3,342	2,299	1,043	1,223	894	329	2,119	1,405	714			
Social security costs	222	222	0	94	94	0	128	128	0			
Employer Contributions to NHS Pension scheme	313	313	0	126	126	0	187	187	0			
Gross employee benefits expenditure	3,877	2,834	1,043	1,443	1,114	329	2,434	1,720	714			
Less recoveries in respect of employee benefits (note 4.1.2)	0	0	0	0	0	0	0	0	0			
Total - Net admin employee benefits including capitalised costs	3,877	2,834	1,043	1,443	1,114	329	2,434	1,720	714			
Less: Employee costs capitalised	0	0	0	0	0	0	0	0	0			
Net employee benefits excluding capitalised costs	3,877	2,834	1,043	1,443	1,114	329	2,434	1,720	714			

4.1.2 Employee benefits

	2014-15			Total			Admin			Programme		
	Total £000	Permanent Employees £000	Other £000	Total £000	Permanent Employees £000	Other £000	Total £000	Permanent Employees £000	Other £000	Total £000	Permanent Employees £000	Other £000
Employee Benefits												
Salaries and wages	2,842	1,851	990	1,200	1,015	185	1,642	836	806			
Social security costs	196	196	0	121	121	0	75	75	0			
Employer Contributions to NHS Pension scheme	187	187	0	93	93	0	94	94	0			
Gross employee benefits expenditure	3,225	2,234	990	1,414	1,229	185	1,811	1,005	806			
Less recoveries in respect of employee benefits (note 4.1.2)	0	0	0	0	0	0	0	0	0			
Total - Net admin employee benefits including capitalised costs	3,225	2,234	990	1,414	1,229	185	1,811	1,005	806			
Less: Employee costs capitalised	0	0	0	0	0	0	0	0	0			
Net employee benefits excluding capitalised costs	3,225	2,234	990	1,414	1,229	185	1,811	1,005	806			

The 2015/16 Remuneration report can be found on the 2015/16 NHS Merton Clinical Commissioning Group Annual Report

4.2 Average number of people employed

		2015-16 Permanently employed Number	Other Number	2014-15 Total Number
Total	Total Number	42	6	35
	48			

Other average number of people employed has been calculated using average number of hours worked over a full year

4.3 Staff sickness absence and ill health retirements

	2015-16 Number	2014-15 Number
Total Days Lost	405	78
Total Staff Years	43	33
Average working Days Lost	9	2

Total days lost of 405 days covers 28 employees of which 185 days were lost on 2 employees taking long term sickness.

	2015-16 Number	2014-15 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

4.5 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 2015-16, employer's contributions of £313,216 were payable to the NHS Pensions Scheme at the rate of 14.3% of pensionable pay (2014-15: £186,881 at the rate of 14%). 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 2014. These costs are included in the NHS pension line of note 4.1.1.

5. Operating expenses

	2015-16 Total £000	2015-16 Admin £000	2015-16 Programme £000	2014-15 Total £000
Gross employee benefits				
Employee benefits excluding governing body members	3,302	1,070	2,232	2,737
Executive governing body members	574	373	201	488
Total gross employee benefits	3,876	1,443	2,433	3,225
Other costs				
Services from other CCGs and NHS England	7,009	2,073	4,936	8,054
Services from foundation trusts	125,901	1	125,900	62,927
Services from other NHS trusts	64,660	0	64,660	112,739
Services from other NHS bodies	7	1	6	9
Purchase of healthcare from non-NHS bodies	29,108	0	29,108	19,673
Chair and Non Executive Members	145	135	10	169
Supplies and services – general	576	424	152	1,431
Establishment	571	97	474	949
Transport	15	4	11	3
Premises	614	249	365	659
Impairments and reversals of receivables	0	0	0	(338)
Depreciation	129	0	129	0
Audit fees	57	57	0	76
Prescribing costs	23,750	0	23,750	23,124
GPMS/APMS and PCTMS	2,732	0	2,732	2,581
Other professional fees excl. audit	476	226	250	465
Education and training	162	69	93	254
Provisions	0	0	0	(319)
CHC Risk Pool contributions	814	0	814	306
Total other costs	256,726	3,336	253,390	232,762
Total operating expenses	260,602	4,779	255,823	235,987

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

Programme expenditure is expenditure incurred that is directly attributable to the provision of healthcare or healthcare services.

