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BUDGET 2023 - ANNUAL ALLOWANCE UPDATE

One of the big announcements in the Spring Budget was the new measures relating to pension savings. This was to try and encourage more senior doctors to remain in the NHS.

LIFETIME ALLOWANCE (LTA)

The LTA is the limit of how much you can build up in pension benefits over your lifetime. If you exceed the LTA, the tax rate is 55% on any taxable payments received as a lump sum or 25% if received any other way, such as a pension payment.

The LTA was previously set at £1,073,100. In the budget, the LTA has been scrapped from 6 April 2023, removing the risk of high tax charges upon retirement.

It will remain possible to receive up to 25% of your pension tax free up to a maximum of £268,275 unless previous protections apply allowing a higher amount.

ANNUAL ALLOWANCE (AA)

The AA is the amount that can be saved in pension benefits each year. Contributions above the AA incur a tax charge at the taxpayer's marginal rate of tax.

When a taxpayer has adjusted income above £240,000, they are subject to an AA taper, which reduces the AA by £1 for every £2 that exceeds £240,000.

The AA has been increased from £40,000 to £60,000. In addition, the adjusted income threshold has been increased from £240,000 to £260,000.

If we take an example of a GP Partner with an adjusted income of £280,000 and pension growth of £50,000:

- Under the pre-Budget rules, the individual would see their AA tapered by £20,000 ($£280,000 - £240,000 = £40,000 \times £1/£2$). The tapered AA would therefore be exceeded by £30,000 ($£50,000 \text{ growth} - £20,000 \text{ AA}$). The excess would be subject to income tax at a rate of 45%, so a tax charge of £13,500.

- Under the new rules, the same individual would see their AA tapered by £10,000 (£280,000 - £260,000 = £20,000 x £1/£2). With the increase in the AA to £60,000, the £10,000 taper will reduce the AA to £50,000, meaning the tax charge is avoided in its entirety.

Many of our clients have suffered significant tax issues as a result of the previous allowances, from taking early retirement, reducing sessions worked or opting in and out of the NHS Pension Scheme (the 'hokey cokey') to try and mitigate their pension growth.

The changes could prove to be hugely beneficial to many in the healthcare sector and help to alleviate the risk of punitive AA tax charges.

If you would like to discuss the changes and the impact on your tax position, please do not hesitate to contact one of our healthcare specialists.



GP CONTRACT CHANGES 2023/24

NHS England have announced details of the 2023/24 GP Contract after talks between the BMA and the Government collapsed. The contract changes were previously rejected by the BMA as they did not provide for further funding in addition to the 2.1% uplift in the five-year contract agreement. This follows 2022/23 where the annual baseline funding increased by just 2.5%. This is at a time when the UK is experiencing a period of the highest inflation in 40 years.

A summary of the changes announced by NHS England are:

INVESTMENT AND IMPACT FUND (IIF)

- The number of IIF indicators will be reduced from 36 to five, worth £59m.
- The remaining £246m will be aimed at improving patient experience contacting their practice.
- Of the £246m, 70% of the funding will be provided as a monthly payment to Primary Care Networks (PCNs) via a 'Capacity and Access Support Payment'.
- The residual 30% will be paid in March 2024, provided PCNs meet the requirements.

PCNs

- No additional requirements are being added to the PCN service specification.

ACCESS

- At first contact with the practice, patients will be required to be offered an assessment of need or signposted to a suitable service.
- Funding from the IIF (above) will be allocated to improve patient experience.
- Access to online records should be available from 31 October 2023.

QUALITY AND OUTCOMES FRAMEWORK (QOF)

- A significant change sees all of the QOF register indicator points being awarded to practices monthly, based on 2022/23 results. This reduces the number of indicators to 55 and releases £97m to practices.

CHILDHOOD IMMUNISATIONS

- The immunisation repayment mechanism for practices who do not reach 80% for routine childhood immunisations is being removed.

