

APRIL 2018  
FINANCE FOR GENERAL PRACTICE



# Lentells Healthcare Directors

- Andrew Spear FCCA



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# Lentells Healthcare Team

- Act for over 170 GP practices
- Throughout West Country & beyond
- Large team based in Chard



# CHANGES TO CORE FUNDING

	<b>2018/2019</b>	<b>2017/2018</b>
Global sum	£87.92	£85.35
OOH adjustment	4.87%	4.92%

Indemnity funding:

- 2016/2017 £0.516 per raw patient March 2017
- 2017/2018 £1.017 per raw patient March 2018

E-referral system funding £0.17 per weighted patient



# CONTINUING REDUCTION IN OTHER FUNDING

- Seniority reduces by a further 15%
- MPIG reduces by 1/7<sup>th</sup>
- PMS premium withdrawal



# QOF CHANGES

	<b>2018/2019</b>	<b>2017/2018</b>
Value per point (increase 4.7%)	£179.26	£171.20
Average population (increase 4.7%)	8,096	7,732
Max no. of points	559	559
No overall impact		



# VACCINATIONS AND IMMUNISATIONS

Increase in rate from £9.80 to £10.06 for:

- Hepatitis B
- Meningitis
- MMR
- Rotavirus
- Shingles



# PREMISES FUNDING CHANGES

- Grants of up to 100% of to improve/update premises
- Previously, maximum available 66%
- Able to use grants to purchase land
- Improved terms where grants issued and practice closes/last man standing





# LOCUM REIMBURSEMENTS PARENTAL LEAVE

	<b>2018/2019</b> <b>up to £ p/w</b>	<b>2017/2018</b> <b>up to £ p/w</b>
Weeks 1 – 2	£1,143.06	£1,113.74
Weeks 3 – 26	£1,751.52	£1,734.18



# LOCUM REIMBURSEMENTS SICK LEAVE

	<b>2018/2019</b> <b>up to £ p/w</b>	<b>2017/2018</b> <b>up to £ p/w</b>
Weeks 1 – 2	£0.00	£0.00
Weeks 3 – 28	£1,751.52	£1,734.18
Weeks 29 – 54	£875.76	£867.09



# NON FINANCIAL CHANGES

- Strengthened violent patient regulations
- Practice with < 10% patients registered for online services to work with NHS
- Ban on advertising private GP services where available for free under NHS



# ADVANTAGES OF OWNING PRACTICE PREMISES

- Can be profitable
- Capital growth only taxed at 10% (after CGT personal allowance)
- More control



# WHY ARE NEW PARTNERS RELUCTANT TO BUY INTO PROPERTY?

- Risk of negative equity/last man standing
- Do not want to/cannot borrow personally
- Do not want to make a long term commitment
- High interest rates/redemption penalties on existing borrowing
- Poor state of existing premises



# WHEN IS A PROPERTY LEASE REQUIRED?

No lease required:

- If premises owned by some/all current partners'

Lease required if:

- Renting premises from external landlord
- Any owner is not a current partner
- Bankers may insist on a lease if ex-partner continues to own a share



# COSTS OF A LEASE

- Professional fees
- SDLT
- Update partnership agreement
- Dilapidations



# OTHER LEASE ISSUES

- Seek advice before invoking break clause
- Service charge breakdown (only in shared premises)
- NHSE need to approve all leases
- Rent review procedure





# HOW DOES SALE AND LEASEBACK WORK?

- Sell property to third party investor
- Immediately lease property from landlord
- Lease length normally 20 – 25 years
- If NHSE approves lease, rent reimbursement matches rent payable
- Take legal advice



# ADVANTAGES OF SALE AND LEASEBACK

- Immediate cash injection
- Potential high valuation
- Potentially more attractive to new partners
- Puts all partners on same footing
- Could factor in renovations to the deal
- Discreet – staff/patients will not know



# DISADVANTAGES OF SALE AND LEASEBACK

- Crystallise CGT (potentially at a higher rate)
- Lose property profits
- Committed to pay rent until end of the lease
- Crystallise redemption penalties on loans
- Stamp duty on new lease



# DISADVANTAGES OF SALE AND LEASEBACK (CONT.)

- Regular maintenance costs
- Dilapidations at end of lease
- May lose rental income from existing tenants
- Seek landlord's permission before making any changes to property
- Need NHSE approval for new lease



# MERGERS – FINANCIAL CONSIDERATIONS

- Profitability – now and future potential
- Property
- Other significant fixed assets/shares
- Other complications e.g. limited companies, dispensing etc.
- Tax and VAT



# MERGERS – OTHER KEY POINTS TO CONSIDER

- Contracts
- Cultural fit
- Staffing – levels, rates of pay, contracts etc
- IT systems
- CCG support



# MERGERS – PARTNER CONSIDERATIONS

- Ages and retirement plans
- Sessions and differing treatments
- Allocation of income
- Partnership agreement terms e.g. sabbatical, annual leave



# MERGERS – PLANNING POINTS

- Allow sufficient time
- Seek professional advice
- Confidentiality agreement
- Ensure full partner support





# PRACTICE CLOSURES – KEY POINTS

- 6 month notice period for GMS/PMS contracts
- Patients:
  - Allocate to new provider OR
  - Disperse to other existing practices
- Staff:
  - TUPE to new employer OR
  - Redundancy
- Settle other liabilities e.g. phone lease



# PRACTICE CLOSURES – PROPERTY ISSUES

- Rent reimbursement ceases
- Leased premises:
  - Liable for rent until end of lease
  - Dilapidation liabilities (are former partners liable?)
- Owned premises:
  - Mortgage liability remains
  - Potential early repayment payments on mortgage
  - Sales proceeds < outstanding mortgage?



