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AISMA Doctor Newsline

At the heart of medical finance...

Your practice's autumn financial planner is here!

To help practices schedule various finance matters in the coming months, **James Gransby*** shares his ideas on actions to attend to now and gives a month-by-month lowdown of what's coming up for the rest of the year and start of 2021

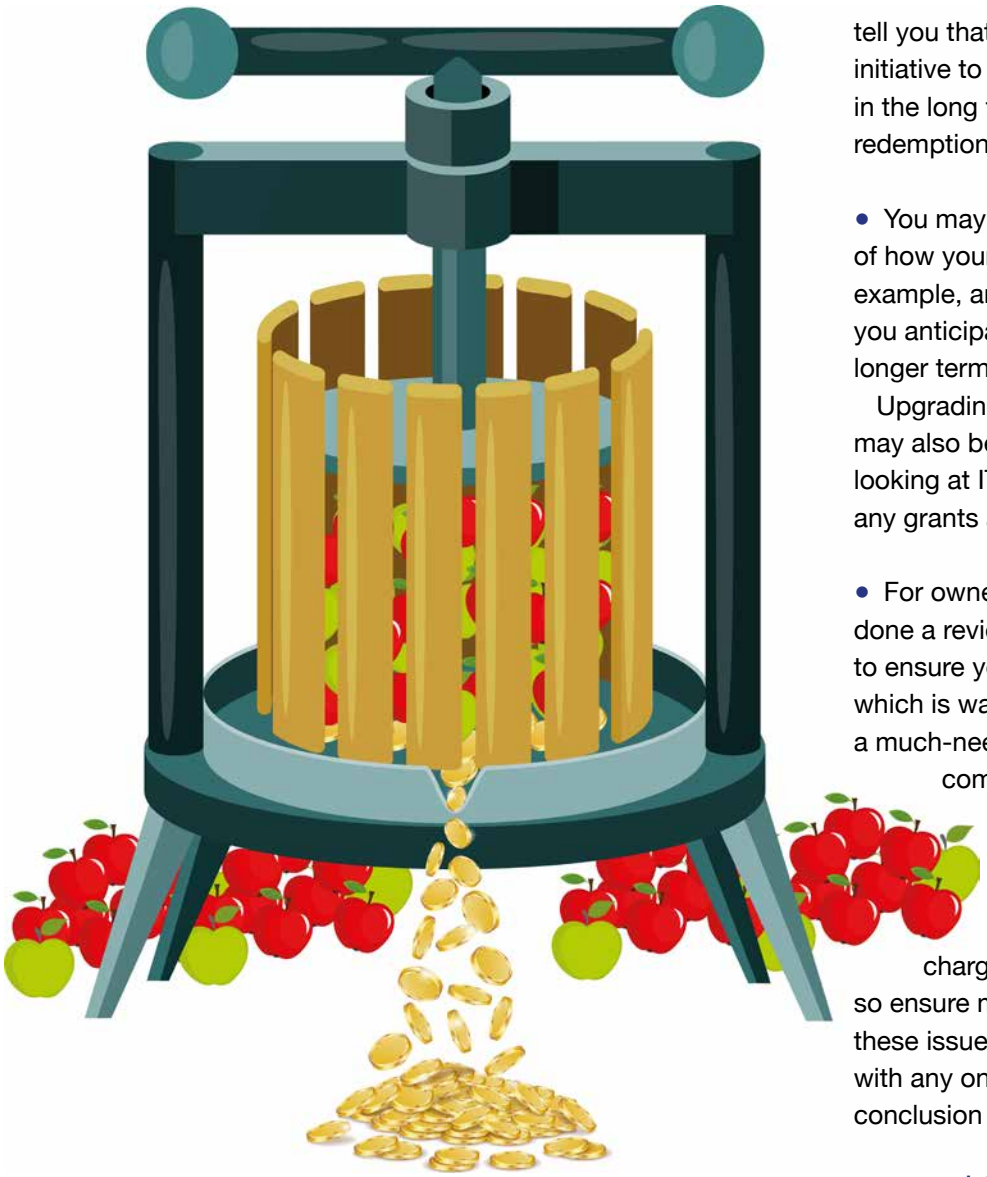
Key things to turn attention to now include:

Practice finances

- It is probably an ongoing project but ensure all Covid-related claims have been made to your CCG or are in the process of being made.

