

GP Money Matters

2019 Benchmarking

Lentells' medical division is based in Chard and currently acts for over 185 practices. These range from single handed GPs to large partnerships with multiple partners. Of these practices, just under one third are dispensing and approximately 56% hold GMS contracts with the remainder subject to PMS or APMS contracts. Lentells also act for a range of locums, consultants and complementary practitioners.

We have compiled the data from the accounts of our clients during the 2018 calendar year to produce an average benchmark. These split out dispensing profits and associated costs separately so that all practices will be able directly compare their results to our averages. Our statistics are based on a Whole Time Equivalent (WTE) of 8 sessions and also exclude the cost of salaried GPs and retainers. These are included as if they were WTE GPs for comparison purposes.

Our calculations include professional subscriptions and loan interest incurred privately since these would normally be shown in the practice accounts. When comparing results with your practice, you need to ensure that these are included. Employer's superannuation is included as an expense within our practice accounts, which is not always the case for all other practices.

Practice list sizes have continued to steadily increase and this year, the average WTE GP is responsible for a further 10 patients. Overall, practice list sizes have increased by 3.5% when compared to the previous year. Average profits (excluding dispensing profits) have increased to £60.89 per patient. This is an increase of £2.22 per patient when compared to the period year (the increase between 2017 and 2018 was just £0.18). Profit per WTE has also increased by £4,436 to £112,805, which represents an increase of 4%.

Practices are continuing to see a steady increase in the level of core funding and this is now £83.31 per patient, an increase of over 5%. This was, however not all new funding, and included recycled seniority and enhanced services. Quality money and enhanced services have remained at a similar level to the previous year as there have been minimal opportunities for practices to increase these sources of funding. Staff wages continued to increase, which is a trend we have seen for some years now and currently stands at £48.65 per patient. This does, however include the cost for clinical staff such as nurse practitioners, pharmacists and paramedics who help ease the clinical pressures on partners. The increase in staff costs has slowed slightly and represents a rise of 5.7% this year compared to 6% between 2017 and 2018.

This year, practices are seeing only a slight increase in locum costs per WTE, after seeing increases in this cost of spend for many years. This is likely in part due to the continued investment in advanced clinical

staff as mentioned previously. Practices have managed to reduce their spend on premises, clinical, administrative and finance costs as practices are increasingly burdened to curtail overhead spend in light of sharp increases in staff costs and minimal core contract pay rises. Dispensing practices have seen a decrease in profit per WTE from £39,240 to £36,280, which is the third year of such decreases. This is largely represented by the decreasing margin achieved on drugs which has fallen by 1% this year. Practices have managed to maintain dispensing staff spend as a percentage of drugs costs at 17%.

	2019	2018	2017
List size	8,911	8,606	8,183
Number of WTE incl sal GP	4.81	4.67	4.64
Patients per WTE incl sal GP	1,853	1,843	1,764
INCOME			
COMPONENTS OF TOTAL INCOME			
NHS income	96%	96%	96%
Non-NHS clinical income	3%	3%	3%
Non clinical income	1%	1%	1%
PER PATIENT			
Global sum and MPIG/PMS baseline	83.31	79.13	76.00
Seniority payments	1.48	1.76	2.18
Quality money	13.51	13.48	13.30
Enhanced services	20.45	20.68	20.67
Training payments	1.70	1.77	1.80
Total	120.45	116.82	113.95
Appointment income	1.48	1.58	1.60
Other clinical income – NHS	0.87	0.48	0.63
Other clinical income – non-NHS	4.45	4.18	3.98
Reimbursements (excluding premises and Personally Administered drugs)	5.87	4.62	3.68
Premises reimbursement	14.32	15.20	16.09
Personally Administered drugs	5.00	5.24	5.18
Non clinical income	1.94	2.16	2.09
Total income per patient	154.38	150.28	147.20
Total expenditure per patient	93.49	91.61	88.71
PROFIT FROM SURGERY ACTIVITIES			
Profit (excl. dispensing) per patient	60.89	58.67	58.49
Profit (excl. dispensing) per WTE	112,805	108,369	102,924
Net profit margin (excl. dispensing)	39%	39%	39%
STAFFING COSTS (NON-DOCTOR STAFF)			
Wages cost per WTE – non-dispensing staff	92,571	86,344	77,291
Wages cost per WTE – dispensing staff	20,589	20,220	19,406
Wages cost per patient – non-dispensing staff	48.65	46.07	43.45
Wages cost per patient – dispensing staff	11.89	11.62	11.30
LOCUM COSTS BREAKDOWN			
Locum cost per WTE	11,817	11,806	9,456
Locum cost per patient	6.38	6.40	5.36
EXPENDITURE AS A PERCENTAGE OF TOTAL INCOME			
Staff costs	38.72%	38.21%	36.84%
Establishment costs	7.79%	8.44%	8.92%
Clinical costs	2.64%	2.78%	2.87%
Administrative costs	8.80%	8.93%	8.61%
Finance costs	2.66%	2.79%	2.94%
Depreciation costs	0.33%	0.31%	0.36%
DISPENSARY TRADING RESULTS			
Number of patients dispensed to	3,794	3,675	3,725
Dispensing profits per patient dispensed to	36.00	43.00	40.00
Dispensary profit per WTE	36,280	39,240	41,863
Dispensing profit margin	18%	19%	21%
Dispensing margin on drugs	9%	11%	12%
Dispensing staff costs as a % of drugs dispensed	17%	17%	15%

Few of us like to think about dying, but leaving your affairs in good order with adequate provision for family gives considerable peace of mind. LEPS can advise on all aspects of estate planning, including drawing up and reviewing wills, dealing with probate and general estate administration.

