

# Guidance for negotiating fees for locum services in general practice

## Introduction and background

This guidance has been produced to support all parties involved in negotiating for GP locum services. Agreements are made between two parties and could involve locum GPs, GP practices, primary care organisations (PCOs) and any other alternative providers. The guidance has been developed by the British Medical Association (BMA) (including the general practitioners committee (GPC) and the GPC sessional GPs subcommittee) and the National Association of Sessional GPs (NASGP).

In the past the BMA published a range of 'suggested fees' for locums, but in 1999 the Office of Fair Trading (OFT) advised that publication of these fees was anti-competitive in the context of the Competition Act 1998. As a result the fees guidance, which had been published as *Fees guidance schedule (FGS) 12: fees for GP non-principals*, was withdrawn and guidance issued to BMA staff that no advice could be given to members on suggested fees for sessional GPs.

The publication of a range of fees or even a minimum or maximum level of fees is considered anti-competitive by the OFT. Members of a cartel (an arrangement between two providers not to compete with each other, whether written or verbal, formal or informal) can be fined up to 10 per cent of their UK turnover for up to three years if found to be arranging fees in any way.

The BMA professional fees committee, attended by representatives of the NASGP and the GPC sessional GPs subcommittee (on 17 September 2003) agreed that clear information should be available to locums, practices and other providers on how to calculate and negotiate a reasonable rate for each session of work undertaken. The committee resolved that a short-life, informal joint working group with the NASGP would be convened to review the information and good practice guidance available.

The Working Group was chaired by a consultant member of the professional fees committee. The group agreed the guidance and it has been endorsed by the BMA, the GPC and the NASGP Council.



The BMA and the NASGP agree that locums should be fairly remunerated. Fees could take into account their experience, professional expenses associated with their practice and their continuing professional development. The professional, financial and organisational responsibilities shouldered by GP providers may also be applicable to locums, and may be taken into consideration when setting their fees.

This document is intended to inform GPs and other providers who engage locums of the range of professional expenses incurred by locums, as well as ensuring that locums recognise their true value. Both the BMA and the NASGP hope that this publication will address some of the misconceptions that have developed, and encourage providers, as well as locums, to engage in constructive negotiations. It is intended that both parties forming an agreement will understand how appropriate rates of payment will be, or could be, negotiated and agreed.

### **Information to take into account when considering services provided by locums**

From 1 April 2004 locums can work within UK general practice in the following areas: self-employed GMS practice, personal medical services (PMS) practice, private/non-NHS practice, PCO-employed practice, out-of-hours providers, alternative primary medical services and employment by a locum agency.

The following background information should be noted when considering services provided by locums:

- All doctors working in locum positions are required to have the same training and Postgraduate Medical Education and Training Board (PMETB) accreditation certificates as medical providers for whom they work. All doctors must be included on one 'performer's list' in the country in which they practise. Doctors can only be registered on one performer's list in each country.
- It is in the primary medical services provider's interest to support appropriately trained and qualified locums so that they are available to cover them for annual, maternity, sick leave or management time. The onus is on locums to ensure they maintain professional standards and their fees should take into account the time and expense of continuing professional development.
- Primary medical services providers are responsible for any negligent acts of locums providing cover for them but only to the extent that these acts are related wholly to the services that are being provided and **not** something that is outside the remit of what is expected of the locum in the ordinary course of providing those

services. Locums are required, in turn, to practise under the GMC guidance *Good medical practice*.<sup>1</sup> Primary medical services providers, therefore, have some responsibility to support locums engaged by them to maintain their professional skills. It would be fully incumbent on the providers to maintain the appropriate insurance cover for the practice as a whole and that would include the negligence of locums providing contracted services to the practice.

- A high quality locum service must allow for the proper execution of agreed locum contracts. In practical terms, this means allowing reasonable appointment times for consultations and time for the completion of paperwork, such as referral letters and requests for medical tests. The fee must take into account all duties performed by the covering doctor during the 'session'.
- Self-employed locums have to bear similar professional costs of practice as other GPs, including professional indemnity, General Medical Council (GMC), BMA, NASGP and Royal College of General Practitioners (RCGP) subscriptions.

Each session length and content has to be negotiated and agreed with a realistic assessment of work to be undertaken. Any additional administrative workload incurred is negotiable with the contracting organisation.

### **Detailed factors to consider during negotiations to agree fees**

#### **Identifying what other GPs earn**

Primary medical services providers who are also GPs provide a benchmark against which GPs' incomes may be compared. This may take into account the average superannuable income of GP providers and the figures published by the Doctors and Dentists Review Body (DDRB) for salaried GPs.

#### **Medical experience and skills held by the locum**

Postgraduate qualifications, background skills (eg familiarity with local healthcare systems), knowledge of the local geography of the practice area, as well as the actual contracting practice itself, may all add to a locum's increased value.

