

GP Money Matters

2020 Benchmarking

Lentells' medical division is based in Chard and currently acts for over 190 practices. These range from single handed GPs to large partnerships with multiple partners. Of these practices, around 32% 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 2019 calendar year to produce an average benchmark. These split out dispensing profits and associated costs separately so that all practices will be able to directly compare their results to our averages. The figures also exclude rental income and expenses, and property loan interest, to make practices comparable whether they own or rent the surgery premises. 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 accounts prepared elsewhere.

Practice list sizes have continued to steadily increase and this year, the average WTE GP is responsible for a further 9 patients. Overall, practice list sizes have increased by 7.3% in 2019 when compared to 2018. Average profits (excluding dispensing and property profits) have increased to £57.06 per patient. This reflects an increase of £1.84 per patient in 2019 when compared to 2018. Profit per WTE has also increased by £2,609 to £113,729, which represents an increase of 2.4%.

Practices have seen an increase in the level of core funding and this is now £86.15 per patient, compared to £83.77 in 2018. Funding continues to be recycled to the core funding from enhanced services and seniority. Quality money has remained at a similar level to the previous year, but enhanced services income has increased by £1.23 per patient, partly due to PCN participation income and CCG recycling of PMS premium money. Reimbursements have seen a small increase per patient in the 2019 year, however, this is matched with an increase in costs.

Staff wages continued to increase, which is a trend we have seen for some years now and currently stand at £50.55 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 rise in staff costs on average has been 4% between 2019

	2019	2018
List size	9,710	9,046
Number of WTE incl sal GP	5.21	4.91
Patients per WTE incl sal GP	1,924	1,915
INCOME		
COMPONENTS OF TOTAL INCOME		
NHS income	96%	96%
Non-NHS clinical income	3%	3%
Non clinical income	1%	1%
PER PATIENT		
Global sum and MPIG/PMS baseline	86.15	83.77
Seniority payments	1.12	1.47
Quality money	13.52	13.55
Enhanced services	21.31	20.08
Training payments	1.80	1.61
Total		
Appointment income	0.85	1.53
Other clinical income – NHS	0.62	0.46
Other clinical income – non-NHS	4.44	4.35
Reimbursements (excluding premises and Personally Administered drugs)	6.80	6.43
Premises reimbursement (excluding rent)	2.42	2.34
Personally Administered drugs	5.93	5.15
Non clinical income	0.99	1.01
Total income per patient	145.95	141.75
Total expenditure per patient	86.96	85.02
PROFIT FROM SURGERY ACTIVITIES		
Profit (excl. dispensing, property and salaried GP cost) per patient	57.06	55.22
Profit (excl. dispensing, property and salaried GP cost) per WTE	113,729	111,120
Net profit margin (excl. dispensing)	40%	39%
STAFFING COSTS (NON-DOCTOR STAFF)		
Wages cost per WTE – non-dispensing staff	101,825	95,936
Wages cost per WTE – dispensing staff	20,664	21,155
Wages cost per patient – non-dispensing staff	50.55	48.57
Wages cost per patient – dispensing staff	12.09	11.79
LOCUM COSTS BREAKDOWN		
Locum cost per WTE	15,327	15,470
Locum cost per patient	7.44	7.61
EXPENDITURE AS A PERCENTAGE OF TOTAL INCOME		
Staff costs	42.86%	42.61%
Establishment costs	5.34%	5.10%
Clinical costs	3.23%	2.97%
Administrative costs	8.42%	9.33%
Finance costs	0.17%	0.18%
Depreciation costs	0.33%	0.37%
DISPENSARY TRADING RESULTS		
Number of patients dispensed to	3,873	3,810
Dispensing profits per patient dispensed to	37.00	37.00
Dispensary profit per WTE	36,475	37,131
Dispensing profit margin	18%	26%
Dispensing margin on drugs	8%	12%
Dispensing staff costs as a % of drugs dispensed	18%	17%

and 2018. This year, practices are seeing a slight reduction in locum costs per WTE and cost per patient, after seeing increasing costs for many years. This is likely in part due to the continued investment in advanced clinical staff as mentioned previously. Practices have spent similar amounts on establishment, clinical and finance costs, and have reduced the spend on administrative expenses, partly due to the Government Indemnity Scheme, with the cost of indemnity for NHS work purchased centrally, with no cost to the practice. Practices are under increasing pressure to minimise overhead spend as a result of continued increases in staff costs and minimal core contract pay rises.

Dispensing practices have seen a decrease in dispensing profit per WTE from £37,131 to £36,475. This is largely caused by the decreasing margin achieved on drugs which has fallen by 4% between 2018 and 2019. Most dispensing practices have seen the cost of drugs rise, and the amount of discount offered reducing. Practices have managed to maintain dispensing staff spend as a percentage of drugs costs at 18%.



