

GP Money Matters

2018 Benchmarking

Our medical division based in Chard currently acts for over 170 medical practices, as well as a range of consultants, locums and complementary practitioners. Lentells' medical division continues to expand and we always focus on providing advice and support to allow you to concentrate on running and improving your business. Every year we prepare statistics, based on accounts data from our dispensing and non-dispensing clients, so you can compare your own results with similar practices.

This year, we have compiled the information from practices we acted for in the 2017 calendar year with dispensing profits and associated costs being shown separately. Our calculations are based on a Whole Time Equivalent (WTE) of 8 sessions and exclude costs of salaried GPs and retainers, treating them as if they were WTE partners for comparison purposes.

Professional subscriptions and loan interest incurred privately are included in our calculations, so that it is comparable with those who include such costs in the practice's accounts.

This year has seen an increase in list size, meaning that the average WTE GP is looking after 79 more patients compared to the previous year (increase of 47 between 2016 and 2017). Average profits (excluding dispensing profits) per patient have increased slightly to £58.67. Profit per WTE has also increased by £5,445 from £102,924 to £108,369.

With more and more income being recycled through the baseline and global sum, core income has increased by an additional £3.13 this year to £79.13

per patient. However, this includes the reinvestment of some enhanced services and seniority funding which is being reduced nationally by 15% each year.

Quality income has remained at a similar level, with the number of quality points remaining at 559. This is irrespective of the fact that the amount paid per point has increased due to an equivalent increase in average practice list size, resulting in practices receiving the same amount for QOF. Staff costs per patient continue to increase for the third year running. This reflects the increase in the national living wage rate along with added pressure on the administrative requirements of running a practice. There is also an increasing trend for practices to recruit alternatives to partners such as nurse practitioners, pharmacists, paramedics and other clinical staff to replace existing partner sessions.

This correlates with the statistics showing increased list size and profit per partner as the sessions are being covered by an alternative, cheaper method to that of a partner session.

Dispensing practices have seen a fall in profit per WTE from £41,863 to £39,240. However, interestingly, profit per patient has increased to £43 compared to £40 last year. This could suggest that practices are in fact dispensing to less patients than has previously been the case.

Added pressure has been placed on dispensing profits with the margin on the cost of buying drugs being squeezed and staffing costs as a percentage of drugs dispensed increasing.

	2018	2017	2016
LIST SIZE	8,606	8,183	7,847
Number of WTE incl sal GP	4.67	4.64	4.57
Patients per WTE incl sal GP	1,843	1,764	1,717
INCOME			
COMPONENTS OF TOTAL INCOME			
NHS income	96%	96%	95%
Non-NHS clinical income	3%	3%	3%
Non clinical income	1%	1%	2%
PER PATIENT			
Global Sum and MPIG/PMS baseline	79.13	76.00	73.23
Seniority payments	1.76	2.18	2.71
Quality money	13.48	13.30	13.31
Enhanced services	20.68	20.67	20.85
Training payments	1.77	1.80	1.91
	116.82	113.95	112.01
Appointment income	1.58	1.60	1.98
Other clinical income - NHS	0.48	0.63	0.71
Other clinical income - non-NHS	4.18	3.98	4.35
Reimbursements (excluding premises and Personally Administered drugs) per patient	4.62	3.68	4.09
Premises reimbursement per patient	15.20	16.09	15.87
Personally Administered drugs per patient	5.24	5.18	5.39
Non clinical income per patient	2.16	2.09	2.28
Total income per patient	150.28	147.20	146.68
Total expenditure per patient	91.61	88.71	87.36
PROFIT FROM SURGERY ACTIVITIES			
Profit (excl. dispensing) per patient	58.67	58.49	59.32
Profit (excl. dispensing) per WTE	108,369	102,924	101,936
Net profit margin (excl. dispensing)	39%	39%	40%
EXPENDITURE			
STAFFING COSTS (NON-DOCTOR STAFF)			
Wages cost per WTE - non-dispensing staff	86,344	77,291	72,298
Wages cost per WTE - dispensing staff	20,220	19,406	19,344
Wages cost per patient - non-dispensing staff	46.07	43.45	41.47
Wages cost per patient - dispensing staff	11.62	11.30	11.78
LOCUM COSTS BREAKDOWN			
Locum cost per WTE	11,806	9,456	9,095
Locum cost per patient	6.40	5.36	5.30
EXPENDITURE AS A % OF INCOME			
Staff costs	38.21%	36.84%	36.27%
Establishment costs	8.44%	8.92%	9.04%
Clinical costs	2.78%	2.87%	2.92%
Administrative costs	8.93%	8.61%	8.41%
Finance costs	2.79%	2.94%	2.89%
Depreciation costs	0.31%	0.36%	0.36%
DISPENSARY TRADING RESULTS			
Number of patients dispensed to	3,675	3,725	3,789
Dispensing profits per patient dispensed to	43.00	40.00	39.00
Dispensary profit per WTE	39,240	41,863	40,415
Dispensing profit margin	19%	21%	20%
Dispensing margin on drugs	11%	12%	10%
Dispensing staff costs as a % of drugs dispensed	17%	15%	15%

