

SPRING 2022
FINANCE UPDATE GENERAL PRACTICE



LENTELLS HEALTHCARE DIRECTORS

- Jo Fursman FCCA



- Jane Jordan FCCA



- Ed Paull BSc FCCA



- Shirley Whittle FCCA



LENTELLS HEALTHCARE DIRECTORS

- Rob Wegner FCCA



- Tracey Turner FCCA



- Andrew Spear FCCA



LENTELLS HEALTHCARE TEAM

- Act for over 200 GP practices
- Throughout West Country & beyond
- Large team based in Chard



CHANGES TO CORE FUNDING

	2022/2023	2021/2022	INCREASE
Global sum	£99.70	£96.78	3%
OOH opt out charge	£4.73	£4.59	3%



QOF CHANGES FOR 2022/2023

	2022/2023	2021/2022	Increase
Value per point	£207.56	£201.16	3.18%
Average population	9,374	9,085	3.18%
Maximum points	635	635	No change

Covid protection ended 31 March 2022



CHANGE IN PRACTICE FUNDING EXAMPLE

Based on 11,300 weighted patients

	2022/2023	2021/2022
	£	£
Global sum	1,126,610	1,093,614
OOH opt out	(53,514)	(51,947)
Core income	1,073,096	1,041,667

Net increase £31,429



EXTENDED HOURS

From October 2022:

£1.44 currently payable to practice will be kept by PCN

£6 currently payable to CCG will be transferred to PCN



PCN REQUIREMENTS

Submit plan to CCG by 31 July 2022

Network standard hours

- Weekdays 6.30 pm to 8 pm
- Saturdays 9 am to 5 pm

Provide 60 minutes per 1,000 patients per week



NETWORK STANDARD HOURS CALCULATION

Based on weighted population at 1 January 2022

Example for 50,000 weighted patients:

- $50,000/1,000 \times 60 = 3,000$ minutes
- $3,000/60 = 50$ hours



VACCINATIONS AND IMMUNISATIONS

Rate remains at £10.06 (last increased April 2018)

6 in 1 vaccine income lower than old scheme

Remember 80% target



VACCINATIONS AND IMMUNISATION CHANGES

HPV 3 to 2 doses for most

MMR catch up for 10 and 11 year olds ceased

MenACWY freshers ceased

Participate in childhood immunisations catch up campaign



OTHER FUNDING

£20 million for subject access requests continues
Weight management DES continues at £11.50 per referral (now need patient permission to refer)



ON-LINE APPOINTMENT BOOKINGS

Previously 25% available for on-line booking
Now offer for all appointments without triage



FUTURE OF GMS CONTRACT

5 year deal ends 2023/2024
Will roll over if no new contract



PMS TO GMS CONTRACT

Same core contract income
BMA standard contract for salaried GPs
Date of payment
Notice period – 6 months for PMS



PCN INCOME

	2022/2023	2021/2022
Participation (to practices)	£1.761 per weighted patient	£1.761 per weighted patient
Core funding	£1.50 per registered patient	£1.50 per registered patient
Clinical director	£0.736 per registered patient	£0.736 per registered patient
Care home premium	£120 per bed	£120 per bed
Additional roles reimbursement	Up to £16.852 per weighted patient	Up to £12.314 per weighted patient
PCN leadership/management	£0.707 per weighted patient	
Extended hours (from October 2022)	£3.73 per registered patient (equivalent £7.46 full year)	



PCN ARRS FUNDING

Increase maximum mental health practitioners from one to two
Increase by £280m for 15 roles



IMPACT AND INVESTMENT FUND

	2022/2023	2021/2022
Points	1,153	666
£ per point	£200	£200
Total Funding	£230,600	£133,200



IMPACT AND INVESTMENT FUND (continued)

Domains:

- Prevention and tackling healthcare inequalities
- Providing high quality care
- Sustainable NHS

Some indicators suspended in 2021/2022 due to Covid
If above applied for 2 year indicators, will restart 1 April 2022



TYPE OF IIF INDICATOR

Qualitative – earn all or no points

Quantative, either:

- Percentage of total population
- Change in relation to base period

Composite is the best of the above

Potential for exclusions and exemptions

Adjustment for prevalence and list size



NATIONAL MINIMUM WAGE

	From 1 April 2022	From 1 April 2021	Increase
16 – 17 year olds	£4.81	£4.62	4.1%
18 to 20 year olds	£6.83	£6.56	4.1%
21 to 22 year olds	£9.18	£8.36	9.8%
23 and over (NLW)	£9.50	£8.91	6.6%
Apprentices	£4.81	£4.30	11.9%



