ISSUE 3 AUTUMN 2010

Lentells
Chartered Accountants

GP Money Matters

ARE YOU MAXIMISING PRACTICE INCOME?

With the prospect of future increases in NHS income looking bleak, practices should consider ways to maximise entitlement to income such as:

- Maintain a robust system to ensure the practice invoices/claims and is paid for all work done.
- Ensure any patients residing in care homes and new patients are correctly recorded as these attract a premium.
- Register long-term temporary residents with the practice, even if for a short period, to ensure the practice is remunerated.
- Keep disease registers up to date to maximise prevalence and regularly review patient records in order to maximise QOF income.
- Carefully monitor entitlement to childhood immunisation income and take action where targets likely to be missed because of a small number of patients.
- Consider using a specialist advisor to appeal notional rent reviews.
- If in receipt of cost rent, consider whether a once only transfer to notional rent would be beneficial.
- Make maximum use of space available and rent out any surplus (but beware notional rent abatement rules).
- Monitor the profit made on PA drugs to ensure all items used are claimed for.

MEDICAL ACCOUNTANCY EXPERT JOINS LENTELLS AS ASSOCIATE DIRECTOR

39 year old Jane Jordan has joined Lentells from Francis Clark, where she was Healthcare Manager dealing with the practice's portfolio of medical clients across the South West.

Jane Jordan at Lentells new Chard office

Originally from Plymouth, Jane left the area when she married her husband Fraser who at the time was a leading photographer in the Royal Navy. She has been acting for medical practices since 1994 when she joined specialist medical accountancy firm Morris Crocker in Havant. Jane qualified as a Certified Accountant in l998 and in recent years has worked for a wide portfolio of clients including GP's, care homes, dentists and hospital consultants.

Jane now lives with her husband and two children in Cotford-St-Luke near Taunton. Of her appointment at Lentells, Jane says, *'it's a fantastic opportunity to further my career in an area which I specialize in. I know that Lentells are already arguably the largest specialist medical accountancy operation in the South West and I am very proud to have the opportunity of taking a front line role in the next stage of the Division's development.'*

Existing Directors of the Division Andrew Spear and Jo Fursman commented: *'We are delighted to have Jane on board – she is one of the most respected specialist medical accountancy practitioners in the West Country. Our Medical Division is still enjoying strong growth with around 110 practices on board, and we expect that growth to continue so having Jane alongside us will be a great asset.'*

VAT ISSUES

The VAT rate is changing (again) on 4 January 2011 and increasing to 20%. This will effectively increase costs for most practices, even those that are VAT registered, since generally some VAT is irrecoverable.

VAT registered practices need to ensure that they update their records to reflect the new rate, and where using a computerised accounting package, should ensure this does not affect earlier transactions (as this could impinge on the next annual adjustment).

Where practices are considering incurring large expenditure early in 2011, they may want to consider advancing this in order to take advantage of the lower VAT rate.

LENTELLS TAUNTON AND CHARD TEAMS MOVE TO SMART NEW OFFICES

August and September proved to be hectic months for the Lentells teams in Chard and Taunton, both of whom were relocating to smart new offices. Lentells Chard have moved to a 7,000 square foot open plan building on leafy Chard Business Park whereas Lentells Taunton have moved to take over the 4,100 square foot top floor of Ash House on the Bindon Road Estate on the outskirts of the town.

For both teams, the new offices are radically different from their old premises. Standing in the vast two storey glass atrium which forms the entrance to the new Chard premises, Director of the Medical Division Andrew Spear comments: *'We are a rapidly growing organization and our old premises were just no longer suitable for us, either in terms of size or IT efficiency. Our new building is mainly open plan with lots of natural light so the growing teams have a more pleasant environment where it is much easier to confer and work together. We have a superb new meeting room which we will be able to use for training and educational seminars as well as for client meetings. We are very pleased we made the move'.*

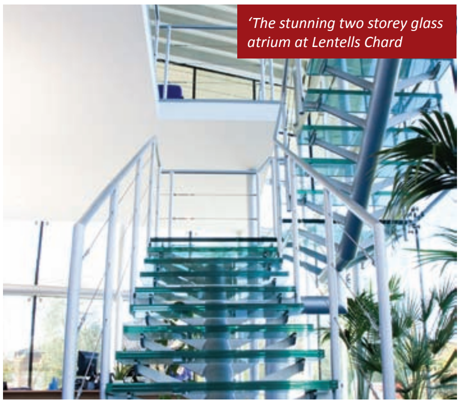

Ash House – the new home for Lentells Taunton

The moves took place over two weekends and required a very tightly controlled, meticulously planned logistics exercise run by Practice Manager, Marie Spear and IT support organization CETSAT. *'Moving over 60 people, all our records, our IT systems, and reducing the interruption in our services to our clients to no more than a single day was quite a challenge!'* comments Marie.

