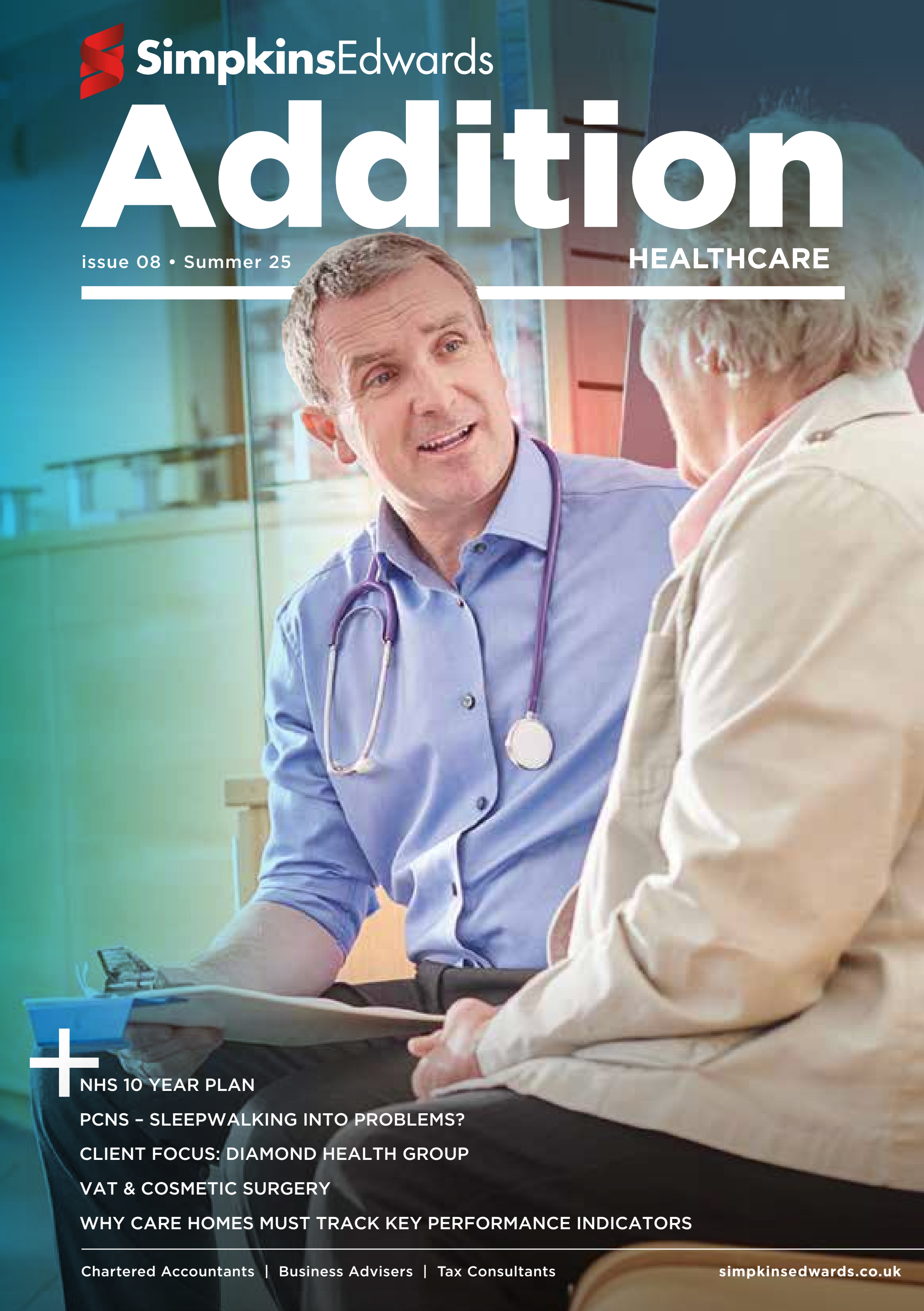

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Addition

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NHS 10 YEAR PLAN: FINANCIAL AND OPERATIONAL IMPLICATIONS FOR PCNS AND GP PRACTICES

The government's NHS 10 Year Plan represents the most significant restructuring of primary care since Primary Care Networks (PCNs) were introduced in 2019. For PCN managers and GP partners, understanding the financial implications is crucial for strategic planning.

