



# GP Practices

## Specialist GP Practice Accountants

Newsletter

Winter 2017

### Introduction

Welcome to our Winter 2017 GP newsletter.

The past quarter has been a period of bold statements and promises from government around securing the future of general practice. With increases in funding reported by NHS Digital and measures to retain the workforce made by the RCGP chair to Health Security Jeremy Hunt, is there finally some good news on the horizon?

### In this issue we look at:

- GP funding in the UK rises reported for 2015/16
- Four reasons to submit your tax returns early
- GMS and PMS contract funding gap falls
- What do the PMS funding changes mean?
- Five-point plan to retain workforce
- Making Tax Digital
- Autumn Statement

We hope you enjoy this edition of our newsletter and, as always, please get in touch if you would like any further information.



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### Hawsons are specialist GP practice accountants

At Hawsons our dedicated team of specialist medical accountants and tax advisors offer a wealth of experience to GPs and their practices. Our in-depth knowledge and understanding of the sector is applied and we work closely with our clients, ensuring that changes in the medical sector are recognised promptly and appropriate strategies implemented and actions taken.

For more information on our GP practice expertise, including the services we offer and our experience, please visit: [www.hawsons.co.uk/gp](http://www.hawsons.co.uk/gp)



# GP funding in the UK rises

GP funding in England, Wales, Scotland and Northern Ireland increased in 2015/16, with new data revealing England received the largest increase at 4.67%. However, the data also confirmed that GP funding was only 8.1% of total NHS spending, being a decrease from 10% in 2004/05.

Figures released by NHS Digital shown total funding in England increased from £9.03bn in 2014/15 to £9.45bn in 2015/16. Elsewhere in the UK, Northern Ireland saw the second highest increase in funding with a total of £267m, being an increase of 4.52% from 2014/15.

Scotland and Wales saw the lowest increases in the UK, with Wales recording an increase in GP funding of 2.15% to £488m and finally Scotland with a rise of 1.53% to £822m.

Scott Sanderson, GP specialist at Hawsons, had this to say about the funding increase: "The funding increases are welcomed by the sector and is undoubtedly some positive news for practices. We have commented on numerous occasions about the growing financial pressures practices are facing and what it may mean for the future of general practice, with increasing patient numbers, succession issues and rising costs – are the funding increases enough?"

GPC chairman Dr Chaand Nagpaul said that general practices had "suffered from a decade of underinvestment with the proportion of funding GP services receive dropping as a proportion of the NHS budget from 10% in 2004/05 to 8.1% today."

Dr Nagpaul continued: "This is despite an unprecedented surge in pressure on GP practices," Dr Nagpaul said, "with rocketing demand, especially from an older population with complex needs, widespread staff shortages and more care being moved from secondary care into the community. In this worsening climate, many practices are facing a disastrous financial future, with more than 300 GP practices in England recently telling the BMA they are potentially facing closure."

"There are signs that the proportion of funding is beginning in a small scale to increase, however this does not match the relentless expansion in workload and activity in GP surgeries which has left many without the necessary resources to sustain an effective service to patients. Much of the funding increase recorded in this report derive from one off payments from the PM Challenge Fund and other pilots."

## Four reasons to submit your tax return early

We're fast approaching the deadlines for your self-assessment tax returns, throughout the summer many GPs will have filed their self-assessment tax returns. However, if it is still on your to-do list, make sure you file it before the deadlines, and we explain why below:

**Peace of mind:** Submitting your tax return early gives you one less thing to think about and could give you peace of mind during the hectic Christmas (and New Year) period. Avoid the stress of last-minute filing by sorting it out this summer.

**Avoid incurring penalties and interest:** The deadline for filing is 31 January (or 31 October for paper returns); miss it and you'll automatically be fined the infamous £100 penalty. Longer delays will result in further and more severe penalties from HMRC, so filing your tax return early will make sure you do not run the risk of missed deadlines and HMRC penalties.

