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GP News

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How to bid for a practice

by Laurence Slavin

It is becoming increasingly common to see practices being offered for tender for all sorts of reasons.

Usually, the GPs have retired (or resigned), or the PCT are offering services currently provided by themselves, or the PCT are dissatisfied with the services provided by the GPs and are looking for an alternative provider. Interestingly, there is no legal obligation for a PCT to put the proposed services out to tender, but in today's litigious environment, the tendering process is usually adopted.

There are three stages to the tendering process, all of which are equally important. This article looks at the three stages, but devotes most attention to the second stage, the formal tender.

The first stage is the invitation to tender for a practice. This will be accompanied by a prospectus which describes information to be included in the Pre Qualification Questionnaire (PQQ). The prospectus will typically include the following details:

- details of the tendering timetable (which can often be difficult to meet)
- details of the PCT's strategic policies
- details of the other organisations that will need to be considered
- details of the practice in question, the practice population and the area
- details of the services the PCT want to see provided and the services to be developed

All the issues raised in these details must be considered, developed and consistently applied through the next two stages of the tendering process.

The second stage involves the submission of the formal tender document, but before looking at the details of the document itself, it is worth looking at how the ultimate decision to award the contract is made. The following criteria is typical:

- value for money of the tender offered
- relevance of the business plan to the identified needs of the population
- the ability of the new enterprise to take over the tendered practice
- the practical delivery of the business plan
- whether the tender demonstrates convincingly how the health improvements will be made
- the manner with which the new enterprise will work with the PCT and supporting agencies

The contract will be awarded using weighted criteria such as the example mentioned below:

- the PQQ stage	15%
- the tender document	35%
- financial evaluation	40%
- presentation	5%
- references	5%

Having established how the final process works, the detail of the tender can be considered. Given the above, the importance of the detail in the tender document and the financial evaluation cannot be overstated. The key components of the tender document are mentioned below:

- what period of time the tender covers (usually three to five years)
- how and when targets set out in the prospectus will be met
- how extra services, such as enhanced services will be implemented and targets met
- how the transfer of the contract will be managed, identifying what organisational developments are required
- what will be done in future for patients, not just what was done in the past
- how a relationship with the PCT will be developed and sustained
- how existing practice staff will be transferred. This section is usually given a considerable amount of space in the prospectus and therefore requires some detail in the tender. Typically, the tender will need to cover:

• the details set out in the Transfer of Undertakings of Previous Employer (TUPE) regulations
• recruitment and induction procedures (e.g. employment contracts)
• details of employment policies (disciplinary, sickness, health and safety, training, etc.)
• procedures that promote equality and diversity

A simplified example of the financial section can be viewed in the latest news area on our website.

There are other issues to be considered such as:

- What are the terms of the premises to be offered?
- Is the new enterprise expected to take over ownership of the existing premises or the existing lease?
- Is the IT adequate?
- Are the records adequate?

Each of these possibilities need to be considered and critically assessed.

The tendering process is usually constrained by time and can be as frustrating as ultimately rewarding. The key to success is to aim to explain and demonstrate that the needs of all parties can be met in a believable, sustainable and cost effective manner.

PMS Practices – Claiming the Cost of Employer's Superannuation from your PCT

by Jenny Stone

Some GPs are beginning to feel the pinch of the additional cost of the employer's superannuation for themselves as opposed to staff. For some practices who have a Lockharts PMS Agreement, you may be able to claim this additional cost from your PCT.

Some GPs are beginning to feel the pinch of the additional cost of the employer's superannuation for themselves as opposed to staff. For some practices who have a Lockharts PMS Agreement, you may be able to claim this additional cost from your PCT.

Under the old contract, GPs' superannuation contributions were 6% of their pensionable income and this was deducted by the PCT before GPs were paid. What many GPs may not have realised is that, at the same time, the PCT, as their notional employer, paid the employer's superannuation contribution for them directly into the NHS pension scheme.

Under the new contract, the Government introduced a major change to the way the employer's superannuation for GPs was dealt with. The change was that practices would be paid an amount of income through their baseline to cover the employer's superannuation. The PCT would then make deductions for the GPs' employee (6%) contribution and employer's (14%) contribution before paying them.