THE NEIGHBOURHOOD HEALTH SERVICE SHIFT

The plan creates Neighbourhood Health Services operating at 50,000 patients, with funding explicitly shifting from hospital to community care over the next three to four years. PCNs below this threshold may face pressure to merge – a process typically requiring 12-18 months and careful financial planning around integrated funding streams.

NEW FINANCIAL MODELS

Two new contracts launch next year, encouraging GPs to work across larger geographies. More significantly, the plan moves away from block contracts toward outcome-based payments, introducing "year of care" payments from 2026-27. This value-based approach requires strong data collection capabilities to demonstrate patient outcomes and population health improvements.

FEDERATION OPPORTUNITIES AND RISKS

GP federations are positioned to become Multi Neighbourhood Providers serving 250,000+ populations, offering shared back-office functions and digital transformation support. However, many administrative services fall outside VAT exemptions, creating substantial new costs unless structured through compliant cost-sharing arrangements. Early specialist tax advice is therefore recommended to ensure you get the necessary support.

PRODUCTIVITY AND SUSTAINABILITY PRESSURES

The NHS must achieve 2% year-on-year productivity improvements over three years, while deficit funding ends entirely. The service aims for surplus by 2030, putting pressure on practices to ensure efficient delivery and robust financial planning.

DIGITAL INVESTMENT REQUIREMENTS

The commitment to lead global healthcare AI adoption demands significant investment. However, promised time savings and decision-making support should deliver returns. The plan requires NHS organisations to reserve 3% of annual spend for transformation investments, providing a framework for this planning.

STRATEGIC PRIORITIES

PCN managers and GP partners will need to assess current population size against the 50,000 threshold, evaluate financial sustainability under value-based payments when details of these calculations are shared, and consider federation participation where appropriate.

The scale of change cannot be underestimated. While presenting opportunities for forward-thinking practices and potential early adopter funding and shaping opportunities, it demands careful financial planning to navigate successfully which means that knowing your finances now is more crucial than ever.

Those who prepare early and seek appropriate professional guidance will be best positioned to thrive in the new landscape. Speak to our experts today to ensure compliance whilst maximising transformation opportunities.

PRIMARY CARE NETWORKS – SLEEPWALKING INTO PROBLEMS?

Primary Care Networks (PCNs) have been in place for six years, with total funding now exceeding £15 per patient annually. However, many networks may be unknowingly exposing their member practices to significant tax and compliance risks.

When PCNs were introduced, funding was comparatively small and designed to fund specific healthcare services within communities through third party contracts or additional staff, not to leave year-end surpluses.

Six years on, with extensive roles and funding available under the Additional Roles Reimbursement Scheme (ARRS), many PCNs can deliver required services at effectively zero cost.

As a result, perhaps unexpectedly, a large number of networks find themselves with money left over at the end of each year.

This is where there was perhaps a misunderstanding amongst networks. We have often heard network managers talk of ‘pots’ of money, where the amounts left over have been regarded as available for future projects or to subsidise staff.

As a result of this ‘future earmarking’, networks may retain substantial funds (often in the hundreds of thousands) at the end of each year.

TAX REALITY

Due to the networks not being entities in their own right, all income strictly belongs to the member practices. There are tax rules surrounding the deferral of income, which effectively boil down to two questions:

- Was the income received with a stipulation attached stating any unspent monies should be returned?
- Does a contractual, legal or constructive obligation exist?

If the answers to these are no, the income should not be deferred and instead should be shown within the practices’ own accounts. Not doing so exposes practices to real risk of HMRC investigation.

At this point it is worth remembering what a network actually is. Assuming it is not incorporated as a limited company (which the majority are not), the network itself has no tax liability, or any real reporting requirements.

In effect it is a joint venture between several GP practices – and it’s important that the finances and tax implications of this are correctly applied.

This is being consistently treated incorrectly nationwide, leaving practices potentially out of pocket for rightful funding, while exposing them to anti-money laundering issues, as unexplained cash movements between entities trigger compliance concerns.