For the current year to date, the main changes are a further increase in list size per partner and a significant increase in staffing costs per patient, adding further pressure to practices budgets.



Final Pay Control Reminder

Final pay control was introduced to prevent the potential abuse of final salary pensions within the NHS pension scheme.

Final pay control applies to members of the 1995 section and those who have retained final salary linking to the 1995 section (by not having a break in pensionable service of five years or more) but have moved to the 2015 scheme.

From 1 April 2014, a penalty may be applied to an NHS Employing Authority, including GP practices, where a scheme member is awarded an increase in pensionable pay which exceeds an 'allowable amount'. The 'allowable amount' is pay in the previous year increased by CPI (ascertained in February each year) plus 4.5%.

If the allowable amount is exceeded in any of the three years leading up to retirement (or any three years when final pensionable pay is calculated for the purposes of ascertaining benefits) then the practice may be liable for a charge. The charge does not apply where benefits are payable as a result of death in service.

This means that additional costs may be incurred by the practice if scheme members retire or leave the NHS pension scheme within three years of receiving a significant pay rise.

The charge on the practice can be significant since it is calculated by working out the additional annual pension generated above the allowable amount, multiplied by 20, plus the additional lump sum earned. A figure of £30,000 could therefore be easily reached.

Practices considering awarding significant pay increases to employees, should review whether a final pay control charge may be triggered as a result.

It should also be noted that this position can apply to practice manager partners as well as employees. Since partners generally have fluctuating profits, this is potentially more of an issue in those circumstances.

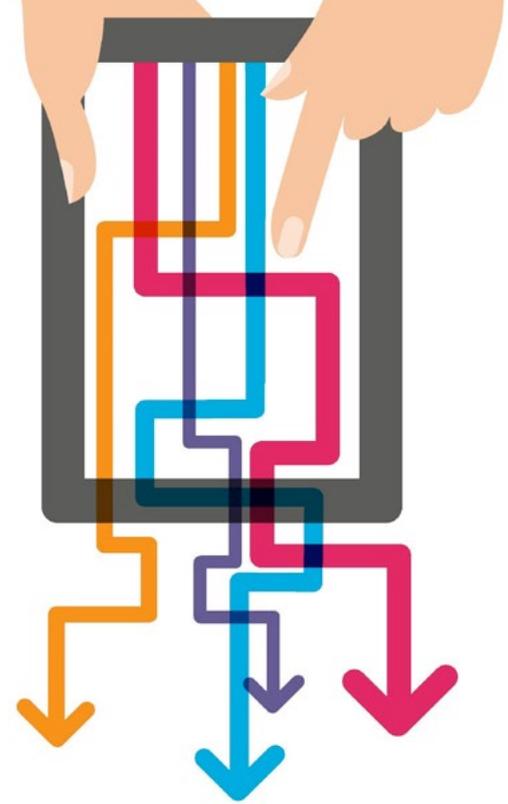
Countdown to Making Tax Digital (MTD)

MTD is initially being introduced for the reporting of VAT only, for businesses with a Vatable turnover over the VAT registration threshold (currently £85,000). This is likely to impact dispensing practices and some practices who are VAT registered for other reasons (such as a property development) if their Vatable turnover is above the threshold.

