GP Practices

Specialist GP Practice Accountants

Newsletter
Spring 2016

www.hawsons.co.uk

Introduction

Welcome to our Spring 2016 GP newsletter.

There is a delicate balance in General Practice at the moment – rising costs, contract disputes and ongoing changes to regulation and governance all lie ahead again in 2016. The recent Budget didn't bring much, or any, real significant change to the sector.

In our latest newsletter we look at the important of pension changes for high earners, what the 2016/17 GP contract really means for the sector and take a look at how the PMS funding changes will impact practices up and down the country.

In this issue we look at:

- The 2016/17 GP contract – a 1% funding boost but more bureaucracy
- Understanding what the PMS funding changes means for your practice
- Publishing GP net earnings from 31 March 2016
- Changes to tax relief on pensions for high earners

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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The 2016/17 GP contract – a 1% funding boost but more bureaucracy

As I am sure you will have read by now, the belated 2016/17 GP contact negotiations between the GPC and NHS Employers have now finally concluded and the details published. The headline news is that GPs will receive a 1% pay uplift, but what does the 2016/17 GP contract announcement really mean for GPs?

The 2016/17 GP contract in summary

- An additional £220m investment into the GP contract (a 3.2% funding uplift)
- The additional investment to deliver a 1% pay uplift and reimbursement to meet rising costs
- A commitment to a national strategy to reduce bureaucracy and manage demand on GP services
- A 28% increase to the vaccination and immunisation item of service fees from £7.64 to £9.80
- No disruption for practices from annual contract changes, with no new clinical workload schemes or changes to the Quality and Outcomes Framework (QOF)
- An end to the dementia enhanced service with a transfer of resources to core funding

The contract also includes additional requirements for GPs to:

- Record data on the availability of evening and weekend opening for routine appointments (collected until 2020/21)
- Record annually the number of instances where a practice pays a locum doctor more than an indicative maximum rate, as set out by NHS England

….is that it?

GPC chairman Dr Chaand Nagpaul said: "…these limited changes provide some immediate financial support which for the first time in years recognises the expenses being incurred by practices and resources needed to deliver a pay uplift rather than a pay cut…."

"However, these changes do not detract from GPC's ultimatum to government demanding a clear rescue plan to sustain general practice in the immediate and longer term. We now need to focus on the real battle to revive general practice and which will require far broader solutions than tweaking the annual contract."

The 2016/17 GP contract uplifts are fairly underwhelming

Scott Sanderson, Partner and Healthcare Specialist at Hawsons, commented: "I would echo those comments from Dr Chaand Nagpaul; these are very limited changes and, in truth, the 2016/17 GP contract uplifts will fail to deliver the sustained support that the sector is in desperate need of."

"With the hike in CQC fees, the introduction of the new National Living Wage – which will still bring cost increases to some areas of GP wage bills (cleaning for example) and on supplier prices – and the rising indemnity costs and changes to employers' national insurance, GP practices are facing a number of major financial challenges. The additional NHS investment will be quickly swallowed up."

"Fundamental reform must surely follow"

"Even with a focus on providing additional investments and a pay uplift, the 2016/17 GP contract still imposes two additional requirements for GPs, which means more bureaucracy and more red tape."

"That being said, the GPC have done well to strike any kind of deal which leads to an increase in GP funding and investment; those cost increases are coming whether GPs see a pay uplift or a pay cut, and this is the first above inflation pay rise GPs have seen for a few years. In the immediacy this is a good deal – a step in the right direction – but fundamental reform of the GP contract must surely follow."

For more information please contact your local office specialist.

FAQ: Understanding what the PMS funding changes mean for your practice

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 £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.

FAQ: Preparing 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 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 they remain financially viable."

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.

For more information or advice following the PMS funding changes please contact your local office specialist.

Publishing GP net earnings from 31 March 2016 - what you need to do

As you are probably already aware (and may have already started doing so), following changes that were announced in the 2015/16 GP contract last year, GP practices will now have to publish the average earnings of all full-time, part-time and locum GPs as part of the 2015/16 contract.

Practices must start publishing GP net earnings on their practice website by 31 March 2016.

If you are reading this article, then you may be wondering what you need to disclose on your practice website in relation to the new mandatory requirement to publish the GP net earnings of your practice.

In this article we focus on what practices need to do when publishing GP net earnings.

What do practices have to publish?

Practices must publish the mean earnings for all GPs in their practice.