6.1 Better Payment Practice Code

Measure of compliance	2015-16 Number	2015-16 £000	2014-15 Number	2014-15 £000
Non-NHS Payables				
Total Non-NHS Trade invoices paid in the Year	8,380	33,637	7,287	25,299
Total Non-NHS Trade Invoices paid within target	8,204	32,356	7,106	24,638
Percentage of Non-NHS Trade invoices paid within target	97.90%	96.19%	97.52%	97.39%
NHS Payables				
Total NHS Trade Invoices Paid in the Year	2,675	196,170	2,782	188,240
Total NHS Trade Invoices Paid within target	2,557	195,736	2,703	187,130
Percentage of NHS Trade Invoices paid within target	95.59%	99.78%	97.16%	99.41%

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

7 Operating Leases

7.1 As lessee

The payment below reflects Community Health Partnership's and NHS Property Services Limited charges for the financial year 2015/16 and relates to properties owned or managed by them.

7.1.1 Payments recognised as an Expense

	Buildings £000	2015-16 Total £000	2014-15 Total £000
Payments recognised as an expense			
Minimum lease payments	600	<u>600</u>	<u>609</u>
Total	<u>600</u>	<u>600</u>	<u>609</u>

Whilst our arrangements with Community Health Partnership's Limited and NHS Property Services Limited fall within the definition of operating leases, rental charge for future years has not yet been agreed . Consequently this note does not include future minimum lease payments for the arrangements.

8 Property, plant and equipment

2015-16	Assets under construction and payments on account £000	Information technology £000	Total £000
Cost or valuation at 01-April-2015	803	0	803
Additions purchased	0	198	198
Reclassifications	(803)	803	0
Cost/Valuation At 31-March-2016	(0)	1,001	1,001
Depreciation 01-April-2015	0	0	0
Charged during the year	0	129	129
Depreciation at 31-March-2016	0	129	129
Net Book Value at 31-March-2016	(0)	872	872
Purchased	(0)	872	872
Total at 31-March-2016	(0)	872	872
Asset financing:			
Owned	(0)	872	872
Total at 31-March-2016	(0)	872	872

2014-15	Assets under construction and payments on account £000	Total £000
Cost or valuation at 1 April 2014	32	32
Addition of assets under construction and payments on acco	771	771
Additions purchased	0	0
Cost/Valuation At 31 March 2015	803	803
Depreciation 1 April 2014	0	0
Depreciation at 31 March 2015	0	0
Net Book Value at 31 March 2015	803	803
Purchased	803	803
Total at 31 March 2015	803	803
Asset financing:		
Owned	803	803
Total at 31 March 2015	803	803

8.1 Economic lives

	Minimum Life (years)	Maximum Life (Years)
Information technology	5	5

9 Trade and other receivables

	Current 2015-16 £000	Non-current 2015-16 £000	Current 2014-15 £000	Non-current 2014-15 £000
NHS receivables: Revenue	1,036	0	517	0
NHS prepayments	1,184	0	1,269	0
NHS accrued income	142	0	295	0
Non-NHS receivables: Revenue	686	0	356	0
Non-NHS accrued income	31	0	0	0
VAT	8	0	26	0
Other receivables	5	0	3	0
Total Trade & other receivables	3,092	0	2,466	0
Total current and non current	3,092		2,466	

The great majority of trade is with NHS organisations and local authorities. As NHS organisations and local authorities are ultimately funded by Government, no credit scoring of them is considered necessary.

Concentration of credit risk is limited due to the fact that the customer base is large and composed of unrelated/government bodies. Due to this, the Governing Body believes that there is no future risk provision required in excess of the normal provision for doubtful receivables.

9.1 Receivables past their due date but not impaired

	2015-16 £000	2014-15 £000
By up to three months	179	1
By three to six months	0	24
By more than six months	0	0
Total	179	25

£17k of the amount above has subsequently been recovered post the statement of financial position date.

The clinical commissioning group did not hold any collateral against receivables outstanding at 31 March 2016.

