

Healthcare newsletter

Summer 2021



Now, for tomorrow



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Welcome to the Summer 2021 MHA Healthcare Newsletter



As we see the fantastic work done in the vaccine rollout and the consequential relaxing of some restrictions it is perhaps time for GP practices to think about their businesses again and the financial positions they have perhaps not had time for over the past few hectic months.

Although the demand on general practice is great and growing as patients now present with ailments and conditions they have kept under wraps during the pandemic it is vital that practices do not ignore their own financial position. With that in mind in this quarters newsletter we take a look at how practices should be dealing with their year end information with a handy reminder of the key details they and their accountants will need.

We also take a look forward into the current 2021-22 year with all of the contract changes outlined together with a review of the main tax changes introduced in the latest budget. This detail can thus be used for projecting forward and with HMRC's push to digital provision of information a review of your accounting package may be in order to help with these points.

Finally, we look at how practices should really be thinking in terms of their business and management information in order to make some strategic decisions in year rather than waiting for historic data that you can do nothing about. Particularly in these times of more uncertain income streams with Covid money and PCN surpluses, having good management reports, projections, budgets and cash flows will allow practices and PCN's to take action in year, to increase resources if required and money is available, or understand that belts need to be tightened in certain areas, or even forewarning of higher profits and thus tax and pension liabilities.

MHA Healthcare team



Year End Bookkeeping Health check

As many practices have a 31 March accounting year-end, we thought it would be a useful time for you to review the following areas whilst bringing together your financial documentation ready to prepare the annual accounts.

Reconcile

Does your bank balance in your specific system match the balance shown on your bank statements? If not, do you have a list of differences or uncleared items at your year-end? This is the most important area for you to check, as if the bank is correct / balances then you know that the majority of your income and expenses have been included.

Income Streams

Have you fully analysed all your income streams, so you do not have large bankings labelled as CCG / NHS in your system, which could be broken down into individual enhanced services categories? This has become a larger problem more recently with local CCGs not sending remittances or making it clear what an amount or deduction was for.

Within income streams, ensuring that your Open Exeter reports match what has been banked is vital. If it doesn't, ensure that you have the remittance which shows what the extra income or deductions was for and enter this onto your system.

Debtors (Who owed money to you)

At your year-end you should have a list of organisations and individuals who owed you money for either enhanced services or for items such as insurance reports. It is also useful to know, especially for CCG income, which quarters have been paid as some services are paid a quarter in arrears.

Is your system able to run an "aged debtors" report? Are all the entries on there going to be paid and if not, should they be written off? Carrying forward old debts can complicate a system and can lead to chasing debts which will not be paid.

Creditors (Who you owed money to)

As with debtors you should have a list of people and organisations that you owed money to at the year-end. The largest ones would normally be for items such as drugs and medical expenses, with some being two or three months before payment is due.

Is your system able to produce an "aged creditors" report, if so ensure that the list is accurate and does not hold any old balances or small differences which need to be removed.

Stock

As close to your year-end date as possible, take stock of all items, including reimbursable drugs, other medical supplies and consumables and stationery. Stationery has become more important in recent years due to the cost of printer and toner cartridges.

Software

Ensure that the software you are using is up to the task and its functions match your specific requirements. With "Making Tax Digital" just around the corner, it is even more important that the software you are using is compliant with HM Revenue & Customs strict guidelines.

Summary

These are just a few useful tips. Each practice is different and the systems you use will be unique to you, some of these areas will be more relevant than others. However, if you follow these steps it will give you a head start on your year-end and assist in ensuring the accounts are in the best position to be processed.



Contact us

If you are unsure about how to prepare for your financial year-end accounts or would like more information about suitable cloud based bookkeeping systems, then please get in touch with your local MHA healthcare representative.

A summary of key contract changes for 2021/22

In their letter of 21 January 2021, the BMA together with NHSE/I, published the updates to the GMS contract for 2021/22. These updates are for the third year of the five-year contract, “Investment and Evolution” which runs from 2019/20 to 2023/24.

