

CARE NEWS

SUMMER 2019

AG ALBERT GOODMAN
CHARTERED ACCOUNTANTS,
TAX CONSULTANTS &
FINANCIAL PLANNERS



In this issue:

Care Market Analysis Update - What is Trending? >>

Corporate Structure in a Care Business Setting Part One: The Key Issues >>

Protecting your Care Home from fraudsters - top tips >>

How much should I pay my care home manager? >>

Compton View's Price is Right >>

Introduction to Goodman Beer Ltd - Specialist Health and Social Care Advisers >>

Meet the Team - Alison Parsons >>

How to be Outstanding - Top Tips >>

Tax Tip - Entrepreneurs' Relief >>

Social Work Degree Apprenticeships available this autumn >>

Meaningful activity for residents >>

Making Tax Digital (MTD) >>



Welcome

Welcome to our Summer 2019 Newsletter.

Whilst we still await the long-promised Green Paper on social care (albeit a Briefing Paper was released on 13th May 2019), the topic has been raised recently through two BBC Panorama Programmes which were filmed in the South West. The programmes, aired on 29th May and 5th June, looked at 'Who Cares' (clients and providers) and 'Who Pays', focusing on funding and Somerset County Council. We hope that these will be a timely reminder to Government and the general public that finding a resolution to the future of the sector is long overdue.

Many of the articles in our summer newsletter are about money and finance: we have Chandler & Co's view on the current state of the market; whilst Jonathan Coombs from Pinders offers advice on remuneration for care home managers. Albert Goodman's Clare Blackmore gives guidance on 'Making Tax Digital', and we meet Alison Parsons, Sage Development Manager.

We're also delighted to bring you advice from two care homes who have achieved success in different ways: Compton View, who have made substantial savings in non-staff costs through the development of new software; and Coneygar Lodge, who share their top tips for achieving an 'Outstanding' rating with CQC.

Julie Hopkins

Director and Head of Care Sector, Albert Goodman

Care Market Analysis Update - What is Trending?



Care Sector Mortgage Brokers

As we near the halfway point of 2019, Jonathon Read, Senior Broker at Chandler & Co, shares his analysis of the current situation in the care sector.

Chandler & Co have had a good start to 2019, with a total of £202m loan proposals agreed and requested, 96 active deals & 15 different lenders!

The care market – despite the recent political climate – is continuing to thrive and grow, mainly due to the growing elderly care population and lack of NHS funding towards this sector building the private market.

Staffing and recruitment were a worry for owners once the national living wage increases were announced, however local authorities have increased their fees in line with this, stabilising the existing good quality care homes providing vital care. This ripples through the market and then allows private care homes to increase fees to accommodate.

In a particularly worrying time for new entrants to the sector and existing care home operators, the care sector is pulling through, and with recent CQC inspections (as of April 2019) being 68% Good or Outstanding; operators are adapting to the new regulations and general quality of care is dramatically improving.

We also hear a lot about the importance of building brand new care facilities, but local authority funding and fees remaining stagnant. There remains a large proportion of boutique care homes and good quality care that is the backbone of the sector, providing homes to residents that cannot afford to pay over £1,000 per week. We are seeing the majority of the transactions taking place in this area as care is improving, meaning they are providing strong competition for the corporate healthcare operators which is again pushing the quality of care higher.

As quality of compliance is improving, lenders have identified healthcare as a strong sector for growth. With such a selection of 'new' challenger banks and specialist lenders offering unique & exclusive packages, and some high street banks pulling back slightly from the market, it is important to get specialist advice on your commercial mortgages. Especially if you have an existing lender who isn't showing an appetite to help you grow. This does not mean that there aren't funding options!

For a free, no obligation financial review please contact Chandler & Co. on 01622 817484 or finance@chandlerandco.co.uk



Corporate Structure in a Care Business Setting Part One: The Key Issues

Albert Goodman has looked after care providers in the form of sole traders, partnerships and limited companies for many years. Should you consider incorporation? Here, Director Julie Hopkins considers the main advantages and disadvantages.

The Advantages

Personal asset protection is always a key factor when considering incorporation, as a company is a separate entity and distinct from its shareholders. Without personal guarantees, business owners should have limited liability for business debts and obligations.