NATIONAL MINIMUM WAGE (continued)

- Over 23's WTE increase approx £1,000
- Cost to business higher due to employer's superannuation and NIC



EMPLOYEE NI THRESHOLD

	6/4/22 TO 5/7/22 £	6/7/22 – 5/4/23 £
Weekly	190	242
Monthly	823	1,048
Annual	9,880	12,570



NATIONAL INSURANCE (continued)

- April 2022 onwards, extra 1.25% for employees and employers as Health & Social Care levy.
- Employees 13.25% (2021/2022 – 12%) up to £50,270
- Employees 3.25% above £50,270 (2021/2022 2%)



NATIONAL INSURANCE (continued)

- Employers 15.05% above £9,100 (2021/2022 – 13.8%)
- Also applies to Class 1A on benefits and termination payments over £30,000



NATIONAL INSURANCE (continued)

- Class 1B PAYE settlement agreements (PSAs) also affected
- From 6 April 2023 the levy will become a separate tax of 1.25%
- Still no employer NI for:-
 - Employees under the age of 21
 - Apprentices under the age of 25
 - Veterans in first civilian role (12 months)



NHS PENSION CHANGES

- Apart from GPs, NHS Pension Scheme was final salary linked
- 2015 changed to career average revalued earnings (CARE)
- All members in 2015 NHS Pension Scheme from 1 April 2022
- Benefits built up in the 1995/2008 Pension Schemes will not be lost
- From October 2022 changes to employee tiers



NHS PENSION CHANGES (continued)

- Current tiers until 30 September 2022

Total Pensionable Income	Contribution Rate
Up to £15,431.99	5%
£15,432.00 to £21,477.99	5.6%
£21,478.00 to £26,823.99	7.1%
£26,824.00 to £47,845.99	9.3%
£47,846.00 to £70,630.99	12.5%
£70,631.00 to £111,376.99	13.5%
£111,377.00 and over	14.5%



NHS PENSION CHANGES (continued)

- From October 2022

Total Pensionable Income	Contribution Rate
Up to £13,231	5.1%
£13,232 to £15,431	5.7%
£15,432 to £21,478	6.1%
£21,479 to £22,548	6.8%
£22,549 to £26,823	7.7%
£26,824 to £27,779	8.8%
£27,780 to £42,120	9.8%
£42,121 to £47,845	10.0%
£47,846 to £54,763	11.5%
£54,764 to £70,630	12.5%
£70,631 and above	13.5%

NHS PENSION CHANGES (continued)

- Proposed rates from April 2023

Total Pensionable Income	Contribution rate
Up to £13,231	5.2%
£13,232 to £22,548	6.5%
£22,549 to £27,779	8.3%
£27,780 to £42,120	9.8%
£42,121 to £54,763	10.7%
£54,764 and above	12.5%



NHS PENSION CHANGES (continued)

- Lower earners paying more
- Highest earners paying less
- Employer superannuation contributions remain at 20.68% including the administration levy of 0.08%
- NHS employers actually pay 14.38%
- Difference of 6% is funded by HM Treasury



CHANGE OF BASIS FOR TAX

- For businesses with a year end other than 31 March or 5 April and those in early years of trade
- Simplifies allocation of trading income to tax years
- Taxed on profits arising in a tax year
- Applies from 2024/2025 tax year
- 2023/2024 will be a transitional year



CURRENT BASIS OF TAXATION

- Taxed on profits arising in the accounts ending in the tax year

Accounts year end	Tax year	Tax return filing deadline	Time between year end and filing deadline
31 December 2021	2021/22	31 January 2023	13 months
31 March 2022	2021/22	31 January 2023	10 months
30 April 2022	2022/23	31 January 2024	21 months
30 June 2022	2022/23	31 January 2024	19 months
30 September 2022	2022/23	31 January 2024	16 months



OVERLAP PROFITS

- Generated at a fixed point in time
 - Start of self-assessment or
 - When joining a partnership with a non March year end
- Deducted when leave a practice or change year end



OVERLAP EXAMPLE

- Dr A joins a practice as a partner on 1 July 2021. The practice prepares accounts up to 30 June each year. Dr A was a salaried GP to 30 June 2021

Tax year	Profits taxed on	Overlap period	Notes
2021/22	1 July 2021 to 5 th April 2022	N/A	Start date to 5 th April. Salaried income to 30 June will be included in taxable income for year.
2022/23	1 July 2021 to 30 June 2022	1 July 2021 to 5 th April 2022	First 12 months



NEW BASIS OF TAXATION

- Taxed on profits arising in the tax year
- Apportion profits/losses between tax years
- Can apportion in months to 31 March if reasonable and done consistently



NEW BASIS OF TAXATION - EXAMPLE

Accounts year end 30 June

Tax year ended 2024/2025

- Will report profits for 12 months to 31 March 2025, so apportionment:
 - 3/12 of profits from 30 June 2024 accounts.
 - 9/12 of profits from 30 June 2025 accounts.