In view of the impact of the Covid Pandemic the overall approach to the contract updates has been as follows:

- To minimize the changes from April 2021, including in some cases delaying the introduction of previously agreed amendments.
- To honor funding commitments that had already been made, including;
 - The contract uplift
 - Additional Roles Reimbursement Scheme (ARRS)
 - Investment and Impact Fund (IIF)
- To introduce changes to specifically assist with the impact of the pandemic.
- To keep arrangements under review and subject to “in year” adjustment dependent upon progression of the pandemic and the vaccination programme.



Key numbers

Practice funding will be increased by £253m and this is intended to cover pay rises and increases in expenses of 2.1%.

- The new value of Global Sum from 1st April will be **£97.28** an increase of £3.82 or 4.1%.
- The new value of a QOF point will be **£201.16** an increase of £6.33 or 3.3%.
- The number of QOF points increases from 567 for 2020/21 to **635** for 2021/22. (This includes 64 for the new V&I domain)
- Out of hours adjustment increases by 14p to **£4.59** and increase of 3%

Quality and Outcomes Framework (QOF)

QOF will be based on the indicator set from 2020/21, with limited changes that will help to support the impact of the pandemic.

- Vaccination and immunization (V&I) changes are being implemented to continue the changes previously agreed. This includes four indicators which have been agreed to comprise the new V&I domain. This will transfer almost £60m from the Childhood Immunisations DES to QOF. The V&I domain in QOF will be worth 64 points.
- A further £24m will be added to QOF from April 2021. This will be transferred from mental health funding to strengthen the Serious Mental Illness physical health check indicator set and support uptake.
- There are minor changes to the cancer care domain, including the introduction of a new cancer indicator, together with changes to specific indicators for asthma and heart failure.
- The Learning Disabilities and Supporting Early Cancer Diagnosis Quality Improvement modules for 2021/22 will be a repeat of the previous year with a slight modification to account for the impact of the pandemic on care.
- Remote working, when clinically necessary, will continue to be an acceptable way of delivering QOF reviews.

Enhanced service on obesity and weight management

Given the significant focus of the pandemic on obesity and weight management, the GPC has agreed to discuss the introduction of a new enhanced service. The aim is to introduce new measures to tackle obesity during 2021/22, supported by additional funding from government. The details are still to be agreed between the GPC and NHSE/I.

PCN DES

The following previously agreed changes will continue as planned.

- ARRS funding will increase from £430m in 2020/21 to £746 in 2021/22.
- The planned expansion of ARRS roles will continue with the additional roles agreed in October 2020 continuing, and paramedics, Advanced Health Professionals and Mental Health Professionals commencing from April 2021.
- IIF funding will increase to £150m in 21/22, with at least £30m to incentivise access.

The additional four service specifications that were due to start from April 2021 will now not be introduced allowing resources to be focused on the pandemic. The new IIF indicators for 2021/22 will be phased in with the exact details of the indicators and the dates for implementation to be agreed. These could include:

- Supporting Covid response and tackling health inequalities
- Improving vaccination uptake
- Supporting the delivery of the PCN service requirements.
- Supporting improved access to, and experience of, general practice,
- Reducing carbon emissions, to support the NHS Net Zero commitment.

It has also been agreed that any clinical pharmacists remaining on the Clinical Pharmacist in General Practice Scheme will be able to transfer to the PCN ARRS in the period from 1 April 2021 to 30 September 2021. There will also now be an inner and outer London weighting over and above the maximum ARRS funding.

Every PCN will be entitled to a full-time equivalent (FTE) embedded mental health practitioner, employed and provided as a service by the PCN's local provider of community mental health services. This will be funded under a local agreement with 50% of the funding provided by the mental health provider and 50% from the PCNs ARRS funding. This will increase to two FTEs for 2022/23 and three for 2023/24. Where a PCN has more than 100,000 patients these numbers are doubled.

