**CAPITATION PAYMENT PROCESS FOR SPECIALIST SECTIONS**

Capitation payments are based on Specialist Sections budget forecasts which must be received by RCOT no later than 31st August.

The capitation funding is calculated subject to two criteria:

1. The branch has submitted an acceptable budget for the new business year, and:
2. Falls under RCOT policy on the level of branch reserves. This states that capitation funding will be paid to branches if, after deducting 50% of the budgeted expenditure in the year from the balance of branch reverses at the beginning of the financial year, the balance falls below 50% of expenditure i.e. it leaves the branch with less than 6 months of cover (reserves) for expenditure.

See below for a table to explain how this operates.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Branch** | **Balance at end September 2016** | **Budgeted Expenditure for the following year** | **50% of budgeted expenditure** | | **Balance less 50% of budgeted expenditure (column A – C)** | **Is column D less than column C?** | **Will Capitation be paid?** |
|  | £ | £ | £ | £ | |  |  |
|  | A | B | C | D | |  |  |
| **Example 1** | 6,000 | No Budget | No Budget | No Budget | | No Budget | No – no budget received |
| **Example 2** | 6,000 | 5,000 | 2,500 | 3,500 | | No | No – 50% of budgeted expenditure less than 6 months reserves |
| **Example 3** | 6,000 | 10,000 | 5,000 | 1,000 | | Yes | Yes – 50 % of budgeted expenditure is more than 6 months reserves |

L**ate or non-submission can lead to no capitation being received by Specialist Sections.**

As a reminder your membership figures need to be sent to the Specialist Sections Administrator by the end of September irrespective of whether you will be receiving Capitation.

The Specialist Sections Administrator will liaise with the Finance Team as to budgets and membership numbers received and reserves held, and will then check membership lists as appropriate.

When payments are agreed the Finance Team will write to Specialist Sections informing them of the outcome and any payment due.

Transfers should be made in early November into appropriate Specialist Section reserves.

**May 2017**