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## Financial benchmarking and tax update

Rebecca Read

VWV Welsh Practice Management  
Conference - 10 October 2023



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## Your local, expert medical team

- Rebecca Read, local specialist medical partner, member of AISMA
- 19 years experience, 8 specialised in the medical sector
- Dual qualified – chartered accountant and chartered tax adviser
- Acquisition of Sandisons in October 2022:
  - 50 specialist medical accountants
  - 160 GP practices, 2000 GPs and hospital consultants
- Over 350 GP practices across UK and 55+ in South Wales



## Medical Specialists – Senior West Team



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## Agenda

Financial update and benchmarking

Benchmarking

Cash management – best practice

Tax update

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## Financial update

Current challenges:

- Recruitment
- Rising costs
- Succession
- Workload
- Uncertainty over funding (pay uplift)

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## Recent contract changes

- Contractor GP pay uplift 4.5% from April 2022  
Global sum increased from £98.51 to £103.91
- Mandated **“funded”** staff pay rise of 4.5%, including salaried GPs
- From 1 October 2022 340 QAIF points transferred into Global Sum  
Global sum increased to £111.40
- Additional capacity fund to continue for two further years (£4m funding)
- Direct enhanced services unchanged for 2022/23
- 1 October 2023 – new “Unified Contract”



*‘The aim of the new Unified Contract is to redefine the core GMS offering, streamlining and simplifying the contract model, taking into account learning from the pandemic and allowing GMS to focus on those activities which can, and should only, be done within GMS and at an individual practice level.’*

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## Staff Pay Rise – 4.5% - Funded ???

- 2022/23 - £7.5m additional funding into Global Sum for uplifting staff pay
- Based on all staff including salaried GPs receiving a 4.5% uplift
- Minimum Wage increased from 1<sup>st</sup> April 2022 to **£9.50** ↑ (6.6%)
- Minimum Wages increased from 1<sup>st</sup> April 2023 to **£10.42** ↑ (9.7%)

### Calculation of the Uplift

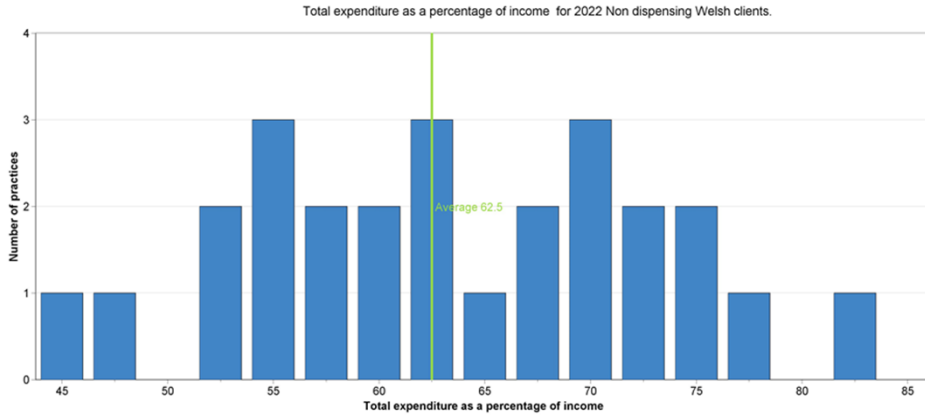
- Funding Uplift based Practice expenses = **61.4%** of contract value (Expenses to Earnings Ratio)
- Staff expenses = **64.1%** total practice expenses

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### Wales average expense to earnings ratio



