



Medical newsletter

Winter 2016

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Welcome

Welcome to the latest edition of our Medical newsletter.

2016 has seen dramatic changes in both the political and economic climates due to the Brexit vote in June. At the time of writing it is still unclear what effect this will have on the NHS and GP practices in particular.

However what is clear is that GPs continue to work under enormous pressures. Going forward GP practices will need to adapt their working practices or collaborate with other practices in order to survive.

In this edition we look at the issues surrounding practice mergers, topical matters in relation to GP pensions as well as some helpful tips on fraud awareness.

We take a look at the results of the latest Kreston benchmarking survey, as well as the forthcoming digitisation of the self assessment tax system.

If you would like to discuss any of the articles in this newsletter in further detail our contact details can be found on the back page.

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Pensions - an update

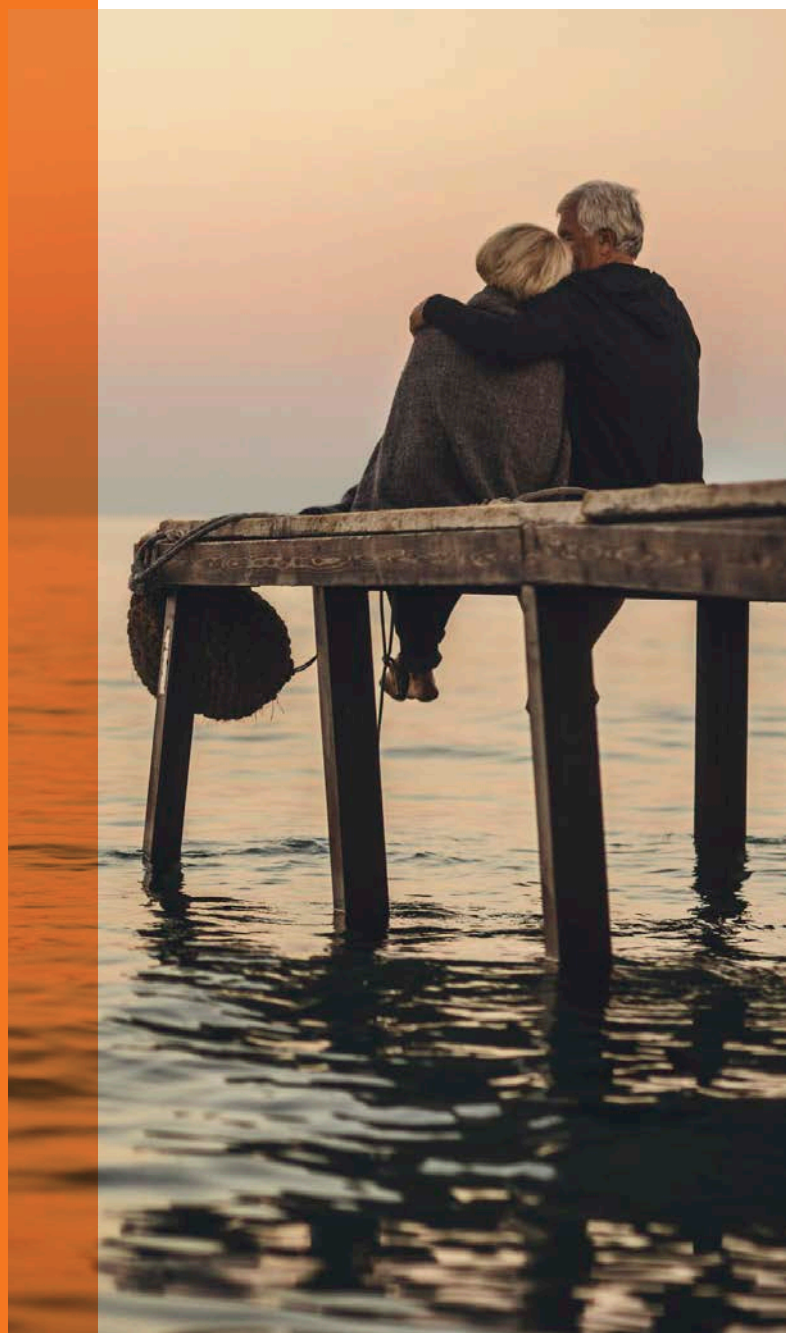
Our last newsletter set out recent changes to both the Annual and Lifetime pension allowances that came into effect from April 2016. This article focuses on the Lifetime Allowance and the ways of protecting your pension from the reduced limits.

To recap, the Lifetime Allowance is the maximum value that your pension pot can amount to on retirement without triggering a tax charge. The Lifetime Allowance was reduced from £1.5m to £1.25m in April 2014 and then again to £1m in April 2016. However there are ways of protecting against these reductions such as 'Fixed Protection' and 'Individual Protection'. The former is less popular as it means you can no longer make pension contributions into the NHS scheme but Individual Protection is less restrictive and is proving popular with many GPs with large pension pots. There are currently two types of Individual Protection available: IP2014 and IP2016.

IP2014 is only relevant to GPs with pension pots of between £1.25m and £1.5m as at 5 April 2014 as it gives them a 'personal' lifetime limit equal to the value of their pension pot at this date.

