Lentells
Chartered Certified Accountants

Winter 2021

GP Money Matters

2021 Benchmarking

Lentells' medical division is based in Chard and currently acts for over 190 GP practices across the South-West. These range from single handed GPs to large partnerships with multiple partners. Lentells also act for a range of locums, consultants and complementary practitioners together with numerous PCN's.

We have compiled the data from the accounts of our clients during the 2020 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 by other accountants so care is needed to ensure you are comparing the same figures.

Practice list sizes have continued to steadily increase and this year, the average WTE GP is responsible for a further 11 patients. Overall, practice list sizes have increased by 2.8% when compared to 2019. Average profits (excluding dispensing and property profits) have increased from £58.99 to £60.49. Profit per WTE has also increased by £7,104 to £120,833. Interestingly, core funding has reduced from £86.15 to £85.84 per patient on average. Whilst you have not seen an actual reduction in the amount paid per patient, this reflects the calculation of weighted list size of practices and the withdrawal of MPIG and PMS premium. Quality money has also dropped ever so slightly, this is likely to have been impacted by the pandemic and also may reflect average list size compared to national average.

The main increase in income this year has been from enhanced services, increasing from £21.31 per patient to £23.27 and this is largely due to the additional funding via PCN's introduced during this year.

Staff wages continued to increase again this year which is little surprise with the continuing minimum wage changes and increased workload. Average this year is £53.82 per patient compared with £50.55 last year and £48.57 prior to that. This does, however include an increasing spend on clinical staff such as nurse practitioners, pharmacists and paramedics who help ease the clinical pressures on partners, and for which some reimbursements may be available. This year has seen another fall in locum costs per WTE and cost per patient now sitting at £6.90 per patient on average compared to £7.44 last year. Practices have spent similar amounts on establishment, clinical and finance costs, and have reduced the spend on administrative expenses with ongoing savings in indemnity fees.

Dispensing practices have seen a further decrease in dispensing profit per WTE from £36,475 to £31,773. Decreases in margins on drugs from 8% to 6% together with increasing dispensers' wages have had an impact.

The 2021 year however, will paint a much different picture. Profits per 8 session WTE are currently averaging around £140,000 boosted by the additional Covid vaccination income and new funding from the PCNs.

	2020	2019	2018
List size	9,986	9,710	9,046
Number of WTE incl sal GP	5.20	5.21	4.91
Patients per WTE incl sal GP	1,935	1,924	1,915
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	85.84	86.15	83.77
Seniority payments	0.65	1.12	1.47
Quality money	13.33	13.52	13.55
Enhanced services	23.27	21.31	20.08
Training payments	2.21	1.80	1.61
Total	125.30	123.90	120.48
Appointment income	0.63	0.85	1.53
Other clinical income – NHS	0.74	0.62	0.46
Other clinical income – non-NHS	4.79	4.44	4.35
Reimbursements (excluding premises and Personally Administered drugs)	9.01	6.80	6.43
Premises reimbursement (excluding rent)	2.37	2.42	2.34
Personally Administered drugs	4.00	5.93	5.15
Non clinical income	1.31	0.99	1.01
Total income per patient	148.15	145.95	141.75
Total expenditure per patient	87.66	86.96	85.02
PROFIT FROM SURGERY ACTIVITIES			
Profit (excl. dispensing, property and salaried GP cost) per patient	60.49	58.99	56.73
Profit (excl. dispensing, property and salaried GP cost) per WTE	120,833	113,729	111,120
Net profit margin (excl. dispensing)	41%	40%	39%
STAFFING COSTS (NON-DOCTOR STAFF)			
Wages cost per WTE – non-dispensing staff	108,427	101,825	95,936
Wages cost per WTE – dispensing staff	21,484	20,664	21,155
Wages cost per patient – non-dispensing staff	53.82	50.55	48.57
Wages cost per patient – dispensing staff	12.76	12.09	11.79
LOCUM COSTS BREAK-DOWN			
Locum cost per WTE	14,358	15,327	15,470
Locum cost per patient	6.90	7.44	7.61
EXPENDITURE AS A PERCENTAGE OF TOTAL INCOME			
Staff costs	43.45%	42.86%	42.61%
Establishment costs	5.38%	5.34%	5.10%
Clinical costs	3.22%	3.23%	2.97%
Administrative costs	6.55%	8.42%	9.33%
Finance costs	0.20%	0.17%	0.18%
Depreciation costs	0.31%	0.33%	0.37%
DISPENSARY TRADING RESULTS			
Number of patients dispensed to	3,833	3,873	3,810
Dispensing profits per patient dispensed to	34.00	37.00	37.00
Dispensary profit per WTE	31,773	36,475	37,131
Dispensing profit margin	16%	18%	26%
Dispensing margin on drugs	6%	8%	12%
Dispensing staff costs as a % of drugs dispensed	18%	18%	17%

Should You **Incorporate Your PCN?**

PCN's are growing organisations and, in common with many businesses that are expanding, are now at the stage where more formal governance and structures are necessary. This can be done within the existing PCN structure, but some PCN's are considering setting up a limited company.

