



GP Practices

Specialist GP Practice Accountants

Newsletter

Winter 2015

Introduction

Welcome to our Winter 2015 GP newsletter.

This has been a year of radical change for General Practice, which has now led to the vast majority of junior doctors voting in favour of strike action. In a year where many practices have faced increasing financial pressures, we look at the proposed new CQC fees due to burden the sector. We also look at the ongoing CQC inspections and how, despite overall consistency, there could be variations in practices regionally and contractually. Additionally, with the recent Autumn Statement bringing further changes we look at the key details and what they mean for GP practices and GPs.

In this issue we look at:

- Autumn Statement GP review
- GPs face significant increase in CQC fees
- 10 key action points for new GP partners
- Pensions tax relief – no further tinkering
- 98% of junior doctors vote in favour of strike
- Are there variations in CQC inspection ratings?

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



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Autumn Statement GP review



George Osborne presented his 2015 Autumn Statement on Wednesday 25th November 2015. In a week that marked the halfway point in the Chancellor's decade-long austerity programme, the Autumn Statement 2015 was a crucial moment. Following a year which has already seen two Budgets and a General Election, this year's Autumn Statement and comprehensive spending review set out some very important changes.

In summary (general):

- Tax credit cuts scrapped all together
- £12bn in targeted welfare savings to be delivered in full
- Small business rate relief to be extended for one more year
- NHS to receive £10bn more funding a year in real terms by 2020
- Basic state pension will rise by £3.35 to £119.30 a week
- New 3% surcharge on stamp duty for buy-to-let properties and second homes from April 2016
- Doubling of housing budget to £2bn a year
- Capital funding of transport projects to rise by 50%
- Increased devolution with 26 new or expanded Enterprise Zones announced
- Transport (37%), environment (15%) and energy (22%) departments all face funding cuts

In the Budgets in March and July the government announced various proposals many of which have been subject to consultation with interested parties. Some of these proposals are summarised here. Draft legislation relating to many of these areas will be published on 9 December and some of the details may change as a result. Our Autumn Statement summary on our website summarised these key issues and also provided a reminder of other key developments which are to take place from April 2016.

Read our summary at: <http://www.hawsons.co.uk/guide-2015-autumn-statement>

Autumn Statement GP impact

Scott Sanderson, Healthcare Partner at Hawsons, Commented: "This year's Autumn Statement didn't bring much in the way of change for General practice, which will perhaps come as a welcomed relief to many.

The Chancellor did however say that the NHS was the government's first priority, commenting: "we have been increasing spending on the NHS in England. In this spending review, we do so again."

The NHS is set to receive £10bn more funding a year in real terms by 2020 to help deal with rising financial pressures, increasing demand and staff shortages. Scott added: "The additional substantial NHS funding that the government announced is very welcome news. I'd like to think that funding will be used to inject sustained investment into General Practice, to help struggling practices overcome their mounting pressures."

The Chancellor did also make clear that this additional commitment will be used, in part, to fund the 7-day NHS.

GPs face significant increase in CQC fees



GPs could face substantial increases in CQC fees following proposals released by the regulator in November.

A rise in fees was inevitable - the last two years have also seen a rise in CQC fees - but CQC's proposed increases this year represent a much more significant change than ever before. In 2014 GPs faced a 2.5% increase in fees; in 2015 the increase was 9%; in 2016, however, the proposed fee increases over two years could be as high as 550%.

It was perhaps expected that, with the implementation of new-style GP inspections, GPs would face a greater hike in fees than in previous years, but CQC's proposals could be crippling for an already vulnerable sector. GPs have faced a challenging year with the introduction of further detailed and complex regulations, as well as the ongoing pressure of being practically and financially scrutinised in CQC inspections. This latest announcement will not be welcome news for the sector.

GP fee proposals

The regulator, looking to recover its full chargeable costs from providers, has proposed two timescale strategies to which it will now hold consultation. The first proposal will see full recovery happen over two years; the second proposal over four years.

The table below shows the proposed and estimated yearly fee increases for both timescales.

Fee Category	Actual Fee (2015/16)	Proposed Fee (2016/17)	Estimated Fee (2017/18)	Estimated Fee (2018/19)	Estimated Fee (2019/20)
Timescale 1					
GP practices with 5,000 patients of less	£616	£2,187	£4,111	-	-
GP practices with between 5,000 and 10,000 patients	£725	£2,574	£4,893	-	-
GP practices with more than five locations	£2,681	£9,518	£17,893	-	-
Timescale 2					
GP practices with 5,000 patients of less	£616	£1,140	£1,824	£2,736	£4,111
GP practices with between 5,000 and 10,000 patients	£725	£1,341	£2,146	£3,219	£4,839
GP practices with more than five locations	£2,681	£4,960	£7,936	£11,904	£17,893

Under the first timescale proposal, practices could face over a 350% increase in fees for 2016/17 and then an additional 95% increase for 2017/18. In the slightly more lenient second timescale proposal, over four years, increases to fees will be implemented incrementally until 2019/20. Practices, however, will still see their fees almost double for 2016/17.