Remember the BMA reclaim toolkit (developed in conjunction with AISMA) can be found here: **https://www.bma.org.uk/advice-and-support/covid-19/gp-practices/covid-19-toolkit-for-gps-and-gp-practices/funding**

- Take time to understand the financial impact that Covid has had on the practice finances in the period to date and how the new contract and income protection measures will affect your practice for the rest of the year. This will highlight any cash flow problems and help you to assess



if partner drawings need to be adjusted.

- Seniority has now stopped but what about finalisation of previous years' over/under payments? If these have not yet been reconciled then beware, particularly when paying out former partners' capital balances, unless these sums have been reserved for as a creditor in the accounts.

- Did you furlough any staff and was this correct?

Following the Finance Act 2020 passed on 22 July any claims made have a 90-day correction window if an employer is to avoid penalties – so there is a deadline of 20 October for previous claims. This may need help from your accountant to check the eligibility of any claims made.

Property matters

- The Bank of England Base Rate is the lowest it has ever been at 0.1% - now could be a good time to consider refinancing practice or property loans.

A conversation with the bank could prove worthwhile as it is unlikely to come forward to tell you that you can save money. Taking the initiative to approach the bank could save money in the long term, even after paying any early redemption penalties which may apply.

- You may be considering a strategic review of how your premises are used in future. For example, are you planning to reconfigure them if you anticipate fewer face-to-face consultations longer term?

Upgrading broadband speeds, where possible, may also be front of mind for the surgery and looking at IT infrastructure generally. Be alert to any grants available for this.

- For owner occupied premises, have you done a review of past capital allowance claims to ensure you have not missed out on tax relief which is waiting to be claimed? This may give a much-needed reduction to tax liabilities in the coming year if a claim is possible.

- Ongoing issues with NHS Propco properties regarding leases and facilities management charges might be affecting your practice so ensure money remains kept aside for when these issues are settled in future. And persevere with any ongoing conversations to try to reach a conclusion where you can.

Partnership matters

The new to partnership premium of £20k (see story on page 10) is now in force so remember to mention this in conversations you may be having with those you wish to become future partners.

You are now able to make the claim for new partners who have joined your practice since April 2020. An up-to-date partnership agreement is one of the prerequisites of the funding and so speak with a specialist medical solicitor about a new partnership agreement. Any new agreement should mention how the £20k funding is treated and would benefit from covering such matters as Final Pay Control liabilities if they arise.

Note the dates

Some further items which may not be on your immediate radar, but may soon be, include:

October 2020 – NHS Pensions. The McCloud judgment (age discrimination case) consultation finishes on 11 October so watch out for any possible actions and decision deadlines for your pension options.

November/December 2020 - In case you missed it - the Chancellor's anticipated Autumn Budget has been postponed.

December 2020 – This month is the last chance to spend serious sums of money on capital expenditure for those with a March year end before changes to capital allowances mean that claims will be restricted for the first three months of the year.

This is relevant if you are looking to spend more than £50k on capital improvements so be sure to talk with your AISMA accountant if this affects you.

End December 2020 – Time for a festive break and while the traditional staff party may not go ahead this year, thoughts may turn to giving staff gift vouchers instead. Beware. Vouchers will need to be processed via the payroll unless a 'PAYE Settlement Agreement' has been put in place.

There may be a temptation by partners to cover the cost from their own pockets but there really is no need; after all there is tax relief available to the partners on the cost of the vouchers when operated correctly, rather than paying for them from tax paid money.