9.2 Provision for impairment of receivables

	2015-16 £000	2014-15 £000
Balance at 01-April-2015	0	(338)
(Increase) decrease in receivables impaired	0	338
Balance at 31-March-2016	0	0

10 Cash and cash equivalents

	2015-16	2014-15
	£000	£000
Balance at 01-April-2015	76	173
Net change in year	0	(97)
Balance at 31-March-2016	<u>76</u>	<u>76</u>
Made up of:		
Cash with the Government Banking Service	76	75
Cash in hand	0	1
Cash and cash equivalents as in statement of financial position	<u>76</u>	<u>76</u>
Balance at 31-March-2016	<u>76</u>	<u>76</u>

11 Trade and other payables	Current 2015-16 £000	Non-current 2015-16 £000	Current 2014-15 £000	Non-current 2014-15 £000
NHS payables: revenue	6,438	0	4,986	0
NHS accruals	(151)	0	(31)	0
Non-NHS payables: revenue	3,705	0	2,273	0
Non-NHS accruals	7,256	0	6,557	0
Social security costs	32	0	28	0
Tax	39	0	34	0
Other payables	392	0	190	0
Total Trade & Other Payables	17,711	0	14,037	0
Total current and non-current	17,711		14,037	

Other payables include £51k outstanding pension contributions at 31 March 2016 (£41k as at 31 March 2015).

The negative balance on NHS accruals is due to an anticipated reduction in payables relating to the Nelson Health Centre contract. NHS Merton CCG had paid the full contract value as per the SLA agreements, however were awaiting a credit note for underperformance for which an accrual was done to reduce payables. The credit note was subsequently received by the CCG after 31 March 2016.

12 Provisions

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 period of care before establishment of the Clinical Commissioning Group. However, the legal liability remains with the CCG. The total value of legacy NHS Continuing Healthcare provisions accounted for by NHS England on behalf of NHS Merton CCG at 31 March 2016 is £1.713m. As at 31 March 2015 the total value of legacy NHS Continuing Healthcare provisions accounted for by NHS England on behalf of NHS Merton CCG was 1.963m.

The CCG has no other provisions at 31 March 2016.

13 Commitments

NHS Merton Clinical Commissioning Group has not entered into any non-cancellable contracts (which are not leases, private finance initiative contracts or other service concession arrangements).

14 Financial instruments

14.1 Financial risk management

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

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

14.1.1 Currency risk

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

14.1.2 Interest rate risk

The Clinical Commissioning Group borrows from government for capital expenditure, subject to affordability as confirmed by NHS England. The borrowings are for 1 to 25 years, in line with the life of the associated assets, and interest is charged at the National Loans Fund rate, fixed for the life of the loan. The clinical commissioning group therefore has low exposure to interest rate fluctuations.

14.1.3 Credit risk

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

14.1.4 Liquidity risk

NHS Merton Clinical Commissioning Group is required to operate within revenue and capital resource limits, which are financed from resources voted annually by Parliament. The NHS Merton Clinical Commissioning Group draws down cash to cover expenditure, as the need arises. The NHS Merton 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' 2015-16 £000	Loans and Receivables 2015-16 £000	Available for Sale 2015-16 £000	Total 2015-16 £000
Receivables:				
· NHS	0	1,178	0	1,178
· Non-NHS	0	717	0	717
Cash at bank and in hand	0	76	0	76
Other financial assets	0	5	0	5
Total at 31-March-2016	0	1,976	0	1,976

	At 'fair value through profit and loss' 2014-15 £000	Loans and Receivables 2014-15 £000	Available for Sale 2014-15 £000	Total 2014-15 £000
Receivables:				
· NHS	0	517	0	517
· Non-NHS	0	356	0	356
Cash at bank and in hand	0	76	0	76
Other financial assets	0	3	0	3
Total at 31-March-2015	0	952	0	951

14.3 Financial liabilities

	At 'fair value through profit and loss' 2015-16 £000	Other 2015-16 £000	Total 2015-16 £000
Payables:			
· NHS	0	6,287	6,287
· Non-NHS	0	11,354	11,354
Total at 31-March-2016	0	17,641	17,641

	At 'fair value through profit and loss' 2014-15 £000	Other 2014-15 £000	Total 2014-15 £000
Payables:			
· NHS	0	4,955	4,955
· Non-NHS	0	9,020	9,020
Total at 31-March-2015	0	13,975	13,975

15 Operating segments

The clinical commissioning group considers it has only one segment: commissioning of healthcare services.

