



ALBERT
AG GOODMAN

Care news

WINTER 2019



Welcome

Welcome to our Winter 2019 Newsletter.

At the time of writing we await a General Election, in the hope that the Government will finally be able to resolve the ongoing uncertainty of BREXIT and begin to focus on other matters. Age UK, in launching its own manifesto last month, said that new research showed that the number of older people in England with some level of unmet need now stands at 1.5 million, which could rise to 2.1 million by 2030 if governments fail to act. It called on the next Government to secure the immediate future of care through investing at least £8 billion over the next two years.

Whatever the outcome of the Election, in this edition we are looking to the future and planning ahead. Albert Goodman's Andrew Law looks at the potential tax benefits of acquiring and renovating existing buildings; whilst Kirill Bingham from Clarke Willmott talks us through the process of selling your care home business, should you wish to do so; and Jonathan Coombs from Pinders explains how to prepare your business for valuation. Proving that size doesn't always matter, Jonathon Read from Chandler & Co explains why the number of beds shouldn't always be the main consideration in care home lending, and we're looking ahead to the South West Care Exhibition in March.

From Albert Goodman's own perspective 2020 will be an exciting year, as we settle into our new home in Taunton at Goodwood House, Blackbrook Park Avenue. Our new premises are easily accessible from the M5 motorway, and we're delighted that we will be able to offer our meeting rooms for use by clients and external groups.

Julie Hopkins

Director and Head of Care Sector, Albert Goodman



Preparing your business for sale - a valuer's perspective

At Albert Goodman we work closely with other professionals such as solicitors and business agents to assist our clients. Here, Jonathan Coombs from Pinders gives a valuer's perspective on getting a care business ready for sale, and how firms such as Albert Goodman play a key role in the process.

Pinders are experts in valuing all types of business, especially in the care sector. Although these are mostly for bank lending purposes, an increasing number of owners are seeking our advice about preparing their business for sale.

To get the best possible price for your business it is usually necessary for you to be in control of the sales process and fully prepared, rather than it being forced upon you following a change in personal circumstances or an unexpected approach from a purchaser. But where do you start? Firstly, take advice from an **accountant** who truly understands the care sector, such as Albert Goodman. Put your **solicitor** on notice, and if the property concerned is leasehold check that there is a good unexpired term remaining and no rent review is pending. Also, consult a **business agent/valuer**.

The valuation

A valuation is only the end product of the process, as we also look at the condition of the property, its suitability for the trade being conducted, potential for improvement/extension, statutory compliance, and of course business performance.

The **condition of the property** is the first thing a potential buyer is going to see so ensure that the external appearance is the best it can be, including signage. You may wish to consider commissioning a building survey, especially if the building is old and/or historic, as a survey would highlight any maintenance required. The internal condition of the property is equally important, and as it is often difficult to be objective ask a trusted friend to walk around the property and create a list of things that should be done.

If there are any shared bedrooms in your home see if there is any way to split them into two single rooms, as buyers,

lenders and valuers disregard the full capacity of shared rooms.

Most buyers like to see **potential for growth** in a business, such as alterations and extensions. You could have plans drawn and/or approved for such alterations, as planning consent for additional bedrooms can enhance the value of the business.

Care businesses are mostly valued on a multiple of net profit. Formal profit and loss accounts are the starting point for the business appraisal process, and the valuer will be looking for **an improving trend in turnover and profit**, not peaks and troughs. Accompanying notes from your specialist accountant, such as Albert Goodman, can be useful in this respect.

The appraisal process looks beyond the accounts and brings the trading performance up to date so it is important to have recent management accounts, plus details of current fees and historic occupancy levels. This information enables the valuer to see how the business is performing compared to similar homes in the region.

When valuing a care business, one of the key considerations is the **hands-on involvement by owners/directors**. Full-time owner involvement can be an obstacle to a sale if the new owners want a lesser role.

Finally, ensure that you have the following key documents that the valuer and your solicitor will require: an Asbestos survey; up to date EPC; and correct planning documentation for any alterations which required planning or building control consent.

If you are considering selling your care business or would like a valuation, contact Jonathan Coombs at jonathan.coombs@pinders.co.uk



Successfully selling your care home business: *some key considerations*

You've spent years caring for residents and building the business, and now the time is right to move on to the next chapter of your life. Careful planning is essential, but what does this involve? Kirill Bingham, Partner at Clarke Willmott LLP, guides us through the process.

