

Treasurers annual report for the year ending 31st March 2024

This is my 34th report as Treasurer of Derby and Derbyshire Local Medical Committee Limited and of Derbyshire Local Medical Committee. As this will be my final Treasurer's report it is in two sections. It is consequently long

The first part will be part historical but also to formally record on paper that which has been carried in the heads of myself, my predecessors Dr John McAllister Williams until 1988, Dr Jeremy Fenby-Taylor 1988 - 1990 our LMC secretary Dr John Grenville 1989 - 2016 and Dr Kath Markus 2016 - 2022. The second part is the formal commentary on the financial reports ye 31 March 2024 of the unincorporated entity **Derbyshire Local Medical Committee (DLMC)** and its wholly owned and controlled limited liability company **Derby & Derbyshire Local Medical Committee Ltd. (DDLMLtd)** Company registration number 06203380. These accounts were finalised on 10 December 2024.

I make no apology that some of this is repetition of some of my reports from 10 years ago but both the membership of the LMC and its constituent practices has almost completely turned over in that time and as with many of medico-political activities the profession is going through a period of huge corporate memory haemorrhage and we find ourselves reinventing wheels solving problems to which we had solutions 20 or 30 years ago!

Part 1 - The historical context

Derbyshire Local Medical Committee has existed since 1913. It was set up following the Insurance Act 1911 - the work of David Lloyd George and of the origin of the Lloyd George envelopes in which we used to keep our records. Although the LMC keeps statutory financial records for seven years some of the earlier documentation which I inherited is now in the BMA archive in London and certainly goes back to the inter war years. The Local Medical Committee is the longest surviving structure within the National Health Service and that means that we can provide an authoritative context to many "new" proposals. LMC structures were retained and translated into the NHS in 1947 and still are set up to represent the legitimate interests of those doctors providing General Medical Services and its derivatives under the National Health Services Acts.

LMCs are the only committee representative of all GP's and since 2004, their practices and have statutory functions unlike royal colleges or the British Medical Association.

NHS Trusts, ICBs Local Authorities and other provider/commissioners forget that the LMC has the absolute right to be consulted meaningfully about changes affecting GPs. Consultation is not merely a passive tokenistic action of “hearing but not listening” such as we have had visited upon us over the past 15 - 20 years but must conform to Sedley’s four principles.

<https://www.local.gov.uk/sites/default/files/documents/The%20Gunning%20Principles.pdf>

Our predecessors recognised that, as GPs and general practice were, (and still are) fundamentally outside a typical salaried state structure for healthcare provision; that LMCs would require a system of funding. Enshrined in law is the ability of the Local Medical Committee as “the committee recognised by the Secretary of State as being representative of practitioners in the area” to raise levies from the practitioners whom they represent “to defray their costs”. That right to raise a levy lies with the unincorporated Derbyshire Local Medical Committee – and NOT the limited liability DDLMC Ltd.

Levies fall into two categories - voluntary and compulsory. The **compulsory levy** can only be used to fund the statutory functions of an LMC of which there are just over 80. The use of a statutory levy lays open the LMC financial documentation and transactions open to scrutiny by NHS management

Statutory levies cannot be used to fund our subvention to the General Practitioners Defence Fund Limited which funds the annual conferences, operational research requested by Local Medical Committees or to fund those who represent you in nationally and all such activity must come from the voluntary levy. Colleagues in the salaried hospital service who undertake national representative functions are allowed time off with pay from their employers. GP's being self-employed not only have no source of funds to pay those who represent you but also must maintain service whilst absent on such work which is why there is a system of honoraria funded by all of us through the voluntary levy.

Derbyshire LMC has always believed in voluntarism and has never in its entire history raised a statutory levy and such has been the quality of its work coupled with the solidarity of the GPs well over 90% of practices pay up. Those who don't pay are not only freeloading but pocketing reimbursed expenses intended for the levy. The attitude of successive officers to a non-contributing practice is that when seeking the LMCs expertise it is charged at full market rates. With each annual report is a list of levy paying practices to whom the officers offer their thanks.