16 Pooled budgets

The NHS Clinical Commissioning Group shares of the income and expenditure handled by the pooled budget in the financial year were:

	2015-16	2014-15
	£000	£000
Income	0	0
Expenditure	(5,756)	(246)

The clinical commissioning group had entered into a pooled budget with London Borough of Merton. The pool is hosted by London Borough of Merton.

Under the joint arrangement, funds are pooled under Section 75 of the NHS Act 2006 for the Better Care Fund and Integrated Community Equipment Services.

17 Related party transactions

Details of related party transactions with individuals are as follows:

	2015-2016				2014-2015			
	Payments to Related Party £000	Receipts from Related Party £000	Amounts owed to Related Party £000	Amounts due from Related Party £000	Payments to Related Party £000	Receipts from Related Party £000	Amounts owed to Related Party £000	Amounts due from Related Party £000
St George's University Hospitals Foundation Trust	65,817	(80)	0	(437)	60,513	0	0	(780)
Epsom & St Helier University Hospitals NHS Trust	37,274	0	504	0	38,236	0	502	0
The Royal Marsden NHS Foundation Trust	28,576	(77)	672	0	33,941	0	339	0
South West London and St George's Mental Health NHS Trust	16,893	(12)	362	0	16,322	0	366	0
Kingston Hospital Foundation Trust	10,582	0	273	0	9,630	0	203	0
London Ambulance Service NHS Trust	6,543	0	34	0	5,581	0	391	0
Moorfields Eye Hospital NHS Foundation Trust	3,969	0	114	0	3,718	0	48	0
Dr Andrew Murray (Personal Medical Services Contract)	92	(20)	50	0	159	0	27	0
Dr Tim Hodgson (Personal Medical Services Contract)	120	0	4	0	0	0	0	0

Dr Andrew Murray and Dr Tim Hodgson are GP members of the Governing Body. The payments above are Dr Andrew Murray's and Dr Tim Hodgson's practice's share of Local Enhanced Services payments made to the Church Lane Practice and Wimbledon Village Practice as per the Personal Medical Services Contract.

The Department of Health is regarded as a related party. During the year the clinical commissioning group has had a significant number of material transactions with entities for which the Department is regarded as the parent Department. For example:

NHS England;
 NHS Foundation Trusts;
 NHS Trusts;
 NHS Litigation Authority; and
 NHS Business Services Authority.

In addition, the clinical commissioning group has had a number of material transactions with other government departments and other central and local government bodies. Most of these transactions have been with London Borough of Merton and London Borough of Sutton.

18 Events after the end of the reporting period

There are no events after the end of the reporting period which will have a material effect on the financial statements of the clinical commissioning group.

The CCG has been successful in its application to participate in delegated Primary Care co-commissioning from 1st April 2016. The associated income and expenditure will appear in the CCG's 2016/17 financial statements.

19 Losses and special payments

19.1 Losses

There were no Losses or Special Payments during the year ended 31 March 2016

20 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:

	2015-16			
	Target £000	Performance £000	Variance £000	Target met
Expenditure not to exceed income	260,829	260,801	28	Yes
Capital resource use does not exceed the amount specified in Directions	198	198	0	Yes
Revenue resource use does not exceed the amount specified in Directions	238,968	238,940	28	Yes
Capital resource use on specified matter(s) does not exceed the amount specified in Directions	0	0	0	
Revenue resource use on specified matter(s) does not exceed the amount specified in Directions	0	0	0	
Revenue administration resource use does not exceed the amount specified in Directions	4,973	4,544	429	Yes

	2014-15			
	Target £000	Performance £000	Variance £000	Target met
Expenditure not to exceed income	239,423	236,679	2,744	Yes
Capital resource use does not exceed the amount specified in Directions	847	771	76	Yes
Revenue resource use does not exceed the amount specified in Directions	218,166	215,498	2,668	Yes
Capital resource use on specified matter(s) does not exceed the amount specified in Directions	0	0	0	
Revenue resource use on specified matter(s) does not exceed the amount specified in Directions	0	0	0	
Revenue administration resource use does not exceed the amount specified in Directions	4,992	4,908	84	Yes