**Financial forecasting**

Financial forecasting helps Commissioners and Providers with financial planning.

The forecast out-turn is a forecast of the spend for each practice for the current financial year, calculated using the expected profile of expenditure for England.

**Calculating the forecast out-turn**

**Calculation**

The forecast out-turn (FO) calculation assumes that each month's expenditure for a practice is in line with the national trend for proportionate spend. This means it's assumed that a practice's cumulative spend to date is the percentage of total spend defined by the national trend. The percentages used are updated each year to reflect the latest trend information.

The FO formula for an existing practice is:

(CUMULATIVE ACTUAL COST X 100) / CUMULATIVE PROPORTIONATE SPEND FIGURE

The FO will not be shown for the first two months of the financial year (relating to April and May dispensing) due to the volatility of forecasting over the beginning of the year. The first month that this will be shown, for each financial year, will be for June dispensing.

The amended profile will be used to calculate forecast out-turns for 2019 to 2020 prescriptions from the August 2019 PMD report onwards. The profile:

* excludes drugs costs met centrally
* includes practice, out of hours, and community nurse prescribing
* is subject to change

The method used to calculate the forecast of primary care prescribing expenditure:

* considers monthly expenditure data from the last five years
* removes the effect of policies (reductions due to PPRS and Category M) from last year's expenditure
* looks at the effect of the number of dispensing days, the position of the month in the year and the year of expenditure

This is collated to predict the monthly expenditure for this year.

The percentage is then applied to data from the monthly Prescribing Monitoring Document.

**Revision to the in-year forecast of primary care prescribing expenditure**

The profile for 2019 to 2020 is subject to change and is based on the best information available at the time. The profiles will be revised accordingly as further information becomes available.

* The revised profile includes Category M adjustments for 2019 to 2020.
* This year’s forecast is particularly affected by the August 2019 Cat M change. As the change is expected to increase spend in the second half of the year, the forecast produces a higher figure than the year to date calculation.
* The Department of Health and Social Care (DHSC) receive a number of queries about our data that we're unable to answer (for example the treatment NCSO cost pressures). These queries should be directed to those responsible for the data collection or the relevant CCG policy contact in the NHS.

**Forecast out-turn 2019 to 2020**

Reviewed and updated 26 September 2019.

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| **Month** | **Practice Prescribing Monthly Profile** | **Practice Prescribing Cumulative Monthly Profile** |
| April 2019 | 7.74% | 7.74% |
| May 2019 | 8.34% | 16.08% |
| June 2019 | 7.83% | 23.91% |
| July 2019 | 8.49% | 32.40% |
| August 2019 | 8.33% | 40.73% |
| September 2019 | 8.31% | 49.04% |
| October 2019 | 9.08% | 58.12% |
| November 2019 | 8.67% | 66.79% |
| December 2019 | 8.30% | 75.09% |
| January 2020 | 8.44% | 83.53% |
| February 2020 | 7.97% | 91.50% |
| March 2020 | 8.50% | 100.00% |
| **Total** | **100.00%** |   |