**Evaluation of Applications Guide**

Practice to submit information on Tab 2 to check eligibility

Commissioners

Finance

* **Expenses to Earnings ratio:** Verify the numbers provided and check calculation of Expenses to Earnings ratio. Confirm that any income and expenses do not relate to outside clinical work. If so, make adjustments to the income and expenditure figures (i.e. take out what is related to outside clinical work/advice) and recalculate the Expenses to Earnings ratio. The application will not be considered if the Expenses to Earnings ratio is lower than an applicable ratio in table, Tab 5a. Note: this is not strictly enforced and there is some leeway to accept application even if the ratio is lower than the applicable one in the tables. Investigate whether there were any exceptional circumstances during the year that could have affected the income and expenses. Also consider whether this is likely to continue into the future. Also, consider the Expenses to Earnings ratio when excluding service charge costs. Where the ratio is still noticeably higher than published averages, it is very likely that the reason for the GP contractor’s financial pressure is not as a result of service charge costs, or not only service charge costs, and a broader solution must be found. The policy provides for an initial 12 month support with an agreed action plan to remedy problem areas. After that the GP Contractor may need to be referred to apply for support under Section 96 of the National Health Services Act 2006.
* **Contract breaches:** Applications from practices with serious contract breaches, which occurred after April 2013, will not be considered. Practices can provide a statement for mitigation and this will be reviewed on a case-by-case basis. What you want to look for is to see if there are any remedial procedures in place and whether the practice is rectifying the problems.

A practice must pass all the eligibility criteria in order for its application for financial assistance to be considered any further.

A practice that has failed one or more of the eligibility criteria may apply again in the future for financial assistance towards service charge cost, bearing in mind that their new application will also be tested against the eligibility criteria on Tab 2.

Once an application has passed through the eligibility section, the practice must provide detailed income and expenditure for the most recent financial year as well as for Year 1 in which financial assistance is first required for the Gateway 2 evaluation. Once The Commissioner is satisfied that financial assistance may be needed by the practice due to high service charge costs, the GP contractor must provide annual projections to show the amount of financial assistance that will be required in the coming years.

Ideally the practice must show how this liability to NHS England will reduce, but in some cases this may not be possible due to practice specific circumstances, e.g. no potential for list size growth.

All numbers are positive, i.e. for income and expenditure, unless it is a specific reduction in income or expenditure. Peruse these I&E figures for anything that is missing or appear to be out of the ordinary. Ask for detail of lump sums. Verify numbers where possible, e.g. income can be compared against ledger information. Large variances should be investigated as it could mean non-NHS related income. Evaluate the reasonableness of staff costs where possible. Commissioners should be able to provide information of the average number of staff required for each area (GP, nurse, admin, etc.) based on patient list size. Use this to estimate reasonable staff costs for a practice of this size.

If a practice is more-or-less in line with national/London average expenses-to-earnings ratio this should not raise red flags at first glance – a percentage or two or so either way is acceptable. If the practice’s expenses-to-earnings ratio is much higher than the UK average, it may be necessary to look more closely at individual figures – either on income or expenditure lines or both. If the expenses-to-earnings ratio is much lower than the published averages, the commissioner would question the practice’s “need” for financial assistance.

Learning from procurements and other practice information has shown that staff costs makes up most of the practice expenditure (usually over 2/3rds), hence the focus there. Obviously, each practice’s business model is different.

A template used for procurements is available to help assess / get an idea of staff costs – “APMS T6 FMT Staff costs”. This is based on list size as one assumes that more staff is needed for higher patient numbers.

On the Practice tab, put in an estimate for list size in cell D4 and it will populate estimated staff cost figures in cells H40 (GPs), H43 (Nurses), H51 (Practice Manager) and H52 (Receptionists). Bear in mind that practices have varied permutations of staff complements, but this will give some idea when the staff costs seem out of line and explanations can be sought (and there may be good reasons). Tabs “GP\_Input” and “Nurse\_Input” attempt to breakdown cost per WTE and potential number of consultations per 1000 patients.



The aim of the policy is to give temporary financial assistance to practices where the service charge costs seem to be high in proportion to the list size. This is primarily where practices move into a new building (often LIFT, NHS PS or CHP buildings) or list sizes have decreased.

Check totals of Income, Expenditure and Net Income. Also check calculation of Expenses to Earnings ratio. These are calculated with formulas on the spreadsheet, but still worth checking in case something went wrong with a formula.

Check the ratio of the first column on Tab 3, “Last financial year”, against the one submitted on Tab 2 and question if there is a difference and the relevant ratio in table Tab 5a.

On Tab 4, detail of service charge costs is requested as well as detail of the type of lease and reimbursements. This should match with information given on Tab 3. On Tab 4 is where the practice indicates the amount of financial assistance towards service charge costs that is required.