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# retail

R O U N D - U P

## Simple ways to reduce your business expenses

Debbie Andalo investigates how community pharmacists can keep their bills down



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**F**rom this autumn community pharmacists will be able to log on to a new internet site, input facts and figures about their practice and discover at the click of a mouse how successful their business is in comparison to pharmacies of a similar size.

### Hypothetical accounts

This initiative will be available to members of the National Pharmaceutical Association, which estimates that it receives at least one call a day from community pharmacists who need advice about saving money and making their businesses more profitable. The online financial modelling

service was designed by the NPA's pharmacy business manager Raj Nutan. He says: "It isn't meant to replace the need for a management accountant but it will produce hypothetical profit and loss accounts and a bench mark report where pharmacists will be given a ranking which is linked to the number of prescriptions he or she dispenses every month."

Mr Nutan estimates that he receives 15 to 20 calls a month from pharmacists seeking financial advice. "I hope that the service, which is really a business tool, will be of general help so that I can devote time to more complex problems which some pharmacists may have."

### Reducing bills

Community pharmacists who are looking to save money on their business costs can take a number of simple steps to keep the bills down.

Tom McGuire, a chartered accountant and partner at Wylie and Bisset in Glasgow, advises around 12 community pharmacists. He is a member of the health care group of the UK 200Group — an organisation for accountants and lawyers who work with small or medium-size businesses.

He believes most community pharmacists will fall under exemption criteria which excludes businesses from having to produce a certified

### IBS pain

Pain associated with irritable bowel syndrome (IBS) can be far worse than many other types of pain such as back pain and period pain, according to a survey of 563 IBS sufferers sponsored by Buscopan IBS Relief. Over a quarter of people surveyed believed that the pain could be worse than childbirth. However, less than half of the sufferers said they looked for a treatment that works on the cause of the cramps. Angela Alexander, pharmacist and senior clinical lecturer, commented: "This reinforces the importance of pharmacists talking to their customers to offer helpful advice on how to manage pain symptoms specific to IBS, including explaining the effective over-the-counter treatment options to them." The survey also found that 42 per cent of the sufferers experienced abdominal pain everyday or almost everyday.

### Smoking cessation

*Pharmacy Health Link has launched new guidance aimed at helping pharmacists and pharmacy staff provide high quality NHS smoking cessation services. "Towards a smokefree England — brief interventions for stopping smoking by pharmacists and their staff" advises staff on what to explain to customers and the need for follow-up and ongoing support. The guidance, produced jointly with the Department of Health, is available at [www.pharmacyhealthlink.org.uk](http://www.pharmacyhealthlink.org.uk).*

annual audit. This could save between £3,000 and £5,000 in accountancy fees. To qualify for exemption the pharmacy has to meet two of the following criteria:

- Have a turnover of less than £5.6m
- Employ less than 50 staff
- Have gross assets of less than £2.8m

Another way to reduce accountancy fees is to make sure that good record keeping takes place. "If somebody comes to me at the end of the financial year asking to lodge accounts, and hands over a box full of invoices and bank statements with no attempt having been made to pull anything together, it is going to cost them an awful lot more than the chap who comes in who has attempted some kind of book keeping," says Mr McGuire.

He recommends that pharmacists invest in some book keeping computer software, such as Sage, and employ a trainer to explain how to use it. This may cost around £2,500 (including the training) but it makes economic sense. "You will get that money back time after time — it could be the difference between paying your accountant a fee of around £2,500 compared to £10,000 if your accounts are a dog's dinner."

### Smart banking

Using Girobank for paying in money is another way of keeping business costs down. Mr McGuire says: "Their charges are a fraction of what the high street banks

## Making savings on staff costs

Staff costs can be reduced by changing the method used to pay staff and by employing more staff part-time. It is cheaper to employ two part-timers than to employ one person to work full-time because the number of hours worked is linked to an employer's national insurance contribution. Chartered accountant Tom McGuire says: "This is just something simple you can do which makes business sense."

It is also cheaper to pay staff in cash than it is to pay them by cheque or through the BACS electronic banking system, to avoid paying high bank charges for lodging cash, Mr McGuire points out. Stephen Marks, company secretary for Numark, also recommends using BACS rather than cheques for paying staff salaries. He says: "If you pay staff by cheque it costs around 70p per transaction compared to around 30p to 40p for payment through BACS." Pharmacists could also use BACS to pay their suppliers, he suggests.

charge so pharmacists could lodge their cash with Girobank and then transfer money by cheque to their main account, which may be at another bank. In effect they can use Girobank as a clearing house, although this option is dependent on how near your business is to a post office."