ADDITIONAL ROLES REIMBURSEMENT SCHEME (ARRS)

- The cap on advanced practitioners (APs) will be increased from two to three in PCNs with less than 100,000 patients and from three to six for PCNs with 100,000 patients or more.
- Advanced Clinical Practitioner Nurses will be eligible for reimbursement as APs.
- Apprentice Physician Associates are added as a reimbursable role.
- Recruitment caps have been removed for Mental Health Practitioners.

ENHANCED SERVICES

- The Weight Management enhanced service will continue retaining the £11.50 referral payment per patient.
- HPV and Shingles enhanced services will be updated to follow latest advice from the Joint Committee on Vaccinations and Immunisations.

GP INCOME DECLARATION

- There has been no update on the self-declaration of NHS earnings over £150,000. This is still currently expected in April 2023 for NHS income relating to 2021/22.



BASIS PERIOD REFORM

The 2023/24 tax year brings important adjustments to the way tax liabilities are calculated for many GP Partners and sole practitioners. The change is called basis period reform.

WHO'S AFFECTED?

Basis period reform will affect all unincorporated businesses (partnerships and sole practitioners) using a year end that differs from 31 March or 5 April. This also does not impact limited companies.

WHAT IS CHANGING?

There is a change from what is called the 'current year basis' of assessment to the 'tax year basis'.

The new system is being brought in because of another major change, Making Tax Digital for Income Tax and Self-Assessment (MTD ITSA). This was scheduled to begin for most from 6 April 2024 but has now been delayed (again). At the time of writing, however, there has been no announcement regarding any delay to basis period reform.

WHEN?

The new tax year basis commences properly from 6 April 2024. The change, however, begins in the tax year before this – from 6 April 2023 to 5 April 2024 – known as the transitional year.

SO?

The changes could have a significant impact on tax income payments. Calculating your tax bill in the transitional year will be different. It will use two sets of figures: the first using 12 months running from your last set of accounts (your 'normal' year); and the second using the profit for the period running from the end of your normal accounting period to 5 April 2024.

Introducing this second part to the mix, means bringing additional profits in to charge to tax. Depending on your year end, it could bring up to 11 months' more profit into charge. Deducted from this is any 'overlap relief'.



OVERLAP RELIEF

Overlap profit is generated when an individual first joins a partnership that is not a 31 March or 5 April year end:

- Year 1 - profits from when you join the partnership up to the next 5th April (for example, if you joined a practice with a 30 September year end on 1 January 2015, you will be taxed on profits generated from 1 January 2015 - 5 April 2015).
- Year 2 - first twelve months (following the same example this would be 1 January 2015 to 30 September 2015 being the practice year end, plus 1 October 2015 to 31 December 2015).
- Year 3 - the accounting year end falling in the tax year (so the year ended 30 September 2016).

In this example, the individual has been taxed twice on the profits generated between 1 January 2020 and 5 April 2020, and 1 October 2020 to 31 December 2020, a total of six months' profit.

TRANSITIONAL YEAR EXAMPLE

During the transitional year, taking the example of a GP Partner with a 30 September year end:

| | |
|-------------------------------------|-----------|
| Year end 30 September 2023 | £150,000 |
| Plus six months to 31 March 2024 | £90,000 |
| | £240,000 |
| Less overlap profit | (£50,000) |
| Taxable profit | £190,000 |

The basis period changes are therefore generating additional taxable profits of £40,000 (£190,000 - £150,000).

The additional taxable profit, known as the 'transitional profit' will automatically be spread over five tax years (forward, not back) unless an election is made to spread them over a shorter timeframe.

OTHER IMPLICATIONS

NHS Pensions

The calculation of a partner's NHS Pensionable Profit also takes into account overlap profits, so there are possible implications with higher levels of pensionable profit being generated in an NHS year. However, at the time of writing we are not aware of any spreading options for excess pension contributions.

