

Financing your practice renovation? **Read this first...**

Revamping your practice can cost a pretty penny. **FTA Finance** discusses what to consider when seeking external financing for your renovation



Every successful independent practice will undergo a degree of renovation at some point. Whether you are simply revamping your existing surgery or considering a sizable extension, the all important aspect of finance needs to be at the forefront of your mind.

From day one you need to set a clear budget and ensure your designers and planners work within this remit – if not, you could find yourself on the receiving end of some very grand (and expensive) designs.

How much you spend and the scale of your plans will of course be very much dictated by the level of your cash savings and the availability and the cost of any additional finance. Particularly if you are considering adding additional surgery space, you need to ask 'Is it worth it?', taking account of how much it will cost to implement, and the additional 'net' income you expect to secure as a result.

Know your numbers

The 'net' figure is key as would be after deduction of all additional costs – a second surgery would potentially generate £x additional income; however, you then need to deduct additional costs such as extra associates' remuneration, capital equipment costs, materials etc, as well as any additional finance expenses.

The preparation of a profit and loss forecast should cover the affordability question and it would be prudent also to consider a number of 'income' scenarios.

Forecast one would normally include an

average income increase (which really would vary depending on where your surgery is located) based on national average statistics.

The prudent practitioner would also prepare forecast two, which would assume income 25% less than expected, together with a bullish forecast three, with income 25% higher than expected.

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For larger developments, the allocation of a contingency fund is especially important – normally it is wise to put aside 10% of the overall budget to cover any surprise additional costs.

Even with the best laid plans, the unexpected could – and quite often does. Any interruption to your current business that could affect your cash flow during any build phase also needs to be carefully considered and factored in – ie, do you need to close temporarily or can you continue trading throughout the works?

Planning ahead is essential, especially when it comes to finance and you need to factor in how extensive the project will be, how long it will take together with overall costs – in both best and worst case scenarios.

Funding your renovation

So, how best to fund the project? There is no right or wrong answer here and will be very much down to individual circumstances. Here are a few options.

- **Cash** – particularly for smaller projects and basic refurbishments, this may be the most straightforward route – even more so at present with next to nothing paid interest-wise on savings. If you do 'self-fund' at outset, it is always possible to take a retrospective loan facility post-works to replenish your cash resources
- **Business loan** – this is the most common way of financing medium to large developments. Whilst your current bank will normally be your first port of call, take care as they may not necessarily be offering best terms. It's always wise to engage an independent business adviser to act on your behalf to help prepare the necessary forecasts and to negotiate with your current bank, as well as seeking alternative options from other lenders. For an established practice looking to expand, in most cases it should be possible to secure 100% funding for the whole project if need be
- **Lease/hire purchase** – this could be a suitable option if any new equipment is needed. This can be a tax efficient and cost effective means of structuring the purchase.

If you would like to speak with a dental business finance specialist you can contact FTA Finance directly on 0330 088 11 57 or info@ftafinance.co.uk or visit www.ftafinance.co.uk