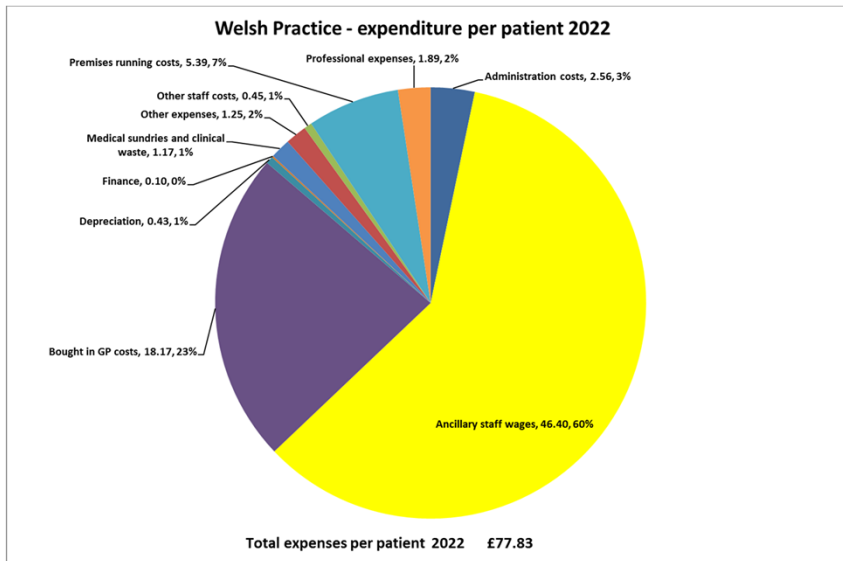
NHS Expenses to Earnings Ratio **38.6% / 61.4%**

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### Staff Pay Rise – 4.5%



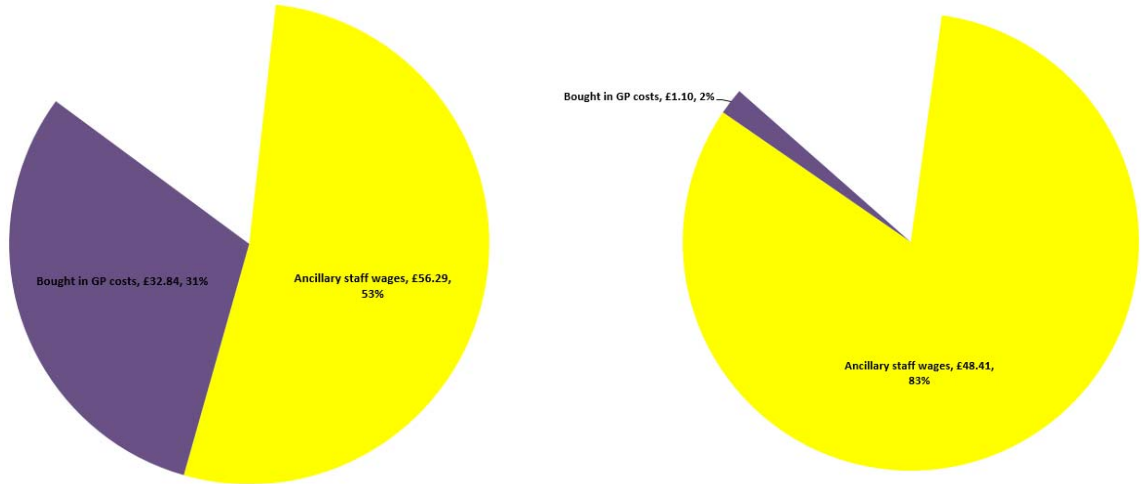
NHS Staffing component = **64.1%**

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## Staff Pay Rise – 4.5% - Funded for all practices?