An alternative would be to give a hamper or similar which is possible as long as it falls into the trivial benefits exemption (typically less than £50 cost per person). If there is a party then the longstanding allowance of up to £150 per head applies but talk to your accountant if you are unsure of the rules.

"...keeping in close contact with your AISMA accountant throughout the year to navigate the various deadlines is as important now as it has ever been"

January 2021 – Partners' tax bills are due this month. I am sure this is etched into the memories of partners but make sure whoever pays this liability has the money ready and accessible in time to pay the charge. A small number may have deferred their 31 July 2020 tax 'payment on account' instalment too and so this will also be due, adding to the quantum of tax payable.

February 2021 – Submission of the partners' superannuation certificates must be made now for there to be enough time for them to be processed as part of the March global sum payments. This is essential in order to get the tax relief in the correct tax year.

It is also a good time to remind salaried GPs to do their Type 2 certificates. The estimates of 2021-22 pensionable profits are also due to be submitted soon and doing so in order for the correct payments to be made from April onwards is important.

March 2021 – For any partners who had a pensions Annual Allowance tax charge in the 2018-19 tax year, 31 March 2021 is the extended deadline for submission of the completed Scheme Pays Election (SPE2 form).

The deadline would normally have been 31 July 2020 and it is possible that your AISMA accountant or IFA have already undertaken this for you (worth a check just in case).

It is nearly time to submit the Scheme Pays election for 2019-20, due in by 31 July 2021. This is particularly important as the 2019-20 tax year has a mechanism by which the Government will cover the charge for you but only if the Scheme Pays form is submitted in time.

March 2021 – The Stamp Duty Land Tax (SDLT) holiday for residential properties ends this month and so it is a last chance to consider inter-spouse transfer of property to secure future Income Tax relief with no SDLT (namely on a mortgaged property).

March 2021 – If your practice has a 31 March year end now is the time to remember to perform a stock take and start to get your accounting records ready to pass to your AISMA accountant. This is also the month to check that superannuation adjustments have been made accurately based on the submitted certificates.

March 2021 – If you are involved in a PCN and there are unspent elements of the £1.50 or Impact and Investment Fund money then now would be a good time to spend it, or commit to a legal obligation to spend it at year end to ensure that it does not become part of a year end surplus to be taxed.

The above is a quick run through of some items that you may wish to be thinking about. It is far from exhaustive and keeping in close contact with your AISMA accountant throughout the year to navigate the various deadlines is as important now as it has ever been.

Time to be finance smart and avoid a struggle

OPINION

Sue Beaton
AISMA committee member

Assessing cash flow and profitability over the next few months in these difficult times will play a significant role in the financial management and stability of the practice.

Winter months are likely to put practices' bank balances under more strain with tax liabilities due by 31 January 2021, increased further if July's payments have been deferred and with partners often wanting a Christmas pay-out.

Plan ahead now, forecast what you can and allow for decreases in income areas you know are susceptible to the impacts of Covid-19. Forewarned is forearmed and there is enough time ahead to adapt or target areas where savings could be made. Leaving it late in the day, however, could leave practices struggling.

2020 is certainly proving to be a year quite unlike any other. There is understandable nervousness and uncertainty about the future and many practices are finding it difficult to budget and plan ahead. In the now infamous words of Donald Rumsfeld, the problems lie in 'known unknowns' with future profits and patient trends hard to predict with accuracy.

Covid-19 has caused much anxiety from a finance perspective as well as the wider health and wellbeing considerations. Over the summer, I have had many discussions with practices worried about expected current year profitability, tax and cash flow.

Whereas much is uncertain, there are some things which are known, and it will be necessary to action these. If your practice has a non-March year end, your 2019-20 tax bills will be based on the accounts ending between 6 April 2019 and 5 April 2020 - the most common being 30 June 2019 or 30 September 2019. In effect, 'last year'.