### Loans

Choosing which bank to borrow money from can also bring cash savings. Numark, which has 1,750 community pharmacies UK-wide, has negotiated a special loan rate for its community pharmacists with HSBC, although the final rate will depend on the pharmacists' individual "risk profile". An alternative option is to borrow money from pharmacy wholesalers who will act as a loan guarantor in exchange for pharmacy wholesale business. Stephen

Marks, company secretary for Numark, says: "This is a pretty popular option — it often involves cheaper rates of interests than the pharmacist would get from a bank."

However, pharmacists should not be put off approaching their high street bank for favourable terms, says Mr McGuire. "Health professionals — doctors, dentists and pharmacists — are seen by banks as very strong at the moment because their roles are changing. Because of the sector pharmacists are in, they could get beneficial terms of around one per cent above base rate."

Paying VAT returns monthly, rather than quarterly, can also improve cash flow, and keeping up-to-date patient records is also a good idea to maintain income streams, says Mr Marks.

## Retail Round-up

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## Business basics — answers to your common retail problems

By business contributor Reg Peplow

### Job reference

**Question** An employee who left to start another job without giving notice has been sacked from his new job. He has now asked me for a reference. Am I obliged to give one?

**Answer** No. However, if you do give a reference you should tell the whole truth. Following a House of Lords decision, it is now understood that employers have a duty of care to departing employees in what they say. If, as a referee, an employer fails to disclose relevant facts that will have an impact on an employee's new job, he can be in trouble. It is unclear how this affects an employer in circumstances like your own, so be cautious.

### Accounting for VAT

**Question** Paying VAT on a quarterly basis is a painful experience, particularly when the amount due is based on bills that customers have not yet paid. Is there an easier system for a small trader not possessing expensive accounting tools?

**Answer** Ask your local inspector about the cash accounting scheme under which VAT is based on payment actually received and sums paid out. Also ask about the possibility of filing VAT returns on an annual instead of quarterly basis, and whether you would qualify to register for the scheme under which VAT is calculated as a percentage of turnover.

# Good habits for conquering and avoiding paperwork mountains

Lin-Nam Wang looks at how to deal with papers efficiently and keep piles of paper out of the pharmacy

Somewhere, in most dispensaries, sits a pile of papers. This typically contains a few invoices, a delivery note or two, correspondence from the primary care organisation, various memos, marketing material left by a rep, the odd MHRA or NHS alert, copies of *The Pharmaceutical Journal* and other pharmacy publications and, perhaps, a letter from a student enquiring about a summer job or a request from a local charity. Community pharmacies not only accumulate paperwork generated from running a business (eg, health and safety records, bills and maintenance contracts) but there are invoices to send to local surgeries, standard operating procedures to review, PCO audits to be conducted, MUR forms to post, interventions to be recorded, and applications for relocations to be opposed — not to mention CPD to be logged.

*Retail Round-up* asked five pharmacists if they take paperwork home with them. There was a resounding “yes” from all five. One even said that he carries a large crate home and back again each day.

Even those who employ accountants to deal with items like VAT returns and payroll estimate they spend about 16 hours a month on paperwork. Sagar Patel, proprietor of Herbert & Herbert in Hounslow, Middlesex, comments: “I try to do [paperwork] at work, but I don’t get much done — my attention is needed for MURs, counselling patients and making sure their needs are met.” Undoubtedly, there is



Marcelmoij/Dreamstime.com

some paperwork that is best dealt with outside opening hours — writing an SOP, for example, might require uninterrupted concentration — but there are some useful strategies to keep this to a minimum.

The trick is to adopt an efficient system and make this a habit. One such system is to ensure that as soon you have a piece of paper in your hand, you deal with it in one of four ways: act, file, throw away or pass on.

**Act** If the piece of paper is something you need to deal with yourself, the general rule is not to move onto the next piece of paper (or envelope) until the first is dealt with — do not waste time looking at the same paper twice. And a tip from Noel Baumber, proprietor of Barrowbygate Pharmacy in Grantham, Lincolnshire, is to create a pleasant and comfortable desk space, both in the pharmacy and at home: “It helps the paperwork if you enjoy the desk spaces you create for yourself.”

