

UNW's Dental Business Unit

Dental Bulletin

UNW's regular update on topics of financial interest to all dentists



My role at UNW is changing.



In preparation for retirement from the UNW partnership on 31 March 2022, I will no longer be taking a lead role in managing UNW client work.

I will however continue supporting and mentoring the UNW Dental team, and my colleague Mike Blenkharn will take over the day-to-day management role and overall responsibility for dental accounting matters. I am confident that under Mike's leadership the UNW Dental Business Unit will continue to go from strength to strength.

From April I will also be helping UNW corporate finance colleagues assist larger dental clients maximise the sale value of their dental practices.

I enter this new phase of my professional life with mixed feelings; I will miss the day-to-day challenges and excitement of working with more than 500 dentist clients, and many professional contacts spread throughout the UK.

If only I could be the Peter Pan of dental accountancy!

Thank you for allowing me to have a business relationship with you, and I wish you all the very best for the future.

Alan Suggett

NASDAL Goodwill Survey – NHS practice values see big drop

This week has seen publication of the latest results from the NASDAL (National Association of Specialist Dental Accountants and Lawyers) Goodwill Survey statistics.

This survey covers the quarter ending 31st October 2021 and includes data on valuations as well as deals completed (i.e., practices bought or sold by NASDAL members' clients in the period).

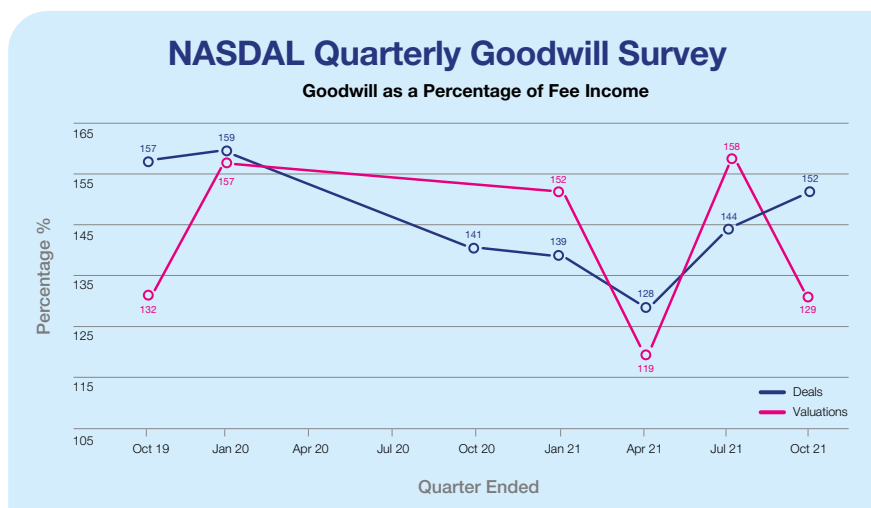
The quarter saw a varied picture for NHS, Private and Mixed practices. Overall, there was a small increase in goodwill as a percentage of fee income in the quarter across all types of practice – deals averaged 152% of gross fees – up from 144% in the quarter to 31st July 2021.

The big increase in values was for mixed practices which saw practice goodwill at 179% of gross fees – a big jump from 145% in the last quarter. Private practice goodwill values stayed steady at 132% of gross fees (133% in the previous quarter).

However, NHS practices saw a big drop in goodwill values to 138% of gross fees – down from 161% in the quarter to 31st July 2021.

NHS Practices – no longer the 'safe' option?

Alan Suggett, specialist dental accountant and partner at UNW LLP



who compiles the goodwill survey, commented, "These results may come as a surprise to some coming as they do, in the uncertainty of a worldwide pandemic. It may also be the case that the pandemic is causing deals to take longer to get done than they usually do and this is skewing the figures in this quarter.

"It could be that this is the beginning of a trend as dentists turn their back on NHS practices due to uncertainty around their value in years to come – only time will tell. Their guaranteed income at this time still makes them an attractive investment to some

buyers. NASDAL colleagues are still reporting that the practice sales market is robust and that sale prices are not being reduced and are reaching their full potential."

NASDAL reminds all that as with any averages, these statistics should be treated as a guideline only.

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Calculating NHS Associate pay during Covid –

Does “Abatement” come into the calculation?



The short answer to the above question is: “It doesn’t!”

Below are some worked examples which will illustrate why this is the case.

For the NHS contract holders who are reading this and getting hot under the collar, let me explain the key point in relation to NHS dental contract COVID abatement.

The logic of NHS dental contract COVID abatement

Abatement is designed to reduce the 100% payment made to NHS practices by the amount that they (on average) save by not performing all of the contracted UDAs or UOAs during COVID.

