

Business

Selling or buying a practice?

Frank Taylor & Associates provides a guide on what you need to know

Once a practice is under offer the seller needs to commence probably one of the most time-consuming tasks of the sale and gather and collate information that will form a due diligence pack. This information is used to respond to all of the questions and queries from a buyer's solicitor, and without it the sale will not proceed.

If you are considering selling or buying a practice, this brief guide will show the kind of information required. Some sellers prefer to work with an independent consultant who can collate this information for them.

Property

If the property is freehold:

- The registered title of the property
- Details of any development proposals (floor plans, planning consents, development costs, etc)
- Energy Performance Certificate
- Fire risk assessment
- Asbestos survey
- Advise where the title deeds are held.

If the property is leasehold:

- Copy of the registered title
- Full copy of the lease
- Full contact details for the landlord or the landlord's solicitors
- Latest service charge information,

insurance premium requirements and rent receipts should be assembled.

Practice and treatments tariff

- Brief history of the practice, how long has it been owned by the seller
- CQC compliance status, date of last CQC inspection and any findings, details of any current enquiries
- If a mixed or NHS practice a full copy of GDS/PDS contract
- End of year statement of activity for previous year and monthly pay statements to date
- Details of any contract shortfall – current and previous year
- Details of patient income: how many patients on the roll/how many are 'live' ie, print out of patient list of those who've visited in last 18 months and in what form are these records held
- Opening hours
- Reason for sale ie, retiring etc, details of what the seller proposes to do in dental field post-sale.

Equipment

- A list of all equipment that is to be included in the sale
- All hire purchase agreements, loans

and other financial documents relating to equipment should be assembled.

Employment

- A full list of all employees, together with employee contracts should be assembled. Likewise contracts for associates, hygienists and any other dental healthcare professionals associated with the practice. In addition a full list of any ancillary staff (gardeners/cleaners etc)
- Details of any employee dismissals/suspensions/disciplinary procedures/warnings in past year
- Details of any claims by employees (past or present) made or anticipated in respect of employment, personal injury, unlawful dismissal, breach of contract, any form of discrimination etc
- Provide evidence of GDC registrations of all nurses, dentists and hygienists and if not registered full details of the progress of their registration
- Confirmation of all employees' hepatitis B vaccinations
- Have any associates left the practice in the last 12 months? Are there any

claims outstanding with any associate, any claims of negligence or complaints by patients against the associates in past 24 months?

Money

- Last three years' accounts – full accounts including accountants details and balance sheet, ideally no more than six months old
- Management accounts since the date of the last formal accounts if available
- Split of income between private, NHS, insurance, capitation schemes, and specialist work.

Insurance

- All insurance policies relating to the practice, eg, employer's liability including professional indemnity insurance
- Any reportable accidents or injuries over the last five years
- Any circumstances that may give rise to an insurance claim not yet notified to insurers
- Any claims notified but not yet paid
- Any refusals or withdrawals of insurance cover in the last three years
- Any current litigation or disputes. **D**

FOR MORE INFORMATION, call Frank Taylor & Associates on 0330 088 1156.

PRACTICE ONE – GREATER LONDON

Practice location – this practice is located within a very popular residential area, close to local amenities, with underground and railway stations close by. There is parking at the practice and in surrounding streets.

Practice type – this is a two-surgery mixed practice, which is predominantly NHS. It has been established for over 20 years and is being sold for the principal to focus on another practice. The UDA rate at £27 is attractive, as is the net profit of 35%. The practice is being sold as leasehold with 15 years remaining on a 20-year lease.

Practice gross – the gross fee income for this practice is in the region of £128,000 per annum, of which 90% of the income is derived from the NHS contract and the balance is private fee per item and sundries. The income has been generated by the principal working two days a week and is supported by a nurse.

Price achieved – a price of £390,000 was achieved, which was in excess of the asking price – the funding for this practice purchase was secured by FTA Finance.

Agent's comments – this practice is ripe for development as the current principal has only worked two days a week as he has another practice he has focused on. Whilst two surgeries are fully kitted out, one is not utilised and the market research undertaken by the incoming principal evidences there is plenty of opportunities to develop the private element of the practice.

PRACTICE THREE – HOME COUNTIES

Practice location – this practice is situated in an affluent area within a thriving town centre. It is close to excellent transport links and is very much a commuter community.

Practice type – this is a three-surgery mixed practice, which has been established for over 50 years. There is a UDA rate of £26 and the net profit is just over 45%. The practice is being sold as leasehold with 10 years remaining on the current lease.

Practice gross – the gross fee income is in the region of £550,000, of which 58% is generated from private income and 42% from a NHS-GDS contract. The income has been generated by the principal working four days a week and an associate working three days a week, they are supported by three-part time nurses, and three part-time receptionists.

Price achieved – a price of £1,200,500 was achieved, which was in excess of the asking price.

Agent's comments – this was a very popular practice with an oversubscribed viewing list and resulted in all offers being made in excess of the asking price. The principal is planning to stay on so was able to opt for the purchaser he felt most aligned to.

PRACTICE TWO – EAST ANGLIA

Practice location – this practice is located within a town centre of a busy rural town. There is no parking at the practice; however, there are several car parks nearby.

Practice type – this is a two-surgery, predominantly NHS practice, which has been established for over 70 years and is being sold to facilitate the retirement of the principal. The UDA rate at £23 and the net profit is just over 30%. The practice is being sold as leasehold with a new 15-year lease.

Practice gross – the gross fee income is in the region of £350,000, of which 95% is generated from a NHS-GDS contract. The income has been generated by the principal and an associate working full time, and they are supported by four part-time nurses, and three part-time receptionists.

Price achieved – a price of £575,000 was achieved, which was in excess of the asking price – the funding for this practice purchase was secured by FTA Finance.

Agent's comments – the principal decided not to sell the freehold but to put it into his SIPP and the SIPP will create a lease for the incoming principal. We continue to see this as a popular investment tool for many principals, and for most buyers a leasehold is a very attractive option as they do not have to raise additional funds to purchase the freehold. The practice is very well established and the incoming principal has an ambition to increase the private income considerably.

PRACTICE FOUR – SOUTH EAST ENGLAND

Practice location – this practice is situated in a mix of residential and commercial properties. There is parking at the practice and additional parking close by.

Practice type – this is a three-surgery, mixed practice, which is being sold as leasehold and a new 15-year lease is being offered by the principal who will be retaining the freehold. There is a UDA rate of £25.92 and the net profit is just over 35%.

Practice gross – the gross fee income is in the region of £450,000, of which 48% is generated from private and 52% from a NHS-GDS contract. The income has been generated by the principal working 3.5 days a week, a full-time associate and an associate working 2.5 days a week, and a hygienist working 20 hours a week. They are supported by three part-time nurses, one full-time nurse/reception and a full-time practice manager.

Price achieved – a price of £950,000 was achieved, which was considerably in excess of the asking price.

Agent's comments – this practice proved to be incredibly popular and the principal was delighted to see a number of offers and by the end of the sealed bid process we had secured £80,000 more than the asking price. The buyers evidenced they had this additional sum as the bank would not include it as part of the lending package.

