



**West Hertfordshire Primary Care Trust and
East and North Hertfordshire Primary Care Trust**

Hertfordshire PCTs

Practice-Based Commissioning 2008/09 Budgets

West Herts PBC leads 17th January 2008

Aims of the budget-setting process

- Move localities towards capitation
- Ensure localities have a reasonable budget
- Set aside enough for services outside the scope
- Ensure availability of funds for future
- Safeguard underspends

Table 1: 2008-09 PCT Revenue Allocation

| | |
|--|----------------|
| | £'000 |
| Allocation 2007/08 incl non recurrent | 653,130 |
| 2006/7 debt repaid in 2007/08 | 27,146 |
| 2008/09 increase | 37,123 |
| Non recurrent allocation changes expected: | |
| Purchaser Parity Adj & MFF | (3,874) |
| Other | (2,576) |
| Total allocation 2008/09 | 710,949 |
| Total increase over 2007/08 | 8.85% |

Uneven growth across the next 3 years

- National headline growth 5.46%
- In Hertfordshire, because of repayments in 2007/08 (and not in 2008/09):
- **2008/09** growth (on 2007/08) is disproportionately high (v 2009/10, and 2010/11)
- Suggestion of “smoothing” (topslice)

Factors influencing our ability to move localities to fair shares

- **Size of any *topslice* (lodged with SHA)**
- ***Non-scope* budget (all localities contribute)**
- **and**
- **Minimum (floor) growth of *in-scope* budget**

Initial assumptions (Scenario 1)

- No topslice by SHA
- Non-scope budget = £2206m (growth 4.7%)
- Minimum 4.5% growth of in-scope budget

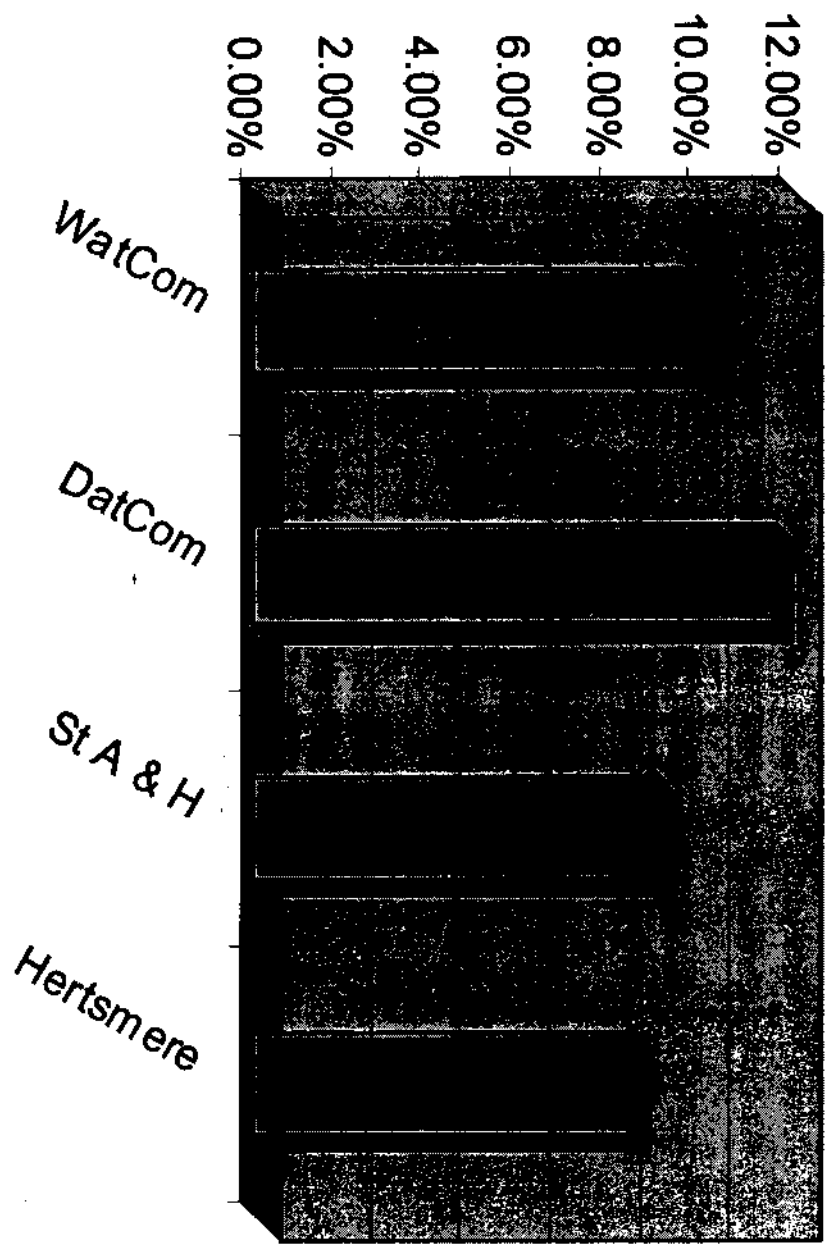
Result:

All localities at fair shares

Average growth > 10% on PBC budget

| | Excluded from scope | Included in scope | Budget 2008/09 £'000 | Fair Share £'000 | Difference | |
|-----------|---------------------|-------------------|-------------------------|---------------------|------------|------|
| | %inc | %inc | | | £'000 | % |
| WatCom | 4.82% | 10.27% | 231,763 | 231,763 | 0 | 0.0% |
| DatCom | 4.55% | 11.62% | 190,124 | 190,124 | 0 | 0.0% |
| St A & H | 4.69% | 9.04% | 160,344 | 160,344 | 0 | 0.0% |
| Hertsmere | 4.56% | 8.45% | 119,212 | 119,212 | 0 | 0.0% |
| Total | 4.67% | 10.04% | 701,442 | 701,442 | 0 | 0.0% |

**Growth in PBC budgets (items within the scope)
before deposit**



Consequences of too much growth?

- Risk of poor value for money
- Risk of unplanned surplus (and subsequent loss?)
- Pressure on future years

Solution? returnable deposit

Revised assumptions (Scenario 2)

- Non-scope budget = £206m (growth 4.7%)
- 7% growth of in-scope budget for all (tariff uplift = 2.3%)
- Excess growth deposited

- Result:**
 1. All localities still at fair shares
 2. Reduced risk of unused/ poorly used surplus
 3. Top-slice / deposit = £13.7m

| | Excluded from scope | | Included in scope | | Budget 2008/09 £'000 |
|--------------|---------------------|------------------------|-------------------|------------------------|----------------------------|
| | 07/08 £'000 | 08/09 %inc £'000 | 07/08 £'000 | 08/09 %inc £'000 | |
| WatCom | 64,288 | 67,384 4.82% | 149,074 | 159,509 7.00% | 226,893 |
| DatCom | 52,915 | 55,322 4.55% | 120,771 | 129,225 7.00% | 184,546 |
| St A & H | 45,945 | 48,099 4.69% | 102,940 | 110,146 7.00% | 158,245 |
| Hertsmere | 33,378 | 34,902 4.56% | 77,739 | 83,181 7.00% | 118,083 |
| Total | 196,526 | 205,706 4.67% | 450,524 | 482,061 7.00% | 687,767 |

Next steps

1. PBC groups / leads to feedback asap on provisional budget-setting methodology
2. PCT financial plan v1 to SHA by 24th Jan
3. Agree any changes to scope
4. Fair shares to be recast (awaiting new needs data)
5. Localities work with PCT on PBC commissioning plans (activity, prescribing, CATs, DESS/NESS/LESSs) to ensure
 - delivery of national and local priorities and
 - affordability
6. PCT-held (non-scope) budgets to be finalised
7. Agree level of deposit with SHA
8. Budgets approved at March PCT Board meetings