It is really important to start planning ahead; not only specifying who should act for you as executors of your estate, but also considering the costs, which can soon mount up.

Until recently, probate was a service reserved for solicitors and banks, but a change in the law means this can now be dealt with by accredited accountants, who have undergone appropriate training. Lentells was one of the first accountancy practices in the South West to qualify under this initiative.

Traditionally probate has been charged as a fixed percentage of the estate value, which penalises high value but relatively simple estates.

LEPS offer a professional and competitively priced probate service. Some clients choose to pass the entire process onto us, from compiling details of assets and liabilities, dealing with IHT, Income and Capital Gains liabilities through to paying legacies and distributing assets. Alternatively, we can simply assist in those areas where you need most help. Our charging structure is simple and straightforward with no hidden extras.

We think it's fairer to charge based on the time spent taking into account the complexity involved rather than just charging a fixed percentage of the estate value. No two estates are alike and the value and complexity of the estate needs to be assessed before a fee estimate can be provided.

For further information or to discuss how LEPS may help you with estate planning, making or amending a will, or probate services, contact Rob Wegner on 01460 64441 or email robert.wegner@lentells.co.uk

Salaried GP Pension Adjustments

Practices may see superannuation adjustments for salaried GPs on their GMS/PMS statements and it can often be difficult to understand how the figures have been calculated. This is often because the adjustments comprise 2 elements as follows:

Reconciliation Of Practice Payments On Account To Payroll

Details of salaried GPs should be included on the estimate of pensionable profits form each year to set the level of monthly payments on account to be deducted from the practice income.

After 31 March, NHSE should then compare the pension payments on account with their record of actual pension contributions per the payroll submissions. If there is a



Changes To The Performers List

Delays in updating the status of a GP on the performers list can have significant consequences for superannuation, since the correct monthly deductions cannot be taken from a practice's Open Exeter statement until the change has been processed. In the meantime, incorrect superannuation contributions may continue to be deducted from a practice's income until the change has been effected.

PCSE are responsible for administering any changes and it is important that they are correctly notified as soon as possible,



difference, then an adjustment will be made via the practice statements to ensure that the correct pension contributions have been paid by the practice.

Any such adjustments are a practice expense/income and do not need to be recharged/reimbursed to the individual salaried GPs.

Reconciliation Of Employee Tier Rate

Salaried GPs are required to complete a Type 2 pension certificate each year, which ensures that they have paid employee pension contributions at the correct rate. These forms need to be completed by 28th February each year and once processed, any under/overpayments will be adjusted via the practice statements.

Any such adjustments should be charged to/ reimbursed to the individual salaried GPs.

Understanding The Adjustments

If it is not clear how any adjustments on the practice statements have been calculated, an enquiry should be raised with PCSE to request a breakdown of the figures, so that the correct treatment can be ascertained.

and regularly reminded if matters are not progressed.

From 2 December 2019, all applications and notification of changes need to be made via PCSE Online, removing the need to download and send paper forms.

Where users are not registered for PCSE Online, a unique access code will be sent to the CQC registered manager in November and they will be able to set up user administrators who in turn will be able to set up other user types.

Existing performers will receive their registration details by e-mail at the start of December 2019.

While practices and performers will be able to track the status of any applications and change notifications, as with all PCSE submissions, it is vital to keep a record of any reference number generated when any applications and notification of changes are submitted, to help when dealing with any enquiries or delays.



Update: Pensions, superannuation and partnership deductions

A reminder of pension annualisation changes which apply from 1st April, pension requirements for Type 2 practitioners and some housekeeping for GP practices.

Pension annualisation

GP's in the 2015 NHS pension scheme are required to annualise their income for pension purposes. A complex set of rules for any GP who did not work for the full NHS year, were simplified a little from 2017/2018. Rather than the employee's pension contribution tier being based on income where each pensionable source was annualised, then added together (annualise then add), GP's now add together their income sources, then annualise (add then annualise).

Until 1 April 2019, Freelance GP locums were allowed to stop working for up to three months before being subject to annualisation. However, from 1 April 2019, this concession has been removed and any break in pensionable service will need to be taken into account when calculating annualised income. What this means for most GP's who solely work as a locum is that they will be paying employee's superannuation contributions at the highest rate.

If a GP has a portfolio career which includes locum work, they must use the "add then annualise" rules to calculate the employee contribution rate.

