

Hitting first base

Ian Stead outlines the four key areas new practice owners should focus on during their first year in practice, so as to avoid common pitfalls and ensure growth and increased profitability

Reassuring your team

Your staff plays a vital part in your practice. They are also often the last to know about any sale to a new dentist, so may need reassurance with respect to their employment status and any changes you may wish to make. It's a good idea to hold one-to-one meetings with each member, and that any major changes you may wish to make are introduced gradually and after the team is used to working together.

The team will have legal protection of their employment terms, under TUPE regulations, which means you can't vary their terms and conditions without consultation and agreement. However, you should issue them with updated employment contracts if you purchase the practice as a sole trader or partnership.

New contracts should also be issued to any inherited associates and hygienists. It is also necessary to ensure that you have established the basis upon which any GDS contract value has been allocated to associates, and that you have the necessary clauses in place to manage the risk of any associate leaving the practice with a proportion of your income.

Monthly management review meetings should also be held out to find out what systems and policies the business has, and whether these are being proactively used. Issues covered should include areas such as staff attendance, appraisals and absence policies, for example.

Nurturing your clients

Patients can often be sensitive to change and if you want their attendance at the practice to continue, you should handle informing them of the new ownership carefully.

It is also important to inform them of any new policies that will affect them. For example, your reception team should inform patients about changes to payment methods carefully.

Often, less popular changes, such as this, are best implemented at a time when more positive alterations are being made, such as practice refurbishment or the development of new services in the practice.

You should also begin to collect information on how many new patients register with the practice each month, and where they heard about you. This will allow you to begin planning your

marketing plan for the forthcoming months.

Systems in place

It is vital that you operate a robust recall system, as many practices lose hundreds of patients each year if the policy is not managed effectively.

Systems should also be implemented measuring the treatment plan acceptance to consultation, as well as initial phone call into the practice to booked consultation appointment. Analysing this information on a regular basis will allow you to make changes within the practice where necessary.

Hourly rates of all surgeries and laboratory costs should be shown as a percentage per surgery on a monthly basis so you can keep track on all of the performers within the practice. It is also worth monitoring chair occupancy levels, FTA and late cancellation costs to the practice.

By having systems in place to regularly provide you with this information, you will always know what is happening within the business and can make informed decisions on any necessary changes that could be made to drive the practice revenue.



Looking at ways to develop the team in promoting the various options available to patients, as well as providing a range of literature and posters in the practice, will help you to market your services to your existing patient base.

Without any strategic plan, or the means to analyse the areas of your practice that will directly influence your business growth, how will you know if your practice is fulfilling its potential? **DT**

Strategy and planning

As well as all the areas you need to consider and systems you need to implement to manage your business effectively in the first year and beyond, it is always important to take time out to plan exactly what you want to achieve in the forthcoming year and to regularly review whether you are on target to achieve your longer-term vision or goal.

This may take the form of an initial three-year plan, broken down into more manageable 12-month targets, however these targets should always be measurable and fit into your overall 5-year plan.

Monthly management review meetings, as mentioned in the systems section, will provide you with all the relevant information to ensure you are on track to hit your targets, or at least highlights areas that may need attention.

Often this is a neglected area, and many principals are only aware of the true state of their practice finances once the accountant finalises their year-end. As this often occurs when the new financial year has already begun, change may not become effective for many more months after that, and sometimes not even within that fiscal year.

Stationery and marketing

Obviously there are some areas that will need attention fairly quickly, such as practice stationery and name plates, for example, but in the long-term you may also wish to review areas such as the patient information brochures and the practice's website. The quality of information you provide to a patient can say a lot about the quality of service and care you deliver, and should not be underestimated.

When considering the marketing initiatives you may wish to undertake, it is wise to look at previous activities and the results generated. A good starting point for this planning is to collate information on how patients came to hear about the practice, and how many of them become regular attendees. This information will help you identify where your money will provide you with the best return for your investment.



About the author



After graduating from Imperial College, London in 1980, with a BSc Hons in Zoology Ian Stead, joined Rentokil PLC Pest Control Division under a graduate recruitment scheme, to become sales manager of its west London branch. In 1993, he went on to establish an independent pest control company in London, which was sold in 2004. As the son of a dentist, Ian possessed some empathy with dentists and dentistry. It was with this understanding and his experience running successful businesses, that Ian joined Frank Taylor & Associates in April 2006 as managing director.

Preparing for year end

Greg Penfold looks at some of the ways you can help your accountant when you start to prepare your year-end paperwork

Whether you're producing your annual accounts or carrying out a special exercise, being prepared will ensure the necessary groundwork has been carried out when your accountant asks to see your books and records.

You may also be able to help by preparing some of the routine schedules in-house. This will mean the accountant's time (and fees) can be better spent advising you on your business.

Keeping them informed

Your accountant will be better prepared if he or she knows about any changes within your practice, which could affect the year-end accounts and possibly your tax. Examples could include:

- Refurbishing a surgery
- Converting your NHS patient list to private
- Business strategy, for example, adopting a practice plan
- Changes to the record keeping system, for example, using a new piece of software
- Key personnel changes.

Better communication with your accountant will help to minimise misunderstandings and avoid unnecessary work at the year end.

Keeping the books

Tax law stipulates that a self-employed dentist must 'maintain

and retain' their business records. Doing this will not only ensure you keep on the right side of the tax rules, but will help your accountant to extract quickly and easily the information needed to prepare your practice's financial statements.

Engaging a bookkeeper to maintain (for example, collate, write up and process) your practice's income and expenses either on a weekly or monthly basis will mean that your time is better spent running your practice rather than getting bogged down in the paperwork.

