



28 March 2022 by Kieran Hancock

## Managing practice finances in 2022/23

Increases in costs could affect practices in 2022/23. Specialist medical accountant Kieran Hancock offers some advice on how to maximise profits in the coming year.



(Picture: Rosemary Calvert/Getty Images)

The past two years have been extremely difficult for everyone, not least those in general practice.

The general practice landscape has always been challenging, given that funding has rarely been sufficient and patient demands are ever increasing. The pandemic has seen a vast change in patient expectations, but also how general practice meets them. Many of the changes have led to further pressure on practices.

Despite these pressures, financial support throughout the pandemic has been provided by injections of funding from the government. Many enhanced services were protected and paid on averages, a large proportion of QOF indicators were protected, meaning payments have been much the same as pre-pandemic levels.

There have been other pots of funding, such as the COVID reimbursement claims and the Capacity Expansion Fund. This income, combined with the vaccination campaign has offered support to practices and reduced the financial worries.

As we move towards a new contract year and are hopefully leaving the pandemic behind, it's important to look forward and understand what the coming year could bring for your practice's finances.

### Changes in funding from April

NHS England communicated its plans for the 2022/23 contract year in a letter to General Practice in March. You can find full details of what is planned for 2022/23 [here](#).

As well as the more fundamental points for the 2022/23 contract year, confirmation of the funding of more regular items has been confirmed:

- The global sum will rise 3% to £99.70 per weighted patient, without the out of hours opt-out.
- The out of hours opt out will be £4.73 per weighted patient, meaning the net global sum payment will be just under £95
- The value of a QOF point will increase by 3.2% to £207.56.

The BMA has said that the five-year contract agreed funding to provide pay uplifts of 2.1% for all GPs, practice staff and practice expenses and those should go ahead as planned.

### Cost increases from April

Aside from these changes to income, there are cost increases that practices will need take account of in the coming year. Some of these cost increases will see expenses rising much higher than the 2.1% uplift agreed as part of the five-year deal.

#### National Minimum/Living Wage

From 1 April, over 25s will see an increase of 6.6% taking the hourly rate to £9.50 per hour, up from £8.91. With many practices paying at, or just above, these rates increases are going to be felt strongly.

#### National Insurance

An increase to National Insurance contributions (NIC) takes place from April 2022. This will increase rates for employees, employers and the self-employed by 1.25 percentage points. As well as this, dividends tax rates are also to be increased by the same amount.

However, given concern about the rising cost of living the chancellor announced increase to the NIC thresholds in his spring statement. The threshold has been increased to £12,570 (up from the planned £9,880) from July 2022 and will then be in-line with the tax Personal Allowance. This means no one will pay tax or NIC if earnings are below £12,570.

The increase in threshold will reduce the annual NIC bill (compared to what was planned) for individuals by around £350, so around £30 a month. This should be a welcome change for many.

#### Pension contributions

Earlier this year the DfSC confirmed that change to the pension contribution tier-rates will come into effect in 2022. The changes come as a result of all pension members moving to the 2015 section of the NHS pension scheme from 1 April 2022. The contribution rates for members will change on 1 October 2022 and again on 1 April 2023. Those on the highest earnings will see a reduction in contribution rates, those on lower or modest earnings are likely to see an increase. There is no change to employer contribution rates for 2022/23.

#### Energy/fuel

April will bring a 54% rise in energy costs because of the planned price cap increase, with further increases likely in October. As well as this, petrol and diesel prices are skyrocketing and are now at all-time highs. Practices must consider the impact on themselves, as heat and light costs are not reimbursable by the NHS and also the impact of this on employees.

## Managing the impact of these changes

It's clear that additional funding for core income streams will be coming into general practice but this does not make up for the income that will no longer be repeating. Given the expected increases in costs, it's extremely likely that practice profits will reduce over the coming year.

Some top tips on what practices should be doing to maximise profits are below:

#### Review services that are provided

Is the income received sufficient to cover the costs of providing that service? Practices should look at larger, additional services and understand the cost associated and the profit that they can expect to generate. If profits are low, or a loss is made, these should be questioned. Some services will need to be provided, as part of contracts, but others are optional. Drilling into the detail can ensure profits are maximised.

#### Review spending

Are budgets set at the start of the financial year for staff, capital spend, repairs etc? Budgets can help management keep an eye on spending throughout the year and allow them to scrutinise if expenditure is required now, or if it can wait. With increases in energy and volumes of telephone consultations, can deals be made with suppliers to limit cost increases? Until you ask, you don't know.

#### Support staff

Throughout 2022, many staff are going to struggle with their finances. The perfect storm of cost increases is going to reduce net pay and those already struggling may not be able to absorb these costs. Where practical, can you offer hybrid working? Even one day a week would reduce commuting expenses. Can you afford to increase staff pay, or provide them with other benefits that will support them? Keeping staff morale high will ensure an efficient workforce which should help make the life of management easier.

#### Look at opportunities

Are there services that are not currently provided which could be? Do you have surplus space which can be occupied by local health professionals to generate income? Clearly an eye needs to be kept on the value of these, to not impact on rental reimbursements, but even small amounts can support the practice. Can you use the ARRS scheme to provide roles which are fully funded and may otherwise be a cost to practices?

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