

## *Article Published in MedEconomics Magazine*

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## **Your Practice Manager as a Partner?**

Many of you will know that from April 2004 it has been possible to take your Manager into a formal partnership arrangement and the NHS Superannuation scheme is being amended to allow the manager to continue in the pension scheme even though he or she is not an employee. While it was theoretically possible to have a manager in a partnership before, it rarely happened because of the pension scheme penalty: (i.e. you couldn't be in it). For the future is this something to think about for you?

I have seen many views on this subject from the Practice Manager Community, but I detect no real desire on the part of the majority of managers to seek this as a way forward. Neither, I suspect, did the new contract negotiators see this as something that thousands of managers would rush towards! But some Managers will definitely be interested.

You offer partnership to GPs so why not to the Manager? Why do you offer partnership to GPs? Probably for the age old reason "because that's what we have always done"! It is now possible to have partnerships made up of owners who can bring "added value" to the business, while others can be employees; GP clinicians in particular can in future be employees without the financial disadvantage inherent in the old Red Book arrangements.

Some existing (or not yet appointed) Managers may see the offer of partnership as proper recompense for their enterprise or commitment or business acumen and may want to share in the profitability of the business. And there is also a mid-point version, i.e. "salaried partnership", which always seems to me to be a contradiction in terms, but is widely used in the medical and legal profession.

What are some of the points to be aware of in a legal sense when you are considering making an offer of partnership?

**Personal liability:** As a full partner a Manager would assume unlimited liability for the debts and liabilities of the practice because he or she would be an owner of the business.

**Practice insurance:** whilst a current partner currently secures 100% indemnity insurance in respect of clinical claims, a manager would risk being sued if his/her responsibilities are not adequately documented. Since the new GP contract is with the practice, it will force all practices to consider taking out comprehensive practice insurance as well as individual clinical cover.

**Tax:** As a profit-sharing partner, a manager would be self-employed so would pay his or her own tax and national insurance under Schedule D.

**Pension :** The NHS pension scheme is being amended to allow Managers to continue in it while being a partner.

**Employment rights:** these do not apply to profit-sharing partners because they are independent contractors, not employees. Partners are not automatically eligible for authorised leave such as parental, maternity and paternity leave or for the remedies for redundancy or unfair/constructive dismissal unless the Partnership deed says so. A Manager would inherit these conditions as a full profit-sharing partner.

**Surgery premises:** will you require the Manager to buy in? If so, contact your mortgagee and any landlord (if applicable) to check for their consent and any additional requirements. You would clearly want proof of the person's financial standing before they bought in.

**Partnership deed:** This would need to be amended for a non clinical person. Review the obligations clauses to ring-fence their exposure to, say, non-clinical responsibilities and consider an indemnity from the other clinical partners in respect of all other third party claims.

**Areas of management/voting rights:** consider limiting the manager's liability in the deed to certain areas such as finance, human resources, premises management, IM&T, new GP contract data collection and restricting their voting rights to these areas.

**Salaried Partner:** as an alternative to opting for a profit-sharing partnership, consider offering a salaried partnership arrangement. This is essentially a promotion to partnership in name only for the purposes of prestige but the manager continues to be *employed* as a staff member and taxed under Schedule E. Therefore, whilst enjoying the status of partnership, he or she retains all their employment rights with none of the risks or responsibilities associated with unlimited liability. This arrangement would be documented in a salaried partnership agreement.

There are many issues to consider in this debate and partnership discussions will be needed to thrash through the advantages and disadvantages of such an offer.

Daphne Robertson of 'DR Solicitors' ([www.dr solicitors.com](http://www.dr solicitors.com)) is a recognized expert in this field and I would recommend you to contact Daphne for legal guidance on this or other partnership matters. Tel: 01483 511 555 [info@drsolicitors.com](mailto:info@drsolicitors.com)