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<sup>1</sup> *Good medical practice*, GMC Publications, May 2001 (New edition effective from 13 November 2006)

Local training in primary and secondary care and experience in general practice (including experience as a principal) will also add to the skills of a doctor to a practice; clinical experience may well prove more applicable than previous management skills.

Experience increases with the length of service as a GP. This cumulative experience may be reflected in the rates charged.

### **Working environment**

A locum will sometimes be engaged in a working environment in which they are unfamiliar. Such a position means that the high standards of care the locum should aspire to may be difficult to obtain. Experience of working in these situations is therefore highly valuable and may be reflected in the fees set. When discussing and negotiating a level of payment for the session of work required, both parties should consider the type and intensity of the work and ensure that this is reflected in the level of the fee.

Factors that should be considered may include:

- large volumes of high workload patients, eg patients in nursing homes, the homeless, asylum seekers, those with drug misuse problems etc
  - familiarity with practice procedures, eg ordering investigations, referring patients to secondary care
  - familiarity with practice equipment, eg computer systems
  - availability of practice partners for advice, support etc
  - the type of session, eg open access, booked appointments, enhanced service provision
  - practice staff support, eg availability of practice nurses
- and any other factors that could have an influence on the degree of intensity experienced within a worked session.

It should be noted that the difficulties of an unfamiliar working environment can be helped with the introduction of a practice induction pack.

### **Job security**

By being self-employed, locums have taken the risk that if they fall ill, take time off for family reasons, take any form of holiday or study leave, or have unfilled sessions, they will not get paid.

Expenses incurred by locums (see additional paragraph below\*)

Locums will have to pay many of the following expenses:

- subscriptions to professional organisations including the GMC, medical defence organisations and the BMA. There may also be fees for the RCGP, the local medical committee, (LMC), the NASGP and other professional organisations
- accountancy costs
- office costs including revenue costs such as office rental (if applicable), a proportion of council tax and water charges, lighting, heating and cleaning costs and consumable items including postage and secretarial costs and capital costs such as furniture including desk, filing systems and other furnishings
- telecommunications including: mobile telephone, landline rental and calls, internet access, answer phone services, faxing and paging costs
- information technology including: personal computer, modem, printer and scanner, website (if applicable), invoicing, bookkeeping and accounting systems, general administration, including booking systems
- travel expenses, if applicable, including fuel and the costs of wear and tear on vehicle used. When requested to work outside their usual area it would be appropriate for the locum to agree rates with the practice for attending surgery and visits to patients
- appraisal costs (while local GPs should receive a contribution towards the cost of their NHS appraisal from their PCO, this might not cover the full costs).
- course fees.

*\* Self employed locum GPs should be registered with HM Revenue & Customs as a business and the profits of their business subject to schedule D income tax. As a self employed tax payer they can claim some of the above expenses as a deduction against income including, for example, subscriptions and course fees. It is also possible to claim a portion of the cost of capital assets acquired such as computers and printers as a taxable deduction against income. It is important to appreciate that not all costs to be used in calculating locum fees are tax deductible for schedule D income tax purposes. The treatment of capital and revenue expenses against income tax for self-employed doctors must be in accordance with current UK taxation law and professional advice should be sought where necessary.*

## Summary

This document is intended to serve as background information for the negotiation process between the locum and the provider. As stated in page 1, the BMA and the NASGP are not permitted to provide advice on suggested fees for locums. A model 'locum fee calculator' is included in appendix 1 to allow locums to calculate on an individual basis their own fee for the services supplied to the provider. The fee should be based on the locums own individual circumstances and the individual assignment to be undertaken.

Having determined an appropriate fee, terms should normally be agreed in writing. An agreement should be made between the locum and the provider which should include the levels of service to be provided, length of the session(s) in terms of hours and arrangements in the event of cancellation of the service by either party. A model locum agreement or 'booking form' is available on the NASGP website for use by the provider where appropriate.

It is good procedure for the locum to have access to guidance documents on working practices, availability of services etc. Engaging organisations should normally have induction documents available to locums.

## Further information

*Code of practice for locums*, produced by NASGP ([www.nasgp.org.uk](http://www.nasgp.org.uk))

*Practice induction pack*, produced by NASGP and available on the website

British Medical Association: [www.bma.org.uk](http://www.bma.org.uk)

General Medical Council: [www.gmc-uk.org](http://www.gmc-uk.org)

National Association of Sessional GPs: [www.nasgp.org.uk](http://www.nasgp.org.uk)

Medical Defence Union: [www.the-mdu.com](http://www.the-mdu.com)

Medical Protection Society: [www.medicalprotection.org](http://www.medicalprotection.org)

Medical and Dental Defence Union of Scotland: [www.mddus.com](http://www.mddus.com)

Local medical committees – links are available to local LMCs on the BMA/GPC website

Royal College of General Practitioners: [www.rcgp.org.uk](http://www.rcgp.org.uk)

## Glossary

*Contractor* – any person or organisation entering into a contract to provide primary medical services.