Scheme Pays Election 2018/19

If you incur an NHS Pension 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 any annual allowance charge to HMRC on your behalf Scheme Pays Election (SPE2) needs to be completed. We can do this for our clients.

For 2018/19 the normal deadline for submitting the scheme pays election to NHS Pensions would be 31st July 2020, however the voluntary scheme election deadline has now been extended to the 31 March 2021 in light of the pressures faced by staff during the COVID-19 pandemic.

As this is a big issue affecting many GPs, we advise pension members that we act for to contact NHS Pensions on 0300 330 1346 and request their "annual allowance savings statement" for 2018/19 then forward to us to check. When contacting NHS Pensions, the SD membership number or NI number needs to be quoted. It can take up to 12 weeks for NHS Pensions to provide this information. We can then check whether individuals are affected by these issues and advise them accordingly.



Should You Buy An Electric Car?

The main tax advantage of buying an electric car for a business is that the whole of the cost will qualify for tax relief in the year of purchase. Where the car is used both personally and for business however, the

Use of Home

Self-Employed

When using your home for work purposes, be that emails, telephone calls or even study, you can claim a portion of this as tax deductible expenses.

HMRC provide a 'simplified' expenses method meaning where you work over 25 hours or more per month you can claim a fixed amount as follows:

HMRC standard rates are:

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- 25-50 hours per month, claim £10 per month
- 51-100 hours per month, claim £18 per month
- 101 or more hours per month, claim £26 per month

Alternatively, we can calculate an accurate weekly claim for you based on actual household utility bills and apportion the correct amount to business use.

To do this you need to keep a record of various bills, such as:

- Rent
- Mortgage interest (capital repayments are not allowed)
- Water and sewerage rates
- Council tax
- Insurance – building and contents
- Repairs and renewals to the property (capital improvements are not allowed)
- Window and general cleaning
- Garden expenses
- Security

Further information we need is:

- Number of rooms in your house (excluding kitchen, halls, bathroom and toilet)
- How many rooms you use for business use

amount that qualifies for tax relief will be restricted to the business use proportion only, which can make a significant difference.

For example, if the price of the car is £30,000 and the car is used 10% for business purposes, the amount on which tax relief can be claimed will be:

$$£30,000 \times 10\% = £3,000$$

Assuming the individual pays 40% tax and 2% NI the actual tax saved will be:

$$£3,000 \times 42\% = £1,260$$

There would then be no tax relief available in subsequent years for the cost of the car although a claim could still be made as usual

- What your duties are at home and how much time you spent on them.

Don't be put off by the amount of information required. Even claiming just some of the expenses can be beneficial if you can't easily keep a record of them all.

Claiming use of home as an employee

Where you have to work from home, on a regular basis, for all or part of the week you are entitled to claim tax relief on some expenses.

Allowable costs are more specific and limited for employees. Any expenses which would have been incurred anyway are not allowable, so for instance, mortgage interest or rent.

Allowable costs include additional household costs, so heating, lighting, a new broadband connection, business calls or metered water charges.

HMRC does have a simplified method which involves no record keeping. From 6th April 2020 you can claim tax relief on £6 per week. (£4 per week for previous years)

How do I make a claim? This can still be done using form P87 but since coronavirus, HMRC has now allowed claims to be made via your online personal tax account.

Don't have a personal tax account? You can set this up easily by visiting GOV.UK direct website.

HMRC made changes to the rules as of 23 March 2020, due to coronavirus which state that even if you have only worked for one day from home, you can claim a full years' tax relief.

For basic rate tax payers this equates to a saving of £60 and for higher rate taxpayers, £125.

for a proportion of the running costs. Once the car is sold there is also a repayment of tax relief based on the sales value of the car. This effectively means over the period of ownership, actual tax relief is only provided on the decrease in value between the purchase and selling price.

Where the car is leased, and not purchased outright or via a finance agreement, then tax relief is available on the lease costs, but again any claim is restricted to the business use proportion only.

Ultimately the tax relief is only one area to consider when choosing your next car and if the business use proportion is low, it may be sensible not to let the tax implications factor too heavily in the decision of which car to buy.

The New Choice Exercise for the 2015 Pension Scheme



On 1 April 2015 changes were made to the NHS pension schemes to ensure future affordability. The schemes changed from final salary to Career Average (CARE). A court ruling has now proved that when the Government made these changes they acted unlawfully by discriminating against NHS employees on the basis of being younger.

The BMA stated that younger doctors were forced to join a discriminating pension scheme that will result in huge financial losses when they retire. The BMA supported members to take legal action.

The changes to the pension schemes occurred as follows:

- Members of schemes who had less than 10 years before retirement had full protection and could retain all the benefits of the old scheme.
- Members with between 10 and 14 years until retirement had tapered protection, resulting in them retaining some benefits for a period of time.