Why Are PCN's Considering Limited Companies?

The main reasons for incorporation relate to staff and VAT issues.

Where staff are employed at a PCN practice who is not the nominated payee, there will need to be a transfer of money between the nominated practice and the employing practice. Unless there are joint employment contracts, this can potentially create a VAT issue as the supply of staff is nearly always standard rated for VAT.

Limited Company Considerations:

1. A limited company is a separate legal entity with a defined governance structure. The company would normally be set up with the member PCN practices being shareholders.
2. The PCN would need to notify NHSE and the CCG that they are subcontracting services to the limited company.
3. The accounts must be prepared in a statutory format for submission to Companies House, and a corporation tax return will also be required. This will add significantly to the accounting costs.
4. Accounts will be publicly available at Companies House, although these will normally be abbreviated accounts, which include a reduced level of information.
5. The company would need to register with the CQC if it directs and controls any regulated activies.
6. Staff would need to be TUPE'd across to the new entity.
7. As the PCN would still exist, separate accounts would still need to be prepared.
8. Corporation tax is payable by the company on any profits. The current rate is 19% but increasing to 25% in April 2023 for companies with profits over £50,000.
9. A shareholders' agreement will be needed, to include details of how profits will be distributed to member practices.
10. While it is currently possible for the PCN company to apply for NHS direction/determination status, this concession has only been extended to 31 March 2023. If the position is not extended further it may not be possible for staff employed by the company to pension their pay through the NHS scheme and separate pension arrangements may be required to comply with the auto-enrolment rules.
11. There will be additional costs to initially set up a company and ongoing additional compliance costs.

The Future of PCN's

All parts of England are now covered by an Integrated Care System and they will be fully operational (and statutory bodies) by April 2022. They are seen by NHS leaders as the future of health and care integration in England.

They will bring together NHS local authority and third sector bodies to take on responsibility for the resources and health of an area or "system". PCN's will be one of the organisations the ICS works with and the ICS should actively engage with the clinical directors.

It is likely that more services will be commissioned via the PCN rather than individual practices and in the longer term, many PCN's will adopt a company structure.

Most PCN's currently do not operate as limited companies, but this may change in the future once the position regarding the NHS pension scheme is clarified and as the organisations grow and become more complex. Whether incorporation is suitable for a PCN at the moment, will very much depend on their individual circumstances.

The Birth Of A **New Tax**

The government recently announced National Insurance Contributions (NIC) will rise by 1.25% from 6 April 2022 to help fund social care and the NHS. Initially this will be included within the current NIC charge, but from April 2023 will be dealt with separately on payslips and self-assessment tax calculations.

This will directly affect all employees who earn above the NIC threshold (currently £9,568) as well as employers with staff earning over the employer NIC threshold (currently £8,840).

Employees aged under 21, apprentices aged under 25 and certain veterans continue to remain exempt from employer NIC, including the new charge.

The changes will cost an employee who earns £25,000 an additional £193 per year with the cost to their employer an additional £202 per year.

The self-employed currently pay NIC at 9% on profits between £9,568 and £50,270 with 2% on profits over £50,270. They will also be subject to the rise, which will cost someone with profits of £100,000 an additional £1,130 per year.

Those already over state pension age are normally exempt from NI, however they will need to pay this new charge, but this will not be enforced until April 2023.

There will be a corresponding increase of 1.25% in the rate of tax on dividends at the same time. Currently, dividends are taxed at 7.5%,32.5% or 38.1%, depending on an individual's total income. These rates will increase to 8.75%, 33.75% and 39.35% and will apply to dividends from personal companies as well as from investments. The first £2,000 of dividend income per tax year remains tax free and will not be subject to this new charge either.

It remains to be seen whether such additional costs will be factored into the rise awarded to GP contracts in 2022/23.

PCSE **Portal**

A new PCSE portal was launched in June this year. There were many initial teething problems with this, but these are gradually being rectified.

With this new service, practices and GPs are able to access a range of new services to help manage payments and pensions administration.

Practices can now provide updates on salary changes in real-time to ensure the correct pensions contributions are being deducted. This will help to avoid large adjustments being needed at the end of the financial year.

The new portal also allows practices to provide their accountants with access enabling them to view the monthly statements and assist with certain pension issues.

With estimates of pensionable profit forms and annual superannuation certificates due to be submitted in early 2022, it is vital that our GP practice clients grant us permission to access their PCSE accounts.

Any Lentells' clients that have not yet done this, should follow the instructions already provided via email, or get in touch with their usual contact for further assistance.

Final Pay Controls

Final pay controls were introduced on 1 April 2014 to stop NHS employees receiving excessive pay increases in the final three years before retirement just to increase their pension benefits.

This is relevant only to 1995 non-GP members including those who have transitioned into the 2015 scheme. Individuals who are solely members of the 2008 or 2015 scheme are not subject to the final pay controls.

Historically, those affected by the final pay controls have mainly been practice managers and nurses.