Tax planning

One advantage of a non-5 April/31 March year end is that a greater level of warning and planning is possible for future tax payments. The basis period changes will make this more challenging, particularly for practices without a high standard of management information available.

Changes in partner profits

If a partner's share of practice profits is increasing, potentially through an increase in sessions or an expected increase in practice performance, they may elect to recognise the transitional profits sooner rather than spread over five years, particularly if it keeps them in a lower tax band.

We can advise on possible mitigation strategies and the tax reliefs available. If you have any concerns or wish to discuss the forthcoming changes in more detail, please do not hesitate to contact one of our Healthcare specialists.

ARE YOU FLYING BLIND?

Simpkins Edwards has a growing specialism helping entrepreneurial healthcare professionals. Often these business owners have spent a long time learning how to be great in their healthcare field but fall back on watching the bank balance to help them run their business, which can often be misleading. The only way to grow and make positive changes is to fully understand the numbers and this is where we can help.

Our approach starts with 'better book keeping', which we undertake on a fully digital, paperless system, no matter where you are based geographically. We understand that you face competing time demands and have developed an efficient and effective remote process, so your financial data is modelled on a 'work done' rather than cash basis.

Once the better book keeping has set the foundation, we are able to produce regular and meaningful management information and question whether the numbers challenge or reaffirm the feeling 'on the ground'.

Working closely with healthcare entrepreneurs we have developed industry-leading key performance indicator ("KPI") analysis, combining financial and non-financial data, allowing us to dig deeper into the numbers.

We hold quarterly strategy meetings to review the financial performance against industry KPIs and, more importantly, plan how we can make improvements. Each business has its own unique characteristics, however common themes arise.



By measuring and monitoring, we enable you to make informed decisions to provide the best possible chance of success.

“With our industry expertise and utilising cutting-edge technology we are now able to present data, which could have been an excel spreadsheet or a series of numbers on the page,

in a way that communicates easily how your business is doing, as well as helping to inform better business decisions. It has really helped us make sure that healthcare professionals understand what is driving their profitability and where the opportunities are,” said Seb Beard, Healthcare Partner at Simpkins Edwards.

He continued: “You may be healthcare professionals first and foremost, but it is crucial to remember you are also entrepreneurs who happen to be in the business of healthcare. The business needs to be profitable to ensure financial stability and future investment and reward the entrepreneurial risk you take.”

If you are currently ‘flying blind’ financially, please contact our specialist healthcare team. We would love to work with you to build a profitable and sustainable business.



CLIENT FOCUS:

MANAGING GROWTH AT GRANTA MEDICAL PRACTICES

On the face of it, the NHS would seem to have little in common with retail giant John Lewis, but for Tim Harrison, CEO at Granta Medical Practices, there are interesting similarities: both inspire strong affection and advocacy from their end users and employees, while staff are also recognised as an integral part of the business model for each organisation.

He is well placed to draw these parallels, having joined Granta from John Lewis three years ago. Perhaps surprisingly, the switch from retail has been a very natural step, with his previous experience giving him a valuable combination of skills for his role as CEO at the medical practice.

His commercial background was an essential requirement, as Granta is run as a business. “In the old days, partners were asked to make all the business decisions,” says Tim. Now, he and a management team take care of the day-to-day operations, allowing the partners to focus on their duties as GPs.

He’s also found other benefits from his time in the retail sector: “The environment is very

dynamic. You need to be adapting every year.”

That ability to adapt has proved important, translating into change management aspects of his role at Granta. This is something he sees as a key necessity for the NHS overall, if the organisation is to meet current and future challenges. Delivering this change, though, is perhaps the biggest challenge.

“Everyone in the NHS has been trained a long time in a defined way of working. Everybody is very professional but those ways of working are embedded,” he explains. “But when we start to make changes, people see the benefits and you then get the advocates for this. Culturally, you need to keep very enthusiastic about the changes being made.”

