

PUTTING YOURSELF IN POLE POSITION

Written by Thomas Coates



Thomas Coates says selling your practice can be comparable to driving a Formula 1 car – it's all about the preparation beforehand that will ensure a smooth ride



Whilst watching the start of the 2016 Formula 1 season, I was put in mind of some wise words from British institution and motoring legend Sir Stirling Moss. A few years ago he was asked about his thoughts on what is the key to driving a car quickly and his response was that

it is all about the preparation. To go around a corner quickly he commented, the driver must assess the corner beforehand and set up the car correctly on approach by balancing steering, brakes and throttle to allow a smooth trajectory around the corner carrying as much speed as possible through the corner and out of the other side. Stirling continued that the gung-

ho drivers who arrive at the corner without giving thought to how they will get around that corner, screeching their tyres and exiting in a lurid power-slide end up losing speed and crucial seconds on the stopwatch. Preparation beforehand leading to a smooth and quick exit. Selling a dental practice is similar!

We are regularly approached by practice



planning. If you're using a limited company, speak to a dentally aware solicitor first to ensure this has been correctly set up. We do come across a depressing number of principals using limited companies in a way that is not compliant with the NHS regulations and would not stand up to HMRC scrutiny. Deal with this now rather than during the sale process!

EMPLOYEES

Are your employment contracts up to date? Do you even have employment contracts for employees and self-employed agreements for associates? A buyer will require sight of all these documents and you need to ensure that all your contracts, policies and procedures are up to date. Are there any employee disputes? Once again, make sure you keep proper notes and back up in writing all discussions with staff of an HR nature.

Keeping up to date with HR is a massive headache for many practice owners and we would always encourage outsourcing this if the burden becomes too great. Employment Law and HR are the hot topic legally and if you can demonstrate you're on top of things in this respect, it will greatly assist you during the sale process. In addition, if it is your intention to stay on as an Associate, give some thought to

owners who are in the early stages of taking the first tentative steps towards selling their dental practice and invariably the questions we are asked at that stage centre around what exactly they can expect during that process and what they can do to make the process as painless and straightforward as possible. Our advice is always that preparation is key.

When preparing to sell it's important to ensure that you're on top of all of your paperwork. A buyer of a practice will raise significant enquiries into all aspects of the practice during a process known as 'due diligence'. The due-diligence process will involve the buyer's solicitor sending

a hefty document to your solicitor requiring chapter and verse on your practice. Some (but by no means all!) of the information they will ask for will be as follows:

FINANCES AND STRUCTURE

Sight of three years' accounts would be a standard requirement of any buyer. Clearly as part of making the decision to sell you'll want to ensure that your accountant has had sufficient time to ensure your accounts are prepared in such a way so as to demonstrate maximum profitability rather than the more natural desire to minimise profit to save tax! All of this requires

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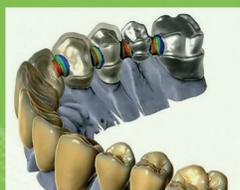
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the terms you would require now, rather than leaving it to be dealt with later.

NHS

Do you have a copy of your NHS contract? If not then you need to speak to your LAT and ask them to provide you with one as a Buyer and their funder will expect you to be able to provide it. Have you complied with all aspects of the NHS contract? Has there ever been a breach notice? You will be asked to provide documentary details and correspondence in respect of any issues with the NHS regarding underperformance, clawback, breach notices etc. Ensure you keep all documentation to hand so you can provide them if necessary.

EQUIPMENT

Is all your equipment properly certified and in accordance with all statutory guidelines? Is any of it subject to HP or financing arrangements? All of these will be discussed as part of the due diligence process and you'll be expected to provide the correct paperwork to any potential buyer.

CONTRACTS

Do you have any goods or services that are supplied to the practice under contracts that

involve an ongoing financial commitment? It isn't uncommon for clinical waste disposal or equipment maintenance contracts to be on such arrangements and you'll need to consider whether these are to be paid off or whether you expect the Buyer to take them over. Either way, the contracts themselves will need to be provided as part of the process.

REGULATORY

Is the practice properly registered for CQC? Details of the CQC registration will need to be provided as will the result of any inspection that has taken place. Ensure that you retain all correspondence relevant to the CQC registration of the practice. The same is true for any discussions you may have had with the GDC during your period of practice ownership. A Buyer will ask for details and you will be expected to provide any relevant correspondence.

This is by no means an exhaustive list, these are just some of the areas where Buyers will look into your practice affairs and you'll be expected to provide supporting documentation. What we would suggest therefore is that you ensure your practice is currently being run in the most organised way possible and that all of the information is to hand as and when you

need it at the point you've agreed a sale. If you need to tidy up your employment contracts or your policies and procedures, do so now rather than further down the line once a sale is agreed. The same is true for all the other items. Speak to us if you'd like sight of a typical list of enquiries and we'd be happy to oblige and to answer any queries you have about this as you begin to prepare yourself for a sale. In ensuring everything is in order now, you'll set yourself up for a quick and smooth exit, just like Sir Stirling. Don't arrive in a cloud of smoke frantically trying to sort everything out at the last minute! ●

THOMAS COATES

is a solicitor and managing director of FTA Law. FTA Law is an independent specialist law firm providing the full range of legal services to dentists and dental practice owners including practice sales and purchases, employment and HR services, regulatory, CQC, NHS and commercial property.

TELEPHONE: 0330 0882275

EMAIL: Thomas.Coates@FTA-Law.com

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