

A practice partnership

If you hold an NHS-GDS contract, a nominal partnership should be put in place, stresses **Lis Hughes**

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I recently met with a director of a four-surgery dental practice who wanted to talk about the value of it as there had been some changes. She had formed a limited company to run the practice as her husband, who had been the principal at the practice for more than 20 years, died unexpectedly.

At the time, the practice was mainly an NHS one with some private fee income. The contract was considerable, and the principal worked alongside three associates to fulfil the contract. There had never been any issue over the contract

being fulfilled and no breach notices ever issued. And, despite the fact the associates were more than capable to provide the required dentistry, the contract was removed following his death and the turnover decreased from £950,000 to £180,000 per annum.

This is yet another stark warning as to what may happen if an NHS-GDS contract is held in the sole name of the principal

and how important it is for a nominal partnership to be put in place to avoid such a tragedy – and the impact felt not only on the family, but also on the practice team.

In this case, the principal and his wife had previously discussed a nominal partnership, as she is a qualified dental nurse and, therefore, holds a GDC registration; yet, like many things in life they put it off as it appeared a lot of work to make the changes.

It is not a straightforward transaction to move the contract into a nominal partnership as Care Quality Commission

(CQC) need to be involved as well as NHS England – and if you are considering the move with someone other than a family member then your personal interests need to be secured, which is best undertaken by a dental specialist lawyer.

So, there will be a financial cost, which we understand is less than £2,000, and, of course, time has to be spent as the CQC registration needs to be amended to show the partnership. This can be undertaken by either the specialist law firm or companies such as ours, which offer such a service.

Despite the inconvenience of the above, and the financial outlay surely for peace of mind it is the best thing any principal who holds an NHS-GDS contract in their own name should do?

Sadly, the above is not a one-off situation – it is something we come across at least once a year when we spend time talking and meeting with practice owners.

If you would like more information on how you can move your contract into a partnership, let me know. **D**

PRACTICE ONE- SOUTH EAST

Practice type – this practice is based in a semi-detached property, with a mix of residential and commercial properties.

It is a mixed five surgery practice and has three partners. The sale is for one of the partnership and being sold as a third share of the freehold.

Practice gross – the gross income at this practice was in the region of £280,000, of which 27% is NHS-GDS contract and 73% private. The income has been generated by the partner working three days a week. The practice has a full-time associate, and three part-time hygienists working a combined four days a week. They are supported by a part-time practice manager, four part-time receptionists and one full time, and three part-time nurses.

Price achieved – a price of £575,000 was achieved, which was in excess of the asking price.

Agent's comments – this share of the practice shows a reconstituted profit of 40% and, for the new owner, there is a great opportunity to join an incredibly well-established practice. Selling any part of a partnership can be challenging, for both the remaining partners and the incoming partner. In this case there is a natural synergy and the new partner has interest in buying the two other partners out at the point they choose to retire.

PRACTICE THREE - M25 CORRIDOR

Practice type – this is a five surgery, mixed practice based in a semi-detached property within a busy mix of residential and commercial properties. It is being sold as freehold and as a share sale, as it is operating as a limited company.

Practice gross – the gross income is in the region of £800,000. The gross has been generated by the current director working four days a week, four associates working a combined eleven days a week two hygienists working a combined four days a week. They are supported by a full-time practice manager, two part-time receptionists and four full-time and two part-time nurses.

Price achieved – a price of £2,450,000 was achieved, which included the freehold.

Agent's comments – 54% of this turnover is generated from a NHS-GDS contract, which was held in the company name, and the balance a mix of private and capitation schemes. The sale moved through efficiently as the CQC journey was far less arduous, with only minor changes required. If, however, the contract was held outside of the company and the income paid into the limited company, this would have caused more issues and is known as a flawed incorporation. It doesn't stop a transaction from moving forward, but adds to the complexity of the deal.

PRACTICE TWO - GREATER LONDON

Practice type – this is a two surgery fully private practice, with a mix of residential and commercial property nearby. It is being sold with a lease of 20 years. The sale is to release the current owner for retirement.

Practice gross – the gross income is in the region of £350,000. The income has been generated by the principal working four days a week, and an associate working four days a week. The team are supported by a full-time nurse/receptionist and a trainee nurse.

Price achieved – a price of £525,000 was achieved, in excess of the asking price.

Agent's comments – this practice has been established for over 20 years and the outgoing principal has acknowledged little marketing activity has taken place over the past few years, which allows the incoming principal an opportunity to develop a marketing strategy. As the current principal will not be staying on, the new principal can hit the ground running.