Core digital offer

The five-year deal included a commitment for a core digital offer that practices must make to their patients. The definition of the core digital offer has been confirmed as follows:

- Practices offering online consultations that can be used by patients, carers and by practice staff on a patient's behalf, to gather submitted structured information and to support triage, enabling the practice to allocate patients to the right service for their needs.
- The ability to hold a video consultation between patients, carers and clinicians.
- Two-way secure written communication between patients, carers and practices.

- An up-to-date accessible online presence, such as a website, that, amongst other key information, links to online consultation system and other online services.
- Signposting to a validated symptom checker and self-care health information (e.g. nhs.uk) via the practice's online presence and other communications.
- Shared record access, including patients being able to add to their record.
- Request and management of prescriptions online.
- Online appointment booking.

Other contract changes

There will be a survey to collect data on the terms and conditions of practice staff. This will assist in the development of a good practice guidance on employment terms and conditions in general practice, to be published during the year.

Cervical screening has become an essential service rather than an additional service.

The temporary removal of patient consent for electronic Repeat Dispensing has become permanent.

There is now a contractual requirement for timely transfer of patient records.

It has been clarified that digital services can be provided through locations other than the practice premises.

Personal Medical Services (PMS) and Alternative Provider Medical Services (APMS)

On 19 March 2021 NHSE issued guidance to implement these changes for PMS and APMS contracts.



Summary

It is important that practices review the impact of these changes on practice workload and funding in order to develop plans to maximise profits and utilize resources efficiently. To obtain the maximum benefit from the increase in PCN funding practices will need to continue to collaborate and develop plans that are appropriate to the practices in their network.

Please note: that the information above only relates to contracts in England.

A bit of a damp squib



In the build up to the Budget on 3 March 2021 there was a huge amount of speculation as to what tax measures were going to be announced and how punitive they were going to be. However, tax changes, especially those affecting individual taxpayers were scarce. I will cover below the main points that may be of particular interest to health professionals. I will also touch upon the 23 March 'Tax Day' announcements which could be seen by some as the main course after the Budget 'hors d'oeuvre'.

Budget announcements

The main tax headlines of the budget featured an increase in the corporation tax rate to 25% from 2023 and a new 'super-deduction' for companies (not partnerships or sole traders) investing in certain new qualifying plant and machinery items. These changes may be of interest as an increasing number of medical professionals have become involved with company trading structures, be it to shelter non-NHS income or PCN's that are considering incorporation. For companies with profits over £250,000 the tax rate will increase to 25%, for profits between £50,001 and £250,000 there will be a marginal rate of approximately 26.5% and profits below £50,000 the 19% rate remains.

There was no mention of increases to personal taxes, in keeping with the Conservative Party's 'triple tax lock' manifesto pledge of not raising Income Tax, National Insurance Contributions (NICs) or VAT. However, it was announced that there is a four-year freeze of both the income tax personal allowance and the higher rate tax threshold were announced. This means that the personal allowance will rise as planned to £12,570 for 2021-22 and will remain at that level until April 2026, as will the higher rate threshold which will rise to £50,270 for 2021-22. The capital gains tax annual exemption is also frozen, in this case at the 2020-21 level of £12,300, until at least April 2026. This is projected to raise additional income tax of £8bn annually by the 2025-26 tax year.

Higher rate taxpayers who are already earning more than £125,000 a year will not be affected by freezing the personal allowance, as their personal allowance is already reduced to nil by the existing taper rules. Higher rate taxpayers will, however, be affected by the freezing of the higher rate threshold, as a greater proportion of their income will be subject to tax at the higher rate as their earnings grow.

The chancellor announced a freeze in inheritance tax (IHT) bands, with the Nil Rate Band (NRB), the residence NRB and the threshold at which the residence NRB is tapered all remaining at current levels of £325,000, £175,000 and £2m respectively, until April 2026. These bands allow an individual to pass on assets worth up to £500,000, or a surviving spouse or civil partner to pass on assets worth up to £1m, without incurring an IHT liability.

Although no other changes to IHT were announced in the Budget, reform in due course still seems likely following the outcome of the Office of Tax Simplification July 2019 review.