Being a limited company can add **commercial credibility** to a care business, and provides added protection for its name and business branding. It also means that the **company can continue to exist even if the ownership or management changes.**

From a **tax perspective**, sole traders and partnerships are liable to the variable rates of income tax and national insurance; whereas a company is liable to corporation tax with the current legislation heading towards 17% by 2020. A company can deduct Director salaries, whereas with a sole trader or partnership the extraction of profits from the business are via 'drawings' even though they are taxed on the profits. Various tax planning measures are available when growing and exiting a company.

A company structure can also **encourage greater investor investment.**

The Disadvantages

A company is subject to **increased regulatory formalities** and thus **expense**, and a Director must adhere to his/her responsibilities.

Extraction of remuneration is usually in the form of a salary and dividends, the latter now subject to its own **'tax on dividends' legislation.** Losses in a company may be 'group relieved' depending upon the group structure, but cannot be personally claimed.

An **exit strategy may have to consider different types of liquidation** with additional administrative costs and tax implications.

Each corporate entity which trades as a care business is subject to the Care Quality Commission fees.

In the next newsletter Julie will consider the types of corporate structure available. In the meantime, if you would like an initial free consultation on how and whether to incorporate, please contact julie.hopkins@albertgoodman.co.uk or telephone 01935 423667.

Protecting your Care Home from fraudsters - **TOP TIPS**

Fraudsters are finding new methods to target care homes. Sharon Hillier, Relationship Manager at Lloyds Bank, provides her top tips to keep your care business safe.

Care Homes, as with many other businesses, need to maintain a high level of vigilance in order to spot fraudsters who continue to develop new, increasingly sophisticated tactics to steal their funds. This is particularly the case with cyber fraud attacks where criminals can easily hide their identity from unsuspecting victims.

Here are our top tips:

- Be wary - If you receive a phone call from someone and you're not 100% sure of their identity, don't provide them with any information or carry out anything they request until you've independently verified them, for example by calling back using a number you've obtained from a reliable source.
- Don't rely on caller display - Fraudsters can make your phone's incoming display appear to show a genuine number.
- Keep your passwords safe - NEVER divulge online banking passwords or card and reader codes to anyone on the telephone. We will never ask you for this information.
- Question any transfer requests - We will NEVER tell you to transfer money out of your account to a 'safe account'.

- Install antivirus software on all computers - Ensure that updates for this, the operating system and all software applications are regularly applied.
- Think before you click - Only download programmes or click on hyperlinks you can trust. Our emails will never lead you to a screen which asks for your online passwords or card and reader codes, so be immediately suspicious if you're asked to re-validate this information.
- Beware of unexpected emails - Emails you're not expecting asking for secure or sensitive information or asking you to click on hyperlinks could be fraudulent. Set up effective and on-going staff awareness training and phishing email testing.
- Email is not a secure method of communication - For payments or for receiving changes to existing payment details always ensure that you have a robust process to validate such requests or changes, preferably verbally with a known contact.
- Only download software from verified and trusted sites.

Report all fraud to your bank and to **Action Fraud**, even if you spot and prevent the fraud.

Visit the Lloyds Bank **Fraud hub** for more information on common fraud scams.



How much should I pay my care home manager?

If you are looking for a new Manager for your care business, this will be one of the questions at the front of your mind. Jonathan Coombs from Pinders offers his advice.

The simple answer is: as much as you can afford! However, unless you regularly monitor advertised jobs for care managers, you might not be aware of the going rate. Plus, salaries have generally increased by a higher percentage than those of other care staff.

Since 2016 Pinders have analysed manager's salaries from all valuations we have undertaken for homes with OP and DE registrations. In 2018 all were non-corporate homes, ranging in size from 12 to 88 beds, covering all regions of the UK except Northern Ireland.

As we shall discuss later, we have also established a relationship between how much a care home manager is paid and the average annual fee in the home being valued.

Residential Care	under 30 reg	over 30 reg
Manager per annum	£28,944	£33,433

There has been little change to salaries in the residential care sector over the last two years. In fact, salaries in the over 30 registration size were slightly lower in 2018 than they were in 2016. There are no obvious reasons for this, but there is a widening gap between manager's salaries in the private and corporate/group sector. We are aware of good managers being head-hunted by national groups with salary increases of up to £20,000 per annum. Advertised vacancies for larger homes typically have salaries of £40,000 to £50,000.

