

# Controlling the controllables

Lis Hughes discusses the way forward in difficult financial times

Lis Hughes

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It's hard to escape the current uncertainty in the economic environment; it seems after the lifting of Covid-19 restrictions, the 'new normal' we all longed for is one of inflation, rising interest rates, a weakening pound and the spectre of recession looming ever larger.

For the unprepared, it could give you sleepless nights. Which is why preparation in the form of realistic, flexible planning and a healthy degree of pragmatism is the best way to navigate choppy economic waters.

'There's certainly no need to despair,' says Lis, 'a calm head, clear focus and a willingness to adapt to conditions is key.'

'First, it's important to accept that things may be difficult and that you need a plan to get through.'

'I always recommend looking ahead to where you want to get to in, say a year or two, and then plotting the way to get there.'

'You need to accept that factors outside of your control may cause you to revise that route, but if you keep the end goal in sight, you can be reassured you are moving in the right direction.'

'Without a plan, you really are in the dark.'

## Managing the controllables

'I mentioned factors over which you have no influence, and it's vital to understand the difference between these (let's call them the non-controllables) and the controllables,' Lis continues.

'The former, for example, might include Bank of England decisions on interest rates. The latter will likely encompass decisions on hiring staff, surgery hours and less quantifiably, service levels, team morale and motivation.'

'Managing the controllables will likely mean understanding your KPIs and having a good grasp of the underlying drivers of cost and revenue.'

'Another consideration could be surgery opening hours; your costs don't stop when your surgery closes, but your opportunity to generate revenue does.'

'While we're not advocating 24/7 dentistry, understanding the most profitable times of day will help with determining surgery hours.'

'For a lot of practices, patients' working routines have changed since lockdown, so the pattern today may not be what it was even three years ago.'

## 'Procrastination is the thief of time'

Lis continues: 'Even with non-controllables like an interest rate rise, we can plan a response.'

'For example, an interest rate increase will naturally mean additional costs to the business.'

'If you break your response down into levels of activity in the business, it can seem less daunting on an emotional level and more manageable on a practical one.'

'For example, if an average hygienist appointment brings in £90 per visit, 10 additional appointments per month (two or three per week) could bring in over £10,000 extra revenue.'

'This would certainly help to "soften the blow" of the uncontrollable costs rising and keep the business on a profitable footing.'

'There's an old saying: "procrastination is the thief of time" – it can also be the thief of your bottom line, there really is nothing to be gained from delaying.' **D**

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## PRACTICE ONE - HERTFORDSHIRE

**Practice location:** this well-established practice is located in one of the largest towns in Hertfordshire and benefits from excellent road and rail access. The area is a mix of commercial and residential and the practice sees excellent footfall.

**Practice type:** this is a two-surgery mixed practice and is being sold to facilitate the retirement of the principal. It is being sold as leasehold with a 20-year lease in place that has 14 years unexpired. It is inside the landlord and tenants act 1954.

**Practice financials:** the gross fee income from management information for the past 12 months is in the region of £115,000 per annum and the NHS-GDS contract has a UDA rate of £29.73 per UDA. The income is 75% NHS, 10% private and 15% rental income generated. The dental income has been generated by the principal working five days a week, supported by one full-time and one part-time dental nurse/receptionist.

**Price achieved:** a price of £260,000 was achieved, which was in line with the asking price.

**Agent's comments:** this practice proved to be very popular and has great scope for growth, as the residential flat could easily be turned into additional surgery space. The existing principal has been at the practice for over 30 years and was delighted we were able to source a number of dentists, all of whom he felt would be more than capable of looking after his patients and staff – probably the most important criteria for most of our exiting owners!

## PRACTICE TWO - YORKSHIRE

**Practice location:** this practice is located in a busy district on the outskirts of Leeds and is housed in a former residential property within a short distance of a local high street.

**Practice type:** this is a very well-established, associate-run, two-surgery, mainly NHS practice, which is being sold as part of a portfolio adjustment. The practice has been established over 30 years and is being sold as leasehold.

**Practice financials:** the gross fee income from management information for the past 12 months is in the region of £375,000 per annum. The gross has been generated by two part-time associates supported by a part-time practice manager, one full-time and one part-time nurse and a part-time receptionist.

**Price achieved:** a price of £850,000 was achieved, which was less than the asking price.

**Agent's comments:** this practice has such an opportunity to grow, as there has only been sufficient cover to fulfil the NHS contract. The incoming principal knows the area well and can see the potential and has great plans to develop the private element of the practice.

## PRACTICE THREE - LONDON

**Practice location:** the practice is set within a row of shops on a busy high street in a London borough. It is shop fronted and has great footfall.

**Practice type:** this is a two-surgery, mixed practice and is being sold to facilitate the retirement of the principal. The practice has been established for over 30 years.

**Practice financials:** the gross fee is in the region of £200,000. Forty per cent of the income is generated by an NHS-GDS with just over £29.00 per UDA and 60% is private income. This is generated by the principal working two days a week, an associate working three days a week and a hygienist working two days a week. The team is supported by two full-time receptionists who also cover reception duties.

**Price achieved:** a price of £515,000 was achieved, which was in excess of the asking price.

**Agent's comments:** this practice is small, but perfectly formed and an ideal purchase for an associate who is ready to become a practice owner. The principal is providing a handover but is relocating to another part of the world and is delighted to be able to fulfil his retirement plans now.

## PRACTICE FOUR - ESSEX

**Practice location:** this practice occupies a shop-fronted terraced property situated on a busy high street, close to a major town.

**Practice type:** this is a three-surgery, mixed practice being sold with a new 20-year lease. It has been established for over 30 years and is being sold to facilitate the retirement of the current principal.

**Practice financials:** the gross fee income from management information for the past 12 months is in the region of £700,000, of which 50% is generated from an NHS-GDS contract (with a rate in excess of £30.00 per UDA), and 50% private. The income has been generated by the principal working two days a week, a full-time associate and a hygienist working three days a week. The team is supported by four full-time nurses who also share reception duties.

**Price achieved:** a price of £1,600,000 was achieved and was in excess of the asking price.

**Agent's comments:** this principal always wanted to be free of business ownership by age 60 and we just about managed it! The sale moved swiftly through the legal process as the principal fully engaged in compiling the due diligence information and lawyers on both sides were put on notice that the sale had to complete by a certain time. CQC continues to be a long drawn-out process and we advise all our clients to engage in this process as soon as possible to avoid delays.