On a more positive note, news came from the chancellor's announcement that the current temporary period in which an increased stamp duty land tax (SDLT) nil rate band (NRB) applies for residential property purchases in England and Northern Ireland is extended to 30 June 2021. The chancellor announced the extension to the current £500,000 NRB, which was due to end on 31 March and that the NRB will be reduced to £250,000 between 1 July 2021 and 30 September 2021, and to its normal level of £125,000 thereafter.

Pensions

The chancellor also announced that the Annual Allowance for pension contribution purposes remains frozen at £40,000 a year. Perhaps more importantly the pension Lifetime Allowance (LTA), which was increased to £1,073,100 from April 2020, will be frozen at that level until at least April 2026, removing the annual link to the consumer price index (CPI) increase for the next five tax years. The LTA is the total pension fund value an individual can have without incurring additional tax charges when benefits are drawn.

This will be frustrating for high earners in the NHS pension schemes as due to the way that LTA values are calculated in defined benefit schemes the individual has little control over the growth of their pension pot. The freezing of the LTA will mean more scheme members than previously will be subject to additional tax charges if they continue within the scheme and so raise the question of ceasing to pay into it or taking the pension early.

Tax Day!

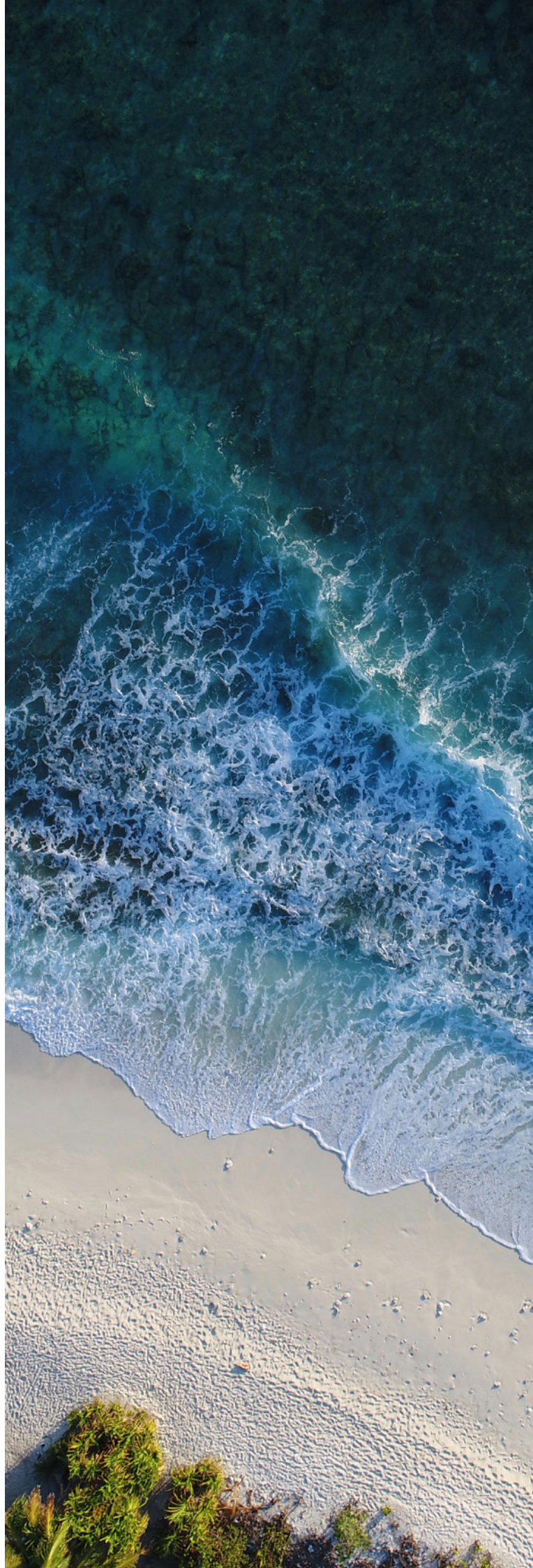
The 23rd March was designated as 'Tax Day' by the Government, who published a number of measures relevant to supporting the tax administration strategy for the UK for the next 10 years. At this stage there are few firm proposals, but it is obvious the inclination is for more frequent reporting and, most importantly, payment of liabilities.