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## Managing Staffing Costs

### Traffic Light System

- **Red** – Staff below the new Living Wage £10.42 legally required pay increase (9.7%) 1 April 2023
- **Amber** – Lower paid Staff immediate review needed
  - *Recruit, Retain, Motivate*
- **Green** – Higher paid staff
  - *Phased pay rises, bonuses*
- **2023-24 – Contract further mandated Pay increases ??**



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## Managing Staffing Costs

**Budget** – Salaries account for 75-85% of total practice expenditure. Must recruit, retain and motivate

**Balance** – Manage conflict between what is needed and what is affordable

**Overtime** – Create budget for overtime and ensure there are authorisation protocols. Actively manage

**Managing salary uplifts** – lower pay uplifts plus bonus?

**Benchmarking pay** – compare to local practices / other local employers (retail/supermarkets)

**Non financial** – staff morale, socials, community

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## SALARIED GP SESSIONAL RATES

	Total gross earnings	Cost to Practice - per annum
	31/12/2022	31/12/2022
<b>Sample size</b>	<b>455</b>	<b>455</b>
Highest sessional rate	£13,000	£16,240
Average sessional rate	£10,310	£12,900
Lowest sessional rate	£8,000	£9,625
Percentage sessional rates between :-	<b>Number of GPs</b>	<b>2022</b>
£7,000 - £8,000	0	0.00%
£8,001 - £9,000	15	3.30%
£9,001 - £10,000	149	32.75%
£10,001 - £11,000	220	48.35%
£11,001 - £12,000	59	12.97%
Over £12,000	12	2.64%

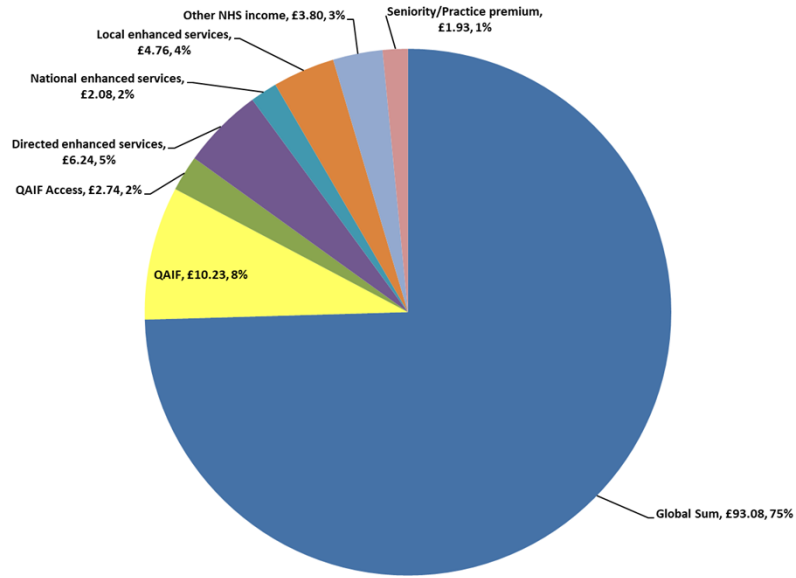
**Wales Average - £9,870**

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# Practice Income



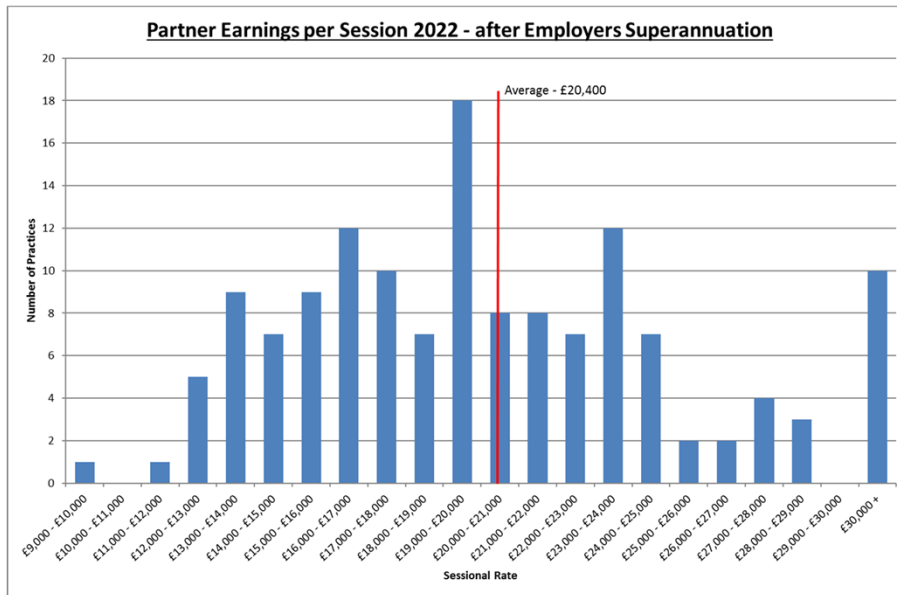
Total NHS income per patient Wales 2022 : £124.86