Both offices are very easy to access without the need to tackle town centre traffic. There is ample parking for staff and visitors, as well as disabled parking and lift access.

The moves are the last developments in what has been a very progressive year for Lentells. Not only have all the offices grown through introduction of new clients, but the firm has also rebranded with a smart new logo, developed a new website, and made a key appointment in Associate Director Jane Jordan.

Lentells new 7,000 sq. ft. building in Chard


'The stunning two storey glass atrium at Lentells Chard

HOW WELL ARE YOU CONTROLLING COSTS?

With income levels expected to be static at best, practices should consider whether costs can be reduced as follows:

- Ensure staff employed are in posts commensurate with their experience and qualifications.
- Consider alternatives to pay increases , such as additional holidays and other benefits.
- Shop around for utility providers and regularly check your meter readings.
- Consider replacing old inefficient equipment (grants may also be available for certain items).
- Consider refinancing (but beware exit penalties and set-up fees) and switching partners' personal borrowings to business borrowings (seek professional advice first).
- Consider using fixed share partners rather than salaried GPs.
- Ensure the practice is making full use of credit terms available from suppliers.
- Negotiate discounts from suppliers where possible and consider joining a buying group if sufficient volume of drugs purchased.

PRACTICE STATISTICS

In a time when practices are seeing profits reducing due to no significant uplifts in income yet overheads continue to increase it is important that practices analyse their accounts. Practices are able to calculate statistics for their own results however most have nothing to compare this to. The national average statistics are useful but these do not give a true picture of similar practices to yourselves as they will compare for example an inner city London practice with a rural Somerset practice which are just not comparable.

We currently act for approximately 110 practices across the south-west and we have compiled all of the financial results for our clients for the calendar year of 2009 to enable us to produce some accurate figures for the average results for key statistics.
We have split these between dispensing and non-dispensing practices to enable fair comparison. We have also extracted the cost of salaried GP's from the profits of practices and treated them as whole time equivalents once again to enable fair comparison given the different structure of practices.
The results are summarised right :-

You should calculate these statistics for your practice and see how you compare. You can then use this information to make informed decisions regarding the future of the practice as it will highlight areas where you vary significantly from other similar practices.

This clearly shows that the average list size and therefore profit per WTE is lower in the south-west than the national average for the country as a whole. It also gives an indication that profits generally for practices have fallen in the last year which is not unexpected due to the lack of payrise given to GP's.

STATISTICAL ANALYSIS - 2009

	Average
List size	6,861
Number of WTE (including salaried GP's and retainers)	4.15
Patients per WTE	1,653
Profit (excluding dispensing) per WTE	96,700
Profit (exluding dispensing) per patient	58.50
Dispensary profit per WTE	61,386
Dispensing profit margin	27.03%

Income per WTE	Average
Essential and additional services	88,476
Seniority payments	5,124
Quality money	33,862
Enhanced services	23,753
Training payments	1,606
Contract receipts per WTE	**152,821**
Appointment income per WTE	4,839
Other clinical income	9,257
Reimbursements (excluding Personally administered drugs per WTE)	44,594
Personally administered drugs reimbursement	8,953
Non clinical income per WTE	2,695
Total income per WTE	**223,159**

Income per patient	Average
Essential and additional services	53.52
Seniority payments	3.10
Quality money	20.49
Enhanced services	14.37
Training payments	0.97
Contract receipts per patient	**92.45**
Appointment income per patient	2.93
Other clinical income	5.60
Reimbursements (excluding Personally administered drugs per patient)	26.98
Personally administered drugs reimbursement	5.42
Non clinical income per patient	1.63
Total income per patient	**135.01**

Expenditure	Average
Wages cost per WTE (non-dispensing)	62,969
Wages cost per patient (non-dispensing)	38.13
Wages cost per WTE (dispensing)	84,200
Wages cost per patient (dispensing)	51.49
Locum cost per WTE	**7,253**
Locum cost per patient	**4.31**

Components of total income	Average
NHS income	94.75%
Non-NHS clinical income	4.06%
Non clinical income	1.19%
Total expenditure per patient	**76.51**
Total expenditure per WTE	**126,471**

Expenditure as a percentage of income	Average
Staff costs	37.20%
Establishment costs	6.55%
Clinical costs	3.11%
Administrative costs	6.79%
Finance costs	1.98%
Depreciation costs	0.39%
Net profit margin	**43.89%**

NB : the number of WTE includes salaried GP's and retainers and the cost of wages excludes these.