The costs of both types of levies are tax allowable practise expenses with HMRC and such costs are also considered by the Doctors and Dentists Pay Review Body (DDRB) when determining what GPs should be paid. The system became partially dislocated in 2004 and completely dislocated from 2012 to last year when the government basically chose to ignore not only the DDRB pay recommendations but also the rising expenses of running a practice.

Recent experiences should not lead us to precipitate action in getting rid of a system which has served the professional very well for 111 years including through the periods of inflation at 22% during the late 1970s and early 1980s - which is professionally within my lifetime.

The LMC is undertaking a thorough governance review of the Local Medical Committee, and we must not compromise our levy raising powers.

Since 2007 medical practice has fallen within the scope of VAT following the d'Ambrumenil case. There is a difference between zero rating for VAT and being outside the scope of VAT. Medical practice is now inside the scope of VAT although General Medical Services and Personal Medical Services are specifically outside the scope of VAT however the act of dispensing is inside the scope of VAT and automatically requires such practices to levy VAT on ALL non-GMS work! The rule of thumb for VATability is if the activity is the direct "laying on of hands" to deal with the sick, injured or, diseased OR public health prevention then that is outside the scope of VAT and EVERYTHING else is within the scope. Here is not the place to expand but will be the subject of a blog.

Such changes forced the LMC to review its activities in 2007 with a view to

- a. limiting the erstwhile joint and several unlimited financial liabilities of the officers and members of the LMC
- b. ensuring that the complexities of VAT, and the levy raising rights were neither compromised nor conflicted each other.
- c. Permit the LMC to develop business support and educational operations in an effective manner
- d. Protecting the reasonable expectations of LMC employees

The result was the setting up of Derby & Derbyshire Local Medical Committee Ltd in 2007 to conduct the operational business of the LMC (including the employment of the officers and staff) and Derby & Derbyshire LMC Services Ltd (D&DLMC Services Ltd) to conduct educational and other commercial activity which possessed a potential VAT liability.

D&DLMC Services Ltd morphed into GPTF around the same time as the pandemic finally spinning off 2 years ago.

Over the past 20 years the LMC has also matured and expanded from a kitchen table operation dealing with the local application of the Statement of Fees and Allowances into a broader business support operation with several wte expert officials. This became necessary as the original two GP funding streams existing pre 2004 became salami sliced into dozens of small aliquots of funding accessed by performance achievement and the general increase in administrative burdens arising from CQC, GDPR and the myriad of other business irritants foisted upon businesses. Additionally, over recent years the LMC has helped support the foundation of bodies such as the GPPB by hosting their initial financial arrangements. GPPB achieved its own financial independence during 2023 and this year ending 31 March 2024 is the first year since 2016/2017 that we can see clearly the costs of operating the LMC unencumbered by other matters. We still have good and close working relationships with these bodies but now operate financially at arm's length with them even though professionally we are close and co-operative.

Financial Operation policy

Our financial operational principles have been

- Voluntarism
- Operate a balanced budget with one year's operating costs in reserve
- Payment of the GPDF levy upon demand in full every April
- To recompense the officers and members for their time and mileage
- To maintain sufficient income to retain reasonable financial flexibility for expected possible requirements

Voluntarism has been explained above

One year's operating costs may seem excessive but twice in the last 25 years the levy collection mechanism has failed taking over 6 months to repair and at one time we possessed only 6 weeks operating costs. The present PCSE operation is well known to all of us for its inefficiency, financial incompetency, impenetrable administration and slow communications and this is the organisation which collects our levies now from multiple accounts compared to one Exeter account some years ago. Need I say more?