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## Partner Earnings per Session 2022 - after Employers Superannuation



Wales Average - £18,100

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## “Annual sessional” rate for partners

- Useful to :
  - Illustrate premium of becoming a Partner – very useful for recruitment – salaried GP’s for example
  - Useful in decision making – “what if” scenarios
  - Define what is meant by “affordability”
  - Useful in determining “parity” status for Non-GP partners.
  
- Ambition :
  - Improve rate
  - Maintain rate
  - Agree to let rate drop – due to required inward investment – better quality of life issues

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## “Annual sessional” rate for partners

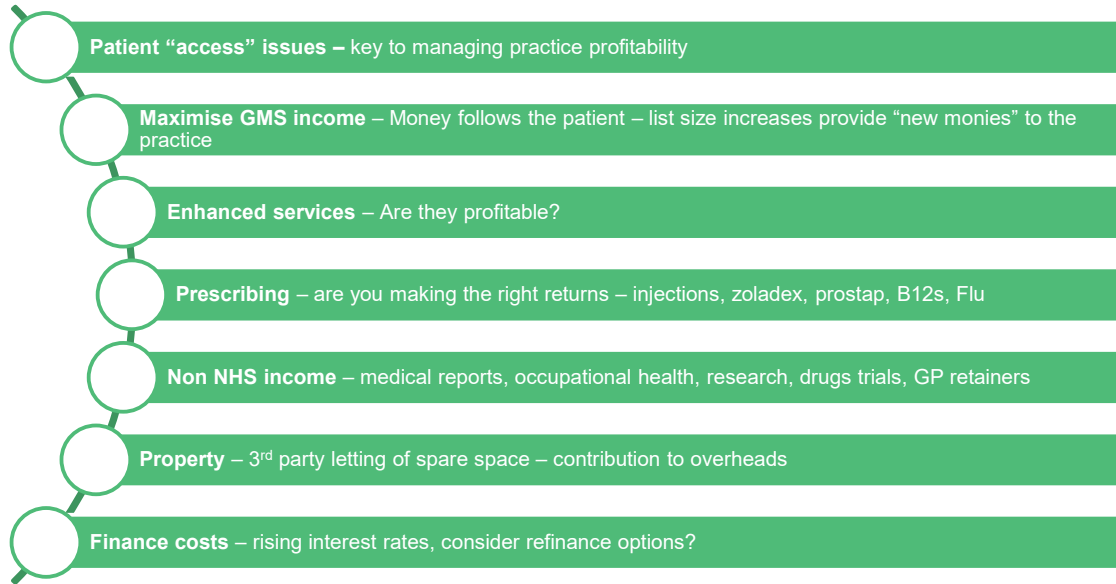
- An important benchmark – but can be a crude tool :
  - Fails to establish the length of your session
  - Fails to establish work life balance issues
  - Fails to review annual leave and study leave entitlements
  - Fails to differentiate between cross covering and non-cross covering practices
  - Often influenced by factors “out of your control” – Carr-Hill Formula – for example

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## Maintaining Practice Profitability