For the first VAT period commencing on or after 1 April 2019, relevant businesses will need to digitally report their transactions to HMRC directly from their accounting software.

It is anticipated that most of the major accounting software providers will amend their software accordingly to facilitate this.

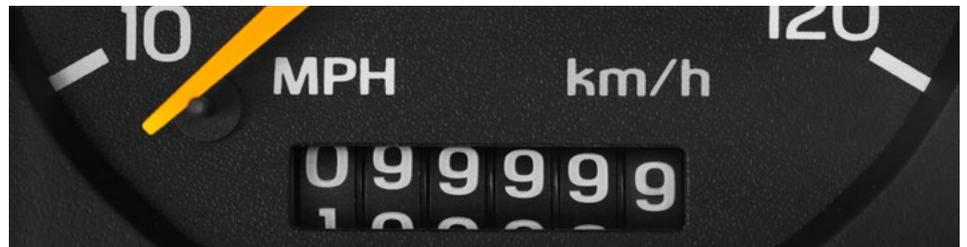
The complexities of VAT calculations for GP practices however, mean that separate calculations are often performed outside the accounting software, such as on a spreadsheet, and the final figures reprocessed via a manual journal. Whilst this procedure will initially be accepted by HMRC, from April 2020, businesses will also be required to link any separate calculations to the accounting



software and submit all the figures digitally.

HMRC are expecting the major software providers to develop bridging software to cover this issue in due course. Penalties will be levied against any qualifying businesses who do not comply with this new regime.

The reporting of transactions for other businesses is likely to follow in subsequent years.



Business mileage claims

Tax relief is available if you use your car, van, motorcycle or bicycle for business purposes.

There are two ways of calculating the tax deductible amount:

- Claim a proportion of actual expenses incurred (fuel, road tax, insurance etc.) and capital allowances (a tax relief for the capital cost of the vehicle) OR
- Claim for business miles travelled at HMRC approved rates

HMRC's approved rates for cars are:
Up to 10,000 miles – 45p
Over 10,000 miles – 25p

Other HMRC approved rates are 24p per mile for motorcycles and 20p per mile for bicycles.

Whichever method you chose, you should keep a record of your business journeys to support any claim. This can be done for a short representative period of 2 or 3 months.

With that in mind, we have included a mileage tracker as a built in feature of the Lentells' App. Mileage tracker is very easy to use and can be helpful if you don't always carry pen and paper or simply forget to log your business trips. With the mileage tracker, you can either log your trips 'on the go' or add them manually. The facility exists to export your trips which can be kept as proof of mileage and provided to your accountant. The Lentells' app is free to download from the App Store.

Accounts Software Training

Lentells continues to support clients by offering half day training courses for QuickBooks On-Line, specifically tailored for GP practices. Scheduled dates for the next courses are as follows:

28 November 2018 – **Chard**
19 February 2019 – **Chard**
1 May 2019 – **Taunton**
26 June 2019 – **Chard**
24 September 2019 – **Taunton**
27 November 2019 – **Chard**

For further information or to book a place, email courses@lentells.co.uk

Training on Sage Desktop and QuickBooks Desktop is also available on request.



Pension Pitfalls

The tax issues surrounding GP pensions are highly complex and are affecting more and more GPs due to recent changes in the rules.

For the last few years, an 'annual allowance' (AA) tax charge has been levied where the growth in an individual's pension fund, less unused relief from the previous 3 years, exceeds £40,000.

Note that 'growth' is not the level of contributions made – it is a complex calculation based on the increase in the value of all pension funds.

There have been changes in the rules for 2016/17 onwards to reduce an individual's AA where adjusted income (normally taxable income before the personal allowance plus pension growth) exceeds £150,000. The AA is then reduced by £1 for every £2 of adjusted income over £150,000 down to a minimum of £10,000. This makes it much more likely that an AA tax charge will arise for higher earners.

It is possible to make an election for the pension scheme to pay the AA tax charge, but this is only available for 16/17 if both the tax charge exceeds £2,000, and the pension growth for the year exceeds the standard allowance of £40,000. For 16/17 if an individual has a reduced AA of £10,000, and growth of £35,000, then as the growth does not exceed the 'standard' allowance, they

would be personally liable for the full tax charge on the excess of £25,000. Assuming a 40% tax rate, this would be an additional £10,000 in tax plus increases in payments on account towards the following year.