Structure

Typically, the sale of any business will take one of two forms – either an 'asset' sale or a 'share' sale. This is in large part determined by whether the business is owned by individuals (either sole trader or in a partnership) or through a separate entity (typically a limited company). In the care sector the ownership of the freehold interest in the property (usually being the most valuable asset) and registration with the appropriate regulatory body (CQC in England and CIW in Wales) is also a crucial consideration.

Getting the structure right gives you the best chance of achieving the maximum price (not least by mitigating tax), limiting liability and making the sales process a lot smoother for each party. The key step is to obtain advice at an early stage from a suitable professional with experience in the sector.

Due diligence

Any sale will involve the process of 'information gathering' by the buyer and its advisers about the target business. Dealing with this process in the correct manner can significantly affect the final outcome. The main focus from the buyer tends to include regulatory, employment, contractual, tax and property issues. Given the potential significance of the due diligence process on the transaction (e.g. problems identified could lead to a price reduction, abortive purchase or stronger protections for the buyer in the sale contract), it is often worthwhile conducting a 'mock' due diligence exercise.

Regulatory approvals

An operator of a care home needs to be registered - with the CQC in England or CIW in Wales – and every care home requires a registered provider, a registered manager and a nominated individual. Understanding the structure and requirements early will assist in achieving the ultimate desired outcome.

We have recently completed a number of successful transactions in the sector and would be more than happy to have a free, no obligation discussion.

Contact Kirill Bingham - Partner, Clarke Willmott LLP on 0345 209 1239 or email kirill.bingham@clarkewillmott.com

Changing a home to help people with dementia

Loughborough University and BRE (a group of researchers, scientists, engineers and technicians) have designed a house especially to help people with dementia. Features include lighter carpets (as dark ones could be mistaken for holes); electrical sockets located higher up so people don't forget where they are; automatically opening windows; pictures to stimulate memories; and carefully chosen paint colours to aid navigation.

The home's design was based on scientific research and the BBC followed a couple who visited it, to see how elements could be incorporated into their own home to help them remain independent for longer. Its ideas are also being adopted by care-home owners and council workers, and it is hoped that making these changes could save a great deal in care fees in the future.

To view the video visit <https://www.bbc.co.uk/news/av/health-49184915/dementia-and-how-to-change-your-house-to-make-life-easier>



Wage-Streaming App part of Somerset Care's retention strategy

Over the summer care provider Somerset Care partnered with an income-streaming app which allows staff members to access their pay when they need it.

Wagestream allows the provider's 3,000 members of staff to draw down, or 'income stream', a percentage of their wage as they earn it, rather than waiting until the end of the month; for a flat fee of £1.75 per transaction. No loans are involved, meaning no interest is charged; and it is hoped that the system will prevent staff from being pushed towards a payday lender if an unexpected bill arises. The company has a number of investors, including the Joseph Rowntree Foundation (through the Fair by Design Fund) and the London Mayor's Co-Investment Fund.

Wagestream claims that the App makes it easier for firms who offer shift work to fill rotas, because income streaming restores the direct connection between work and pay. Its data shows that workers enrolled in the service choose to work 22% more hours on average.

Somerset Care's CEO Gary Ridewood feels that offering wage-streaming not only helps improve the mental wellbeing of its staff by boosting employees' financial wellbeing but also gives the Company a competitive advantage over its rivals in staff retention, as it is currently the only care provider offering such a solution.

Size doesn't always matter!

Chandler & Co's Jonathon Read explains why the number of beds shouldn't always be the defining factor when it comes to lending in the sector.

Chandler & Co works closely with many sector experts including healthcare valuers, and shares similar views regarding homes with less than 25 beds. These can sometimes be scrutinised by the Top 5 banks when lending in the care sector, but they are still strong businesses.

