Anticipating the ebb and flow

In the first of two articles, accountant Luke Bennett offers some guidance when dipping your toes into budget planning

For practices with 31 March year ends – and there are many of them – now is the time to start preparing an annual budget. Before you start work, spend some time considering its purpose since this will determine the level of detail needed.

The practice budget might be used to:

Set the drawings levels for the partners

Assess the profitability of the practice so decisions can be made about investment in assets or staff

Assess when the cash flow 'pinch points' will arise to anticipate any overdraft facilities required

Blank spreadsheet

Whatever the reasons, the budget should be monitored against actual performance as the year goes by. For a non-accountant, it can be daunting to start with a blank spreadsheet when asked to produce a budget, so it is important to break it down into manageable chunks. Also, at the outset, it is important to have a feel for the level of accuracy needed. In most cases, an overview simply concentrating on the major items of income and expenditure will suffice. However, if cashflow is problematic, it may be necessary to spend more time on predicting the ebb and flow of income and expenditure through the year. In most cases, a budget will be broken down into monthly intervals, although in a small stable practice quarterly figures may be enough. The last set of completed financial accounts will be a good place to start, which will be for the year ended 31 March 2014.

Income

Global sum

The major source of income for a GMS practice will be the global sum. In 2013/14 this was £66.25 per patient and increased to £73.56 per patient in 2014/15. At the time of writing the global sum per patient for 2015/16 is not known, but given seniority and MPIG funds are being gradually recycled into the global sum an above inflation increase can be assumed, so say £76.00 per patient. You then need to consider whether it is reasonable to assume your list size will grow, fall or remain constant, and change the number of patients each quarter accordingly. Finally remember that the global sum is based on the number of 'weighted' patients and not the raw list size. The information on your weighted list size can be found on the Open Exeter system.

PMS baseline

PMS practices will follow a similar approach. Take your 2013/14 baseline, add £4.55 per patient to allow for the 2014/15 increase and then allow another say £0.50 for 2015/16. However PMS practices will then have to factor in the outcome of any PMS review, which is being applied to reduce the funding of PMS practices to bring them closer to GMS practices. Some Local Area Teams have progressed further with this process than others, but hopefully by March 2015 most practices will have some idea of the impact of any PMS funding review.

MPIG

This is being reduced by 1/7th per year so the income for 2015/16 will be 5/7ths of that received in 2013/14.

QOF

The 2013/14 income will have been based on 900 points, but in 2015/16 only 559 points are available, so reduce anticipated income accordingly. QOF income will also change with list size, so if you are predicting an increase or decrease in list size, you also need to allow for this in the QOF calculations. Remember that 70% of the total QOF income is paid in monthly instalments over the course of the year, and the remaining 30% will be paid after the year-end, probably in June.

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Enhanced services

This is an area where you will need to make a decision about how much detail to go into. At the simplest level you might base it on 2013/14 income, deduct the amount received for risk profiling, on-line access and remote care monitoring DESs, which ceased in 2013/14, and add estimated income from the unplanned admissions DES which is worth a maximum £2.87 per patient. Alternatively at the other extreme you will want to consider each individual enhanced service and assess in turn how much income you anticipate receiving.

Other income

Having covered the main sources of income, a sensible overview of other sources of income as disclosed in the last accounts, should act as a reminder of other areas where you are expecting significant changes, otherwise assume these remain constant.

• Part two in February's issue