A bookkeeper will analyse your payments and receipts so that information can be easily extracted, for example obtaining year to date figures for the bank. They will also file your invoices in a logical order (numerically, alphabetically or by payment date) to make it easier for you to find any one of them if needed.

A bookkeeper (or payroll bureau) will ensure that your employees pay and tax are dealt with in a timely fashion. There are penalties imposed by HM Revenue & Customs for missing deadlines for filing PAYE forms and paying over tax and National Insurance deducted from your employees. It also follows that ensuring staff are paid correctly and on time will result in a happier work force.

Following correct procedures

By establishing and maintaining certain procedures you will be able to keep better control over your business. Procedures may include:

- How patient charges are collected and recorded through your accounting system
- The timing and method of paying lab fees and material suppliers
- Maintaining a stock inventory
- The date and method of paying staff.

It is important that you discuss the procedures with your accountant. He or she can then advise you if you are operating in the most efficient manner.

Watching your stock

A dental practice should always carry a certain amount of stock. This will need to be counted at the year-end date and the value (at cost) given to your accountant. To ensure that the stock take is carried out efficiently and accurately you should consider the following points:

- Stock items should be stored neatly and logically to make counting easier
- The member of staff involved in counting the stock should be given clear instructions
- Try to minimise the movement of stock during the count. Where possible deliveries of materials should be kept sepa-



Start counting

rate until the stock take has finished.

Unless you hold a large amount of stock at your practice, it is unlikely that your accountant will need to attend the stock take. For smaller practices, a stock take should take a matter of minutes rather than hours.

Sticking to schedules

There are a number of schedules, which have to be produced in order that the accounts can be prepared. Your accountant can prepare all of these schedules but obviously if you were to produce some of them in-house it would save time and fees.

You may wish to consider the preparation of some of the following schedules:

- A detailed list of additions and disposals of dental and other equipment (assets) with a copy of the appropriate purchase or sale invoices attached
- Schedules showing each item of stock held, the quantity, unit value and total value.
- A list of your patient debtors at the year end, including how much they owe you and how long they have been outstanding. Indicate any which are unlikely to be paid (bad debts)
- A schedule of the petty cash balance at the year end, together

with details of cash received from patients but not yet banked

- A list of creditors, for example, dental and other suppliers who have invoiced you at the year end but were not paid until after.

Employ a practice manager

This will undoubtedly help with all of the above. The BDPMA has produced an advice sheet stipulating the competences of a dental practice manager.

Often a well-run dental practice is not attributable to the principal who owns it but by the practice manager who runs it from day to day. A good practice manager is often worth their weight in gold in terms of financial management that is associated with any dental practice.

As a dentist, your time is best spent practising dentistry, treating patients and keeping up to date with the latest techniques. Paying somebody else to do the paperwork will inevitably lead to a cost, but the following time savings may outweigh that cost:

- Paperwork is in better order for the accountant
- Time is freed up to attend courses and hone your clinical skills
- Day to day staff issues can be dealt with quickly without your involvement.

By getting your accounting records and information to the accountant soon after your practice's year end means they are able to pick up on any errors in your system so these can be rectified quickly. Of course they can also let you know your tax liability well in advance of the payment date. This can only be done, however if you are prepared! [DT](#)

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About the author



Greg Penfold

is an accountant with Humphrey & Co, chartered accountants, business and tax advisers. He specialises in acting for dentists and is a member of the Association of Specialist Providers to Dentists (ASPD).

What's new from April?

Suzanne Allen, managing director of Heritage Financial Advisers, explains some of the key changes in the NHS Pension Scheme and highlights many of the benefits

Although there are a number of changes that affect all members of the NHS Superannuation Scheme, when compared with other professions – and certainly in comparison with the private sector – the continues to offer excellent value for money, especially for existing members, from April 2008.

There will no longer be a GDP earnings cap, so potentially you could benefit from a higher NHS pension if your NHS pensionable earnings exceed £115,800 per annum. Member contributions are currently six per cent of pensionable earnings but will increase on a sliding scale, tiered from five per cent to 8.5 per cent.

You may increase the maximum tax-free lump sum from three times your pension up to 25 per cent of the capital value of your pension. Your pension can be commuted on a 12:1 basis.

The 'normal' retirement age will increase to 65 for new members, but will remain at 60 for existing members. There will be the option for existing members to transfer to the new scheme up to 30 June 2010.

The accrual rate of 1.4 per cent of Career Average Related Earnings (CARE) remains the same for the existing scheme but increases to 1.87 per cent for the new scheme. It will therefore now be possible for GDPs to earn pension benefits beyond age 60 and is likely to be an incentive for active members who work beyond age 60 to defer taking benefits until their actual retirement.

Pensionable earnings will be re-valued at RPI + 1.5 per cent rather than in line with the annual GDP increases. *This is an underrated benefit.* Dentists who no longer operate in the NHS quite probably have deferred NHS pension benefits, but the rate of re-valuation of their accrued benefits only increases by RPI. In other words, their pensions are accruing at 1.5 per cent less each year than active NHS members.

The facility to buy 'added years' is finishing although existing arrangements will be honoured. Instead, dentists will be able to buy additional pension of up to £5,000 per annum. At present the cost of buying the extra benefits hasn't been announced so we are not able to say if they will represent better value than added years.

Since the new pension rules were introduced from 'A' Day in April 2006, dentists have been able to contribute up to 100 per cent of their net profits to a personal pension or SIPP. In future,

dentists will be able to contribute up to 100 per cent of pensionable pay (not to be confused with your net profits) towards the purchase of an additional pension,

or the Money Purchase Additional Voluntary Contributions (MPAVC) and Stakeholder pension arrangements that are already in place.

These changes are likely to have a marked impact for dental practitioners and represent an ideal time to undertake a review of your financial circumstances. **DI**



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