Contrary to popular belief, at Chandler & Co we are still funding many care homes whose registration is for less than 25 beds. The key is looking at the bigger picture: is the home compliant, and is it performing consistently well financially? There are many aspects to banks' lending criteria which make these businesses attractive, and with guidance from a specialist broker, operators can still get mortgages. Jon Chapman of Pinders wrote an excellent article, '**How bank lending is shaping future care home provision**' for Healthcare Business, which we think everyone should read! The main points of this are as follows:

- Whilst the upward trend in future demand makes investment into the care home sector an appealing prospect for lenders, the vast majority have moved their focus to larger and more modern facilities, with only one of the major banks now having lending criteria which will allow homes with fewer than 25 beds to be considered.
- An incorrect correlation has been made which links size to risk, and some top-performing businesses are in danger of being turned away due to this numerical threshold. The challenge is further compounded by a widespread aversion to first-time buyers, the traditional market for these smaller units.

- Pinders are finding that many smaller homes are enjoying good trading performance, particularly those able to offer exclusive, boutique-style accommodation for self-funding clients. Even some homes with a focus on publicly supported residents are doing well, benefiting from the increasing pressures on Local Authorities to find affordable care.
- Currently, 11.6% of the registered care home beds in the UK are within homes offering 25 places or fewer, equating to over 53,000 beds.
- Local Authorities are facing a significant challenge in meeting their local care needs and the process of 'market-shaping' has to factor in both financial and planning constraints, as well as the views of the Care Quality Commission as regulator.
- This erosion is far from inevitable and market forces dictate that a vacuum will attract new entrants willing to take advantage of the opportunity offered. There is clearly a profitable gap in the market for lenders willing to take a less prescriptive approach, supporting good quality borrowers looking to run good quality businesses, irrespective of their size.

For any purchasing, refinancing or development enquiries for care homes, please contact jonathon@chandlerandco.co.uk or telephone 01622 817484. We do not charge up-front fees, and there is no obligation to engage our services.



ACQUIRING & RENOVATING existing buildings

The purchase of a building is a complex and costly transaction for most businesses. Among the myriad of legal and logistical matters to consider and plan for, the tax implications can easily be overlooked. However with a little care and foresight, there can be significant tax benefits to be obtained, as Andrew Law, Senior Manager, Tax Consulting at Albert Goodman, explains.

Buying an existing building

Many items qualify for capital allowances even though they are part of the fixtures in the building. In order to obtain relief for fixtures the buyer needs the cooperation of the seller in the form of a s198 election. This should be part of the legal paperwork, but a careful review can sometimes reveal additional amounts which could be claimed without a cost to the seller.

Conversions and extensions

The cost of converting a building may also include expenditure which qualifies for Capital Allowances. Often a project will be carried out by a single main contractor, and a careful analysis of the project costs is needed to ensure the cost of plant can be identified. Detailed specifications and quantity surveyor reports should be retained to provide a breakdown of the costs.

To ensure you maximise your claim for tax relief, firstly identify any plant and integral features within the building which qualifies for capital allowances. These can be part of the Annual Investment Allowance which currently gives full relief for qualifying expenditure of up to £1 million (£200,000 prior to 1.1.2019).

Expenditure not qualifying for other capital allowances may fall within a new allowance, the Structures and Buildings Allowance (SBA), available for conversions and extensions to buildings, as well as for new builds, where contracts were entered into after 28 October 2018. The allowance takes the form of a capital allowance at a flat rate of 2% of the build cost, so that the entire cost is relieved over 50 years.

A distinction must be made between a renovation, where the building is put back into existing use, and a conversion, where the building has an entirely new use. Only the latter qualifies for the new relief.

Care homes

SBA only applies to non-residential properties, so houses, student accommodation and residential homes are excluded, but care homes may qualify. Doubtless cases will come forward in the future which address the grey areas between a care home and a residential home, and in the meantime, hopefully, common sense should prevail.

For further advice contact Andrew Law at andrew.law@albertgoodman.co.uk

South West Care Exhibition 2020

The South West Care Exhibition takes place on 12th March at Westpoint, Exeter. The focus is 'Innovation, Technology, and Signposting', and we're delighted that Louise Osborne, Partner at Albert Goodman, will be speaking. Louise is also a member of the Society for Later Life Advisers (SOLLA), and she will be speaking in Theatre 1 at 11.10am.

Elsewhere in the speaker programme, there will be keynote addresses from Deborah Ivanova (Deputy Chief Inspector of Adult Social Care, London and South); Nadhra Ahmed (Chair of the National Care Association); and Bridget Warr from the UKHCA; as well as information from suppliers such as Smooth Digital, Porter Dodson, and Phoneta Health.