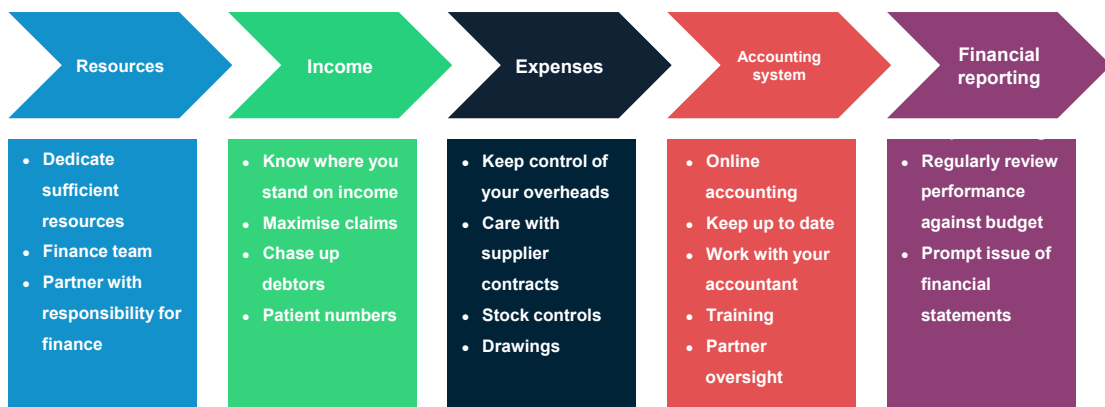


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## Managing practice finances












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### Budget update



-   No rate changes, £150,000 limit for 45% rate reduced to £125,140
-  Continued freezing of allowances (fiscal drag)
-   Dividend allowance cut from £2,000 to £1,000
-  CGT Annual Exemption reduced from £12,300 to £6,000
-  No change to BADR
-   Biggest announcement = PENSIONS!






**AZETS**

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### Employee benefits


Rewarding staff – obtaining tax relief and avoiding tax traps


-  Trivial benefits
-  Staff meals
-  Christmas party
-  Long service awards
-  Staff uniforms


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### Basis period - Transitional year (2023/24)

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Transitional profits are spread **interest free** over the 5 years (note superannuation follows the same rules)
- 

May elect to pay full transitional charge in one year, or accelerate to a period less than 5 years
- 

If offset of overlap creates a loss – can be offset against standard part. Potential for loss carry back
- 

If trade ceases while spreading transitional profits, all untaxed amounts brought into charge in year of cessation

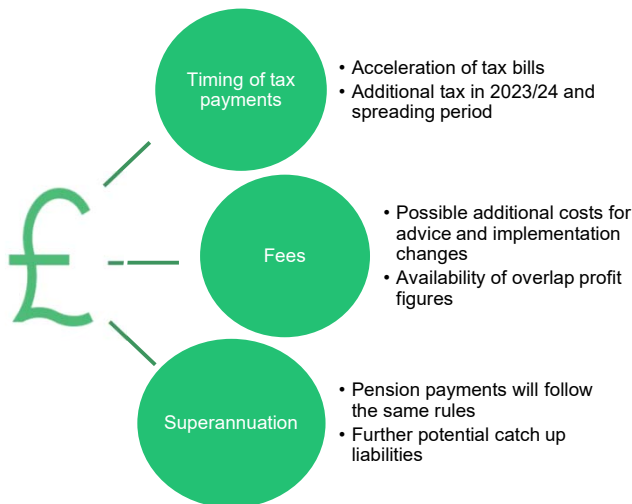


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### Basis period change



#### Suggested action points

- Confirm amount of overlap profits
- Careful of timing of accounting date change
- Pension planning (not so easy for GPs)
- Charitable giving
- Discuss with your accountant

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## MTD Update

- First announced in 2015. Delayed AGAIN
- Will not come into place before April 2026
- Partnerships.....Unknown
- Designed to increase efficiency, give you an update of your estimated liability
- Progression to quarterly payments?