Some networks have made a conscious decision to pay out all surpluses to their members, and such practices often show significantly better results than those who do not.

We are also seeing larger practices become their own network, with the result that they have full control over, and access to, the relevant funds to utilise as they see fit, to enhance their funding at practice level.

ACTIONS REQUIRED

Practices should:

- Review network financial position and retained funds immediately
- Ensure proper allocation of network income in practice accounts
- Document business rationale for any genuine deferrals
- Assess tax implications of current network structure
- Establish clear fund distribution policies

We encourage all practices to review their network arrangements. While these compliance requirements may seem complex, addressing them proactively protects your practice and ensures you're maximising the funding you're entitled to.

If you have concerns about your network's fund management or would like clarity on your compliance position, contact a member of our healthcare team.

CLIENT FOCUS:

CLEAR ADVICE AND CONFIDENT DECISIONS: HELPING PRACTICES PLAN AHEAD

Managing a busy GP practice in today's NHS environment is a constant balancing act. With increasing patient demand, ongoing policy changes, Integrated Neighbourhood Teams, and workforce challenges, having access to timely, accurate financial information isn't just helpful - it's essential.

Diamond Health Group, led by three clinical partners and a managing partner, one of which brings the unique expertise of a pharmacist, is a great example of a smaller partnership doing things differently. Despite not being a "super partnership," the practice manages an impressive patient list with efficiency and innovation.

After outgrowing their previous firm, Diamond Health Group were recommended to Simpkins Edwards by an existing client. They needed a team who could offer clear insight, quick responses, and regular support. GP Partner, Dr Philip Hine, says:

"Since taking over our practice's accounting last year, the team at Simpkins Edwards have proved themselves to be very efficient, knowledgeable, and approachable. They have helped us to move forward with confidence as a business. I am also grateful for the help they have provided with my personal tax matters."

MOVING BEYOND ANNUAL ACCOUNTS

One of the first things Simpkins Edwards implemented was detailed quarterly reporting – a service that Diamond Health Group hadn't received before. In a sector where financial positions can shift rapidly, this level of insight has proved invaluable. It allows the partnership to plan ahead, stay on top of key decisions, and adjust quickly when things change. Pharmacist Partner, Femy Thomas, notes:

"The SE team (Seb & Jenna) has provided us with a clear and thorough view of the accounts, along with detailed explanations. They're approachable, easy to get in touch with, and quick to respond to emails."

The healthcare team pride themselves on providing responses that are not only fast but also concise and complete – one message that answers all questions, no need for follow-up. Senior GP Partner, Dr Mala Ariaratnam, shares:

"Inviting Simpkins Edwards to become our Practice accountants has enabled our partnership to face the future with more confident assurance. Their insightful professional oversight, coupled with their ability to summarise accounts with ease and in a timely manner, provides us with the clarity necessary for effective decision making. These attributes are such an important prerequisite for any business to help them make the best of any situation within the fast-moving financial climate that we all experience today."

PLANNING WITH CONFIDENCE

The healthcare sector is everchanging. Contract adjustments reshape revenue overnight, while patient numbers fluctuate and directly impact income streams. Add ICB mergers creating operational uncertainty and rising employer NI costs hitting harder without employment allowance eligibility, and it's clear why practices need to develop a commercial mindset.

Diamond Health Group now has the real-time financial visibility to navigate this volatile landscape with confidence. With regular support and clear insights into their numbers, they can adapt quickly when changes arise – whether adjusting staffing levels, managing new PCN responsibilities, or tackling the ever-shifting complexities of NHS funding. In this industry, knowing your numbers isn't just good practice – it's vital.

VAT AND COSMETIC SURGERY: NAVIGATING HMRC'S INTENSIFIED SCRUTINY

HMRC has significantly intensified its focus on the cosmetic surgery and aesthetics sector, with implications that healthcare professionals can no longer ignore. Official estimates suggest as much as £9.5bn in VAT went unpaid in 2023–24, an increase of 17% in just one year.