If profits were high in those 2019 accounts, it is likely to mean high tax to pay for 2019-20, possibly 2020-21 too, all against a background where current cash flow and profits might have slowed up considerably.

Do try to ascertain what your tax liabilities arising on 31 January 2021 are likely to be and start to budget and save now. Even with a 31 March year end, profits to 31 March 2020 could be higher than you are expecting for 2020-21 and cash flow might not be as smooth as usual.

If you deferred your second payment on account for 2019-20, normally due on 31 July 2020, remember that you will need to find cash for this and any potential balancing payment on 31 January 2021 as well as the first instalment for 2020-21.

For many, the dent in the bank balance could be significant. Remember that you do not have to wait until 31 January to make payments to HMRC. It is happy to accept your money at any time!

If you would find it easier from a cashflow point of view, you could chip away at the tax whenever you have the funds to do so, to lessen the impact just after Christmas. Also consider if it might be possible to reduce 2020-21 payments on account, due 31 January 2021 and 31 July 2021, if current practice profits or personal income sources are expected to fall.

Whereas the NHS has guaranteed some funding for 2020-21 amid the difficulties caused by Covid-19, you could be vulnerable to reductions in or even losses of non-NHS income.

This could include rental income, travel clinics, occupational health work and medicals. Review your non-NHS sources of income for vulnerability, (as well as your NHS income), to try to ascertain the impact on current year profits and cash flow.

A few NHS income sources may actually increase such as flu vaccinations but this, too, could lead to a temporary squeeze on funds while staff are assigned to providing services and fulfilling demand ahead of the associated income and reimbursements being received. Further Covid-19 costs may also be claimable but need to be incurred before they are refunded, all impacting cashflow.

Even though the rollout of Making Tax Digital, already compulsory for VAT registered businesses, has been delayed, it will nevertheless be required for all in due course. It will be vital to ensure your practice is digitally prepared and has the tools to comply. Turn this readiness to your advantage now.

Cloud based accounting software like Xero and QuickBooks (other providers are available!) enable you to have an up to date picture of incomings and outgoings, with a bank feed facility and, for the more accounts savvy, the ability to run purchase and sales ledgers.

This software therefore enables much more timely information to assess cash flow and provides a good day-to-day management tool to review how the practice is doing.

You could combine this with a review of how the practice is structured and ascertain whether resources are channelled in the right areas. Covid-19 has enforced a different way of working but that might reap rewards going forward.

There is no doubt that current times pose multiple challenges and some will feel under financial pressure. There will be many continuing financial unknowns but planning now, using reliable and timely data and budgeting for what is known, will help.

Tips to manage patients'... GREAT EXPECTATIONS

Ensuring all the usual bases are covered will help ease your patients into the 'new normal'. Fiona Dalziel shares some great ideas

NHS England, as I write, has just written to GPs to 'remind' them to offer face-to-face consultations. This results in hostility towards GPs from patients. GPs are insulted.

But six weeks earlier Health and Social Care Secretary Matt Hancock said: 'All GP consultations should be remote by default'. I expect this also resulted in hostility towards GPs. It certainly led to accusations of laziness. No wonder GPs are insulted. No wonder patients do not know what to expect.

Before the pandemic, about seven in ten GP consultations in England were face-to-face. By the end of April, the figures were reversed. It seems likely that the balance will stabilise at around five in ten being face-to-face, although of course events like a second wave could once again swing the pendulum.

For many, both patients and GPs, remote consultations have significant benefits. A lot of working patients along with many rural patients particularly appreciate them, as do those for whom attending the surgery is difficult.

Access to any kind of GP contact is now routinely through total triage and an RCGP report from July highlights that the resulting flexibility to use different types of consultation may well better meet patients' clinical needs and requirements.

