

A fundamental flaw

Accountant Luke Bennett offers some tips on the new contractual requirement to publish GP earnings online

By 31 March 2016, all GP practices in England need to publish on their website the net earnings of the GPs (partners, locums and salaried) working in their practice. This is part of the government's 'transparency agenda' to give the public more information about how public money is spent. Whilst it is debateable whether this serves any useful purpose, in my view the guidance issued by NHS Employers on how to calculate net earnings is fundamentally flawed and will produce results that are misleading and produce inconsistent results. The purpose of this article is to explain and interpret the guidance so that you, or your accountants, can calculate GP net earnings.

1 Which accounting year?

The guidance states that earnings to be published by 31 March 2016 are based on the previous financial year, that is the year ended 31 March 2015. The guidance is silent on what practices that do not have 31 March accounting dates should do. You could take part of the results from the two accounting years spanning 31 March 2015, but in my view it will be acceptable to base the calculation on the accounting year that ends in the year ended 31 March 2015. For example a practice with a 30 June year end will base the calculation on the accounts to 30 June 2014. This is consistent with the basis of calculation for income tax and pensionable profit calculations.

2 Which GPs are included?

GPs to be included in the calculations are not only partners, but also salaried and locum GPs working in the practice. Only those who worked for at least 6 months need to be included. Whilst it should be straightforward to identify the number of partners and salaried GPs that worked for at least 6 months, this is not a concept that can readily be used for locum GPs. Should a locum who was engaged in say April, May and December be included as there is 9

months between their first and last engagement? I take the view that if a practice engages a locum in at least six different months during the year, then they should be included. The total number of full-time (eight sessions or more) and part-time GPs can then be determined.

3 How are total earnings calculated?

It is only what one might call core NHS income that is included in the calculations, so it includes sources of income such as global sum, PMS baseline, quality, seniority and nationally (but not locally) defined enhanced services. It does not include dispensing income, training fees or any non-NHS income. The guidance then requires an allocation of expenses to be made between those costs incurred to deliver the core NHS income and other costs. The core costs are then deducted from the core income to arrive at the total earnings attributable to partners. To this is added the salaries paid to salaried GPs and the total paid to locums who worked at least six months in the practice. How to go about the allocation of costs is described in some detail in the guidance, but given the flawed results that will be produced (see section 4) in any event, there seems little point spending much time on this and any reasonable approach, such as apportioning total costs in the same ratio as income, is likely to be acceptable.

4 How are mean earnings calculated?

The total earnings figure is divided by the number of GPs to arrive at the mean earnings. This will produce a totally meaningless figure as it takes no account of how many sessions each GP has actually worked. A practice that has more part-time partners, salaried GPs or locums will be disclosing lower mean earnings than a practice with only full-time GPs.

To illustrate this see the example below.

Practice A has core partner earnings of £200,000 shared between one full-time and two



Luke Bennett is a partner at Francis Clark LLP and a committee 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

part-time partners. They also have a full-time salaried GP paid £75,000 but used no locums.

Practice B has an identical level of profit, but the partner earnings are shared between four part-time partners. They did not have a salaried GP but paid three locums £75,000.

	Practice A	Practice B
	£	£
Partner core earnings	200,000	200,000
Salaried GP pay	75,000	-
Locum pay	-	75,000
	275,000	275,000
Number of GPs		
Partners	3	4
Salaried	1	-
Locums	-	3
	4	7
Mean earnings to be disclosed	£68,750	£39,286

Whilst both practices receive the same amount of funding and incur the same costs, the mean earnings are very different.

5 How much detail has to go on our website?

All that is required is a simple statement of the mean earnings and the number of full-time and part-time GPs. The wording suggested by NHS Employers as adapted for Practice A above is:

All GP practices are required to declare the mean earnings (e.g. average pay) for GPs working to deliver NHS services to patients at each practice.

The average earnings for GPs working in [Practice A] in the last financial year was £68,750 before tax and National Insurance. This is for 2 full-time and 2 part-time GPs who worked in the practice for more than six months.

6 Other comments

It is apparent that this exercise will produce figures for mean earnings that are meaningless and not comparable between practices. Often they will produce earnings figures that are very low. Whilst this might be seen to be attractive in discouraging public or press attention, it is not helpful in attracting medical students into the profession.

To try and pre-empt the press or others attempting to make misleading comparisons between practices, AISMA members are recommending to their clients that prefacing the recommended wording suggested by NHS Employers, they add:

NHS England requires that the net earnings of doctors engaged in the practice is publicised, and the required disclosure is shown below. However it should be noted that the prescribed method for calculating earnings is potentially misleading because it takes no account of how much time doctors spend working in the practice, and should not be used to form any judgement about GP earnings, nor to make any comparison with any other practice.