EMERGENCY BUDGET 2010 : A SUMMARY

The key message from the Coalition Government is to return the country to a more balanced budget position. The inevitable result of this will be higher tax for many and reduced Government spending. Some of the key financial changes include:

- Capital Gains Tax increased to 28% for higher rate tax payers.
- VAT will rise from17.5% to 20% from 4th January 2011.
- Corporation Tax will be cut by 1% per year for four years and small companies tax rates will reduce to 20%.
- Personal allowance still restricted for earnings over £100,000 in a tax year.

Additional Pension changes announced in October:

- Higher rate tax relief on Pensions remains, however a reduced Annual Allowance of £50,000 will come into effect from April 2011. The valuation factor for accruals for active members of Defined Benefit Pension schemes (such as the NHS Pension Scheme) changes from 10:1 to 16:1. It will be possible to carry forward unused Annual Allowance from previous 3 years.
- Pension Lifetime Allowance reduced to £1.5 million from £1.8 million from April 2012.

With so much change taking place and the likelihood that increased taxes will target the higher earners, there has never been a better time to shelter your money away from tax. ISA allowance increased to £10,200 for everyone on the turn of the tax year, giving a couple the opportunity to invest up to £20,400 free of income tax and capital gains tax.

Enterprise Investment Schemes (EIS) and Venture Capital Trusts (VCTs) also offer investors additional ways to seek tax efficient investing, although these must be viewed as high risk investments on which specialist advice should be sought.

Now is certainly the time to review your current investment strategy to ensure you are taking advantage of your annual tax allowances, ISA allowance and pension funding allowances.

PENSIONS 2010 : AN UPDATE

First we had Pension Simplification which intended to make the complex pensions world a much simpler place with the introduction of Lifetime and Annual Allowances, Enhanced and Primary Protection and Pension input periods!! If this wasn't enough to confuse us all, the addition of the Anti-Forestalling legislation in the April 2009 Budget and revised rules in the October 2009 Pre-Budget report, made sure that, for those who had a grasp of the previous regulations, it was no time to sit back and think it was all over.

One thing that we can be sure of is that the restrictions on high rate tax relief are likely to continue to affect those who regularly contribute into both Occupational and Personal Pension Plans. The proposed change to an Annual Allowance of £50,000 for everyone from April 2011 with a valuation factor for accruals of 16:1 for Defined Benefit Pension Schemes, e.g. NHS Pension Scheme, leaves opportunities to continue to fund pensions and qualify for marginal tax relief at your highest rate. Carry forward of unused Annual Allowance from the previous 3 years will be permitted. For those who are subject to the loss of personal allowances and the 50% tax band this will offer very tax efficient funding options for pension planning. In addition to these changes we will see a reduction from April 2012 in the Lifetime Allowance to £1.5 million from the current £1.8 million.

There are still some great opportunities and tax breaks for funding into pensions. In Newsletter Issue 2, we covered the changes to taxable earnings for income over £100,000 with the loss of personal allowances in the 2010/2011 tax year and beyond.
With the reduced Annual Allowance, it will become even more important to maximise pension funding allowances on an annual basis as it may not be possible in future years to fund large amounts into pension plans when all scheme contributions are taken into consideration.

The importance of seeking professional advice to make sure you are making the most of any funding allowances whilst staying within the new Lifetime and Annual Allowance has never been more appropriate. Exceeding the Lifetime and Annual Allowance can have significant tax consequences.

EMERGING MARKETS

LOOKING FURTHER AFIELD FOR INVESTMENT RETURNS

Emerging Markets have had a volatile first half to the year following a strong rally in 2009. This has been fuelled by the wider concerns of the global economy. The currencies in these economies have strengthened in recent months against Sterling, improving returns for UK investors.

With the developed economies showing a slow return to growth, coupled with low interest rates and rising taxes, investors should consider alternative ways to seek their returns. The long term outlook for Emerging Economies such as China, Brazil, India, Russia, as well as other emerging market countries, looks very positive. The favourable demographics, less reliance on exports and growth in their own domestic economies, along with increased wealth, education, health and infrastructure development, are the key factors which are likely to drive growth in the next few years.

As the power shifts from the West to the East it is no surprise that many well respected fund managers and analysts are predicting that these markets will be the growth areas in the years to come. Inclusion of these regions within an investment portfolio can be obtained through both UK based and overseas companies within funds. Many of the larger listed UK companies obtain a significant amount of profit from overseas activity in particular those involved in marketing their products and services in Asia and the emerging economies. Investors should understand that investing in Emerging Markets is considered higher risk and that any investment can fall as well as rise.

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