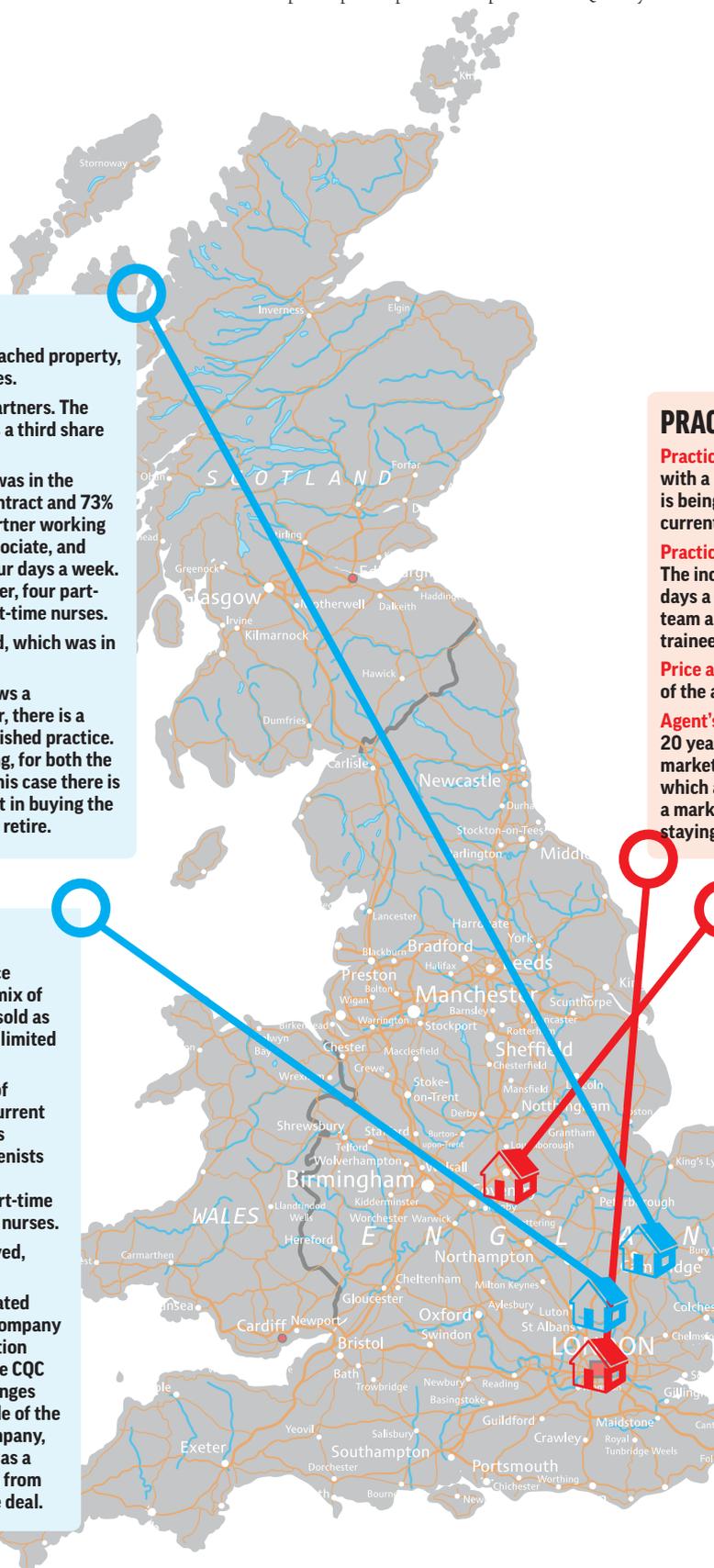
PRACTICE FOUR - MIDLANDS

Practice type – this is a predominately NHS practice with two surgeries, which has been established for 10 years. The practice is being sold as leasehold with 20-year lease. The principal is selling to release himself to focus on other interests. The practice is situated on the ground floor of a commercial property, with free street parking outside.

Practice gross – the gross income is in the region of £580,000 and generated by the principal working five days a week and one full-time associate. They are supported by a full-time practice manager/receptionist and two full-time nurses.

Price achieved – a price of £1,050,000 was achieved, in excess of the asking price.

Agent's comments – this practice came to the market with a great UDA rate of £26.50 and, to date, there had been little activity to grow the private element of the practice. The practice was purchased by three associates who have formed a limited company with the aim to share the workload by working at the practice part time and also continuing to work at their existing practices part time.



IF YOU WOULD like to find out more, call Lis Hughes on 0330 088 1156.