

Lovewell Blake

Chartered Accountants



**The importance of
financial information
in a dental practice.**



Denplan
Expert Network

'The importance of financial information in a dental practice' is written by one of Denplan's partner companies, Lovewell Blake, who are a firm of Chartered Accountants and Financial Planners with a specialist team that work exclusively with dental professionals.

Accurate and timely financial information has never been more important for a thriving dental practice than it is today. The pandemic exposed a stark reality that we must have a sound grip and understanding of cost structures in order to sustain a successful business.

In this article, we give an overview of the financial information needed when running a dental practice and some of the benefits that can come from this. We set out the advantages of using a robust bookkeeping system and discuss ways to reduce the headaches associated with payroll. Finally we take a look at some issues to keep in mind when it comes to pensions.

The benefits of accurate and timely financial information

Whilst accounting may not be everyone's preferred, or natural skill, most of us appreciate that up-to-date financial information drives better business management. It also makes us more prepared for a variety of possible scenarios. Post-pandemic, this is particularly obvious with some financial requirements becoming more onerous.

Right now for example, if you are thinking of selling your practice, your buyer's lending institution will be looking for more rigorous evidence that your business can return to, and sustain, pre-pandemic income levels.

Understanding your finances can give you a better handle on what your tax bills are likely to be. If you're self-employed, then keeping your financial information up to date and ready at your fingertips for when your accounts and tax returns are prepared, will avoid surprises and last-minute submissions when it comes to your tax bill.

When you have access to appropriate financial information, you can enter the next level of practice analysis. For example you can answer questions like: 'what hourly rate do I need, to provide a level of profit that will sustain me and my business?' You can feed detailed data relating to your private or NHS hours worked in to an hourly rate calculator as set out below and gain a valuable insight into your operation.

Example Summary of Hourly Rate Calculator

Private Fees or NHS Fees	
Number of clinical hours per week	XXXX
Number of weeks in the year worked	XXXX
Total clinical hours for the year	£XXXX
Required Profit	£XXXX
Hourly rate	£XXXX

Bookkeeping

As a Principal, it is a fundamental requirement to use a robust bookkeeping system that records and reconciles your financial information. The right system will give you fast and easy access to accurate data that you require to run your business successfully. Most dental practices that we deal with benefit from using **Xero software** but there are many other alternatives.

As an Associate in a dental practice, simple spreadsheets may provide a sufficient system as the details of income and expenditure are less complicated. If that is the chosen route, it's important that clear financial records are manually maintained to ensure nothing is missed and all business expenditure is captured.

Benefits of using bookkeeping software

A robust software package delivers great benefits and provides meaningful, highly valuable information. The benefits include:

- Bank feeds – you can set up feeds from your bank accounts so that transactions are imported securely each working day, giving you a clear cash flow picture
- Invoices – you can send online invoices and accept online payments
- Stock – you can keep track of stock and analyse value on a daily basis

The more detail we put in, the more benefits we can get from the system. For example an associate's monthly schedule of payment can be easily generated by calculating their total income and expenditure, such as laboratory fees.

If detailed bookkeeping records are maintained, the contribution from each associate and individual surgery towards the profitability of the business can be analysed. This enables you to identify which practice, or associates, are working less optimally in order to try to help them improve their efficiency, for their benefit and that of the wider business.

Payroll

Real Time Information [RTI] refers to the requirement to process and submit staff pay details to HMRC before your employees can be paid. This means that an up-to-date and accurate payroll system is essential.

How to deal with RTI can depend on the number of employees. HMRC's website is used by business owners who have a small number of employees. Others tend to outsource payroll to one of the many companies offering it as a solution. When deciding how to tackle payroll, your hourly earning rate in the surgery should be considered. If it takes you several stressful hours to operate a monthly payroll, it may be far more valuable to outsource this function and reclaim those surgery-based hours for your patients. There are several payroll providers that can support you.



If you use a bookkeeping system and your payroll system is linked to it, then entries can be automatically posted. This is clearly preferable to using a system that requires manual inputs.

Associates are unlikely to require a payroll system and their various related issues need to be considered on a case-by-case basis.

Pensions

As a practice owner, you have choices to make as well as legal staff pension obligations to comply with:

1. You need to consider a pension for your staff which, under current legislation, they must have the opportunity to opt out of
2. If you have an NHS contract, you need to consider whether you wish to be a member of superannuation
3. You need to consider whether you want to make any private pension provision

It is recommended to consider your choices for pensions with the support of an Independent Financial Adviser [IFA], such as **Chase de Vere**. Lovewell Blake can help you with the fundamental information but we don't act as advisors to investment options.

Conclusion

In-depth knowledge and control over practice finances is the key to business success. However, the pressures exerted on the dental profession over the last year have sharpened the focus on the need for accurate and timely financial reporting.

Smart bookkeeping software tools which vastly improve business efficiencies may be expected to increase the business owner's confidence in maximising profitability and enable their focus to remain on clinical dentistry.

Any dentists wishing to explore the subjects described in this article are very welcome to contact Lovewell Blake for a confidential discussion.



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