BMA Law

New partners

Keeping up to date.

Not only is it essential that all partners, including a new partner, sign to confirm their agreement to the terms of your partnership agreement, it is equally important that those terms are up-to-date. Periods of change within a partnership are a great time to re-consider whether your agreement needs updating.

When it comes to taking on new partners, some of the usual changes that are required address the following:

Mutual assessment periods

It is not essential, but it is certainly common practice for a new partner to be subject to a probationary period. If, during this time, the working relationship doesn't materialise as expected, either side can terminate the appointment on short notice (usually one month). Consider whether your partnership has such an assessment period. If not, ask yourself whether one is required.

Working commitment and profit share

It sounds simple, but it is vital that you clearly agree and document what you expect of your new partner in terms of their commitment, including any out-of-hours commitments. You should also confirm what they will receive in return in terms of a profit share. Will s/he achieve full parity immediately, or over time?

Capital contributions

As part of recent difficulties in recruiting new partners, ask yourself if your historical arrangements concerning capital contributions are suitable. Will they deter new joiners? If there is a possibility that they will, then there are options. Introducing a period over which the required contribution is paid, and/or indicating that such contribution can be taken from undrawn profits is a great way of softening the requirement to introduce capital.

Ringfenced liabilities

A point that is becoming more relevant as a meant of attracting new blood into practices: will the existing partners assume the responsibility of historic liabilities? This could include historic dilapidations in leases premises, cost rent overpayment liabilities, among other issues.

Premises

It's important to revisit provisions or arrangements concerning your practice premises. If the premises you operate from are leased, consider whether the new partner will be expected to become a named party to the same, and if so, how is this achieved under the terms of your lease?

If the premises are owned as a partnership asset or indeed by the partners (or some of them) in their personal capacities, consider whether the new partner will be expected to buy in. if so:

- Who will they acquire the interest from?
- When will they be expected to complete the 'buy in'?

- How will the value be ascertained? Will independent surveyors be used? Is there a defined means of valuation in the existing partnership agreement?

General update

In terms of more general changes in the general practice, you should consider whether your partnership agreement covers:

- The abolishment of PCTs
- The need to expressly provide for the possibility of taking 24-hour retirement for pension purposes
- The possibility of the practice being involved in a Network or Federation
- The need to create even greater protection against an exodus of partners which could result in a 'last man standing' situation

Contact us

If you are taking on a new partner and need to update your partnership agreement, BMA Law can help. Contact us for more information:

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