The earnings reported relate to the 2014/15 financial year and must include all GPs who worked for over six months in the practice during that particular financial year.

The earnings do include:

- Income from NHS England, CCGs and local authorities for the provision of GP services that relate to the contract or which have been nationally determined.
- All earnings to be reported are pre-tax, National Insurance and employee pension contributions.
- For contractors the figures are net of practice expenses incurred.

The earnings do not include:

- Income and costs related to premises, dispensing, private work, out of hours or other commitments

Alongside the mean figure for average earnings, practices will also be required to publish the number of full-time, part-time and locum GPs in the practice on the practice website (see example of wording on our website).

When do practices have to publish GP net earnings by?

The publication of GP net earnings relates to the 2014/15 financial year and should be on the practice website by the 31 March 2016 deadline. Many practices have already started to publish their information.

The information must also be made available in hard copy on request.

What constitutes full-time and part-time?

There is some confusion as what constitutes a full-time GP when calculating the mean average for GP net earnings.

NHS England guidance states that “practices are recommended to follow the definition of full time provided within the 2006/07 UK General Practice Workload Survey, namely that those GPs that work eight sessions or more are considered full time, and any GPs working less than this are considered part time.”

A session is usually defined as a half day.

For more information

Please get in touch with your local office specialist for more information and to book your free initial meeting.

For more details and some worked examples please visit http://www.hawsons.co.uk/publishing-gp-net-earnings-march-2016

Changes to tax relief on pensions for high earners

If you are a higher earner, pension contributions can be a very tax efficient way of saving for your future. However, changes are due to come into force from 6 April 2016 which will reduce the relief available for some individuals with high incomes.

The changes

Generally personal pension contributions, whether you are a basic, higher or additional rate taxpayer, receive basic rate tax relief of 20% (subject to the maximum requirement of the higher of £3,600 per annum or 100% of net relevant earnings, which is explained below). The basic rate relief is paid directly into your pension pot by the government, i.e. £8,000 paid in by you equates to a total gross contribution of £10,000.

Higher or additional rate taxpayers can claim further tax relief up to a total of 40% or 45%, i.e. a further £2,000 or £2,500. Following the previous example, this means you could receive total tax relief of £4,000 or £4,500 on a net contribution of £8,000.

Pension contributions can also mitigate the loss of your tax free personal allowance. If your income exceeds £100,000 you lose £1 of your allowance for every £2 of that excess, meaning you could be paying at a marginal tax rate of 62%! Pension contributions reduce what is known as your 'adjusted net income' for these purposes. Therefore, you could potentially retain all of your personal allowance if you make large enough relievable contributions.

Similarly, if your income exceeds £50,000 and you are affected by the child benefit clawback charge, pension contributions will reduce your adjusted net income for these purposes and could therefore mitigate the loss of your child benefit.

The amount of personal contributions you can receive tax relief on is restricted firstly by your 'net relevant earnings', which includes income from employment, self-employment, partnerships, etc. but not things like income from investments, rental properties, etc. You can receive tax relief on pension contributions up to the gross equivalent of your net relevant earnings each tax year.

The annual allowance also limits the tax relief you can receive on your contributions. It is currently £40,000 (having previously been as high as £255,000 in 2010/11). You can carry forward unused amounts of annual allowance from the previous 3 tax years, providing you were a member of a registered pension scheme during the earliest year. Employer contributions are also included when calculating total contributions made for the purposes of the annual allowance.

From 6 April 2016, the annual allowance will be reduced for those with incomes exceeding £150,000 by £2 for every £1 over this threshold. The minimum annual allowance will remain at £10,000, therefore even if your income exceeds £210,000 you will still be entitled to £10,000 of allowance. Income for these purposes includes employer contributions and some types of personal contributions.

The amount of annual allowance available for each tax year was previously calculated by reference to the 'pension input period' ending in the relevant tax year. The Summer 2015 Budget announced that these periods would be aligned with the tax year end from 6 April 2016. Transitional rules were also announced for the 2015-16 tax year, which means that individuals can **potentially** benefit from up to £80,000 of annual allowance before 5 April 2016.

Action points

If you do not already have a pension scheme, you may wish to consider setting one up to take advantage of the tax relief which is currently available. If you are already contributing to a pension, you should review the level of your contributions before 5 April 2016 in order to take advantage of unused allowance brought forward and the potential £80,000 annual allowance, if it is applicable to you.

We would be very happy to assist and discuss how the changes to tax relief on pensions for high earners impact you, so please contact us.

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