**Know what tax you owe and plan ahead:** Filing your tax return early does not mean paying the tax that you owe at an earlier date. Find out where you stand at the earliest opportunity and give yourself time to budget for payment and consider tax planning opportunities. For example, it may be possible to reduce your July payment on account if your income has reduced. In addition, if the return is filed early it may be possible for tax owed of up to £3,000 to be collected through your salary or pension.

**Get a quick tax repayment:** If you are entitled to a tax repayment, you should receive this once your tax return has been submitted and processed by HMRC. It is therefore well worth filing your tax return early if you've overpaid tax as it will enable you to receive the tax repayment sooner. In addition, you are likely to receive the repayment much quicker during the summer.

# GMS and PMS contract funding gap falls



Following on from our article on from the first article, ‘What do the PMS funding changes mean?’ official NHS data has revealed that the funding gap between GMS and PMS practices has fallen by nearly 40% in 2015/16 as PMS reviews cut funding from locally negotiated contracts.

Data from NHS Digital has revealed that GP practices across all contract types saw an increase of £1.53 per patient from £141.09 in 2014/15, resulting in an average of £142.62 per patient in 2015/16.

Furthermore, GMS practices saw an average funding per patient at £140.13, PMS practices funding per patient was £144.32 and APMS practices at £184.10.

The funding gap between GMS and PMS practices has seen a 38% decrease to £4.19 in 2015/16. This is down from 2014/15 when PMS practices received £6.79 more on average per patient than GMS.

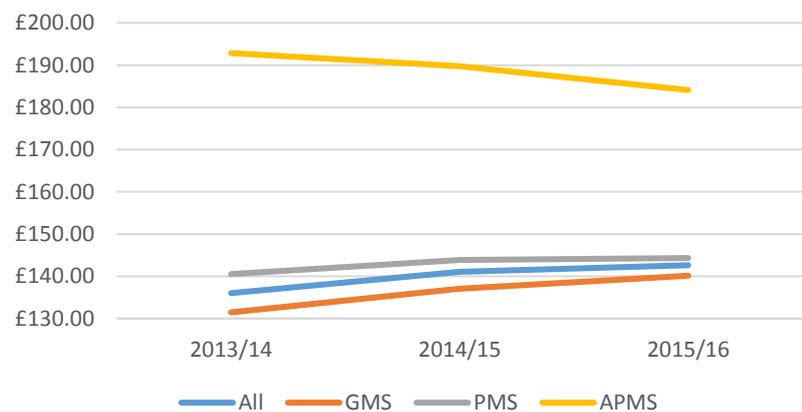
Funding cuts to PMS practices has reflected the drive across England to equalise the funding across the two contract streams through waves of PMS reviews.

A significant number of GP practices, as expected, have been converting from PMS contracts to GMS contracts. A reduction in practice numbers suggests that approximately 125 practices have either closed or merged, according to data released by NHS Digital.

The data also released figures that showed the number of PMS practices fell from 3,190 in 2014/15 to 2,653 in 2015/16, while GMS practices contracts increased in 2015/16 to 4,892, up from 4,480 the previous year.

Scott Sanderson, GP specialist at Hawsons, had this to say: “The funding gap between GMS and PMS contracts, it would appear, has long been on the governments agenda to equalise equitable funding across general practice, and the statistics released by NHS Digital will not come as a surprise to partners or practice managers in the sector. Nevertheless, these funding changes will no doubt have significant impact on the financial stability of many current or former PMS practices.”

Average GP Funding Per Patient



# What do the PMS funding changes mean?

The PMS funding changes – part of the national drive for equitable funding – may see a large number of redundancies, reduced service offerings and even practice closures over the next few years. Reviews in one CCG area indicate that as many as half of practices fear they will be at risk of closure following the loss of PMS premium funding. The looming ‘collapse’ has led to practices being warned by the CCG to make sure they prepare for GMS level earnings as PMS spending is brought in line their GMS counterparts.

## Reaction from GPs at a PMS practice

GPs at a Sheffield PMS practice have said, following the funding cuts, it could be forced to close as it will lose £260,000 of funding per year – more than a fifth of its current annual budget – in an interview with the Sheffield Star.