GPs have until 5 April 2017 to apply for IP2014. The application to HMRC needs to be made online through the Government Gateway. In order to complete the application you will need to obtain an IP2014 valuation from NHS Pensions (who are likely to be inundated with such requests over the coming months) confirming the value of your pension pot at 5 April 2014. A charge will be made by NHS Pensions for supplying this information. If you think you are affected and need to apply for IP2014 then action needs to be taken now.

IP2016 works in a similar way to IP2014 and is relevant to GPs with pension pots of between £1m and £1.25m at 5 April 2016. However NHS Pensions will not be in a position to supply IP2016 valuations until 2018 so you do not need to take any action at present.



It is imperative that GPs take advice from a qualified Independent Financial Adviser (IFA) regarding their pensions as failure to act now may have long term consequences for you and your family.

You should always send copies of correspondence you receive from NHS Pensions to your accountant / IFA as soon as you receive it in case action needs to be taken.

Fraudsters take aim for more targeted approach

Fraudsters are increasingly using more elaborate methods to gain access to information and money from organisations and at PEM we have seen a number of clients come under attack in recent months.

Phishing is the attempt to obtain sensitive information such as usernames, passwords and credit card details for malicious reasons (often, but not exclusively, for money). Historically phishing emails were easy to identify, with poor quality images or obvious spelling mistakes. However, phishing emails are now often difficult to spot. They are also much more targeted, frequently referring to staff by first name. In some cases the fraud starts with a telephone call to collect background information before they start their attack.

Many phishing emails can be innocent looking, such as a fake Amazon purchase confirmation or Dropbox file sharing invite. Clicking the links can then activate installation of viruses or other malware onto your computer, potentially infecting not just your PC but any others on the same network.

One of the most common forms of attack is ransomware. This is a program that encrypts files on your PC and then demands a ransom be paid to get the files back. Once triggered, the program works away in the background without any obvious signs of what is happening until it is too late. Needless to say, even if you pay up the chances of getting your files unlocked is very slim.

“CEO fraud” in particular has been one of the phishing successes of the last year, such as emails pretending to come from a director or senior manager to the finance team asking for an urgent payment to be made to a supplier. Often finance teams are afraid to query or challenge the request and the result is that the payment is made to the fraudsters.

Similarly we have also seen a number of supplier transaction frauds. The most common of these involve requests to change the payment details for existing suppliers, or fake orders for goods that haven't been delivered. Again, the fraudsters often know the names

of suppliers and they identify their targets accordingly. Key actions to protect yourself and your organisation

- Ensure you install the latest security patches and updates for your computer (ideally set this to happen automatically or be centrally managed).
- Ensure you are using appropriate antivirus software and that it is kept up to date.
- If you receive an email with links or an attachment that you are not expecting, delete it.
- If you receive an email request to send information or a request for payment that seems in any way unusual, check via telephone or other means to ensure the request is valid.
- Be cautious about what information you give out over the phone, particularly to unsolicited calls.
- Ensure you have good processes for when you receive requests for changes to payment details (such as telephoning your supplier to confirm that the request is genuine).
- Ensure you have a backup of all your files and that this is kept offsite. That way, if you are hit by ransomware you will be able to safely recover your files.
- Train your staff on the fraud risks in their role and make sure they know what to do if they suspect something may be fraudulent.
- If you believe that your computers may be infected with a virus or malware, seek professional IT advice to get your systems fully checked out and cleaned.
- Consider going through a review of your security setup and working towards an accreditation such as the government-backed Cyber Essentials scheme. Whilst this doesn't guarantee to protect you, it does ensure that you reduce the risks and it helps to raise awareness of the issues within the organisation.

The IT team here at PEM are able to advise on ways to protect you and your business against fraud. Please contact Jon Stanton at jstanton@pem.co.uk for more details.



End of the tax return?

THE biggest shake-up of the tax system for 20 years is underway as online personal tax accounts replace the annual tax return – and PEM has a free mobile app to help you make the digital transition.

The government announced the plan in March 2015, which will bring together all of the taxpayer's details in one place and allow you to update and review your tax affairs in real time. All individuals are able to access their own personal tax account already, although limited information is currently shown in the account.

The 'digital age' will also mean more regular reporting of income and business profits to HMRC – starting from April 2018.

Taxpayers will be able to let their agents manage their personal tax account on their behalf if they wish.

What do we know so far?

HMRC recently announced details of how the new digital system will look. The changes are wide ranging with the potential to cause headaches for landlords, the self-employed and businesses. Announced so far:

From April 2018 HMRC will require the self-employed and landlords with receipts of over £10k per year to update their personal tax account with details of their income on a quarterly basis.

Partnerships and LLP's will also be required to update HMRC on a quarterly basis, with details of individuals profit shares, linking to Partners' 'personal tax accounts'.

There is not yet confirmation whether private companies will need to report dividends paid to HMRC, although this may well be in their plans.

Businesses will be required to maintain their records digitally, if not already using suitable software. There will be straightforward software or apps available to keep details of receipts and expenses, see below for details of the PEM receipt manager.