"If introducing a new service, say e-Consult, make sure you put yourself in a patient's shoes when describing what the service does, how it is accessed and where to find more information "

Despite a tsunami of reassuring NHS adverts, patients are confused and frustrated. We have all experienced a massive change to what is normal. Access to services which are reassuringly 'always there' has changed too, and patients' understanding of this, despite valiant efforts, remains unsurprisingly limited.

Additionally, 'better meeting patients' clinical needs' often clashes with patients' own perceptions, especially when their wants and expectations remain the same but delivery has changed.

Plainly, there is a large gap in understanding here. It is not new; it is just exaggerated because of how much and how quickly things had to change.

So, if the changes are here to stay, what can we do at the coal face to start filling the understanding gap?

Face-to-face opportunities to explain systems to patients, always in short supply, are now even rarer. A history may well already have been taken at the point a GP sees a patient for a physical consultation.

The GP is in PPE, the patient is wearing a mask and social chat may be reduced. Opportunities may present themselves during virtual consultations, but in my experience the pressure of the clinical content of the consultation tends to trump any opening for explaining how things work now and, crucially, why.

Here are some steps I think practices could consider for managing patient expectations:

• Written guidance

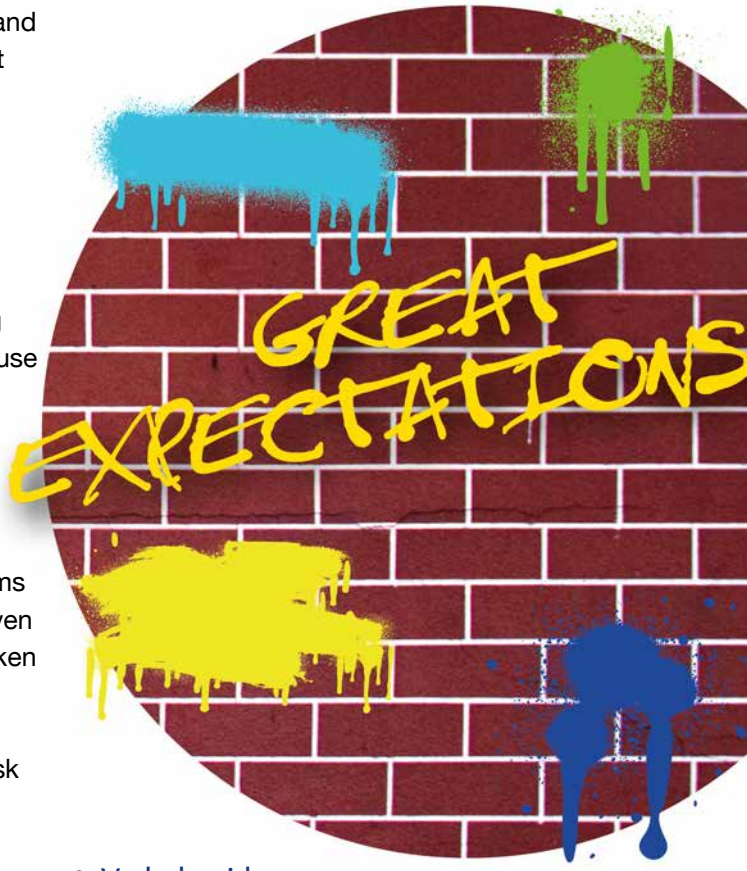
Only a few years ago, practices were being encouraged to develop a website. Now a core method of patient communication, practices will regularly be updating their website's guidance about how to access services.

However, this does require a bit of thought. If introducing a new service, say e-Consult, make sure you put yourself in a patient's shoes when describing what the service does, how it is accessed and where to find more information. Try floating new website items past your patient group for feedback before uploading them.

• Written explanations

These can help patient understanding alongside clear actual guidance. Two key elements of current patient expectation issues are that patients think GP practices are deliberately minimising their workload and that waiting areas are dangerous to visit.

Again, it may be useful to discuss wording and content with your patient representatives and devise patient bulletins which both update and reassure.



