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5 Financial Mistakes Independent Opticians Make

A short guide from Virtufin covering the most common issues I see in optical practices.

1

Your VAT apportionment method might be costing you money

Every pair of glasses you sell is a mixed supply for VAT purposes. The frames and lenses are standard-rated. The dispensing service is exempt when performed by a registered optician. That means every transaction needs splitting between taxable and exempt elements.

The method you use for this split directly affects how much VAT you hand over to HMRC each quarter. Some practices use separately disclosed charging, where the customer sees two separate prices on their receipt. Others use a full cost apportionment method that calculates the split based on the costs of providing the dispensing service.

HMRC changed the rules in October 2020, making it easier to operate apportionment methods without prior approval. But many practices are still using methods that were set up years ago and haven't been reviewed since.

If your method hasn't been looked at recently, you could be overpaying VAT every quarter without realising it. A review of your apportionment method is one of the first things I do with any new optical practice client.

2

You probably don't know your real margins on NHS versus private work

Most practice owners have a gut feeling about which side of their business is more profitable. Private work feels more lucrative because the prices are higher. NHS work feels like a necessary but lower-margin part of the business.

But until someone has actually broken down the true costs of delivering each type of service, including clinician time, admin overhead, and the different stock profiles involved, you're running on assumption rather than data.

I've worked with practices where the NHS margins were actually better than expected once the full picture was visible, and others where private work was being subsidised by the NHS side without anyone realising.

Knowing the real numbers changes how you allocate your clinic time, which appointments you prioritise, and how you structure your pricing. Without that clarity, you're leaving decisions to guesswork.

3

Your frame stock is tying up more cash than you think

Frames are expensive to buy in and they tie up cash while they sit on the shelves. Some brands sell through quickly and generate good margins. Others look great on the display but barely move.

Do you know your average sell-through rate by brand? Do you know which price points your patients actually buy at versus the ones you think they buy at? Do you know how long the average frame sits on your shelf before it sells?

If you can't answer those questions, your stock buying decisions are based on what suppliers tell you rather than what your own data shows. That means cash tied up in frames that aren't earning their keep, and potentially missing out on brands and price points that would sell faster.

Tracking this doesn't require complicated software. It just needs someone looking at the right data and presenting it in a way that helps you make better buying decisions.

4

You might not know what each clinician actually costs you

Registered optometrists and dispensing opticians are your biggest expense after stock. Their salaries, employer's NI, pension contributions, and the time they spend on non-revenue activities all add up.

Have you ever calculated the revenue each clinician generates against their full employment cost? Most practice owners haven't, and the answer isn't always comfortable.

I'm not suggesting you cut anyone. Understanding the economics of your clinic helps you make better decisions about scheduling, hiring, and how you allocate patient appointments across your team.

If you're thinking about taking on another optometrist or dispensing optician, knowing these numbers means you can work out exactly how many additional appointments you need to cover the cost, rather than hoping the workload justifies the hire.

5

Growing to a second location without the right financial planning is risky

Opening a second practice is exciting. It's also one of the biggest financial commitments you'll make. You probably already want to do it. The question is whether the numbers support it.

Can the existing practice sustain itself while funding the setup costs of the new one? What does the cash flow look like for the first 12 months when the new location is building its patient base? How long before the second practice is self-sustaining?

These are questions that need proper financial modelling, accounting for setup costs, ongoing overheads, realistic revenue forecasts, and the impact on the existing practice.

Getting this right before you commit means you go into the expansion with confidence rather than crossing your fingers and hoping it works out. Getting it wrong can put both practices at risk.

Want to talk about your finances?

There's no hard sell, just a conversation about where your business is and whether I can help.

GET IN TOUCH

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