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Practice value index

Workplace pensions – avoiding the pitfalls

Frank Taylor & Associates recommends starting early when preparing pension schemes for your practice

As the level of awareness around workplace pensions starts to grow, we are dealing with a number of dental practices who are yet to engage with the process as their staging date is some way off – which is understandable when there are so many administrative and regulatory issues to be dealt with. However, the pensions regulator recommends starting to prepare at least 12 months in advance, and with over 370,000 companies yet to engage, we recommend you start the process as soon as possible to avoid the stampede. Here is an example of what can go wrong.

Home furnishings retailer, Dunelm, didn't complete its original registration, despite being given a number of opportunities to complete the registration

or notify the regulator of any outstanding issue. As a result, a compliance notice under section 35 of the Pensions Act 2008 was served on Dunelm, directing it to complete registration.

Design flaws

The regulator undertook a statutory inspection under section 74 of the Pensions Act 2004 at the Dunelm head office, and as a result highlighted the following points.

Its bespoke payroll solution had design flaws resulting in significant delay in achieving compliance and completing registration. The bespoke payroll solution did not fulfil the Dunelm specification, was ineffective for automatic enrolment and the reporting capability was not fully functional, meaning:

- Key members of staff involved in the automatic enrolment project, including the points of contact, had ceased employment with Dunelm at critical points in the automatic enrolment timeline, namely just prior to the staging date and just after registration
- Data quality issues were experienced when uploading employee information to the pension provider, which prevented active membership of the



- pension scheme being achieved
 - They failed to enrol members of the four-weekly payroll on time and these members were automatically enrolled a month late
 - A significant level of contribution was not paid across to the pension provider as a result of the failures above.
- Following the inspection, an unpaid contribution notice was served, and having

re-examined its calculations, Dunelm informed the regulator that the actual amount owed in respect of the monthly payroll was approximately £108,000.

Dunelm paid these outstanding contributions into the pension scheme. Following close work between Dunelm, the pension provider and the regulator, Dunelm is now fully compliant with its automatic enrolment duties, and all outstanding contributions due have been paid.

This highlights what can go wrong and many businesses are wrongly assuming their accountant or payroll provider will deal with all aspects of compliance.

Getting organised

In 2017, 895,000 businesses will need a pension scheme, so if your staging date is 2017, you would really benefit from getting organised now; the cost would only be the set up fees and then you can forget about it until your date arrives.

- Research from workplace pensions provider, Now: Pensions, has revealed one in four businesses who are yet to stage have not given any thought to how they will find a provider
- Most businesses appeared to be underestimating the auto-enrolment process, with 52% claiming they would not have any issue finding a pension provider
- Fixed penalties (£400). **D**

FOR MORE INFORMATION call Frank Taylor & Associates on 0845 612 3434 or the regional office on 0161 393 7107, email team@ft-associates.com or visit www.ft-associates.com.

Practice one – Essex

Practice location – the practice is situated in the middle of a busy town centre. It is leasehold with 14 years left on the term, with lease and rent reviews every five years.

Practice type – this is predominantly a three-surgery practice, which is a partnership, and is being sold to facilitate the two principals retirement.

Practice financials – the gross fee income from the management information for the past 12 months is in the region of £750,000 and is derived from 9% NHS-GDS contract, 24% fee per item, and 67% Denplan. The gross has been generated from the two principals both working four-and-a-half days a week and a hygienist working two days a week. Professionals complementary to the clinical team comprise of a full-time practice manager, two part-time dental nurses working a combined six days a week, a part-time receptionist/dental nurse and a part-time receptionist.

Price achieved – a price of £965,000 was achieved, which was in excess of the asking price. Funding for this purchase was sourced by Frank Taylor & Associates (FT&A) Finance.

Agent's comments – this was a long established practice owned as a partnership and the decision to retire and sell was a joint one. This meant the practice could be sold as one entity, which resulted in a higher price for both partners than if one half had been sold. There is always interest in a partnership sale, but as you can imagine the incoming partner and the remaining partner have to come to terms with a new business relationship. We have sold many partnership practices and often the incoming partner has ambition to buy the remaining partner out in the future, and that way secure the whole practice.

Practice two – Teeside

Practice location – the practice occupies a two-storey detached building situated amongst a mixture of residential and local shops. A new lease is being created for 25 years with annual rent of £36,000.

Practice type – this is a four-surgery private practice, which has been established for over 30 years.

Practice financials – the gross fee income from the management information for the past 12 months is in the region of £1,400,000; 69% is derived from private income, and the remaining 31% is from Denplan. The gross has been generated from the principal working four-and-a-half days per week and is willing to stay on for a further 12 months to complete existing treatment plans. There are three associates who all work full time, a hygienist who works four days a week, six dental nurses and an apprentice nurse. Professionals complementary to the clinical team comprise of a full-time practice manager and six receptionists working a mix of full and part time.

Price achieved – a price of £680,000 was achieved, which was slightly less than the asking price.

Agent's comments – being a fully private practice there is a real sense of comfort in the existing principal remaining as an associate for 12 months post-sale, not only for the continuity for the patients, but also for the incoming principal. With 31% of the income derived from a capitation scheme, this practice offers a regular income stream alongside a very steady and well-established private income.

Practice three – Greater Manchester

Practice location – this practice occupies a prominent shop fronted property located within a parade of shops, with a combination of residential and businesses in local proximity.

Practice type – this is a three-surgery mixed income practice being sold as a freehold. It is established for 25 years and is being sold as a combination of a share and an asset sale, as the private income is held within a limited company with the NHS-GDS contract being held outside the limited company in the principal's name.

Practice financials – the gross fee income from the management information for the past 12 months is in the region of £700,000, which comprises of 70% NHS, 27% fee per item and 3% Denplan. The gross has been generated from the principal working full time alongside a full-time associate, an employed hygienist working four-and-a-half days a week. Professionals complementary to the clinical team comprise of a part-time receptionist and five nurses all working part time and cover reception and surgery duties. There is a part-time decontamination nurse and a part-time practice manager.

Price achieved – a price of £1,080,000 was achieved, which was in excess of the asking price. The funding for this purchaser was obtained by FT&A Finance.

Agent's comments – this was an incredibly popular practice because of the location and an attractive UDA rate of £29.34. There is a significant opportunity to increase the turnover of the practice by converting an under-utilised room into a fourth surgery and to extend the opening hours.

Practice four – Surrey

Practice location – this practice occupies an attractive retail-fronted property located within a shopping parade. It is being sold with a virtual freehold.

Practice type – this is a two-surgery private practice that has been established for over 16 years and is being sold to facilitate a retirement.

Practice financials – the gross income from the management information for the previous 12 months was in the region of £520,000 per annum. The gross has been generated from the principal working three-and-a-half days a week, two associates both working part time and four hygienists working a combined two-and-a-half days a week. In addition, there are two part-time receptionists and five part-time nurses.

Price achieved – a price of £637,000 was achieved, which was in excess of the asking price and the funding was sourced from FT&A Finance.

Agent's comments – this practice has such an opportunity for growth. It is a very well established practice with increasingly impressive gross fees. There is a well-established patient base and the potential for extended principal surgery hours.