TRANSITIONAL YEAR

- Tax year 2023/2024
- Taxed on profits for 12 months to accounting date in 2023/24 plus period to 31 March less overlap profits
- Excess profits can be spread over 5 years
- Excess profits treated as one-off separate item to minimise impact on allowances and means tested benefits



PRACTICAL ASPECTS

- Cashflow
- Accounts timing and year end
- Estimates and revision of tax returns
- Superannuation?



USE OF LIMITED COMPANIES FOR PRIVATE WORK

- Potential to use for some practice income
- Partners may use for private income earned outside of the practice or let property income
- Assets are protected
- Not pensionable



REGULATORY REQUIREMENTS

- File accounts every year at Companies House
- Annual Confirmation Statement to Companies House
- Name and address displayed publicly – can use Lentells as the registered office



COMPANY TAXATION

- Corporation tax rate currently 19%
- From 1 April 2023 25% for profits over £50,000
- Marginal rate for profits between £50,000 and £250,000
- Compared with 43.25% partnership tax for higher rate taxpayers BUT...



TAXATION CONTINUED

- Personal tax due on dividends over £2,000 per annum
 - Basic rate tax payer 8.75%
 - Higher rate tax payer 33.75%
 - Additional rate tax payer 39.35%
- Profits can be left in the limited company until retirement/income is lower to avoid high dividend tax
- Useful if income is close to £100,000 to preserve personal allowance



CAPITAL ALLOWANCES

- Super-deduction 130% first year allowance for qualifying plant and machinery
- Expenditure incurred from 1 April 2021 to 31 March 2023
- Computer equipment and servers



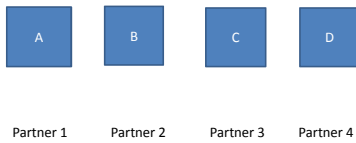
CAPITAL ALLOWANCES (continued)

- Office chairs and desks
- Electric vehicle charge points
- Solar panels



COMPANY STRUCTURE (Practice)

Alphabet shares



Take professional advice



COMPANY STRUCTURE (Personal)

- Spouse
- Children over the ages of 18
- Children under the ages of 18 – grandparents may purchase shares
- Loss of control when reach the age of 18
- Marriage/divorce
- Shareholders agreement



COMPANY STRUCTURE (Personal)

- Useful for school fees and university fees
- Dividends can be left in the company as family loans
- Interest can be charged on the loans
- No tax payable on £1,000 of interest for a basic rate tax payer (£500 for a higher rate tax payer)



LIMITED COMPANIES FOR PCNS

- Going forward we believe this will be more common
- We are not actively setting up limited companies yet.
- Waiting for definite confirmation on staff NHS pension scheme



FINANCIAL PRESSURES ON PRACTICES

- Increase in staffing costs
- Increasing overheads
- Possible reduction in income levels



MANAGING UNCERTAINTY

- Understand the income generated by the practice and understanding your accounts
 - List size
 - Ensure you are paid for all services provided
 - Review private fees
- Ensure funding is in place for times when potentially the practice will need to rely on bank finance



MANAGING UNCERTAINTY (Continued)

- Having accurate projections of tax and superannuation
- Consider the level of monthly drawings
- Managing and monitoring expenses
 - Drugs and dressings purchases
 - Overheads
 - Staffing and locum spend – mix of skills
 - Rolling maintenance programme



WAYS TO HELP WITH MONITORING THESE AREAS:-

- Drawings projections
- Budgets
- Cashflow
- Benchmarking



DRAWINGS PROJECTIONS

- Annual projection of next year's profits
- Drawings might vary from partner to partner due to added years or opting out of pension
- Contingency for unknown costs/reduction in income
- Avoids disparity in capital accounts at the year end
- Ensures partners are not over drawing!