Dr Kate Bellingham said: “We are facing massive financial challenges at the moment and don’t know how we are going to remain viable...If we lose the full 21% I can’t see how we can continue to operate.”

It is not yet clear what impact the loss of substantial PMS premium funding – for roughly 40% of all practices, covering nearly 20 million patients – will have on PMS practice viability and sustainability over the next few years. There will undoubtedly be some practices who are hit harder than others and estimates suggest that some PMS practices could lose up to as much as £300,000 or £400,000 worth of funding.

In this article we look at some of the FAQ surrounding PMS funding and provide advice on how you can start preparing your practice for GMS level earnings.

## What is happening to PMS practice funding?

NHS England is currently reviewing PMS contracts as part of its drive for equitable funding. The reviews of PMS funding are set to withdraw as much as £260m worth of funding. Those funds are then likely to be given to area teams, who will use the money to achieve local outcomes in line with local area plans. Given the current recruitment crisis and increased regulation facing GPs it is essential that all funds freed up from these PMS reviews are reinvested back into local, struggling practices.

## How will the PMS funding changes impact practices?

Many practices across England fear closure following the loss of significant PMS funding, but the true impact will vary from practice to practice. It looks like PMS practices are set to lose, on average, between £50,000 and £150,000 worth of additional funding. There will also be circumstances where practices could lose up to as much as £400,000. Those practices in particular may have to make significant operational and/or strategic changes to ensure their financial viability.

## Is this the end of the PMS contract?

NHS England has suggested that it wants to keep all of the different contractual models, but this seems unlikely in practice. If you are being funded on GMS level earnings – with tens (if not hundreds) of thousands of pounds less in funding per year – then you may have to bring your service back in line with your GMS counterparts. In fact, more than 600 PMS practices (roughly 1 in 5) have already agreed to return to a GMS contract.

## How can practices prepare for GMS level earnings?

Those 2,400 or so PMS practices that have not yet returned to GMS contracts will have to make operational and strategic preparations before doing so, such as:

- Monitor risks to financial sustainability, including a review of fixed costs vs. variable costs.
- Review staffing rotas to ensure operating at a cost-effective manner whilst still offering a quality service to patients.
- Carryout a cost review for general practice expenses such as utilities, insurances etc.

# Five-point plan to retain GP workforce

RCGP chairwoman Dr Maureen Baker has outlined a five-point plan in order to retain the existing GP workforce, in letter to Health Secretary Jeremy Hunt.

The government wants to increase the GP workforce by 5,000 by the year 2020 solely through recruitment initiatives alone, and Dr Baker has warned the government that this target is not achievable through only recruitment initiatives. Dr Baker has also urged the government to take steps to keep the existing GP workforce working longer.

467 GP practices in England and 133 GP practices across the UK could potentially cease operations by 2020 because of the age of their GPs, with 75% being over 55, the college warned earlier this month.

## The five initiatives

There are five initiatives that Dr Baker outlined in her letter to Jeremy Hunt that the RCGP want the government to focus on, these are:

Opportunities to keep older GPs engaged in the workforce in whatever way suits their needs the most, through a flexible and comprehensive careers planning scheme

The cost of indemnity is often a barrier to older GPs ability to work flexibly, therefore a bursary to support continuing professional development and help the older GPs meet the costs of indemnity would be welcome

Pensions can be a disincentive to continue to work for older GPs, so a government review into pension arrangements is necessary

A major contributing factor in a GPs decision to retire is the roll-out in medical assistants as it is an administrative burden, so priority for older GPs in this roll-out is needed

A mentoring and job sharing scheme where older GPs would be matched with GPs who are returning from maternity leave. This would allow older GPs to have a staged retirement date as well as other GPs having a staged return date. It will also allow for the transfer of knowledge between older GPs and younger GPs

Dr Baker said: "Older GPs have so much to give to their patients, their colleagues and the wider NHS, yet we are at risk of "brain drain" on a massive scale. Even with the significant levels of investment promised in NHS England's GP Forward View, this cannot be replaced overnight, if ever."

"Failing to find ways to keep GPs approaching retirement in the profession when waits for GP appointments are rising risked 'a tragic waste of talent and expert knowledge", Dr Baker warned.

