Setting Up On Your Own

Financing the practice and choosing the right location and premises

Every new practice will need a financial injection when starting up in order to buy equipment, establish a workplace and meet marketing and advertising costs before the first patient walks through the door. Even then, there is going to be a time lag before cash starts flowing in and this also has to be financed. There are a number of financing options when starting up and choosing the right one/s for your needs is essential. It is advisable to take financial advice to ascertain which is the best option for you. You could: Use your own money; Borrow off family and friends; Borrow from a bank; Attract outside investors

Deciding upon the right location is a crucial business decision and is one of the most important factors in determining the success or failure of the practice. It is vital to your ability to build up practice goodwill. Make sure that you research your intended location before making a final decision. You should consider:

• what type of treatment you wish to provide (private/NHS/mixed)
• whether you treat children
• the needs of the local population, practices/competitors in the area
• whether you will be able to recruit staff and associates
• whether NHS Contracts can be obtained through tendering from the local PCT (if required)

Once you have decided on the location, you need to choose the premises. You want premises that help you function effectively but without high overhead costs. You will need to consider:

• whether the premises have planning permission for use as a dental surgery
• obtaining buildings regulations consents for any works that may be required to the property
• planning restrictions
• the condition of the buildings
• if the premises comply with Health & Safety regulations and Care Quality Commission requirements
• if they are accessible to disabled patients and employees
• the visibility of the premises from the main road to maximise passing trade
• parking and transport links
• utility charges, waste collection and business rates
• opportunities to expand the premises, if required

A key decision will also be whether to buy or rent and much will depend upon your financial situation. You will need to make sure that the premises are suitable for you and when the practice grows. Owning a commercial property is a good investment as it can give your business stability and you will acquire a capital asset. You will also have flexibility of the repair and decoration of the property. However it is a big financial commitment as you may need to take out a mortgage to finance the purchase and in most cases, you will need to finance the initial deposit yourself which means that monies that could be used for starting up the practice will be diverted to the property.

Leasing a property will obviously tie up less capital at the start as the upfront costs for leasing are less than purchasing a property (provided you don’t pay a premium for the lease). However, a Lease can be an onerous document and it is advisable to obtain specialist legal advice to negotiate the terms of the Lease. Furthermore, the premises must be suitable for the practice and in this regard you areennaundertake the dentistry but lose the ability to provide your usual dental treatment.

Nice idea, but the winding down period can hurt your pocket two-fold, with reduced income and reduced sale proceeds.

Money Matters

About the author

Pippa Patel is a member of the Commercial Team at Lockharts and works primarily in advising dentists, corporate bodies on the commercial aspects of dentistry.