There are noticeable regional variations. In the under 30 bed category, the lowest salary was £19,032 in Lancashire and the highest £40,000 in Sussex. There is an even wider difference for larger homes, ranging from £23,635 in West Midlands to £50,000 in Devon. Of course, average fees tend to be much higher in the south, where there is a larger proportion of self-funded residents.

Nursing	under 35 reg	over 35 reg
Manager per annum	£42,341	£45,309

The vast majority of registered managers in nursing homes are qualified nurses, and therefore salaries are much higher to reflect their qualifications.

In contrast to residential homes, salaries have increased by 20.9% since 2016 for homes under 35 beds, and 6.7% for those over 35 beds.

The south east has the highest salaries, £58,656 in Surrey (under 35) and £61,150 (over 35 beds).

The lowest salaries were £30,000 (Gloucester) and £35,388 (Norfolk) in the respective size homes.

Relationship between manager's salaries and fees

Our analysis has revealed that there is a link between the manager's salary and the average annual fee. This is expressed as the salary divided by the fee:

All care 0.94 (range 0.64 to 1.44)

All nursing 0.96 (range 0.74 to 1.33)

The salary-to-fee ratio in care homes of less than 30 beds falls to 0.91, whilst in nursing homes of under 35 beds it is 0.87. This reflects the relative inefficiency of smaller homes.

As an example, if the average weekly fee in your residential care home is £700, this equates to £36,400 per annum. In simplistic terms the manager's salary is likely to be in the region of 94% of this figure, namely £34,216.

This relationship can be useful when planning salary reviews for managers, and assessing how much the salary should increase if you are proposing an extension to the home. However, nothing beats local knowledge.



Compton View's Price is Right

Compton View Care Home has created software to identify the best prices for non-staff costs, and the savings have been substantial. Paul Edwards explains how it could benefit your care business.

Running a care home brings many rewards and pleasures but, as a business, requires one to keep control of operational spending. After staff costs, the largest cost to our care home is for purchase of food and non-food items such as cleaning products. Have you ever wanted to have more control over expenditure such as this, whilst still maintaining the quality of the service you deliver?

We thought this through and commissioned a local business to code a piece of software that enables us to minimise spending on items like food and cleaning products. It works like this: the software finds the prices for a range of 'similar' goods each and every time the software is run - even intra-day - across a range of suppliers for the similar goods (e.g. baked beans). It then chooses the item for purchase from the range of similar items sold via differing suppliers based on lowest price. This is achieved via a clever algorithm written into the code. The output is a spreadsheet that allows us to group together all the 'best' purchases from each supplier, ending up with the total list of items to be purchased sorted between best suppliers for each item (there is usually more than one supplier we end up using for each supply run).

Using the software in this way we have reduced our bills by a substantial amount, allowing us to plough back profits into care for our residents.

We have already thought of ways to improve our internal release version, but would value your input. How would you feel about gaining access to this software (for free) for, say, 1-2 months use - we would train you on using the software. In return, all we'd ask is for some feedback along the lines of the software's utility, its good and bad points and improvements required to operate more efficiently in your business. You have little to lose and savings to be made whilst using the software. With feedback collated, we'd intend on improving the product for release, so you could benefit again in the future.

For further information please contact Paul Edwards info@comptonview.co.uk

Introduction to Goodman Beer Ltd

- Specialist Health and Social Care Advisers



Supporting people with a learning disability through care at home, residential care or supported living is complex. It is an area of the care sector which regularly receives negative attention because of high profile cases of abuse, such as Winterbourne View and now Whorlton Hall.

It is no surprise that the Government and CQC are examining the standards by which services for people with complex needs operate. The Department for Health & Social Care is considering the responses to its consultation on the need for better training standards in the sector; and CQC are continuing to inspect services where restraint is known to be used. It is inevitable that providers of services for people with learning disabilities can expect a higher level of training to be required, and that any service where restraint is (legitimately) used must have a restraint reduction programme in place.

Goodman Beer Ltd has been advising specialist health and social care services for over a decade, sometimes when regulatory action is already being taken, but sometimes for providers with services rated as 'Good' or 'Outstanding' who want to ensure that everything is running smoothly and to understand what could be done even better. It's always good to know who to turn to in the event of a crisis or where to get the best MOT from for your care business!

To find out more, telephone Mark Goodman at Goodman Beer Ltd on 07879 883 621.