• Verbal guidance

Worried patients who have already listened to several minutes of information before having their call connected have sometimes lost patience once their call is answered. Patients' concerns, especially at a time like this, centre around 'what's going to happen now?'

Review your telephone answering message to pare it down to essentials only. This may only need to cover (a) how their call may be handled/ consultation choices they may be offered and (b) what button to press.

Consider starting the whole message with something like 'If you have a life-threatening emergency, please …….' in order that real

emergencies do not have to wait.

• Targeting guidance

Many practices have been considering how to identify and communicate with groups whom the present crisis has made more vulnerable.

This will vary based on socio-economic and geographic circumstances as well as age and prevalence in your own practice. Shielding patients will have received extra contact during lockdown, but as things continue to evolve it may be useful to consider whom to continue to contact.

Obviously, very deprived populations as well as many elderly and rural patients may have no internet access at all. NHS adverts encouraging patients to 'visit x website', 'use the app' and 'register for online services' plainly do not reach these patients, placing them at a potential disadvantage just at a time when they need more reassurance.

Many practices have stopped printing newsletters, but attaching something to a repeat prescription remains a tried and tested method for those receiving an actual paper script from the practice.

You may be able to work with your local pharmacist to ensure those receiving electronic prescriptions get a paper message from the practice alongside their medication.

General practice is still a very worthwhile place to be.

Fiona Dalziel runs DL Practice Management Consultancy

Reference material

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AGONY AccoUNTant

Our Agony Accountant Abi Newbury** answers more of your questions about general practice financial issues

In this issue she tackles queries about PCN money and tax, drug reimbursements and a cash mis-match

You can ask a question by contacting your local AISMA accountant or messaging us through Twitter @AISMANewsline

OUR PCN IS PRODUCING TAX PAIN

Q **My accountant says we've got to pay tax on PCN money we've never had. That can't be fair!**

A Unfortunately, for businesses of your size, tax rules say that you are taxed on what you have earned, not what you have received.

Where your PCN has earned income, either for a service or as funding for a future service, it is taxable income on those entitled to it – the practice members of the PCN, and thus the partners of those practices – at that stage.

Sometimes you can carry funding forward – for example if it is refundable or if it is not spent on something specific. Or you can claim for a cost against it if you have contracted for something that is payable after the year end, regardless of whether you must do anything for that cost.

So, you could not set future staff costs against it, but you could set a recruitment fee that was invoiced before the year end but was not paid until a month later.

"Funding received which is conditional on some future event and would be refundable if that did not happen, might be able to be carried forward"

In general:

- The fee per patient received is going to be taxable on the partners in the year to which it relates
- Profits on services provided will be taxable similarly, even if the profits are earmarked for something else within the PCN
- Funding received which is conditional on some future event and would be refundable if that did not happen, might be able to be carried forward.

The PCN should have professionally prepared

"One of our practices gained £7,000 of additional income each year following a formal review, and with backdated claims available the benefits are likely to outweigh the cost"

accounts using recognised accounting principles which will form the basis of the taxable amounts.

As well as ensuring consistency of disclosure between PCN member practices, and the availability of figures for member practices so they are aware of their own liabilities, HMRC will expect the correct accounting and tax treatment, particularly as PCNs grow in terms of income levels and complexity.

A DRUG REIMBURSEMENT PROBLEM

Q **We're not a dispensing practice but my accounts show we've spent more on drugs than we got reimbursed. How can that happen?**

A We often find problems with this and it boils down to:

1. Does every member of the team know what can be claimed for and what cannot?
2. If you have the choice of using something that is reimbursable over something that is not – and there is no clinical difference, do you choose the reimbursable item?
3. Is there a system to ensure that they record usage appropriately?
4. Is stock labelled so that it is clear what is reimbursable and what is not?
5. Do you have systems to ensure that there is no wastage?
6. Is the purchaser aware of the reimbursement levels (to ensure you do not buy in things at a price that you cannot get fully reimbursed)?
7. Do you carry out regular stock checks to ensure that systems are being followed – if only for high value items to ensure they have each been appropriately reimbursed?
8. Does your bookkeeping clearly separate 'drugs and reimbursables' from 'medical consumables' – like couch rolls and the like?