Promised funding increases

The Department of Health (DH) has said that it will pledge £15m additional funding into the GP contract for 2016/17 to cover most of the rising costs GPs are facing. The DH has said it will review subsequent funding for further years, but has not yet confirmed whether additional funding will be made available. We will keep you updated when further details are released.

For more information please contact your local office specialist.

10 key action points for new GP partners



As many GP practices are experiencing partner changes, planning for a smooth succession remains a central issue in the sector. There are a number of considerations that need to be addressed when a new partner joins, including informing the Local Area Team, signing a partnership agreement and maybe, if the partner has two years' experience, applying for seniority.

Succession in GP practices only really succeeds optimally when it is prepared for.

Some key action points that must be considered

1. Ensure the new partner signs a partnership agreement before they join the partnership
2. If the practice is VAT-registered, inform HMRC of any partner changes
3. Consider the drawings level in accordance with the agreed profit share and confirm the term to parity
4. Inform the Local Area Team of the new partner and confirm the estimated superannuable pay for the first period ending 31 March
5. If the practice funds partners' tax bills, agree when it will take over responsibility for the new partner
6. Arrange payment of subscriptions and locum insurance if appropriate
7. Confirm the amount and date of any current account contribution
8. If relevant, agree a property valuation and confirm the amount and date of any buy-in. Discuss any title deed changes required with your solicitor
9. Apply for seniority if the GP has been a partner for at least two years previously
10. Ensure the partner is registered as self-employed with HMRC and is also paying Class 2 NIC

Succession is a key focus for GPs

In our previous newsletter we looked at GP succession and the potential looming crisis for many practices. A recent study by the BBC, involving 1,005 GPs across the UK, revealed that 56% of doctors expect to retire or leave general practice before the age of 60. The average GP retires at 59, so these results are not necessarily a surprise. What is worrying, however, is that in some parts of the UK 1 in 4 family doctors are over the age of 55 – and there are currently at least 10,000 family doctors aged 55 or over across the nation.

Therefore, over the next five to ten years many GP practices will be transitioning to the next generation.

It is essential that practices recognise the need for succession planning and determine over what time-frame the issue will arise. In this case, the old adage of 'failing to plan is like planning to fail' could never be more accurate.



Pensions tax relief – no further tinkering

How can you maximise the opportunities for pensions tax relief following the big pension reforms?

The recent substantial changes to the rules for accessing money purchase pensions and the treatment of funds remaining on death has sparked increased interest in pension fund provision. However, the amount of allowable tax relief on the contributions and the extent of taxation of the funds when the individual retires remains an area of change. A clear understanding is needed to ensure tax efficiency is obtained and tax charges are avoided.

This briefing covers the tax rules for money purchase schemes. A money purchase pension scheme provides an individual with a fund which can be accessed by the individual later in life (usually at 55 at the earliest). Money purchase schemes can also be referred to as defined contribution schemes.

For more information please visit our website www.hawsons.co.uk/maximising-the-opportunities-for-pensions-tax-relief to read an in-depth article on maximising the opportunities for pensions tax relief.

No further tinkering with pensions tax relief in the Autumn Statement

This year's Autumn Statement did not bring any further changes to pensions tax relief, which breaks the Chancellor's recent ongoing tradition of changes. It perhaps also comes as a big surprise as the Chancellor has previously indicated that pensions could be subject to further changes. However, a lack of tinkering will come as welcome relief to many and means that any decision regarding pensions tax relief will now be delayed until the Budget.

98% of junior doctors vote in favour of strike

A ballot, which saw 76% (28,000) of the 37,000 junior doctors vote (including GP registrars), has found almost unanimous support from junior doctors voting to take part in strike action. In summary, the ballot revealed that 99.4% of junior doctors voted in favour of industrial action short of a strike and 98% voted in favour of strike action.

BMA chairman Dr Mark Porter commented: "We regret the inevitable disruption that this will cause but it is the government's adamant insistence on imposing a contract that is unsafe for patients in the future, and unfair for doctors now and in the future, that has brought us to this point."

