

A financial success

AISMA accountants give ten tips to face the challenges of 2012.

By all accounts 2012 is going to be a difficult year. With GPs facing yet another pay freeze, and practices in England experiencing falling profits, financial efficiency will be the watchword for practice managers in the months ahead. Members of the Association of Independent Specialist Medical Accountants have joined together to offer some timely advice.

1. Stock control

An area practice managers of non-dispensing practices may find it useful to investigate in terms of improving practice performance is stock control. A meeting with one of our practices earlier this year highlighted the lack of financial awareness of some clinical staff when ordering medicines. Zoladex was highlighted, something which is expensive and which also has a relatively short shelf life.

This also applies to administration staff when ordering stationery; we have all seen the piles of unused paper where the presence of dust is a sure sign that excess stock is being held.

Regular inspections of drug and stationery stock to ensure the right quantities are held will certainly improve performance and efficiency. After all, funds tied up in stock simply represent dead money.

(Francis Whitbread, Edmund Carr LLP)

2. National Insurance

Do not overlook National Insurance (NI) costs when considering staffing. Where, for example, cover needs to be arranged for long-term sickness, the options could include temporarily increasing the hours of existing staff or instead, appointing one or two temps. While there is more than just the financial cost to be considered here, in making the decision you should not overlook the fact that giving the extra hours to existing staff may result in increased employer NI



● Do you need all the stationery you keep in stock?

contributions. It is worth remembering that the first £136 per week paid to an individual employee will not give rise to any employer NI.

(Andrew Redmayne, Redmayne & Co)

3. Maximising QOF points

In the run up to March 2012 focus on maximising your QOF points. Are you making full use of your IT system to identify any relevant points and any gaps in the data? Anything you can do to help prompt your GPs and make it easier for them to cover specific items, particularly during appointments with their patients, should yield dividends. In times of tightening budgets and rising costs QOF remains a significant area for additional income generation.

(Linda Lord, Streets Chartered Accountants)

4. Budget effectively

If you don't have a target for the year ahead, how will you be able to assess whether you have achieved your financial goal? Preparing a budget forecast for the coming year doesn't need to be onerous. Do it differently - break down the figures into four quarters, and start from the bottom upwards:

- identify what profit the partners want to make, before tax
- identify the overhead costs for the year ahead
- add the two totals together to identify the income that needs to be generated
- identify the income that you know you will generate – base this on the previous year's income adjusted for any changes in the coming year

- the balance is the amount of extra income you need to find new ways of generating.

The budget should then be compared to the actual results arising during the year to measure performance and investigate any significant discrepancies. Your accountant should be able to assist and advise you at any stage of the process.

(Michael Ogilvie, OBC The Accountants)

5. Change in partners

Are you anticipating a change in partners during the year? If so, plan early to give yourself enough time to deal with the necessary issues:

- check the partnership deed is up to date and signed by all existing partners
- check the location of property deeds
- check the terms and date of retirement of the partner leaving
- agree terms and date of admission of new partner
- arrange the valuation of any freehold property
- look at any other partnership assets that require valuation, such as shares in a provider company
- advise the PCT of changes and revised shares for superannuation deductions
- cancel direct debits relating to retiring partner, for example Class 2 National Insurance
- check the new partner has registered as self-employed with HMRC
- if the practice is VAT registered, advise HMRC of change of partners.

(Luke Bennett, Francis Clark with Winter Rule)

6. Staff mix

When comparing profitable practices with those that are less successful we find that having the right staff mix is a defining factor. The right staff, doing the right jobs, properly trained, with regular appraisals to encourage continuous improvement, all contribute towards improving performance and efficiency.

With the right staff in place practices are able to ensure everything is coded

Look into energy saving products such as light bulbs and take steps to reduce energy by turning off unused appliances and lighting.

correctly and systems are in place so all income earned is actually claimed. The most well organised practices then track each income stream to make sure that they receive the full amounts due to them.

(Liz Densley, Honey Barrett Limited)

7. Financial controls

In these challenging times it is more important than ever to ensure that you have a system of financial controls and reviews that is robust and effective. These controls could include regular reviews of claims for drugs, enhanced services, medical students and registrars and private income to ensure all appropriate work has been invoiced and amounts invoiced have been received promptly and are correct.

Some streams of lesser income such as cremation fees have hitherto often been neglected as being relatively insignificant. However a clear system for recording the work, from the initial request through to the execution of the work should be established. The record of work done should then be compared with cash received on a monthly basis and any obvious gaps or delays followed up straightaway. Set aside time to review monthly results for all aspects of practice finance and investigate fluctuations to ensure the practice is working efficiently and effectively.

(Sue Beaton, Coveney Nicholls)

8. Payroll and PAYE

Employers should be aware that if you are late in paying your PAYE, HMRC will impose penalty charges. Cheques should reach HMRC by the 19th of the month following the end of the tax month or quarter to which it relates. Electronic payments should reach HMRC by the 22nd, earlier if the 22nd falls on a weekend or bank holiday.

There is no penalty charge if only one payment is late in a tax year, unless the payment is over six months late. If you are late more than once, the penalty depends on how much it is late and how many times your payments are late.

The penalty charge can be as much as four per cent of the late-paid amounts, with more being charged for very late payments.

(Anna Buhagiar, Landin Wilcock & Co)

9. Drugs profits

Drug profitability is important for prescribing practices as well as dispensing practices.

Prescribers who manage drugs inefficiently are at best missing an opportunity to bolster practice profits, and at worst making a drugs loss that will drag practice profits down. Fortunately, there are some simple ways of improving things.

Try to maximise income - make sure that prescriptions are written for everything that can be claimed for, and that everyone who is involved in the issuing of drugs understands this and recognises its importance.

Try to keep costs down. See if there are any local buying groups you could join, and try to shop around.

Finally, analyse your practice accounting records and identify the facts and figures about your drug profitability. Can you identify drugs costs or are they mixed in with things like purchases of disposables?

Do you know how much you are reimbursed for key items? Are you making losses on any items because the reimbursement is less than the cost of the drug? Remember that knowledge is power!

(Faye Armstrong, Dodd & Co)

10. And finally....

Reduce costs and save practice time by embracing technology with the use of **nhs.net** text message appointment reminders and perhaps emails.

Shop around for essential consumables such as energy and telephony. Look into energy-saving products such as light bulbs and take steps to reduce energy by turning off unused appliances and lighting. Use practice manager forums and groups to share information.

Organise your GPs into providing year-end accounts and personal information in good time. This will save time on accounts preparation and give the partners more time for tax planning.

(Catherine Hough, Moore and Smalley LLP) ■

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