THE FUNDAMENTAL DISTINCTION

The core issue centres on distinguishing medical treatment from cosmetic enhancement. Some cosmetic procedures, which may have been accepted as being exempt from VAT, are being subjected to VAT at 20%. While medical care provided by registered professionals for health protection, maintenance and restoration remains VAT-exempt, purely cosmetic procedures are standard-rated.

Many practitioners offering treatments like botox, dermal fillers and hair transplants have incorrectly assumed these services qualify for VAT exemption as medical care. This misunderstanding could prove costly, with businesses facing substantial retrospective VAT bills.

COMPLIANCE REQUIREMENTS

The law outlines two main conditions for VAT exemption: the provider must be a registered medical professional operating in their professional capacity, and the treatment must genuinely address a medical condition rather than purely aesthetic concerns.

HMRC confirms in its guidance that it will usually treat the provision of cosmetic services as exempt from VAT if they are undertaken as an element of a health care treatment programme. However, services undertaken purely for cosmetic reasons will be standard-rated.

RISK MANAGEMENT

Healthcare professionals offering cosmetic services should review their VAT position as soon as possible. For unregistered businesses, HMRC can investigate historical records from day one, while VAT-registered practices face potential inspection extending back four years.

Those combining medical and aesthetic services face complexity in determining correct VAT treatment for each procedure. Early specialist advice is essential to ensure compliance and avoid potentially significant financial exposure.

Get in touch with a member of our specialist healthcare tax team to discuss your specific circumstances and ensure you're fully compliant.

HEALTHCARE TEAM IN ACTION

This year has continued to be an exciting period for our healthcare team! We're delighted to welcome Chris Clark, who brings valuable expertise to support our growing client base.

Our healthcare specialists have been actively representing the firm at key industry events throughout the year. In February, we attended Best Practice London, and we're looking forward to Best Practice Birmingham this October. Following the successful launch of our healthcare event in 2024, we've been proud to host "The Business of General Practice" in May, with another event scheduled for September 2025 and further dates to be announced for 2026.

A highlight has been our volunteering day at Frome Medical Practice, where team members engaged directly with patients and the local community. This valuable experience involved discussing patients' experiences of accessing care and services, while helping them understand the enhanced programmes the practice offers.

With more events planned, keep an eye on our events page at www.simpkinsedwards.co.uk/events for the latest updates.

Volunteering at Frome Medical Practice

The team at Best Practice London

Our own event, "The Business of General Practice – May 2025"

MCCLOUD REMEDY - A RECAP

The McCloud remedy addresses issues arising from changes to public sector pension schemes that occurred during reforms in 2015, ensuring eligible members receive the better of the benefits under either legacy or reformed schemes. You're likely affected if you were an active member of the NHS pension scheme on 31 March 2012 and either remained active or rejoined before 1 April 2015 (primarily those with membership in the 1995 and/or 2008 NHS pension schemes).

REMEDIAL PENSIONS SAVINGS STATEMENTS (RPSS)

All affected members should have received a Remedial Pensions Savings Statement (RPSS) by October 2024. However, the NHS Pensions Agency was unable to meet this deadline, and statements are still being issued over the coming months.

Many individuals will not have complete pension records due to issues with pension certificates not being processed by PCSE. Until these records are updated, the NHS Pensions Agency cannot issue accurate RPSS documents.

WHAT YOU NEED TO DO

Step 1: Verify Your Pension Record

Check your pension record is up to date by logging into your NHS Pensions portal. Ensure all employment periods and salary details are correctly recorded.

Step 2: Register with the NHS Pensions Agency
If you expect to be affected by McCloud but haven't yet received a RPSS, you can register with the NHS Pensions Agency using the McCloud notification request form.

Step 3: Calculate Your Tax Position
Once you receive your RPSS, you have two options:

Self-Assessment: Use the HMRC calculator found online. Please note that you may need to locate your tax records back to 2010, and the calculator requires detailed information that can be complex to complete.

Professional Support: Contact your accountant to complete the calculation for you. This is often the more practical approach given the complexity involved.

PROFESSIONAL FEES AND COMPENSATION

Professional fees for completing the submission can be claimed back through HMRC's compensation scheme (up to £1,000 per submission to HMRC).

Fees must be paid upfront and then reclaimed by the individual. The compensation cannot be claimed directly by professional advisers on your behalf.