For 17/18 the scheme pays rules are changing, and NHS Pensions will be able to settle any tax charge arising above £2,000 even if an individual is subject to a reduced AA. It is vital that GPs obtain copies of their 'pension annual allowance savings statement' each year so that the position can be checked. These are meant to be automatically sent out to GPs who have exceeded the allowance, but this does not always happen, and we recommend clients request statements if they have not already been provided with them.

The scheme pays deadline is 31 July of the year following the tax year in question (i.e. 31 July 2019 for the 2017/18 tax year), so it is important to try and obtain the statements as soon as possible. The statements are not normally available, however until the superannuation certificates have been processed, which should happen in May, 14 months after the end of the relevant year.

These rules will be affecting more and more GPs over the coming years and so it is vitally important that they obtain up to date information from NHS Pensions and share this with their advisors.

If you require any further information on this please speak to your usual contact at Lentells.

Changes to GP Funding from October 2018

Following the recent recommendations made by the DDRB, the Government has announced additional funding for GP practices.

A further 1% has been announced for core GMS/PMS funding which is designed to compensate practices for rising GP and practice staff remuneration. This funding comes in addition to the 1% uplift which has already been paid as part of practice funding since April 2018.

Therefore, practices will receive an additional £1.04 per weighted patient, bringing the total global sum payable to £88.96. The core increase will be added to October 2018 payments, but funding will be backdated for practices to April 2018.

There is also scope for a further 1% uplift from April 2019, subject to additional negotiations.

A further 3% uplift has also been announced for GP training grant and appraiser fees. This means that funding will be increased to £678.77 per trainee per month for training grant and £515 per appraisal.

In addition to the increases in core funding, the review has also recommended that the minimum and maximum pay scales for salaried GPs are uplifted by 2% with effect from October 2018.





Client Portal

We recently implemented a new client portal, DocSAFE, which enables us to share documents in a more secure way with our clients and utilise digital signatures, so that signed documents no longer need to be returned in the post. Any documents that have been shared via the portal then remain accessible to clients in the future, which should help with access to historical accounts,

tax returns etc. This can be particularly useful when information is required for a mortgage application or the bank.

The client portal also allows us to exchange files with clients, including accounting software backups, meaning that documents can be uploaded from clients to Lentells and vice versa, avoiding the need to send memory sticks in the post.

It should only take a few seconds for standard sized documents to be uploaded, but where larger files are being transferred, such as accounting software backups, it is better to compress (zip) the backup before uploading.

Clients can access DocSAFE using their email address and a password. If the password has been forgotten, a reminder can be requested via the Lentells website at: <https://www.lentells.co.uk/client-portal>



Processing Errors and Delays

There seems to be little or no improvement in processing errors and delays, which continue to cause havoc with practice cash flow.

Although we will provide for any under/over payments when preparing clients' annual accounts and advise our clients accordingly, practices should continue to carefully review their accounting transactions on a regular basis to try and identify any irregularities as soon as they occur.

Steps can then be taken at an early stage to try and rectify such errors promptly, rather than having to wait for the accountant to point them out, which may be several months later. Common issues we are seeing include:-

1. Continuing seniority payments for partners who have left.
2. Failure to process revised estimate of superannuable pay forms when there are changes to GPs or their earnings.
3. Over-reimbursement of rates where there has been a reassessment of the rates charge.
4. Rent reimbursements not updated for changes to costs/notional rent.
5. Advances to cover payment delays not subsequently recovered.
6. Childhood immunisation and pre school boosters not paid at the correct rate.
7. Extended hours income paid in error.
8. Training grant claims not processed correctly.
9. Over reimbursement for clinical pharmacists.

Practices should keep track of any outstanding under/over payments and ensure any outstanding clawbacks are taken into account when considering cash flow. Where such amounts are significant, it may be prudent to ring fence the funds in a separate bank account until the position is resolved.

How to contact us



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Save the date Spring Seminars

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 24th April at Taunton Rugby Club.

Monday 29th April at the Bristol Golf Club