If a freelance GP locum has pensionable out of hours work, they will be treated as a Type 2 medical practitioner in respect of the OOH work. Where a GP is in pensionable service as a Type 2 practitioner for the whole scheme year (1 April to 31 March), for annualising purposes they have been in the scheme for 365 days.

Undertaking such SOLO work will mean that a Type 2 superannuation certificate will need to be completed.

The member hub on the NHS pensions website has a guide to tiered contributions and an annualisation calculator.

Type 2 superannuation certificates

It is an annual requirement for the following individuals to complete a Type 2 medical practitioner self assessment of tiered contributions form:

- A salaried GP who is formally employed by a GP practice, APMS contractor or Local Health Board
- A long term fee based/self employed locum who works for a GP practice, APMS contractor or Local Health Board for a period of, usually, six months or more
- A GP who works solely on an employed or self-employed basis for an Out of Hours provider that is not an NHS Trust or Foundation Trust
- A practice based salaried GP who works for a CCG under a contract for services (i.e on a self employment basis)

The purpose of the form is to ensure that the employee's pension contributions have been paid at the correct tier rate on all pensionable income.

While the completion of the Type 2 form has been required for a number of years, many Type 2 practitioners have been unaware of this until recently.

On the NHS pensions website, an amnesty form covering the years from 2009/2010 to 2014/2015 has been published. This allows for information to be collated over a number of years and eliminates the need to complete a separate certificate for each of those years.

One important point to note is that the pensionable employment income is not the same as the taxable income shown on an individual's P60 or P45. The pensionable income can be obtained from the year end payslip.

GP partnership deductions

By now, all of the Type 1 pension certificate adjustments for 2017/2018 should have been processed by PCSE and adjusted through the practice's Open Exeter statement. If the adjustments have not been made, or the amounts differ to those on the certificate, contact should be made with PCSE to find out why.

It is also important to check that the contributions being collected on account agree with the superannuable profit estimates form. The contributions should equal one twelfth of the individual's superannuable profit multiplied by the employee contribution tier percentage. If it does not agree, this should be taken up with PCSE.

Do not forget, that whenever you have a change in partners or salaried GP's, an updated form needs to be submitted to PCSE.



Changes in Partners

When a partner joins or leaves a practice there are many items to discuss and people to inform including:

General

- Inform the CCG
- Inform the CQC
- Update and sign the partnership agreement
- Update the performers list

Will the new partner buy into the property?

- Agree the date of the buy in/buy out
- Obtain an up to date valuation
- Arrange finance/arrange repayment of existing borrowings
- Update lenders with partner changes

Current and capital accounts

- Agree the current account requirement
- Agree the drawings level
- Agree how to fund the current account

Taxation

- Agree whether the individual or partnership will pay the tax and when from
- Update payroll scheme registration

Lentells are able to provide a full checklist of financial matters to consider when a partner joins or leaves a practice. For a copy of the checklist, please email your usual contact.

SAVE THE DATE

Spring
Seminars **2020**

Our medical team are delighted to be holding two free seminars next spring for practice managers and finance staff. As in previous years we will be covering a range of topical and relevant issues, invites and booking details will be sent out in the New Year.

Wednesday 22nd April at Taunton Rugby Club.

Monday 27th April at The Bristol Golf Club



Annual Allowance Pension Tax Charge – Scheme Pays Election And Deadlines

A big issue affecting many GPs over the last year is the tapering of the annual allowance and subsequent pension tax charges. Members of the NHS Pension Scheme are liable for an annual allowance tax charge if their total pension growth in a tax year exceeds their annual allowance.

If you do incur an annual allowance tax charge you can either pay the charge personally or you can ask NHS Pensions to pay this charge from your pension fund known as a “scheme pays” arrangement.

If you want NHS Pensions to pay your annual allowance charge to HMRC you need to complete a Scheme Pays Election (SPE2) which we can complete on your behalf.

NHS Pensions must receive your election by the 31 July following the January in which the charge must be declared on your tax return. For example, if your pension tax charge relates to 2018/19 the scheme pays election must be submitted by 31 July 2020. Please note that an election received after the deadline may not be accepted.

When final information for a year is not available from NHS Pensions you can submit an estimated scheme pays election form before the deadline to ensure a submission is in place. This can then be updated at any point up to

three years following the original deadline and we can again assist with this process.

NHS Pensions however must receive your election earlier if one of the following events occurs before the 31 July deadline:

- If you expect to retire, NHS Pensions must receive your completed election before your NHS benefits become payable.
- If you reach age 75, NHS Pensions must receive your completed election before your 75th birthday.

Please note that once an election has been accepted you can't change your mind and pay all the charge yourself but you are able to change the amount due as detailed above.

Asking the NHS pension scheme to pay your tax charge will affect your final pension and we would recommend that you take independent financial advice to understand the implications before your scheme pays election is submitted.

We advise all members that we act for to request from NHS Pensions their latest available “annual allowance pensions savings statement” which we can then check on their behalf and advise if we feel they may be affected by the current rules.

How to contact us



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