A typical NHS practice would usually incur direct costs of approx. 15% of gross NHS fees on lab and materials (according to the latest NASDAL benchmarking survey).

When contracted UDAs are not performed, the practice therefore makes a financial saving.

Abatement in Q4 of 2020/21 and Q1, 2 and 3 of 2021/22 is only charged in relation to contracted UDAs not carried out (e.g., if the practice performed 65% of UDAs in Q1 & 2 then the abatement applied to the 35% of contracted UDAs not carried out).

The logic is that after deduction of abatement the practice will be (on average) in the same financial position as it would have been with 100% of contracted UDAs performed and no abatement.

The practice **should therefore not pass on any of the abatement** suffered to associates, otherwise the practice gains a benefit to which it isn't entitled.

The question below was put to me recently by an NHS associate, my answer follows on from it

Q: I am an associate carrying out NHS work, my principal has deducted "Abatement" at the rate of 20% throughout the whole of the COVID period, do you think that this is fair?

A: If both you and the practice have hit or exceeded the designated percentage for each quarter (e.g. 65% for Q3 of 2021/22) then in my opinion you should not have suffered an abatement deduction of 20%, or in fact any abatement deduction at all!

By way of example - if your normal UDA target for the year was, say, 6,000 UDAs per year (500 per month) at £10 per UDA, the calculation of your total pay for the quarter should have been on the following basis (using Q3 as an example):

Assume you performed 65% of normal amount:

Normal pay = $3 \times 500 \times £10 = £15,000$
Less 50% of actual lab bills, say, £1,000

Now for the disputed deduction - it should not be 20% of the normal pay of £15,000, it should be a reasonable estimation of the lab bills not incurred due to COVID (i.e. on the 35% of UDAs not performed).

Therefore, a fair estimate of the deduction in relation to the 35% of UDAs not performed, representing the lab bills on the UDAs not performed, can be estimated by taking a proportion of the actual bills, as follows:

Actual lab bills (on 65% UDAs performed) = £1,000
Hence lab bills adjustment (on 35% UDAs not performed) = $£1,000 \times 35\%$ divided by $65\% = £538$

Therefore total pay = $£15,000 - £1,000 - £538 = £13,462$

If abatement of 20% is charged to the associate the revised (and incorrect!) associate pay is:

Normal pay (as above) = £15,000
Less actual Lab bills = £1,000
Less Abatement at 20% of gross = £3,000
Actual pay = £11,000
UNDERPAYMENT APPROX £2,500

To hammer the point home, what if a practice owner applies a "discounted" abatement of 10%?

Using the same example numbers as above:

Normal pay (as above) = £15,000
Less actual Lab bills = £1,000
Less Abatement at 10% of gross = £1,500
Actual pay = £12,500
UNDERPAYMENT APPROX £1,000

The problem is that there is no fixed way of carrying out the associate abatement calculation, and there is no "legal" basis for the calculation.

But to be absolutely clear, in my view an abatement deduction to associate pay isn't fair or reasonable.

Of course, a deduction in relation to adjusted lab bills, in relation to the UDAs not performed, is fair and reasonable.

Alan Suggett

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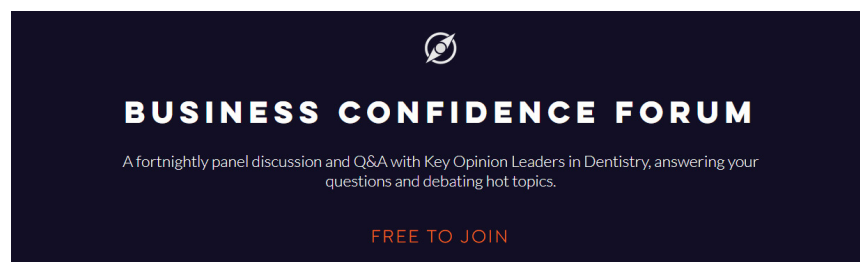
Let's meet at the Dental Showcase...

Are you visiting The BDIA Dental Showcase at ExCeL, London any time between 25 – 26 March 2022?

UNW will be on the **NASDAL stand (D27)** from time to time. If we've never met before it will be good to put a face to name, and if we have met before, it will be good to catch up.

Alan Suggett

Head of UNW Dental Business Unit



Business Confidence Forum

UNW's dental business partner Alan Suggett is a regular panellist on this fortnightly panel discussion and Q&A hosted by trainer and coach to the UK dental profession, Chris Barrow.

The Business Confidence Forum, which is free to join, brings together key opinion leaders in Dentistry, with the goal of answering your questions and debating hot topics.

The next Business Confidence Forum webinar will take place on Thursday 10th February 2022 at 8pm.

Registration details can be found here:

<https://www.coachbarrow.com/bcf>



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Any questions?
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