A good practice accountant will review your profitability on drugs and encourage tightening of systems if there is scope for improvement.

In many practices it is well worth getting a consultant in to review personally administered items in detail. One of our practices gained £7,000 of additional income each year following a formal review, and with backdated claims available the benefits are likely to outweigh the cost.

THERE'S A MISMATCH WITH OUR CASH

Q **I'm a partner in a dispensing practice: why does the amount we get funded for prescriptions not match the cash that we collect?**

A There could be several reasons as to why a difference is occurring here, and it is important to be able to pin down the reasons.

Sometimes there are small timing differences that will match off from year to year.

Are exemptions being dealt with properly? Are staff trained and aware, and do they check? Do you feed back to staff if errors are being made? If you do not collect cash for a prescription and the exemption was incorrect, the practice bears the cost of the error.

How are you recording the cash? Is there opportunity for cash not to be recorded and perhaps pocketed? Is the cash received and then spent on office supplies so you cannot keep track of it?

Make sure you have robust systems and that the cash received is not only checked regularly – but staff know that it is checked regularly.

Post Covid-19 use of card payments, and particularly contactless rather than cash, is likely to help control this much better.

What you need to know about new partner incentive payments

The NHS New to Partnership Payment Scheme (N2PP) provides funding to encourage clinicians to take on partnership roles in GP practices. Alison Oliver runs through its main features and summarises some key considerations for both the practice and for a new partner joining

A partnership consists of two or more persons who run the practice, trading together with a view to making a profit, although a profit does not actually have to be made. The partnership is not a legal entity in its own right so it is the individual partners who enter contracts, own partnership property, and bear the partnership's liabilities.

Individuals should therefore be mindful of who they enter into partnership with because they will be jointly and severally liable with those people for the partnership's obligations.

It is prudent to carry out due diligence on your prospective partners to ensure they are solvent, of good standing and that they are people you feel you trust and can work with effectively.

And it is also vital that there is a valid and up-to-date partnership agreement in place which all the current partners at any given time have agreed to be bound by. If this is not the case the partnership will be a partnership 'at will'. This fragile business structure can be dissolved on notice by any partner and will be fertile ground for disputes about the rights and obligations of partners.

Considerations for new partners

If you are becoming a partner for the first time, be aware that there are important differences between being a partner in a GP practice before and the partnership agreement should be signed on or after 1 April 2020 and before the scheme closes.

N2PP provides up to £20,000, plus a contribution towards tax and National Insurance payments, as well as up to £3,000 to develop non-clinical partnership skills.

There are several eligibility criteria. One requires the incoming partner to deliver a minimum of two clinical sessions per week in their partnership practice throughout the five-year period of the current national GP contract.

If a partner leaves within five years the payment will have to be repaid either in whole or in part according to a sliding scale, with new partners leaving within a year having to repay the full amount and those leaving in year 5 having to repay 20%.

N2PP explained

N2PP is a new commitment, the overall aim being to grow the number of partners working in general practice in order to stabilise the partnership model.

It also aims to increase clinicians' participation levels so that primary medical care and the patients it serves have access to the workforce they need. The incoming partner should not have been a

"You should seek advice on the terms of the partnership deed and any declaration of trust or lease (if applicable) as they are important legal documents"

partner compared to being a locum or practice employee. The key difference is that you take on responsibility for the management and financing of the practice. Unless you are a fixed share partner, you will enjoy a share in the practice's profits but will also be liable for losses if the practice is not profitable.

If you are currently an employee, you will relinquish your contractual and statutory employment rights (aside from the right not to be discriminated against on the basis of a protected characteristic such as disability, age or sex) and will be taxed as a self-employed person.