What is envisaged goes much further, by requiring not only regular reporting to HMRC with the government confirming that it intends to legislate to extend making tax digital to income tax self-assessment from April 2023, but also payments of tax will be almost in real time. Hence, self-employed people will pay tax on profits much closer to the time that they are earned much in the same way as employed people do through PAYE.

From a purely logical point of view this makes a lot of sense: there is little point of quarterly reporting under making tax digital if the information is not being used for anything. Logic is one thing, making it work in practice will be quite another and so we eagerly await further announcements on how this will work.

Further Tax Day announcements concerned tackling avoidance and evasion. Many of these were directed against those who continue to promote tax avoidance schemes rather than those who use them. There will always be a demand from a small section of the taxpaying population for ways to avoid paying tax, so cutting off the supply is probably more effective than trying to persuade people that they should not engage in tax avoidance.

In summary the budget was a bit of a damp squib on the tax front but there is the real sense that the major tax changes have just been postponed rather than cancelled.





Management Accounts Healthcare

Managing cash flow, budgets and real time information

When assessing your practice's financial performance for a given year, the first place you might think to look is the year end financial statements or "the accounts". However, these tend to show what the performance of the practice was looking at from a historical point of view. To make decisions that are timely and relevant based upon accounting data, the practice should be monitoring performance regularly throughout the year.

One way of doing this is to produce management accounts, which can look at performance on a quarterly or even monthly basis. Assessing this information against budget expectations and monitoring cash flow are also essential to a well-run practice.

Why prepare management accounts?

Management accounts can be used for internal use by the management team and the partners to help provide up-to-date relevant information about the practice's performance more frequently than year-end accounts, and in a concise, easy to interpret format that summarises all of the data – which the management may otherwise keep across a variety of spreadsheets.

The requirement to produce management accounts will necessitate the management team thinking about certain financial aspects of the practice on a regular basis that may otherwise be done only infrequently and at a time when they are of less relevance. This can help avoid problems at the earliest opportunity. Some recent practice fraud cases highlighted in the press demonstrate how important it is to regularly review the finances.

After a few cycles of preparing management accounts, trends for seasonal variations can be identified to help the practice alleviate certain pressures which fall upon the practice and its staff.

Management accounts may be a requirement from the bank if there is a possibility that your practice is looking to take out any arrangements for current or new loans soon. Having a system already in place for when it becomes a necessity in that circumstance will mean the management team are already accustomed to preparing the reports in a format accepted by the bank, and being able to show management accounts from previous periods when discussing a loan with the bank may facilitate its agreement.

Identifying and comparing costs throughout a year can highlight and justify if there is room in the budget to increase expenditure or to flag up when expenditure needs to be curtailed.

These reports together with projections and cash flows can also highlight any surprising increase to profits, which if not spent by year end, will result in additional tax and pension liabilities. At least being aware of these in advance will reduce the shock of large payments being required and allow cashflow management to limit the shock.

Timely identification of mismatches between expenditure and reimbursements (e.g. notional rent) will show up sooner and can be raised with the appropriate bodies to rectify. Thus not leaving practices with large liabilities to repay when the cash has been distributed as assumed surplus.

How can MHA Healthcare teams and your cloud-based software help?

We recommend the use of cloud based software for the practice's day to day bookkeeping. There are several options available with the most common for GP practices to use being Quickbooks Online and Xero.

If this is being used, the bank transactions which will form the foundation of the management accounts are already being inputted throughout the year by the finance team. Thanks to the direct feed from bank accounts into the package the process is more efficient, requiring less manual inputting and so reconciliations should be automatic and postings to accounts will all be precise with less mis posting requiring adjustment for comparison purposes.

These packages can be used to track the income receivable and amounts payable by the practice and can automatically be set to update the debtors and creditors on the financial statements used for the management accounts.