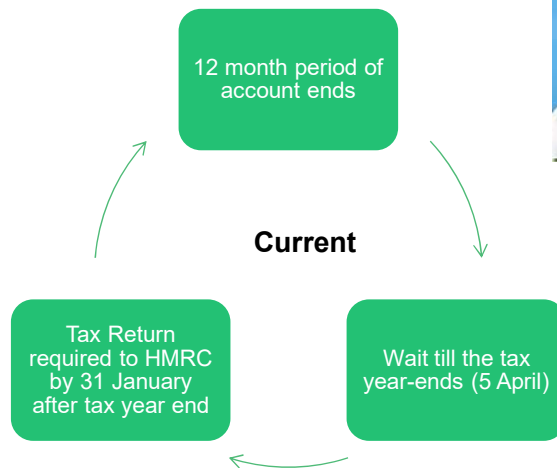


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## Making Tax Digital

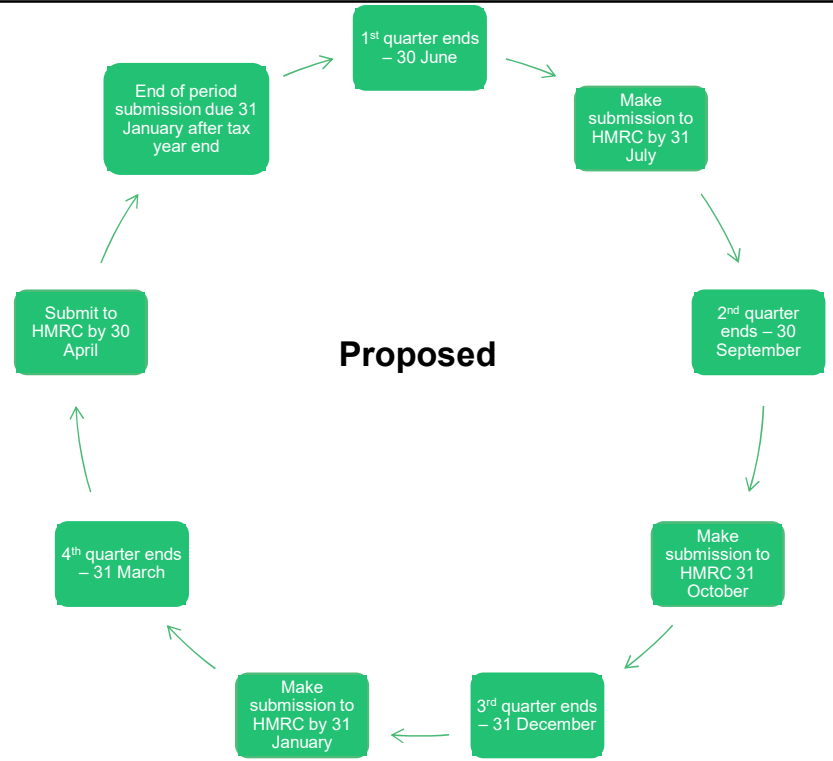


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# Making Tax Digital



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# Top tax tips

## Don't miss out on valuable tax relief:-

- Property refurbishment – tax relief on costs not funded by improvement grant (SBAs and CAs)
- Finance costs (tax and NIC relief on partner personal loans to buy in)
- Recording of personal expenses – and supplying to accountant!
- Charitable giving
- Tax free allowances – £1k property and trading allowances
- Tax free childcare

Is additional work worth it?

Are you aware of your tax bracket?



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## Future events

### Azets South Wales Primary Care Seminars:

- 8 November (am) – Halliwell Centre, Carmarthen
- 5 March (am) – Village Hotel, Cardiff

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## Disclaimer

The purpose of this presentation is to **give general information** on the subject matter presented.

It is **not intended to be a comprehensive analysis** of the subject matter that is being discussed or presented in written or verbal form. The information is believed to be correct as of 10 October 2023.

It is **not intended to be a substitute** for formal advice from the appropriate person in the organisation to a client under the terms of a suitable signed engagement letter.



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# Thank you!