The reason for operating a (near) balanced budget is that accrual of reserves occurs through surpluses which are taxable and therefore any need to re-build reserves costs

20% extra as surpluses bear Corporation Tax. Equally we do not wish to burden practices with a levy more than our needs. Before the days of PCSE levies were collected quarterly - they are now collected monthly, and we are wary of requesting a one month's levy holiday lest PCSE fail to reinstate levies the following month. We will need to watch the effects of inflation over the coming years - something most GPs under the age of 50 have never had to deal with but which can devastate reserves very rapidly. To obviate practice burdens and to avoid excessive reserves and therefore Corporation Tax we have wherever possible refunded surplus contributions before the year end of 31 March.

As you know the LMC holds a mandate for up to 80p per patient per annum and currently through operating efficiencies we take 55 pence. The effort of re-mandating is huge operationally taking almost a year to complete and we try to do this only once every 10-15 years but is more frequent if significant inflation becomes embedded.

The GPDF levy is currently 3p per head technically due in full on April 1st annually. Both numerically and in purchasing terms this is at an unsustainable all time low. It was 3p per head in the early 1990s! It was 7p per head in 2020. The profession is about to embark upon renegotiation of the entire GP contract worth in England around £10 billion pounds. As a former deputy treasurer of the GPDF and the last GP from the team which negotiated the 2004 contract (it took 3 years) in my opinion the GPDF subvention needs return to 7p very soon. The costs of employing the necessary staff, accountants, lawyers and actuaries to do such a negotiation are very significant.

The details of the reimbursements of the officers and members of the LMC are available from the office but the principle is an hourly rate plus mileage against a written report to the office within 7 days. The members ad hoc rates are currently £90ph plus mileage with a travelling time allowance. The officers receive a small stipend.

Part 2

Annual accounts year ending 31 March 2024

- a. **Derbyshire Local Medical Committee – the unincorporated statutory committee with the levy raising powers which funds**
- b. **Derby & Derbyshire Local Medical Committee Ltd (company registration 06203380 England & Wales) – the limited liability company which employs the officers and officials of the LMC and through which everyday operational business is transacted**

If colleagues have any questions, it would be helpful to receive them by 9:00 AM Tuesday 7th January as this gives time for any answers to be researched

There are two sets of accounts one for each company.

Derbyshire Local Medical Committee – the statutory levy raising committee

The income from levy on members was £558,612 (2023 £570,523) The difference of £11,911 is not material. Such a sum can be influenced by practice mergers, dissolutions and list cleansing operations or simply late payments of small aliquots of money. Out of a potential levy raising population of just under 1.1 million people in Derbyshire at current levy rates represents around 21,270 patients approximately or 1.93% of the population.

The two largest single outgoings are the contribution to the General Practice Defence Fund currently £30,800 the same as 2023 but prudence dictates, we should budget for it being £70,000 which is what it was in 2020. The other contribution of £575,760 represents the monthly transfer to fund Derby and Derbyshire Local Medical Committee Ltd operations. The reason for the £128,760 difference is to ensure that the limited company was fully funded and allow the rebate to be paid to practices from the limited company account. As a result, the outcome for the year ended 31 March 2024 is therefore a loss of £30,410 against surplus of £74,358 in year ending 31 March 2023 however this ensures that there is no tax liability and also that we have been able to draw down a tax rebate for the 22/23 profit. Some of this loss can also be carried forwards to future years for tax purposes.

Derby and Derbyshire Local Medical Committee Limited -the operational company

As outlined in Part 1 of my report direct comparisons between 2023 and 2024 are complex because we were hosting GPPB, whilst also completing the financial separation from GPTF and there were considerable flows of monies belonging to them paid through the Derby and Derbyshire LMC Limited accounts.

Our debt position (item 5 on page10) improved from £601,931 to £182,360 reflecting the fact that the LMC no longer held the liabilities for GPPB. Similar remarks apply at item 6 on page 10 to the creditors falling due within one year which has improved from £678,990 to £167,014.

As Derby Derbyshire Local Medical Committee Ltd has unwound its financial involvement with both GPTF & GPPB on a like for like basis our turnover operational costs have become clearer.