The McCloud remedy represents a significant adjustment to public sector pensions, and proper professional guidance can help ensure you receive the full benefits you're entitled to while managing any associated tax implications effectively.

If you need assistance or have any questions about the potential tax implications, please contact our team to discuss how we can support you through this process.

WHY CARE HOMES MUST TRACK KEY PERFORMANCE INDICATORS...

...and how occupancy rates could be the key for business success.

Like many, the care sector has been considerably affected by rising costs including energy, food and staffing. As one of the biggest employment sectors in the UK (1.7 million people in the workforce), the changes to Employer National Insurance contributions in April 2025 has caused particular discomfort for the cashflow of many care homes.

With around half of care home residents aged 65 and over being self-funded, and with little certainty of support from local authority fees, it is more important than ever that independent care homes seek professional advice on the structure of their business finances to remain profitable. Whilst it can be uncomfortable to look at care in the context of profit, without it, many care homes may be forced to close their doors. Effective monitoring of Key Performance Indicators (KPIs) has become essential for maintaining both financial viability and quality of care.

KPI METRICS FOR CARE HOMES

As care homes continue to fight their way back from the chaos of the COVID-19 pandemic, and are faced with rising costs, it's essential to be measuring the right things when it comes to the books:

- Revenue by service line – you might find that the highest income service line may not be contributing the most to gross profit
- Utilisation – are you making the most of what you already pay for?
- State vs. private income – do you know the optimum balance between the two?
- Operating cost per bed per day – by breaking costs down per resident or per bed, you can begin to understand which levers need to be pulled to make efficiencies

Sources: https://www.carehome.co.uk/advice/who-pays-what
https://www.carehomeprofessional.com/last-year-was-year-of-growth-for-uk-care-market-says-annual-report/

OPERATING COST PER BED PER DAY

Understanding how much it costs per bed per day allows you to understand the lost revenue of empty beds, and to weigh up the potential costs of increasing occupancy rates.

With property costs mostly fixed, empty beds are a problem. As a benchmark, currently care homes average an occupancy rate of 90%, where nursing homes average 87%.

Borrowing methods from other private healthcare sectors such as dentistry could prove successful, such as offering short-term occupancy on empty beds for respite care or day care. You could also consider optimising staff levels or utilisation of the property for additional services. With the right data, you're able to forecast these options and make decisions on how to move forward, both commercially and with patient care in mind.

Savills estimate that the UK will need an extra 144,000 care home beds over the next 10 years to keep pace with population growth. With demand like this, if you aren't keeping track of your occupancy rates, or making an effort to increase your rates, you're losing out on business.

HOW TO SET UP KPI TRACKING

The most important thing is to set your metrics and then return to them frequently. The traditional accountancy cycle of annual reports doesn't work for a business as fast moving as a care home. You need to be able to see your numbers in real time, and understand how the changes you're making are influencing them.

With the right data to feed in at the start of engagement, we typically provide reports, forecasting, benchmarking and monitoring KPIs quarterly, working with our clients to tailor information to their needs.

If you'd like to find out more about KPI reporting and how this might look for you, please do contact our expert team.

Keep an eye on our website for 2026 event dates

THE BUSINESS OF GENERAL PRACTICE

We are delighted with the success of **“The Business of General Practice”** which has been going from strength to strength since launching in September 2024.

Our events have covered a wide range of topics essential to modern general practice, from mergers and working at scale, to leadership & culture and trends in high performing practices. Each session has been designed to address the real challenges facing GP Partners, Practice Managers and PCNs in today’s evolving healthcare landscape.

The response from attendees has been overwhelmingly positive, with participants valuing both the expert-led content and networking opportunities.

The discussions generated during sessions and networking breaks have created valuable connections between peers facing similar challenges.

If you would like to join the guest list and gain exclusive access to these expert-led sessions, please get in touch via info@simpkinsedwards.co.uk.

Don’t miss this opportunity to enhance your business strategies and connect with industry peers.

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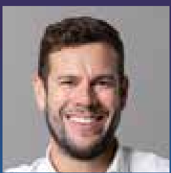

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