# PARTNER EXIT – GENERAL

- Check partnership agreement terms
- Who will pay the tax?
- Seniority - any clawbacks/arrears?
- Impact on practice cash flow
- Return as a retainer/salaried GP?



# PARTNER EXIT – SUPERANNUATION ISSUES

- Provide for any superannuation adjustments
- Submit revised est superannuable pay form
- Check monthly superannuation POA cease
- Check seniority income ceases



# PARTNER EXIT – PROPERTY

- Update lease – any dilapidation issues?
- Revalue property & agree who will pay fees
- Arrange finance & update mortgage
- Update title deeds
- Any impact on cost rent?



# STAFF PERKS

- Parties – up to £150 pa per employee tax free
- Cash – always taxable, put through payroll
- Non cash vouchers:
  - > £50 – taxable through payroll or PAYE settlement agreement
  - < £50 – non-taxable if qualifies as trivial benefit



# TRIVIAL BENEFITS

Trivial benefits <£50 non taxable if:

- Not cash
- Not contractual
- Not a reward for service



# OTHER NON-TAXABLE ITEMS

- Reimbursement of tax allowable expenses not a benefit e.g. subscriptions
- Mileage reimbursed at HMRC approved rates:
  - 45p up to 10,000 miles
  - 25p over 10,000 miles





# REPORTING TAXABLE BENEFITS

P11D 2017/2018:

- HMRC submission & to employees 6/7/18
- Penalties– initial £100 per 50 employees
- If NIC due on benefits, pay by 19/7/18 or 22/7/18



# REPORTING TAXABLE BENEFITS

## PAYE Settlement Agreements 2017/2018:

- Where practice paying tax on small taxable benefits
- Apply to HMRC before 5/7/18
- Pay tax & NIC by 19/10/18 or 22/10/18
- Automatically renews in future years



# RISING STAFF SALARIES

New NMW rates from 1/4/18:

<b>AGE</b>	<b>£ per hour From 1/4/18</b>	<b>£ per hour Until 31/3/18</b>
25 and over	7.83	7.50
21 – 24	7.38	7.05
18 – 20	5.90	5.60
Under 18	4.20	4.05
Apprentices – Year 1	3.70	3.50



# IMPACT OF NMW INCREASE

NMW staff working 37.5 hours per week will cost additional:

- Gross pay £643
- Employer's NIC £89
- Employer's superannuation £92
- Total increase in costs £824



# RISING STAFF PENSION COSTS

- For auto-enrolled staff, rates are increasing:

	To 5/4/18	From 6/4/18	From 6/4/19
<b>Employer rate</b>	1%	2%	3%
<b>Employee rate</b>	1%	3%	5%

- Salary of £25k will cost an extra £250 per year in 18/19 and 19/20
- No increase in NHS pension scheme contributions



# IR35 BACKGROUND

- Effective 6 April 2017
- Public sector bodies to determine status
- For individuals working through companies
- HMRC employment status check



# IR35 ONE YEAR ON

- Initial panic by some providers e.g. OOH
- Practices being more careful
- In practice, not much impact
- Not much HMRC interest (yet)
- Potential for rolling out to all businesses



# IR35 KEY INDICATORS

- Obligation to work
- Provision of equipment
- Right of substitution
- Specific regular sessions





# WHAT TO DO IF IR35 APPLIES

- Process through payroll
- No pension due
- Er's NIC charge
- Provide payslip (and P60)
- No other employment rights



# MAKING TAX DIGITAL

- VAT registered businesses from April 2019
- Other GP practices expected to follow from April 2020
- Initially report for VAT purposes only
- Expecting software providers to upgrade software to support MTD



# PARTNER SUPERANNUATION DELAYS

- 2016/2017 superannuation certificates:
  - Submission deadline 28/2/18
  - Adjustment due March 2018
- Tax relief/charge when adjustment processed
- Delay in processing delays tax relief/tax charge
- May move GP into a higher tax band
- If BACS payment made, check duplication



# CONTACTING PCSE

- Use on-line submission enquiry
- 40 day response time – follow up
- Make a complaint on-line at PCSE
- Contact NHSE if a payment issue not resolved by PCSE
- Report to BMA
- Beware impact on cashflow



# BMA ADVICE RE PCSE ISSUES

- Submit SAR letter (BMA template) to confirm pension position – 40 day response
- Submit a statutory demand if owed money (BMA template) – 40 day response
- Take legal action



# PARTNER PENSION ISSUES

- Annual allowance
- Lifetime allowance
- Total reward statements



# ANNUAL ALLOWANCE ISSUES

- 2016/2017 tapered allowance
- 2017/2018 high inflation
- Scheme pays not available on tapered AA
- Potential for individual tax bills



# ANNUAL ALLOWANCE ACTION POINTS

- Request pension savings statement
- Expecting PSS for all 2016/2017?
- Scheme pays deadline extended?
- Inform partners
- Seek IFA advice





# LENTELLS APP

- Free to download from App Store
- Mileage tracker
- Tax calculations
- Tax tables



# Any Questions?

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