Pensionable pay in the final three years prior to retirement needs to be kept below an allowable amount to avoid a final pay control charge. The allowable amount is calculated by taking last year's pensionable pay and allowing an increase of 7% plus CPI.

Where a charge does arise, the practice would be liable to pay this, not the individual.

The final pay controls do not apply on death of a member but they would be triggered if pension is accessed early due to ill health retirement.

Do be aware of any bonus payments, whilst usually non-pensionable, if this were to be paid as a pensionable bonus then they would need to be considered for final pay controls.

From June 2021 there were some changes to the final pay controls:

- The allowable amount increased from 4.5% to 7%, plus CPI.
- Pay increases from a promotion on the basis of fair and open competition are now excluded.
- Non-GP partners are now exempt from the final pay controls if the increase in pensionable pay is caused by a higher profit sharing ratio as a result of other partners retiring or reducing sessions.
- Non-GP partners are also exempt if the increase in pensionable pay is from an increase in practice profits overall.
- National clinical excellence awards are excluded from the calculation.
- Increases in profit from changes to the nationally agreed NHS contract are excluded.

The above changes have been applied retrospectively to 1 April 2018. If you had a charge after April 2018, you can request a reassessment of the charge. All applications for reassessment must be made by 31 December 2021. Application forms can be found on NHSBSA website.

Employment Costs **Continue To Rise**

Following on from the recent announcement regarding the new health and social care charge of 1.25%, further pressure is being brought to bear on employers from 1 April 2022 with a significant rise in the national minimum wage (NMW) rates. This is also likely to have a knock on effect for employees currently paid a little above the NMW rate as they strive to retain a gap between themselves and less senior/experienced staff.

The new rates are as follows;

	21/22	20/21
23 and above	£9.50	£8.91
21-22	£9.18	£8.36
18-20	£6.83	£6.56
16-17	£4.81	£4.62
Apprentice	£4.81	£4.30

Employees are eligible to be paid at the apprentice rate if they are within the first 12 months of an apprenticeship, or beyond that point but remain under the age of 19.

The overall costs of employing a member of staff working 37 hours per week, paid at the NMW, who is also a member of the NHS pension scheme, will rise from £20,753 to £22,326 in April 2022. That represents an increase of £1,573 being 7.6%.

Employers need to take care to ensure they comply with the requirement to pay the NMW, as failure to do so can lead to penalties of up to 200% of the wages underpaid and publication of the names of any organisations that do not comply.

How To Deal With PCN Income If You Are The Lead Practice

The lead practice model of Primary Care Networks (PCN), which is most common, is where one practice is designated as the lead practice, and the whole of the PCN funding is paid to that designated practice, within their NHS statements.

Ideally, the lead practice should separate out the PCN income from the practice income, and move this income to a separate PCN bank account to ensure transparency for the other practices within the PCN.

The lead practice must first identify which income relates to the PCN, and record this within their accounting software accordingly. Using a control account within the accounting software works well to separate out the PCN income from the practice income. If there is any doubt whether the money is relating to the practice or the PCN, the CCG should be contacted to confirm this.

Ideally the PCN income identified on the NHS statement should be transferred from the practice bank account to the PCN bank account, at least monthly. This will ensure there is adequate money within the PCN bank account to pay out any income belonging to individual practices, and also pay for other costs relating to the PCN directly out of the PCN bank account instead of the practice bank account

The income that should be paid out separately to the practices each month is the extended hours money, which should be split based on the registered list size of each practice in the PCN at January 2021 for the 2021/22 NHS year, and the care home premium income, which should be split based on the number of care home beds within each practice. The clinical director money should be transferred to the practice(s) at which the clinical director(s) are partners.

The majority of the other funding is likely to be retained within the PCN bank account to pay for other expenses, such as the additional roles reimbursement money being used to pay for the cost of salary, and the core funding being used to pay for PCN manager and other admin costs.

The majority of additional roles reimbursement money now funds 100% of the cost, however, this is up to a maximum reimbursable amount, therefore, any excess costs will need to be funded out of other PCN income, or split between the practices. Some staff roles being used by the PCN attract no reimbursement, therefore, the practices within the PCN will need to agree how the extra cost is split if this exceeds the core funding (£1.50) per registered patient. Most PCNs are currently generating a surplus, however, with PCNs likely to become more complex, and additional staff roles required, an agreement will need to be in place as to how any potential deficit would be reclaimed from the practices within the PCN.

The Covid vaccination money should also be paid out to practices, either based on the work by staff within each practice, or by some other method as agreed by all the practices within the PCN. The treatment of any additional income, such as impact and investment fund, should be decided upon by agreement between the practices.

At the end of the year, once the PCN accounts have been prepared, the surplus or deficit relating to each practice should ideally be paid out or reclaimed. Each practice's share of any surplus or deficit will need to be reflected within the individual practice accounts and taxed accordingly.

How to contact us

Lentells Medical Services Division
17-18 Leach Road,
Chard Business Park, Chard,
Somerset TA20 1FA
Telephone: 01460 64441
E-mail: medical@lentells.co.uk
Web: www.lentells.co.uk