MEET THE TEAM

Alison Parsons, Sage Development Manager

If you have attended one of our free Sage workshops for clients you will already be familiar with Alison, as she hosts these successful events. Alison is Sage One and Sage 50 Accounts Certified, is a serving member of the UK Accountants Advisory Board at Sage, and a Sage Social Business Expert. We caught up with her to find out more about how her role, and how Sage, can benefit clients in the care sector.



What do you find most rewarding about working with care home clients?

I very much enjoy working with people who are passionate about what they do. In the care home industry, it can sometimes be a difficult task to collect monies owed. That's where we can help to avoid a potentially serious issue with cash flow by automating much of the process. By helping to shorten the cash-cycle, we can help to ensure that the owners and staff can continue doing what they love.

Explain how your role as a Sage expert can help clients?

Care homes are very different from other types of business in which extra income can be generated by simply selling more services to more people, and ultimately run more efficiently. Key Performance Indicators can be set up and managed, such as the ratio of staff costs to fees and occupancy ratios, which are key figures and understanding them is essential to the long term financial viability of the business.

How has your role evolved over the years?

Initially, my main involvement was assisting with financial forecasting, which chiefly focused on patterns in past historical data in order to project likely future outcomes. With advances in technology, I am now able to provide really up to date and current information which is much more valuable to businesses. As a firm, we can now use live information and focus on looking ahead, which allows us to plan with a greater degree of certainty. This allows our clients to identify the future impact of their current choices with more clarity, and move forward with greater confidence.

What exciting new features has Sage got?

Bank feeds and rules have revolutionised the Sage book-keeping process, automating processing and helping to reduce the potential for error. Sage now also offers the ability to interact with Office 365 to allow expense receipts and other items to be scanned through a mobile phone app and either posted straight into the software or sent to a further member of staff for approval. The aim of all these features is to increase efficiency, allowing records to be completed and kept up to date with minimum time and intervention.



HOW TO BE OUTSTANDING - TOP TIPS

In our Winter 2018 newsletter we mentioned ways in which providers could work towards achieving an 'Outstanding' rating in their CQC Inspection. Coneygar Lodge in Bridport achieved this rating in November last year and we have spoken to James Cross, part of the family which own Coneygar Lodge, and Registered Manager Louise Van Dorn, about what it takes to be 'Outstanding'.

1. Always strive to be the best that you can be

We didn't have a strategy to achieve the 'Outstanding' rating; it was the culmination of the journey of improvements which we have made over the past 6-7 years.

2. Build a passionate team

It is vitally important to have a good team of staff who are as enthusiastic and passionate about the care sector as we are. We are lucky to have a loyal workforce, some of whom have worked here for over 20 years, and that helps us to provide consistency for the residents.

3. Identify 'Champions'

Our CQC Inspection report noted that we have designated 'Champions' for certain aspects of our service, such as Infection Control; End-of-life Care; Medication; and Dementia. It was easy for us to identify our 'Champions' as they were very passionate about their particular aspect - by making them our 'Champions' we have empowered them and they in turn inspire their colleagues.

4. Make your service resident-led

It is important to involve the residents heavily in the decision-making process, be this for activities, soft furnishings, or anything else! Have regular resident meetings, encourage their feedback, and talk to them every day. It is also important to act quickly upon their feedback so that they can see that their views are being taken into account.

5. Embrace Technology

We have had a computerised care system for 15 years, which was upgraded to a Cloud-based system a few years ago. All care staff have mobile handsets, and the information is accessible to everyone. We spent 18 months researching the various systems used in different care homes before choosing ours, and our medication system was also computerised 4 years ago.

The staff were very open to the new technology, as they could see its benefits for improving the care we provide.

6. Top-down leadership is very important

Our staff team is like one big family, and because of this, the staff trust and respect the judgement and decisions made by the senior team.

TAX TIP - Entrepreneurs' Relief

H M Revenue & Customs is continuing to focus on Entrepreneurs' Relief (ER) claims. When considering the 5% of ordinary share capital test for companies, the 'nominal value' and NOT the 'number of shares' should be considered.

As an example:

100 £1 ordinary shares reflects 99.5% of the ordinary share capital, thus potential ER will be received upon exit from the business.

50 £0.01 ordinary shares reflects 0.5% of the ordinary share capital thus no ER will be received upon exit from the business.