A DIFFERENT MODEL

These changes affect all areas of the NHS, ranging from the sudden necessity to alter procedures during the pandemic, to finding ways to manage chronic health conditions, such as diabetes and COPD. There are also changes to working patterns, with more emphasis on flexibility.

“Sometimes it just needs a small touch on the tiller to make a huge change to the overall trajectory,” says Tim.

At Granta, it’s about “unlocking the benefits” for everyone. Alongside growing the business, that means better forecasting and planning to provide proactive health care: “Productivity is key. Patients want to know they can see their GP or a nurse.”



Granta offers GP services from its six sites, serving around 57,000 registered patients, mainly across South Cambridgeshire. It also operates a few select contracts, including support for the East of England Ambulance Service.

As a single practice, Granta is also a single Primary Care Network (PCN) in its own right. This is a variation on the usual PCN model, which generally brings together a number of separate practices.

Established in 2019, PCNs are designed to encourage greater collaboration and co-ordination of care. However, as the practices within the network are autonomous, this calls for a degree of conversation and negotiation.

“The beauty of our model is I do not need to have those negotiations, which makes it much easier,” says Tim. He is able to judge how best to allocate resources across Granta’s different sites.

INSIGHT INTO THE BUSINESS

When it came to finding the right accountants, Tim was “looking for something a bit different.” It was important they could “play a dual role”, handling both the partners’ interests as well as the business’ needs.

Simpkins Edwards was recommended to them by another medical practice, based in Taunton. “They were waxing lyrical about their accountants, which nobody ever does!” says Tim.

He met with partners at the firm, Seb Beard and Mark Simic, and was immediately put at ease: “What struck me was the way they handled our conversation. The enthusiasm they had about what they did was infectious.”

Simpkins Edwards work directly with the Financial Director at Granta, supporting the general accounting and reporting requirements. They also provide insight into the

business, which Tim finds particularly valuable.

“They are really good at using graphics to lay out the data, showing trends over time,” he says. “Pulling out the management information is really powerful for us – that ability to show both the what and the why.”

Alongside this, he appreciates the strong working relationship they have developed over the last twelve months: “They know the partners and we enjoy working with them; they have the same core ethics as us.”

While previous experiences with accountancy firms have felt very “functional and transactional”, Tim has found Simpkins Edwards to be genuinely interested in the business.

“It’s always about the personalities and the people,” he says. “They make it feel personal. We have never had that before.”

GRANTA Medical Practices

GP SUPERANNUATION UPDATE

Employee contribution rates are changing with the phase 2 date still to be confirmed (at the date of writing).

| Pensionable pay | Rate to 30 Sep 2022 | Rate from 1 Oct 2022 | Phase 2 rate |
|---------------------|---------------------|----------------------|--------------|
| Up to £13,231 | 5.0% | 5.1% | 5.2% |
| £13,232 to £15,431 | 5.0% | 5.7% | 6.5% |
| £15,432 to £21,478 | 5.6% | 6.1% | 6.5% |
| £21,479 to £22,548 | 7.1% | 6.8% | 6.5% |
| £22,549 to £26,823 | 7.1% | 7.7% | 8.3% |
| £26,824 to £27,779 | 9.3% | 8.8% | 8.3% |
| £27,780 to £42,120 | 9.3% | 9.8% | 9.8% |
| £42,121 to £47,845 | 9.3% | 10.0% | 10.7% |
| £47,846 to £54,763 | 12.5% | 11.6% | 10.7% |
| £54,764 to £70,630 | 12.5% | 12.5% | 12.5% |
| £70,631 to £111,376 | 13.5% | 13.5% | 12.5% |
| £111,377 and over | 14.5% | 13.5% | 12.5% |

The employer contribution rates are 20.68% in England and Wales including the 0.08% levy. For 2022/23 the Treasury will pay 6.3% of the contribution, meaning GP Practices will have to pay 14.38%.

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