Journals can be posted which can be easily reversed in the following quarter. Furthermore, these journals can be set up using the same recurring template each time and with a reminder option to inform the finance team when a journal posting is due.

We can help you use the Management Reports within the packages to assist you to set up your own Management Accounts, with information that is important to you and your team.

As well as helping with the initial process of identifying and setting up the journals the practice needs for management accounts, we can also review any management accounts produced for reasonableness, for the management's peace of mind as to their accuracy or before they are presented to the bank if applicable.

Budgets can be set and these figures entered into the package enabling reports to be produced to show actual results against budgeted.

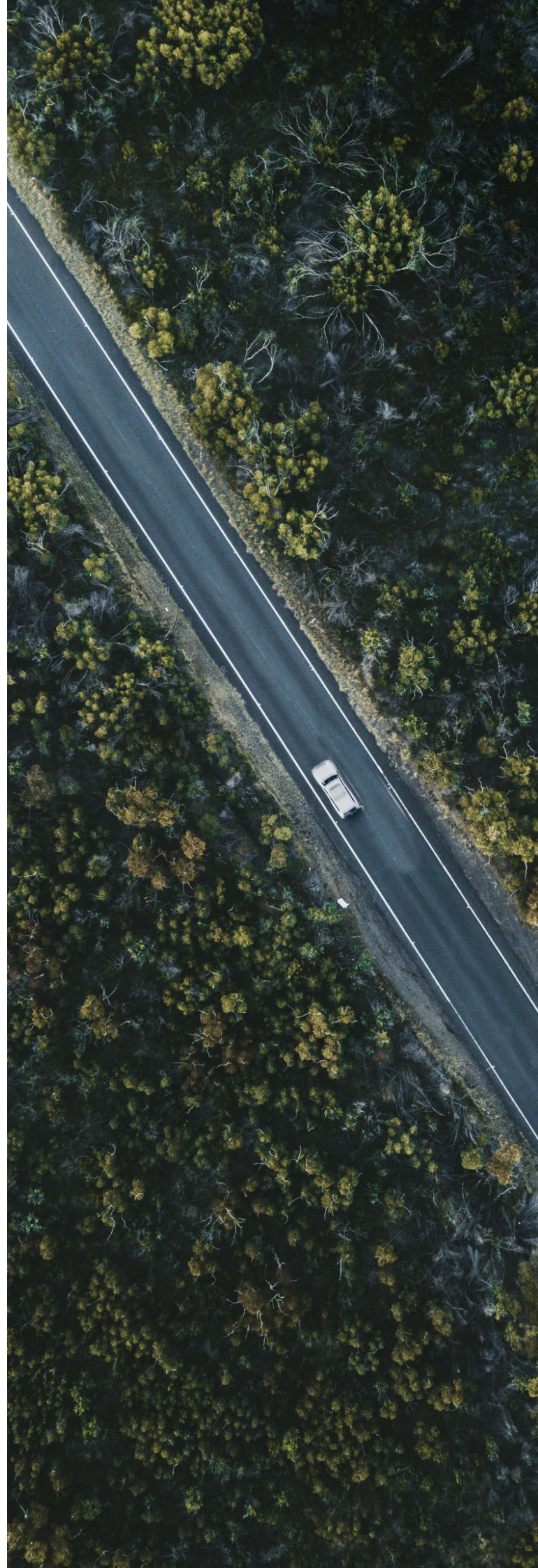
A cash flow statement can also be produced direct from the software to facilitate the monitoring of funds.

Not only is such a cloud based package really useful and efficient for your own management purposes it will soon be necessary for all businesses to have some digital accounting solution as HMRC continue their roll out of making tax digital, MTD, requiring businesses to submit information to them on a regular basis. Currently this affect dispensing practices as all VAT registered businesses have to comply with these requirements but the intention is that from April 2023 all partnerships will also have to submit quarterly information. Thus preparing now for this change is a very sensible step.



Next steps

If you believe that your practice would benefit from producing more regular reports and would like to hear how we can help your practice produce management accounts in addition to our year end services, please contact your local MHA Healthcare representative.



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