The major problem with this is that the amount of income given to practices is based on historic superannuation contributions, which were negotiated with the PCT at the time the practice went into PMS. Under the new contract, GPs' superannuation is now based on their NHS profits as calculated per the GP year-end certificate, therefore the actual cost of the employer's superannuation bears no relation to the income in the baseline. What this means is that GPs could be under-funded for the employer's superannuation and it becomes an additional cost. For example, let us assume that the PCT gave a practice £20,000 in their baseline to pay for the employer's superannuation and the actual cost of the employer's superannuation (14%) for 2004/05 was £30,000. This would mean that the GPs were funding £10,000 of the employer's superannuation out of their own pockets. For some practices, the cost of this is substantial. It should be noted that there is also an element of employer's funding included in the Quality and Outcome Framework (QOF) and enhanced services, however, this income cannot be identified.

For PMS practices who have a Lockharts Agreement, it may be possible that you could have a case to dispute this with your PCT regarding the under-funding of the employer's superannuation. If you have a Lockharts Agreement, you need to check that the relevant paragraph, 436.2.3, is included and has not been amended. The paragraph states:

436.2.3 separately and additional to the increase set out in clauses 436.2.1 and 436.2.2 the relevant contributions (currently set at 14%) payable from time to time in respect of employers' contributions to the NHS pension Scheme in respect of the Contractor(s) and those medical practitioners (if any), who assist the Contractor(s) who are named in Parts 2A (Details of the Contractor) and 2B (Names of Medical Practitioners who Assist the Contractor) of Schedule 1, together with such persons who become Contractor or assisting medical practitioners and whose names would have been in Parts 2A (details of the Contractor) or 2B (Names of Medical Practitioners who Assist the Contractor) of Schedule 1 had they been respectively providers or performers of Personal Medical Services at the commencement date together with employers' contributions for members of the Contractors staff.

If you have this paragraph in your Agreement, then the next step is to calculate the amount of the employer's superannuation contributions, which you are owed. A template is shown in the latest news area on our website, which can be used to assist you in calculating this amount.

If you are being under-funded for the employer's superannuation, then you should submit a claim to your PCT. If they refuse to pay this, then it becomes a matter for dispute and you will need to write to the NHSL formally requesting them to consider this under the formal dispute resolution process under paragraph P95, Schedule 5 of the NHS (PMS) regulations 2004.

Accessing your tax liabilities via our website

If we have prepared your tax return, we will have written to you detailing your tax liabilities.

You can also check your liabilities via our client login area on our website www.ramsaybrown.co.uk To do this, you will need your ten digit reference number which appears on your tax return and your date of birth. You can also download a payslip and prepaid envelope if you do not receive this from the Inland Revenue.

Remember that your tax is due by 31st January 2007.

If you still have not sent your tax return information to us, please do so as soon as possible. If your tax return is not submitted by 31st January 2007 you will be liable to a £100 penalty.

Tax Tips: Cars

by Anil Sookharry

What are the most common methods of purchasing a car?

1. Outright Cash Purchase

With reference to the actual purchase cost of the car, you would be allowed to claim a 'written down allowance' (WDA) of 25% per annum (p.a.) on a reducing balance basis. For cars costing over £12,000, the capital allowance is restricted to £3,000 p.a. For example, if you were to purchase a car for £14,000 and business use was, say, 60%, the allowances claimed would be as follows:

Year 1

Cost		14,000
Less WDA (restricted)		3,000

Balance carried forward		11,000
		=====
Claim	60%	1,800

Based on the above example, as a higher rate taxpayer, your actual tax saving for year 1 would be £1,800 @ 40% = £720.

Running costs of the vehicle, e.g. petrol, etc. are claimable as normal, subject to the private use restriction.

2. Lease Purchase

This is where there is an option to purchase the car at the end of the lease. Although, in legal terms, the finance company owns the car until all the payments are made; for tax purposes, the car is treated as if it belongs to the person who leases the car. Hence, the tax implications are similar to Option 1 with the only difference being that the interest element of the monthly repayments would also be deductible for tax purposes, again, subject to the private use restriction.