*Performer* – a healthcare professional who assists with the provision of primary medical services under a GMS, PMS, alternative provider or primary care medical services arrangement, together with the equivalent arrangements under Scottish, Welsh and Northern Irish legislation where the terms differ.

*Provider* – a person or organisation who contracts to provide primary medical services with a primary care organisation under arrangements to provide general, personal, alternative provider, or primary care trust, medical services, and the equivalent arrangements in Scotland Wales and Northern Ireland.

From 1 April 2004 all registered medical practitioners are required to be on a PCO's Medical Performers List. This aggregates previous lists (Medical List, Supplementary List and PMS List). A performer provider is a performer who has a contract with a PCO to provide primary medical services within the area.

*Session* – an agreed period of time and/or agreed task of work, not usually exceeding four hours. A session should usually include adequate time for administrative work arising during clinical contacts in that time.

# Calculating your sessional charges on an individual basis

How do you start to work out what to charge for a standard session?

How do you work out your business expenses?

What factors should you consider in calculating your projected income?

## Welcome to the ready reckoner

This calculator is intended as an aid to help you answer those questions. Although you may estimate your expenses when calculating how you should set your locum fees, you should of course use actual figures derived over the year when calculating actual income and tax in your accounts. This calculator can be used in Excel and does the maths for you. Alternatively, print the calculator and fill in the gaps.

The calculator is provided to allow you to estimate your own fee for the services provided to the supplier. The fee should be based on your own individual circumstances and the assignment to be undertaken. Remember that these calculations will give you a 'ball-park' figure for a sessional rate to achieve your target income. This will give you a starting point for negotiating individual contracts with each employing organisation, taking into account length of session, work involved, travel expenses etc.

Your target net income (pre-tax, after expenses) will be based on a variety of factors – such as equivalent principal and salaried incomes, your experience and seniority and, importantly, local market factors.

More information about factors involved in negotiations of charges is available in the joint NASGP/BMA guidance document.

As mentioned in the guidance all expenses in the calculator may not be allowable for tax purposes.

In order to claim tax relief on expenditure incurred it must be of a revenue nature (and not capital) and incurred 'wholly and exclusively' for the purpose of the locum profession. Relief may be available for capital expenditure through the capital allowances relief. The following guidance must be tailored to each assignment and your own personal circumstances. There is no set percentage that can be claimed for expenses, you must work out your own business use.



**Motor expenses**

It is usual practice for a locum to use a car to travel to the surgery and to see patients. Only business use should be included in the calculator and this is also relevant for tax purposes. The percentage of motor expense business use will vary with every appointment depending upon the amount of travel involved.

Typically the costs of running a car (including insurance, road tax, servicing, repairs, petrol, interest on a loan to purchase the car etc) can be added together and a claim made for the business proportion of the total expenses, based on the ratio of business mileage to total mileage.

In addition, a statutory rate of depreciation, known as capital allowances, can be claimed on the capital cost of purchasing the car. Capital allowances are calculated as 25 per cent of the cost of the car on a reducing balance basis, subject to a maximum of £3,000 for any one year, with adjustments for any profit or loss on the eventual disposal of the car. The same business use proportion used for the running expenses would normally be applied to the full allowances available to arrive at the amount to be claimed for tax relief.

Alternatively, you could agree a fixed rate per business mile with the relevant practice, currently the Revenue & Customs guidance figure is 40p per mile for the first 10,000 business miles in a year and 25p per mile thereafter. This fixed rate covers the costs of running and maintaining the vehicle, such as fuel, oil, servicing, repairs, insurance, road tax and MOT. It also covers the capital cost of the car so no capital allowances can be claimed. However, additional amounts may be claimed for interest on a loan to buy the car. Parking and toll fees associated with each appointment also need to be taken into account.

**Use of home**

A tax deduction in respect of the business use of a locum's home will usually be justified if any significant business activity is carried out at home provided that a definite part of the home is used for business purposes. However, this does not mean that a room must be used only for business purposes, indeed it would be unusual for a locum to have a room set aside exclusively for business purposes.

It is normally possible to claim a proportion of the costs of lighting, heating, insurance, repairs, decorating, council tax and water rates of premises used partly for business purposes and partly for other purposes. Similarly where a home telephone or computer are used partly but exclusively for business purposes a proportion of those

costs would normally be allowable. In the case of capital equipment eg a new computer the relief may be spread over a number of years through the capital allowances regime.

The portion of expenditure that is appropriate to claim will vary depending upon your individual circumstances. This would be affected by the proportion of the home that is used for business purposes and the proportion of time that part of the home is used for business or other purposes. So, for example if one average sized room out of five rooms in the home is used for business purposes for 50 per cent of the time, it might be appropriate to claim 10 per cent of the relevant costs.

The proportion of home telephone or computer costs should be based on a reasonable estimate of the ratio of business to total use and the proportion claimed will often vary from the proportion claimed for other items such as light and heat.

If a room is used exclusively for business purposes you should take advice on the possible loss of the principal private resident exemption from capital gains tax.

Please double click [here](#) to calculate your sessional charges on an individual basis