

Managing practice cash flow problems

Specialist medical accountant Phil Harnby explains that long-term planning is key to avoiding unnecessary cash flow problems



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For any organisation with financial income and outgoings, managing cash flow properly is central to how the organisation operates – or indeed, whether it is able to operate at all. This is a principle that applies just as much to primary care practices as it does to accountancy firms or widget manufacturers. However, the essential nature of the services GPs provide to their communities means that there is, perhaps, even more of an imperative for them to operate with maximum efficiency.

No one working in primary care needs to be reminded that budgets are – and will remain – tight. Working in this environment requires practices to address a number of specific issues when it comes to managing their financial resources properly.

NHS payments

Ensuring NHS payments reach the practice bank account on time is far from the easiest task in the world. Look no further than the incident report published in October by NHS England, highlighting the delays experienced by hundreds of practices in receiving payments after Capita took over primary care support services in September 2015.

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NHS Property Services

The changing nature of NHS Property Services, combined with the often unexpected and rather chunky invoices now landing on practice managers’ desks as a result, are also adding new levels of complexity to the business side of clinical operations.

Regardless of delays in payments coming into the practice bank account, practice managers know well enough that outgoings, such as wages, still need to be paid on time, every time; which can make balancing the books even more tricky.

As with most things in life, proper planning is very often the key to avoiding unnecessary problems.

Develop long-term forecasting skills

Accurate cash flow forecasting is becoming an essential skill for practice managers who need to ensure that the money in the bank and expected receipts will cover not only future known outgoings, but any unexpected costs too. I spend a lot of my time working with GP partners and practice managers to look at the best ways to avoid cash flow problems arising in the first place. These days it is a critical part of good practice management.

These sessions cover every part of practice finance, from property management, service delivery and finding new income streams, through to staff recruitment and retention, remuneration and long-term strategic planning. Taking this long-term approach will give you a good view of what is coming down the track. The retirement of a senior partner, for example, might be a few years away, but planning for its financial implications cannot start early enough.

Software can help

Financial forecasting tools are available to help practices test a range of variables, such as the dates items will be received, an increase in staffing costs or a reduction in income. These tools allow practice managers to see where problems could arise and take suitable steps to address them in advance. Ask a specialist medical accountant to suggest an appropriate option for your practice.

Weekly financial meetings

At a more everyday level, I thoroughly recommend weekly financial meetings, with time blocked out in the diaries of key personnel, including relevant clinicians, to ensure that they happen and that they are a useful decision-making forum.

Meeting with this sort of regularity will give you proper oversight of the practice's financial position, where possible future pinch points might arise and what can be done to negate or minimise their impact. Remuneration planning should be a core part of these sessions, to ensure that the income GP partners are drawing is structured in a way that does not leave the practice exposed to either short- or long-term cash flow issues. Ensuring that partners are committed to not overdrawing gives crucial flexibility to practice finances,

and also minimises the likelihood of situations arising where the partners need to put money back into the organisation to help meet its financial responsibilities.

Having to reduce drawings is obviously something to be avoided if at all possible; but, in turbulent times, sometimes drastic measures are needed before normality returns, and a short-term reduction is clearly better compared to some other possibilities. Opening up new revenue streams through additional services, such as minor surgery, skin clinics or tattoo removal, may be a suitable way of improving a practice's financial performance. However, if money that might have been invested in setting them up has already been taken out of the practice bank account through partner earnings, you could be stymied before you have even begun.

Overdraft: a short-term fix

Going to the bank for an overdraft extension might be the easiest short-term option to solve a cash flow crisis. However, this will just most likely delay, rather than solve, the root issues faced by the practice. Instead, speak to your professional advisers and work with them to identify the most appropriate way forward towards a positive financial future for your practice. **PM**



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