- Members with more than 14 years until retirement had no protection and were moved to the new scheme immediately.

A public consultation started on 16 July 2020 and closed on 11 October 2020.

Eligible members will be given the choice whether they would like the 1995/2008 scheme benefits or 2015 scheme benefits for the period between 1 April 2015 to 31 March 2022. This is known as 'the remedy period'.

Immediate choice may have to be made (probably in 2022) or there may be a deferred choice that can be made at retirement. If an immediate choice is required, estimations will need to be made about future earnings, growth and retirement age. It is thought that there will be an online calculator once the rules have been confirmed.

The qualifying date for the remedy period is set as 31 March 2012. Scheme members joining since this date are not included in the remedy group.

All members who were subject to the discrimination will be within the scope of any changes made to schemes even if they are now retired, have left the pension scheme but not taken any benefits yet (a deferred member) or deceased.

The proposal is for all active members to accrue pension under the same rules from 1 April 2022.

Some of the Differences Between the NHS Pension Schemes

When making choices for the remedy period there are many factors that need to be taken into consideration. Some of the differences between the pension schemes are as follows:

	1995	2008	2015
Type of Scheme	Final salary based on the best of the last 3 years' pensionable pay	Final salary based on the average of the best 3 consecutive years within the last 10 years	Career average re-valued earnings based on a proportion of pensionable earnings in each year of membership
Pension	A pension worth 1/80th of pensionable pay per year and pro-rata for any part of year membership	A pension worth 1/60th of reckonable pay per year and pro-rata for any part year of membership	A pension worth 1/54th of each year's pensionable earnings re-valued at the beginning of each following scheme year in line with a rate set by Treasury, plus 1.5% whilst in active membership
Normal Pension Age	60	65	Equal to the individual's State Pension age or age 65 if that is later
Maximum age	75	75	75
Retirement Lump Sum	Three times the pension. Option to exchange part of the pension for more cash up to 25% of the capital value	Option to exchange part of the pension for a lump sum up to 25% of the capital value	Option to exchange part of the pension for a lump sum up to 25% of the capital value
Partial Retirement	No	Yes	Yes
Lump Sum on Death	2 x annual pensionable pay	2 x reckonable pay	The higher of: 2 x the relevant earnings in the last 12 months of pensionable service or , 2 x the re-valued pensionable earnings for the scheme year up to 10 years earlier, with the highest re-valued pensionable earnings

Pension benefits already built up in the 1995 and 2008 schemes before the remedy period will be retained. You will still need to retire from NHS employment in order to access your 1995 or 2008 scheme benefits. The public consultation has now closed and the government is considering the responses and will set out its next steps in due course. We

will keep you informed of developments on our website and in newsletters.

You may also be concerned about how the changes will affect your past Annual Allowance position. HMRC are working with HM Treasury and the Civil Service Pensions team to ensure this issue is taken

into account. Please retain paperwork from April 2015 onwards including P60s, Annual Allowance Statements, Lifetime Allowance Statements and self-assessment returns. If you have any queries, please speak to your usual Lentells contact, or either email **medical@lentells.co.uk** or call us on **01460 64441**.



Lentells' Staff Promoted To Associate Director Level

We are delighted to announce that, as part of the on-going expansion of our specialist medical team, Rob Wegner and Tracey Turner have been promoted to Associate Director level. Rob took up the position in September 2020 with Tracey being appointed from March 2021. Rob will join the Board of Directors in March 2021 and Tracey in March 2022.

Andrew Spear, Lentells Chairman said "These promotions represent a significant development for Lentells, reflecting our impressive growth, as the firm continues to go from strength to strength. Supporting and nurturing our staff is integral to our on-going success. I congratulate Rob and Tracey on their well-deserved promotions which reflect their commitment and hard work over the years".

Both Rob and Tracey have a wealth of experience in the healthcare sector, dealing with GP practices, locums, sessional GPs and other medical professionals. They are also both qualified to advise clients on Wills, LPAs and Probate.

Speaking of his promotion Rob said, "I am delighted to be joining the directors of Lentells as recognition of my role as a manager, developing our client base and contributing to the firm's growth". Tracey added "Lentells are really proactive, they have provided me with the support and training to take the next step in my career; this is a very exciting time to be joining the directors and a great opportunity".

Stay up to date with Lentells!



Our newly launched Podcast is now live and can be found on our website <https://www.lentells.co.uk/guides/lentells-podcast>. To date, the episodes have covered the NHS pension final pay controls, Primary Care Networks and Wills and LPAs.

We have also developed our own App which offers a range of useful financial tools including AutoEntry, enabling you to capture all your

receipts and expenses and transferring them into your chosen software, GPS Mileage Tracker, tax tables and direct access to Cloud Accounting software anywhere, anytime.

The app is free to download from the App Store and Google Play, or by swiping the QR code below.



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