BUDGETS

- Line by line review of income/expenses
- Can be done using software or simple excel spreadsheet
- Starting point is last year's accounts then adapt for expected changes



BUDGETS (continued)

- Changes in staffing
- Increase in overheads
- Spend on repairs
- Increase in core funding
- New enhanced services
- Review regularly either monthly or quarterly



CASHFLOW

- Looks at movement in the bank rather than just profit and the timing
 - Tax payments
 - Superannuation
 - Drawings
 - Income
 - Expenses



CASHFLOW (continued)

- Look ahead 12 months plus and update each month
- Why use a cashflow?
 - Affording additional staff/renovations
 - Paying out an equalisation payment to partners
 - Ensuring you have enough working capital
 - Assessing the impact of partner changes
- Easiest option is a simple Excel spreadsheet (see example)



BENCHMARKING

- Comparison of approximately 200 practices across the South West showing key statistics
- Key assumptions
 - WTE is based on 8 sessions
 - Salaried GP costs are added back and treated as WTE
 - All statistics are based on raw rather than weighted list size
 - Split between dispensing/non-dispensing



BENCHMARKING STATISTICS 2021 YEAR TO DATE

	2021	2020
List size per WTE	1,885	1,932
Average profit per WTE (excluding dispensing)	136,764	120,818
Total income per patient	155.72	148.58

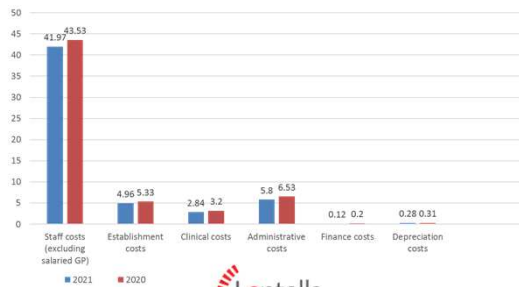


SOME INDIVIDUAL STATISTICS

Amounts per patient	2021	2020
Global Sum/PMS	86.07	85.85
QDF	13.58	13.34
Flu	3.50	2.62
Training	2.22	2.19
PA drugs	3.88	3.97
Profit	56.85	48.01
Wages cost – non dispensing	62.37	58.46
Wages cost – dispensing	14.52	13.10
Total wages cost	76.89	71.56
Locum cost	6.63	7.00
Nurse cost	16.95	16.54
Additional clinical staff	6.09	6.45



EXPENDITURE AS A PERCENTAGE OF INCOME



DISPENSARY TRADING RESULTS

	2021	2020
Number of patients dispensed to	4,069	3,836
Dispensing profits per patient dispensed to	45.00	34.00
Dispensary profit/(loss) per WTE GP	43,736	32,412
Dispensing profit/(loss) margin	19.88%	15.65%
Dispensing margin on drugs	13.91%	9.38%
Dispensing staff costs as a % of drugs dispensed	17.34%	17.99%



BENCHMARKING (continued)

- Things to consider if you are comparing your results:-
 - Adjusting for salaried GPs
 - How is employers' superannuation treated?
 - How are partners' subscriptions treated?



24 HOUR RETIREMENT RECAP

Normal rules

- Fully retire for 24 hours
- Work no more than 16 hours for next calendar month

Restrictions removed due to Covid until at least 31 October 2022



24 HOUR RETIREMENT PRACTICAL IMPLICATIONS

- Apply 3 months in advance
- Submit AW8 to NHSP
- Update performers list via PCSE on-line
- Increase drawings to pass on savings in employee and employer superannuation
- Ask for permission for other partners to return
- Beware the impact on tax liabilities



PAY TRANSPARENCY

- 2019/2020 pensionable pay over £150k – originally due 12 November 2021
- 2020/2021 pensionable earnings over £153k – originally due 30 April 2022
- Currently suspended but expected to resume at some point



NEW TO PARTNERSHIP PREMIUM

- Continues for 2022/2023
- For new healthcare partners from 1 April 2020
- Excludes practice managers
- Up to £20k plus on costs for 37.5 hours
- Clawed back if leave within 5 years



NEW TO PARTNERS PREMIUM (continued)

- Need valid partnership agreement
- Paid to practice
- Taxable
- Not pensionable
- Reimbursable training costs of up to £3,000 (not WTE equivalent)



LENTELLS' PAYROLL SERVICE

- Act for numerous GP practices
- Deal with NHS pensions administration
- Deal with auto-enrolment
- Quotes available
- www.lentells.co.uk
- payroll@lentells.co.uk



ANY QUESTIONS?

- Jo Fursman – jo.fursman@lentells.co.uk
- Jane Jordan – jane.jordan@lentells.co.uk
- Ed Paull – ed.paull@lentells.co.uk
- Shirley Whittle – shirley.whittle@lentells.co.uk
- Rob Wegner – rob.wegner@lentells.co.uk
- Tracey Turner – tracey.turner@lentells.co.uk
- Andrew Spear – andrew.spear@lentells.co.uk



DISCLAIMER

These presentation notes are for guidance only.
We recommend professional advice should be
obtained before acting on any information
contained in them.