**File** Every piece of paper that is not thrown away should have a home and should be filed immediately. Large ring binders are

probably best for this. Use logical categories and clear labels to create an accessible filing system, putting most recent items at the top of each section. Bear in mind that some papers may need to be kept for years. For example, invoices are kept to check against statements at the end of each month but accountants at the National Pharmacy Association recommend keeping them for longer because HM Revenue and Customs can ask to see invoices going back six years. Plenty of labelled storage boxes come in handy here. In addition, make sure you file only what is essential. Files should be reviewed periodically and marked with a date for destruction.

**Throw away** “Any junk mail goes straight in the bin without reading,” Mr Patel says. However, pharmacists might consider shredding bills and anything confidential or sensitive, says Raj Nutan, pharmacy business manager at the NPA. In addition, you should be aware that the Royal Pharmaceutical Society’s “Professional standards and guidance for patient confidentiality” states: “Disposing of patient identifiable information may involve shredding

## Levelling an existing mountain or a “can wait” tray

- **Work backwards** Deal with newer papers first and work back. This means you stay current.
- **Be ruthless** Throw out anything you have not looked at for three months — you probably never will and it is likely to be out of date.
- **Avoid “paperwork fatigue”** Spend 10 minutes at a time on levelling a paperwork mountain rather than tackling it all in one go.

documentation, or alternatively placing it in confidential waste or deleting the information by way of a permanent marker."

**Pass on** "Increasing responsibility of staff can provide a quick win," says Mr Nutan. Delegation is a classic time management strategy. Mr Nutan recommends that pharmacists look at a model day and what their staff do at half-hour intervals to find the quieter times when staff can be given extra tasks, such as sorting the mail, filing or basic book-keeping. "A significant amount of work can be done by staff, eg, checking invoices against delivery notes, then statements and authorising payment. Also a lot of the rubbish can be filtered out by them. I only ask to see stuff marked 'private and confidential'," says Tony Schofield, a pharmacist in South Shields.

Paperwork can also be passed on by contracting out activities, for example, various companies offer support for dealing with health and safety.

Although the golden rule is to deal with each piece of paper once only, in reality this can be difficult. An alternative is to have two trays into which to split "act" papers: one for items that need to be dealt with urgently, for example, a VAT return — late returns could spell poor cash flow — and one for things that can wait. A tip from Chris Howland-Harris, proprietor of Ashgrove Pharmacy in Bristol, is to further



**Confidential information should be shredded**

divide the urgent pile into work that can be done in between daily activities (eg, paying bills), paperwork that can best be done by going into work half an hour early once a week (eg, VAT returns) and paperwork that needs to be done outside the pharmacy.

### Utopia

"The best thing you can do is to try to process as much as you can electronically," says Riaz Esmail at Fairview Pharmacy in Burnt Oak, Middlesex.

Of course, Utopia would be a paperless dispensary. It is hoped that electronic prescribing will mean that there will be no need to send a bundle of paper to the Prescription Pricing Authority each month. However, although the system may save paper, Mr Nutan says we need to wait to judge whether it will save time: "It will involve a change to traditional dispensing processes

and until then we should wait to see the detail." It is also hoped that suppliers of patient medication record systems will offer programs that will record interventions and conduct audits (some may already be doing so).

Wholesalers have also been working towards reducing paperwork. For example, in May, AAH launched a pilot of an electronic proof of delivery system (where customers are asked to confirm a delivery by signing on the screen of a terminal), which gets rid of paper delivery notes.

Actions that can be taken today to reduce the volume of paper in pharmacies, however, include reducing paper correspondence by using the internet and email. (For example, it is now possible to communicate with HM Revenue and Customs via broadband.) In addition, most journals can be accessed online and the NPA makes various resources available on the members-only section of its website ([www.npa.co.uk](http://www.npa.co.uk)). Publications that are not read can be cancelled. Another possibility is to invest in a scanner so all documents you want to keep can be kept on your computer (but do not forget to back up your files). Contact management programs are available so that business cards can be scanned and details are easy to retrieve.

### Head lice

Parents are not checking their children's hair for head lice regularly enough, according to a survey carried out on behalf of a new campaign entitled "Once a week, take a peek". Results showed that 46 per cent of parents did not understand the need to check regularly and 33 per cent did not know what to look for. One in two parents said they check for lice once a month or less, and one in 10 said they check once a year. Details about the campaign, supported by Hedrin, the School and Public Health Nurses Association and the Medical Entomology Centre, can be viewed at [www.onceaweektakeapeak.com](http://www.onceaweektakeapeak.com).