To book your tickets visit www.careexhibition.co.uk



DHSC Recruitment Campaign *part 2*

The Department of Health and Social Care has launched the second phase of its recruitment campaign, which will run until April 2020. The first phase, which ran until April 2019, resulted in 97% more searches for jobs containing 'care' or 'care worker' in the job title on the DWP Find a Job Portal; and 26% of care companies saw an increase in either enquiries, applications, interviews or vacancies filled.

Digital advertising will run constantly from October to April 2020, alongside TV adverts, radio, social media and digital channels, outdoor posters (January), PR and partnerships activity.



MEET THE TEAM

Michael Evans, Payroll Manager

In the next of our occasional series, we caught up with Albert Goodman's Payroll Manager and asked him about his career to date and his role with Albert Goodman.

How long have you been at Albert Goodman and what were you doing before?

I have been with Albert Goodman for around four and a half years now. Prior to that I was living and working in Croydon in Surrey, and this year marks my 20th year working in the payroll industry.

You manage the Payroll Teams located in the Yeovil and Burnham-on-Sea Offices, what does that involve?

With the support of the Payroll Team Leader we manage a team of Payroll Administrators, responsible for operating an outsourced payroll service. Given the number of clients that we act for (in excess of 650) and the activities required of us to complete and meet each client's contractual and statutory obligations, it is an extremely busy department. As well as overseeing the payroll service and ensuring that we as a team are delivering, my role also involves the business development of our service, the on-boarding of new clients, and payroll fee production, as well as being a point of contact for Clients, Managers and Partners.

What part of your work do you find most interesting?

With the size of the portfolio of clients that we are responsible for, the variety of industries they operate in and the complexities of all of the legislation that covers our industry, it makes what we do extremely interesting and varied. Although I have been working in payroll for a number of years, I am still excited and enthused by this type of work. The legislation that governs our work is changing constantly, and staying on top of it and ensuring we as a team are adhering to it, ensures the role is varied and engaging.



The badge

The CARE badge was launched by Care England at the Residential & Home Care Show in June, and was designed to show involvement with and/or support of care; build team spirit within a widely distributed care community; show personal commitment to quality in care; encourage recruitment and retention; and reinforce the size and importance of the care community.

The CARE badge and display trays are sold to companies, charities and other organisations by the CARE badge community interest company, who then distribute badges for free to their employees and their customers (badges are not for resale). Badge purchasers can also use the CARE badge logo in their marketing materials.

If you would like to purchase some CARE badges for your staff, you can do so by visiting <https://www.thecarebadge.org/buy-now/>



The Care Show 2019

The Care Show 2019 took place at Birmingham NEC in October and focused on a number of different topics to help care businesses, by improving their environments, boosting CQC ratings, using technology, and challenging the negative perceptions of care.

As well as offering a programme of speakers and seminars the event was an opportunity for visitors to speak to some of the main suppliers to the industry. Albert Goodman attended the Show as visitors, and are hoping to include a number of articles by exhibitors and speakers in future newsletters.

Don't forget, the South West Care Exhibition on 12th March 2020 will feature a speech by Louise Osborne, Partner at Albert Goodman, and member of the Society for Later Life Advisers (SOLLA). We look forward to seeing you there!

End note

We hope that the articles within this edition have given you plenty to think about over the Festive season. Whilst the care sector remains woefully underfunded from public sources, clever and prudent planning by care business owners means that it remains a profitable and rewarding one in which to operate. We are looking forward to meeting with colleagues from the sector, and hearing from industry experts about what the future holds in our region, at the South West Care Exhibition in March.

Until next time, we wish you a Merry Christmas and a prosperous and peaceful 2020.

Julie Hopkins

Director and Head of Care Sector, Albert Goodman

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 and Richard Bugler)
- Property Capital Allowance reviews (to release 'hidden' tax reliefs) (Kelly Di Notaro)
- 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 for acquisitions and sales (Neil Hutchings)
 - Workplace pensions (Andrew Hopper)
 - Payroll (Michael Evans)
 - Bookkeeping Outsourcing (Clare Blackmore)
 - App Advisory (Tom Hawes)



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