

Polish your crystal ball

In his second article on budget planning for the year ahead, accountant **Luke Bennett** reveals the items of expenditure for which you are likely to incur costs

At this time of the year, practices with a 31 March year-end should be making progress on preparing a budget for the year ending March 2016. In last month's article, I gave an overview of how to plan for the different categories of income likely to be earned during the year ahead. Now it's time to take a look at expenditure.

I. Expenditure

Staff costs

By far the most significant expense for a GP practice and the one where you will need to spend the most time is in predicting staff costs. Rather than base this on the last set of accounts, I suggest you start with your existing list of staff members and build up a budget based on rate of pay and hours worked for each member of staff and increase for any increments due to promotion. Then add on the cost of employer's NI and superannuation contributions (increasing to 14.3% from 14.0% in 2015/16). Then, be realistic about the levels of overtime you are likely to incur and also the additional costs arising from sickness or maternity cover. You'll need to polish your crystal ball for this one, but better to assume some additional costs than have nothing built into the budget. Any staff changes due to retirement or recruitment will also need to be predicted and allowed for. Finally, add on an overall percentage for an inflationary pay award. No doubt this figure will be the subject of some debate, so set up your spreadsheet in such a way that you can easily change this so the partners can see the impact of giving a greater or lower pay award.

Salaried GPs

The same principles relating to staff costs apply

here. Note the impact of any planned changes in the number of sessions worked by partners.

Locum costs

To some extent the cost of covering holiday leave can be predicted, but again the cost of any sickness cover (unless covered by insurance) will be difficult to guess. Remember to allow for the cost of employer pension contributions on 90% of locum pay (unless you are fortunate enough to have locums who are no longer contributing to the scheme).

Other overheads

Having looked at staff and locum costs in detail, I tend to take the view that it is usually sufficient to simply run your eye through other expenditure headings and just assume they will increase by inflation, unless there are specific factors that are material enough to deserve closer consideration. For example you may know that you plan to redecorate some consulting rooms and you can budget for this.

2. Other costs affecting cash flow

Having gone through the exercise of predicting income and expenditure, you will have a predicted profit figure for the practice. However, before seeing how much this leaves for partner drawings there will be other costs that need to be considered.

Fixed assets

If you plan to purchase any significant items of equipment or carry out any property improvements, include these in your budget.

Loan finance

Any repayments of capital on your bank loans



Luke Bennett is a partner at Francis Clark, a member of the Association of Independent Specialist Medical Accountants. For more information call 01872 276477 or email Luke.Bennett@francisclark.co.uk. To find an AISMA accountant, visit www.aisma.org.uk.



need to be allowed for. The interest charges on your loans will be included in the other overheads, but not the capital.

Superannuation contributions for partners

The employer, employee and any added years contributions made on behalf of partners need to be included. You can predict the monthly deductions, but will need to seek advice from your accountants to predict any additional payment (or refund) of contributions likely to arise following the submission of the annual certificates of pensionable pay.

Income tax

If the practice pays the partners' income tax liabilities you will need a prediction from your accountants of the payments due in July and January.

Other payments on behalf of partners

Look at the drawings schedule in the accounts and include an estimate of other payments the practice makes on behalf of the partners; eg professional indemnity premiums, locum insurance, personal loan repayments.

Having worked your way through this process, you will then know how much is available to pay the partners' drawings. Before you can arrive at a monthly drawings figure take off those other drawings that partners tend to forget about, but still come out of the practice; eg: quarterly seniority payments, extra drawings each Christmas, QOF divvy-up, etc. Hold at least 10% back for contingencies and you'll be able to suggest how much the partners can afford to draw. Remember to ask your accountant to 'sanity check' the spreadsheet before circulating to the partners.