HMRC will update your personal tax account with income details it already holds. Employment income is uploaded to the account already and details of interest paid by banks and building societies will be uploaded from early 2018.

By 2020 the transition to digital taxation is scheduled to be complete, and the personal tax account will provide a single place for taxpayers to manage all their tax liabilities (Income Tax, National Insurance and VAT).

PEM will update you as and when further details are announced.

Introducing the PEM app

PEM is also pleased to announce the release of its new, free to download, mobile app.

The app gives you instant access to the latest business and tax news as well as useful tools such as receipt manager to keep track of your income and expenses.

To download, please go to the app store on your Apple device or Google Play on your Android device and search for 'PEM Accountants'.

Practice Mergers



With the ever-increasing demands being placed on the NHS and general practice in particular, practices have been forced to look carefully at how they operate and adapt to the constantly changing environment. Collaborations between practices are becoming increasingly common, either through formal practice mergers or simply by working with other practices on a more informal basis.

The main reasons for greater collaborations between practices are:

- NHS England seems to want to do business with larger organisations covering tens of thousands of patients. Hence, in order to be able to bid for new income streams, practices are having to 'club together' in one way or another.
- Working with other practices to provide services allows practices to spread the workload and take advantage of potential economies of scale, thereby enabling them to deliver services they couldn't provide on their own.

There are a number of factors to consider before a formal practice merger:

1. It is vitally important that careful consideration is given to the reasons for the proposed merger. A strategic planning 'away-day' would be a good way of addressing this. All partners need to be 'on board' with the idea as if they aren't then partnership disputes will inevitably arise further down the line which can be extremely disruptive and costly to resolve.
2. Clearly a new partnership deed would be needed for the new combined partnership and it is recommended that a solicitor is involved in the process from the outset. Practices also need to consider what would happen to their current NHS contract if a merger was to go ahead. It may also be worth considering some form of pre-merger agreement, which would need to include a confidentiality clause and also specify how any pre-merger costs are to be shared.
3. The structure of the new merged partnership between equity GPs, salaried GPs, nurses and other medical staff would need to be considered, as would the number of sessions each GP works and their other non-practice 'outside' working commitments.
4. Patients' needs must of course be considered before proceeding with a merger. However in reality patients may not notice any great differences in a merged practice if the existing surgery buildings are retained.
5. What will happen to the surgery premises and any associated loans if a merger goes ahead? If the surgery is leased what would happen to the lease in the event of a merger? Consideration would also need to be given to the policy for retiring partners and new partners buying into the surgery premises.
6. There are of course a number of financial considerations involved with a merger. Not least of these is how profits would be shared in a new combined partnership, particularly if one practice has historically earned significantly higher profits than the other. Cash-flow requirements would also need to be considered,

as would the accounting year-end of the new partnership (which may have associated tax and superannuation implications).

7. Telephone and IT systems may also need to be integrated following a merger which may prove complicated / expensive to implement.
8. Staffing considerations such as the transfer of employment contracts and any potential redundancies need to be taken into account and the correct procedures adhered to.
9. Who would make the important decisions in the new merged partnership? There may be too many partners involved to effectively manage the partnership as one group so a smaller

Management Committee may therefore be appropriate to manage the practice on a day-to-day basis.

Clearly there is a lot to consider before a partnership merges with another practice. A successful merger will be one where the merging practices share a common vision and approach to patient care. Careful planning is essential involving both a solicitor and your accountants from the outset. PEM have first hand experience of advising on GP practice mergers and are familiar with the issues involved, so please do contact us if your practice is considering a potential merger at any point in the future.

How is your practice performing?

At GP practice accounts meetings we are often asked how our clients are performing compared to their peers. As you may know, PEM are part of Kreston, a global network of independent accountancy firms.

Within Kreston UK 8 accountancy practices (including PEM) have once again come together this year to provide data for a GP Practice benchmarking report. The data was gathered from 123 GP practices across the UK and represents their results for the financial year ending in 2015.

The main headlines from the 2016 report are:

- The average profit per patient in a PMS practice was £53.61 (2015 - £47.00) compared to £55.97 (2015 - £51.21) in a GMS practice.
- The average profit per session in a PMS practice was £16,824 (up from £15,643) as compared to £14,958 (up from £13,983) in a GMS practice.
- GMS practices continue to suffer from the phasing out of MPIG and reduction in the number of QOF points available.
- Staff costs represent the largest proportion of GP practice expenditure and increased in both PMS and GMS practices (up 13% and 16% respectively) reflecting the mounting workload GP practices are facing.
- Both PMS and GMS practices experienced increased locum costs, with a shortage of GPs nationally meaning practices are struggling to recruit new GPs.

- Rent costs increased in both PMS and GMS practices which suggests 'sale and leaseback' arrangements and surgeries being owned by retired partners are becoming more common.

If you are interested in receiving a copy of the full report please contact Stephen Hillyard at shillyard@pem.co.uk



About us

Our experienced medical team offers expert advice and support for all areas to suit your specific needs. Please contact the medical team who will be happy to talk to you about any issues you may have:



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