### Holiday time

Health care workers take more time away each year than staff in any other sector, with 55 per cent taking more than 25 days holiday per year, according to an online survey of nearly 2,500 people. The survey showed that owners and directors of smaller businesses take far less holiday than senior staff in larger organisations. A total of 39 per cent of owners of businesses with up to 10 employees reported taking 15 days holiday or less per year. 40 per cent of small business owners said they feel the need to keep in touch with work while away, compared with 8 per cent of health care professionals. The survey was commissioned by BT.

### Cancer rates

Rates of some common cancers are rising rapidly according to new research published by Cancer Research UK and the UK Association of Cancer Registries. Over the last ten years rates of melanoma have risen by over 40 per cent, with heavy sun exposure thought to be responsible for most cases, and mouth cancer rates have increased by nearly 25 per cent.

"Throw out anything you have not looked at for three months — you probably never will and it is likely to be out of date"

# Staff employment contracts — are they really necessary?

David Regan explains why employers need to ensure that their staff contracts are drawn up professionally

**A** contract of employment sets out the obligations of both the employer and the employee. These obligations can be set out in a formal contract of employment, in some other form, such as in an email or a letter, or even verbally. However, certain information must be clearly expressed to the employee by the employer in writing.

## When are contracts needed?

Employers often believe that if nothing has been written down then they have no contract of employment with their employees. This is incorrect. Contracts can be made verbally so employers need to be careful about making statements to employees. For example, it has been held that, in certain circumstances, a comment to an employee that he or she will receive a pay rise at the next pay review could amount to a term of the contract of employment.

For a contract to be formed there need only be an offer of employment and acceptance of that offer, an intention to create a legal relationship and sufficiently clear terms. All employers should have a written contract of employment so that they

can be certain about the terms on which their employees operate.

Most pharmacy employees will have a contract of employment. However, locum pharmacists are often brought in on a self-employed basis. There should still be some form of written contract in these circumstances.

## Consultancy contracts

Consultancy contracts or contracts to provide services to the business at a particular rate are usually used when an employer does not wish a person to become an employee. However, it is quite common for such contracts actually to be contracts of employment, and for an employer to find that they owe employment rights to the consultant. Care must be taken when drafting such a contract for services.

## Terms of the contract

Terms of the contract may be either express or implied. Express terms are terms which the employer and the employee specifically agree. These are usually the terms that are found to be written in an offer letter, contract of employment, or subsequent emails or letters (eg, confirming a pay rise).

Express terms will usually include salary or remuneration, hours of work, annual leave provision, pension arrangements, any restrictive covenants and any terms that are especially important to the employer or employee, such as the requirement for an employee to maintain a professional qualification.

With implied terms, the general rule is that a term will be implied in a contract if it is so obvious that both parties would regard it as a term even though it has not been expressly stated.

Commonly implied terms are the employee's duties



Konstantinos Kokkinis/Dreamstime.com

of fidelity, obedience, working with due diligence and care and not using or disclosing confidential information. Employer's implied duties are not to destroy the relationship of trust between the employer and employee and to take care of the employee's health and safety. There is also the implied duty upon both parties to give a reasonable period of notice of termination when no specific notice has been agreed.

Policies contained in staff manuals do not necessarily form part of any contract.

It is important for pharmacy employers to ensure that every employee receives a written statement of the necessary particulars, and that their employment contracts reflect the needs of the pharmacy. It is also important that employees make sure that they are aware of their rights under their contracts. Pharmacy employers should ensure that contracts are professionally drawn up and comply with the relevant legislation and that the employers are adequately protected. It is also sensible to review existing contracts periodically since employment laws within the UK are changing rapidly.

*David Regan is a solicitor at Munday's LLP, Cobham*

## What must a contract contain?

The Employment Rights Act 1996 requires that employers must give each employee a written statement of the terms of their contract within the first two months of employment. Failure to do so entitles the employee to bring a claim in the employment tribunal. The contract must include:

- The name of the employer and employee
- The date upon which the employment began
- The date on which the employee's period of continuous employment began
- The employee's job title or a job description
- The employee's place of work
- The rate and frequency of the employee's pay
- The employee's hours of work
- The employee's entitlement to holiday, public holidays and holiday pay
- Terms and conditions relating to sickness, injury and sick pay
- The provision of any pensions
- The length of notice which both parties are required to give to terminate employment