"If we fail to address this, the consequences for the health service could be dire – and it is patients who will ultimately bear the brunt by not being able to see their GP when they need to. General practice is caught in a pincer movement of GPs leaving the profession but not enough medical students choosing to go into general practice."

"We have launched our Think GP campaign to attract more people into the profession – but we need similar schemes to persuade practicing GPs to stay, and that is what we are calling on the health secretary to establish and champion."

Scott Sanderson, Hawsons Healthcare specialist had this to add: "The falling number of GP practices is clearly a concern that the government need to address. With an increasing population and list sizes being at record highs this is a step in the right direction for general practice"

# Making Tax Digital

HMRC have recently published six consultation documents on the 'Making Tax Digital' strategy – the biggest shake-up of the personal tax system in 20 years. These documents set out HMRC's plans to move to a fully digital tax system by 2020, with the aim of making the tax system more efficient. The government first announced the project in the 2015 Budget but has now provided additional details of the proposals for consultation.

## The consultation documents

The six consultation documents cover:

- Bringing business tax into the digital age
- Simplifying tax for unincorporated businesses
- The simplified cash basis for unincorporated property businesses
- Voluntary tax payments in advance of liabilities being due
- Tax administration
- Transforming the tax system through better use of information



## In summary

HMRC plan to make fundamental changes to the way tax reporting is carried out. Business owners and landlords will be required to keep records digitally and update HMRC more frequently than is currently the case. These reforms will be introduced from April 2018.

By 2020 most businesses and landlords will have to use software or apps to keep their records and report to HMRC on a quarterly basis. Tax returns will be replaced by an End of Year declaration which will need to be filed within 9 months of the end of the period of account.

HMRC also intend to make changes to some of the underlying tax rules for businesses and amend HMRC's compliance and enquiry powers. This will include the introduction of a new regime for late submission penalties, late payment sanctions and proposals to align interest across taxes.

Those taxpayers who are likely to be exempt from the changes include:

- All unincorporated businesses and landlords with an annual income of less than £10,000;
- Charities and Community Amateur Sports Clubs (CASCs) and;
- Those who cannot engage digitally

## Reaction

Craig Walker, Senior Tax Manager at Hawsons commented: "The proposals are radical and wide ranging, and clearly significant consultation is required. There are deep concerns within the profession and the business community that HMRC's plans are overambitious and unrealistic, the proposals will place additional burdens and costs on businesses, and the current timetable for implementation is unworkable."

"Although the concessions for businesses with income below £10,000 are welcome, much more still needs to be done by HMRC to address the legitimate concerns of businesses."

## More on Making Tax Digital

Over the coming weeks and months, we will provide further details on the new initiative, commenting on the new consultation documents and what they mean to taxpayers and the personal tax system.

# Autumn Statement



Philip Hammond delivered his Autumn Statement on Wednesday 23rd November 2016. His speech set out both tax and economic measures the government will implement. In this article, we summarise the key points arising from the Autumn Statement and focus on what the changes may mean for the GP sector.

## In Summary (general)

- the government reaffirming the objectives to raise the personal allowance to £12,500 and the higher rate threshold to £50,000 by the end of this Parliament
- reduction of the Money Purchase Annual Allowance
- review of ways to build on research and development tax relief
- tax and National Insurance advantages of salary sacrifice schemes to be removed
- anti-avoidance measures for the VAT Flat Rate Scheme
- autumn Budgets commencing in autumn 2017.

In addition, the Chancellor announced the following pay and welfare measures:

- National Living Wage to rise from £7.20 an hour to £7.50 from April 2017
- Universal Credit taper rate to be cut from 65% to 63% from April 2017.

In the March Budget the government announced various proposals, many of which have been subject to consultation with interested parties. Draft legislation relating to many of these areas will be published and some of the details may change as a result.

You can read our full Autumn Statement 2016 review here: [Autumn Statement 2016 Key Details and Summary](#)

For more information on the Autumn Statement and how it might affect your business, please contact your local office



## Winter 2017

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