Likely strike dates

Junior doctors' strike action dates are scheduled for the 1st, 8th and 16th of December. The decision to strike will mean that non-emergency services in many hospitals, such as planned operations and outpatient clinics, will be cancelled.

- 08:00 GMT 1 December to 08:00 GMT 2 December (junior doctors to staff emergency care)
- 08:00 GMT to 17:00 8 December (full strike)
- 08:00 GMT to 17:00 16 December (full strike)

The last time junior doctors took strike action was over 40 years ago, in 1975. This overwhelmingly unanimous decision to take strike action highlights the anger and disappointment felt across General Practice at Jeremy Hunt's proposed contract changes.

Are you prepared to take part in industrial action short of a strike?

Yes: 99.4%

Are you prepared to take part in strike action?

Yes: 98%

Real-term pay cuts, the 7-day NHS and anti-social hours are three of the biggest factors central to the contract disputes. This is not a decision made by a few hundred; it is a decision made by the vast majority and comes after several protests in recent months.

There will be disruptions to services across the UK, but GP practices should have fewer interruptions. GP trainees will be involved in the strike action, but their walkout will have less impact, as there only tends to be one or two at a practice.

Will it go ahead?

There is cautious optimism that the strikes will now not go ahead, following days of talks between both sides of the dispute. Talks to avert strike action are still ongoing, and the strikes are still set to go ahead, but this consultation is good news, particularly after Jeremy Hunt had initially refused.

Are there variations in CQC inspection ratings?

Since our last update on CQC inspections (in our Autumn 2015 newsletter) the regulator has now officially rated 1,890 GP practices. The picture remains largely – or exactly - the same as it was then, as the tables below show:

Rating	Practices	% of practices
Outstanding	60	4%
Good	1,200	80%
Requires Improvement	180	12%
Inadequate	60	4%
	1,500	

Rating	Practices	% of practices
Outstanding	71	4%
Good	1,505	80%
Requires Improvement	232	12%
Inadequate	82	4%
	1,890	

CQC inspections have so far found that the picture is very positive for GP practices, with the tables indicating a consistent pattern in inspection results. The vast majority – almost 85% - have received the top two ratings, ‘good’ or ‘outstanding’, by the regulator since inspections began in October 2014. GPs are passing with flying colours and it is very pleasing to see.

However, what those tables above do not show is that there are perhaps variations in ratings both regionally and contractually. Recent research has highlighted this and it is important to look at in more detail. All GP practices ought to know how their practice is performing against its competitors. A closer look at CQC inspection ratings, from a regional and contractual perspective, may help practices better understand their official rating and provide some context to how practices are performing across the board.

Regional variations

GP practices tend to perform differently in CQC inspections depending on where they are based in the UK, research has shown. Official ratings show that the West Midlands and South Yorkshire regions are outperforming regions in the East Midlands and the South of the country. The interactive map, published and regularly updated by GPonline, highlights the percentage of practices within a certain region that have been rated as either ‘good’ or ‘outstanding’. The map provides a good overview to the regional variations in CQC inspections of GP practices: <http://www.gponline.com/map-gp-practices-across-england-fared-cqc-inspections/article/1334900>

Contract variations

Research also indicates that contract variations exist, with fluctuations in official ratings depending on whether a GP practice holds a GMS, PMS or APMS contract. The below table shows the rating variations in CQC inspections for different contracts:

Rating	PMS	% of practices	GMS	% of practices	APMS	% of practices
Outstanding	29	4%	30	3%	5	10%
Good	595	82%	788	78%	40	80%
Requires Improvement	65	9%	141	14%	2	4%
Inadequate	36	5%	51	5%	3	6%
	725		1,010		50	

Are variations in inspections ratings expected?

Scott Sanderson, Healthcare Partner at Hawsons, said: “Regional and contractually variations in CQC inspection ratings are interesting to see, but perhaps not too surprising. APMS practices receive significantly more funding per patient than their PMS and GMS counterparts, for example, so you might expect those to be rated higher. Practices also face specific challenges on a regionally basis, including significant disparities in demand, differences in funding and other issues, such as attracting new partners. Variations are therefore always likely.”

“The variations we are looking at now may not also be a ‘fair’ representation. Although it has now been a year since the new style GP inspections came into force, just a fifth of all practices have now been assessed and officially rated by CQC. That means that there are nearly 6,000 practices still to be inspected; and those inspections could significantly change the current research we are looking at. That being said, the overall rating results have not changed at all since our last inspection update, where an additional 390 practices have been rated...so the results we have now might indeed be an accurate benchmark.”

For more information please contact your local office specialist.



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