To understand these accounts	ye 2024	ye 2023
The total income was	£866,969	£774,929
and comprised		
The monthly transfer from DLMC	£575,758	£447,003
Sundry Income	£2,371	£2,280
GPTF recharge	£2,789	£87,183
GPPB recharge	£112,174	£4,125
GPPB Funding monies in monies out	£173,877	£233,738
TOTALS	£866,969	£774,929

Within this £ 866,969 is £173,877 GPPB expenses funding income which was paid out on GPPB's behalf and the breakdown of the £173,877 is listed separately after the detailed P&L account.

The GPTF recharge item reflects that DDLMC continue to provide Microsoft licences and host the IT support arrangements for GPTF. The reduction from 22/23 is a result of the premises move and that GPTF are now the leaseholder on behalf of DDLMC and GPPB.

The GPPB recharge of £112,174 reflects some additional GPPB expenses which are covered by the MOU and cross charging for work done by DDLMC Ltd staff for GPPB, mostly hosting their payroll function.

Taking all this into account the cost of running the core LMC function itself is £445,792 (£557,966 minus the £112,174 GPPB recharge) and that reflects a full complement of staff as at 31 March 2024. The contribution of £575,758 is the transfer from DLMC and covers the running costs plus the levy rebate.

The major changes in expenses include.

1. reduction in staff pension costs due to reduction in headcount and number of staff enrolled in a pension.
2. increase in premises costs as we move into the normal rental regime for RTC though some of it is also reflected in the GPPB recharge.
3. The major reduction in rates and water is accounted for by the fact that despite our inquiries of Derby City council we owed five years rates on our old premises, and we paid them last year (2023)
4. repairs and maintenance are largely due to installation of air conditioning.
5. computer running costs these are always very lumpy and very much depend on the need to replace for example a laptop.
6. Events. This is the cost of the successful Derbyshire GP conference supported equally by DDLMC, GPPB and GPPTF and that now post COVID it is possible to run practice lunch and learn sessions provided by the PLO team including accountants talks, QOF, CQC updates, Kraft HR talks etc.
7. legal and professional fees are mostly related to the incorporation of GPPB and are covered by the recharge, Additional LMC costs are in connection with employment issues and the governance review
8. telecommunications costs have risen because of altered requirements and contract renewals.

Overall review of the group

Over the past 5 years our bank reserves unexpectedly ballooned as the result of reduced F2F activity peri-COVID coinciding with the LMC staff being commissioned to assist with GPTF and GPPB. Given the financial pressures on practices the officers took a decision in both years ending 2023 and 2024 to offer a levy rebate to practices of £120,391 and £128,760 respectively reflecting the unused levy monies in thus avoiding any further tax liability from any profit made.

To financial year end 31st March 2024, it cost £445,792 to operate the LMC. On the assumption that inflation is 5% we should assume the LMC will have cost by 31st March 2025 £468,062 based the same level of activity. Making the same assumption for 2026 means that we would require £491,486 and additionally it would be prudent to assume that the GPDF subvention will have to rise back to where it was in 2020 which would require a budget of some £540,000 for the year ending 31 March 2026. This is before considering any impacts of the October 2024 budget on the LMC as an employer.

Review of the Derbyshire LMC levy shows an income for the year ended 31st March 2024 of £558,612 and a total income across the group of £573,146 (with some additional income and expenditure on behalf of GPTF and GPPB reflected in the respective MOUs). The additional income will fund the additional Practice Liaison officer post currently being recruited to as well as the ongoing Comms and Engagement work. The directors must be prepared to review the LMC levy which has not changed since 2020. In real purchasing terms the levy is now 22.35% less than in 2020 and has never been as low since 2004. The directors will need to consider a levy in the range of 61.4 to 65p depending upon the GPDF budget and a full analysis of the impacts of the 2024 budget.

Peter JP Holden
Treasurer Derbyshire Local Medical Committee
Director, Derby & Derbyshire Local Medical Committee

30 December 2024