Before accepting an offer of partnership, you should carry out due diligence on the other partners and the practice as a whole to check it is financially sound, well run, that the premises and facilities are fit for purpose and the working environment and culture are right for you.

You should carefully consider the terms of the offer of partnership (see box below).

Your rights, entitlements, and obligations – and those of your partners - should be set out in a partnership deed. When you receive a partnership offer you should request a copy of the partnership deed.

Check that your rights and entitlements are properly reflected in it before you agree to the terms of the deed. If you sign a partnership deed (or a deed of adherence to a deed) that contradicts the terms of an earlier offer letter, the deed will almost certainly take precedence over the earlier offer.

Where the practice owns premises, ownership arrangements are often set out in a separate declaration of trust and you should also obtain a copy of this. You should seek advice on the terms of the partnership deed and any declaration of trust or lease (if applicable) as they are important legal documents.

Key terms for new partners to consider include:

- What sessions will you be expected to work?
- What will your share of profits be?
- Will you be expected to take on roles and responsibilities beyond your clinical sessions?
- If you have interests and occupations, will you be allowed to continue with these?
- Are there any expenses relating to your role as partner that you will be expected to meet yourself, such as locum insurance costs?
- Will you be expected to contribute capital? If so, how will you fund this?
- What are the practice's premises arrangements? Will you be expected to sign up to a lease of the practice premises or share liability under a lease held by other partners on behalf of the practice?

If so, you should check the lease terms to ensure you are comfortable with your obligations under the lease. If the practice owns premises, will you be expected to buy in? If so, how will you fund this?

The premises should be professionally valued and you should carry out due diligence on the property as you would if you were purchasing a house.

- What are your entitlements to leave, for instance holiday, study, sickness, maternity, and will you continue to be entitled to your usual drawings during these periods of leave? Who is responsible for locum cover costs if you are absent (to the extent not reimbursed or covered by insurance)?
- Will you be subject to a probationary period and, if so, what terms apply during that period and what is the process for confirming your satisfactory completion of probation?

"When making an offer to a prospective partner, make clear it is subject to satisfactory due diligence checks and references and the partner agreeing to be bound by the partnership deed"

Practice considerations

Ensure that you satisfy yourselves that any prospective partner is properly qualified and of good character. A probationary period is a useful method of assessing that the partnership works well for both the existing partners and the joining partner.

Even if the prospective partner is a current employee or locum at the practice, they might be an excellent salaried healthcare professional but may not have the necessary capacity and commitment to be an effective partner.

It is prudent to make clear in the partnership deed any restrictions on a partner's authority and entitlements while they are serving their probationary period. For example, it would be usual to provide that a probationary partner is excluded from acquiring an interest in partnership property and their voting rights might be restricted.

It is also vital that the new partner agrees in writing to be bound by the practice's partnership deed - if this is not done the deed will not be effective and the partnership will operate as a partnership at will. A new partner joining should either sign a deed of adherence and variation to the existing deed or a new partnership deed should be entered into which reflects the admission of the new partner and the terms applicable to them.

When making an offer to a prospective partner, make clear it is subject to satisfactory due diligence checks and references and the partner agreeing to be bound by the partnership deed.

Taking advantage of the N2PP scheme

The N2PP scheme will certainly be advantageous to some practices keen to recruit new partners at a time when it has been difficult to recruit partners.

However, while the scheme might be an attractive incentive for individuals who have been contemplating partnership, it is unlikely to be sufficient to persuade people to take on partnership who are otherwise reluctant.

The funding available for developing non-clinical partnership skills is certainly a helpful addition to the scheme to assist partners who have no previous management experience.

Alison Oliver is a partner at Hempsons. Her article for AISMA Doctor Newsline in February 2020 explored some key issues regarding medical partnerships. Ask your AISMA accountant for a copy.

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