3. Operating Lease

This is effectively a rental agreement between the leasing company and the person leasing the car. The individual leases the vehicle, but there is no option to buy the vehicle at the end of the term, i.e. the finance company continues to own the vehicle. For vehicles with a list price of £12,000 or less, the monthly rentals may be claimed as an expense (restricted to business use). For vehicles with a list price of over £12,000, a proportion of the rental amount is disallowed by reference to a formula. Capital allowances cannot be claimed. Usually, 20% is required as an 'up front' payment. Running costs are claimed as above.

Cash or Hire Purchase?

This is a question that we are often asked as accountants. It is true that an individual would get tax relief on the interest element of the credit arrangement (which could equal up to 40% tax relief if you are a higher rate taxpayer), however, it is important not to become too focused on the tax side of things. Even a higher rate taxpayer will still effectively have to meet 60% of the interest charges out of their own pocket.

We would always recommend that you look at the overall picture: your current cash flow situation, the total amount of interest that you will have to repay over the period of the credit agreement, etc.

Personal professional expenses - a recap

Personal professional expenses are those expenses incurred for business purposes, but paid personally, rather than going through the practice accounts.

As a reminder, claims for professional use of a motor vehicle should only include business related journeys. If your normal place of business is a surgery, then the journey from the surgery to see patients would be business use. The commute from home to the surgery would be private use, but the commute from home to see a patient would be business use. However, if you were a locum based at home, then travelling to the various surgeries, seeing patients on visits, etc. would all be classified as business travel.

Generally, the Inland Revenue will only accept the use of a second vehicle for emergencies only, therefore the business claim on a second car should not usually exceed 5%, unless you are able to justify a higher percentage.

Finally, it is extremely important that you retain receipts for any expenses that you pay personally, be it stationery, mobile phone bills, petrol receipts, etc. We, as the accountants, do not need sight of them, but they must be retained on your personal files for seven years in case of any future enquiries by the Inland Revenue.

You can download our standard personal expenses form from the latest news area of our website.

Tax Investigation Insurance

by Emma Pottinger

As you may be aware, we provide a service exclusively to our clients by way of an insurance policy that protects them against paying additional fees in the event of them coming under the scrutiny of an Inland Revenue investigation.

The introduction of self-assessment means that random audits now take place regularly. In April 2005, the Inland Revenue merged with Customs & Excise, which seems to have given them more power to increase the level of random investigations. All types of enquiries cost time and money and this is why we offer this service in order to protect our clients.

The scheme has been established for ten years and is designed to provide our clients with the security of knowing that, for a small annual fee, should they be selected for investigation, they will be fully represented at no additional cost. You may or may not be aware that the accountancy charges for an Inland Revenue investigation increase to £150 plus VAT per hour.
We are able to provide unlimited cover in respect of enquiries into our clients' tax affairs arising from Inland Revenue investigations and VAT inspections. The cover also includes all accountancy costs incurred by us in dealing with correspondence and meetings with the Inspector of Taxes and Customs & Excise in connection with tax and VAT investigation work.

In the case of a limited company, the work includes dealing with investigation work into the company itself, together with the personal tax affairs of the key directors where those directors are also major shareholders. In relation to partnerships, the work covers the affairs of the individual partners and their share of the cost to the partnership.

If you are not covered by our insurance and would like the peace of mind in knowing that, if you were to be investigated, you would incur no further costs, the premium for the tax investigation scheme is currently £69.50 per partner, per annum. In the case of a limited company, the premium is £130.00.

If you are interested in joining the scheme, or would like further information, please do not hesitate to contact Emma Pottinger on 020 8370 7724, or you can e-mail her at emma@ramsaybrown.co.uk.

Staff profile

Name :
Kay Charalambous

Date and Place of Birth:
15th June 1967, London

Job Title:
Accountant

As a child, what did you want to be when you grew up?
A Chef

Give three words that describe you:
Spontaneous, inquisitive, organised

If you could invite three people to dinner (alive or dead), who would they be?
My mum, Jon Bon Jovi and Gordon Ramsay

What won't you leave home without?
My make-up

What was the last book you read?
The Zahir by Paulo Coelho

What is your secret vice?
Men in uniform

What is your greatest ambition?
To make a difference

People would be surprised to know that…...
I have a passion for motorbikes, rock music and international rugby.

What is your favourite quotation?
"Feel the fear and do it anyway"

What is your favourite film?
Depending what mood I'm in... Groundhog Day, While you Were Sleeping, The Green Mile, Miracle on 34th Street, Crash.

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