The above reflects £100.50 total nominal value of ordinary shares in issue.

Remember the increased time frame (two years) to meet the various requirements.

If you have any concerns regarding a future company exit please contact Elaine Grose of Albert Goodman Tax Consulting: elaine.grose@albertgoodman.co.uk

Social Work Degree Apprenticeships available this autumn

Skills for Care has announced that the Social Work Degree Apprenticeship is now 'ready for use', and many employers are expected to begin offering them from September 2019.

The social work degree apprenticeship runs for three years and has been designed to offer a career progression pathway for people already working within social care. The apprentice will achieve a degree in social work whilst gaining 'on-the-job' experience to develop the knowledge, skills and behaviour required to be a competent social worker, with a minimum of 20% of the apprentice's paid working hours spent on off-the-job training.

The apprenticeship standard and assessment plan is available at

[www.instituteforapprenticeships.org/
apprenticeship-standards/social-worker-degree/](http://www.instituteforapprenticeships.org/apprenticeship-standards/social-worker-degree/)





Meaningful activity for residents

The effects of meaningful activity for residents have long been accepted. NICE lists it as a Quality Statement, saying that 'Older people in care homes are offered opportunities during their day to participate in meaningful activity that promotes their health and mental wellbeing.'

In order to plan successful meaningful activities, providers must understand the resident's life history, interests and hobbies. There should be a wide variety of activities to appeal to different groups: so in addition to baking, craft and gardening there should be activities reflecting people's occupations in earlier life. This is especially true if you are caring for people with dementia – one care home provided a washing line for a laundry worker to use; and a tray of nuts and bolts for a former mechanic.

MAKING TAX DIGITAL (MTD)

Although MTD is currently only mandatory for VAT registered businesses with turnover over £85,000, we are encouraging care providers to move towards cloud bookkeeping in readiness for the roll-out of MTD to all businesses from 2021.



At Albert Goodman, we have partnered with a number of software providers and are able to help and advise on any changes you need to make. We also offer a bespoke outsourcing service, which involves us keeping your records for you using, for example, Sage, Xero and QuickBook cloud accounting software.

If you would like further guidance regarding our bookkeeping outsourcing service, please contact Sharron Quick, Senior Manager on 01823 286096 or email sharron.quick@albertgoodman.co.uk

Dates for your diary:

28th June

NATIONAL CARE HOME OPEN DAY

27th September

MACMILLAN WORLD'S BIGGEST COFFEE MORNING

1st October

OLDER PERSONS DAY

End note



As we have seen, our sector continues to thrive and grow despite the uncertainty caused by Brexit and the long wait for the Green Paper. Providers are finding ways to reduce their costs, such as Compton View; and to gain the 'Outstanding' rating, such as Coneygar House.

A sustainable care business requires strong operational control and we hope that our contributor articles on fraud prevention and Managers' salaries, as well as the advice from Albert Goodman experts on Making Tax Digital, SAGE, and Incorporation, have been useful.

Should you wish to discuss any aspect of your Care Business with us, please contact julie.hopkins@albertgoodman.co.uk or telephone 01935 423667.

Until next time, we wish you a pleasant and profitable summer!

Julie Hopkins

LIST OF ALBERT GOODMAN CARE SERVICES

- Accounts and Audit compliance (Peter Strong and Chris Walford)
- Consultancy for business development/growth (Julie Hopkins)
 - Acquisition and sales advice (Elaine Grose)
- Property Capital Allowance reviews (to release 'hidden' tax reliefs) (Tracey Watts)
- Corporate and personal tax services for owners (compliance, advisory, restructure, succession and exit planning) (Tax Team)
 - Later Life Care funding solutions (Louise Osborne)
- Corporate Finance including valuations and due diligence (Neil Hutchings)
 - Workplace pensions (Andrew Hopper)
 - Payroll (Michael Evans)
- Bookkeeping Outsourcing (Sharron Quick)



Keeping in touch

If you would like this newsletter to be sent to a different address then please send your updated details to: gdpr@albertgoodman.co.uk. You may also use this address to opt out of receiving this newsletter or for any other queries you may have.

If you would like to see our privacy statement please log on to our website: www.albertgoodman.co.uk/privacy

www.albertgoodman.co.uk



@AG_LLP



@julieho37