ALBERT GOODMAN

Care News

SPRING 2020

Welcome from Julie Hopkins

Hello and welcome to the Spring edition of the Care Newsletter.

Since the Winter edition much has changed for the country. December's General Election gave Prime Minister Boris Johnson a sizeable majority with which to move forward, and we all hope that this will lead to a more certain direction both for our relationship with Europe and in domestic matters. Although of course as a sector our primary concern is the future of care funding, other matters such as interest rates and employment rights can have an equal impact on our care businesses.

Government influence, particularly legislation and taxation, are two of the topics we will discuss in this edition, with articles addressing the aspects to consider when thinking about succession and exit planning and the implications of environmental taxes; as well as a guest article from Royds Withy King regarding the Mental Capacity (Amendment) Act 2019 which comes into force later this year. We also have advice from NatWest about how to improve your EBITDA.

This year is also one of change for Albert Goodman's Care team, as it is brought together with the Charity Team under the leadership of Michelle Ferris. You can read about Michelle in our interview overleaf, and you can meet her in person at the South West Care Exhibition on 12 March. Although subsequent newsletters will be edited by Michelle, I will continue to provide support in my new business development and advisory role.

Julie

Director and Head of Care Sector, Albert Goodman

MEET THE TEAM

Michelle Ferris

HEAD OF CHARITIES AND CARE AT ALBERT GOODMAN

Albert Goodman is delighted to announce that we have a new lead for the Care and Charity Sectors. Michelle Ferris has worked with us since 2006, and we caught up with her to discuss her new role and her plans for the Care and Charity Sector team.

Michelle, what was your previous role at Albert Goodman?

Since qualifying as a Chartered Accountant in 2008 I have specialised in audits. Most recently (since 2017) I have been leading our Charity team, which specialises in the public sector, not-for-profit and charitable organisations. I have held several trusteeships and am currently involved with a charity providing refugee aid, as well as being a trustee of the Somerset Community Foundation.

Why have the Charity and Care Sector teams been brought together?

We believe that there is a great deal of synergy between the two sectors – both are particularly sensitive to Government policy, and reputation and governance are vitally important to them. Therefore it is important for Albert Goodman to develop an on-going relationship that involves not only the year-end accounts and audit requirements, but also year-round advice on governance and best practice. By bringing the two teams together, our clients can benefit from a wider range of experience. I'm really passionate about the care sector, and excited about how I can use my skills and experience to help our clients.

What are your plans for the team?

In March I will be spending the day with colleagues at the South West Care Exhibition, where Albert Goodman is not only exhibiting but also has a speaking slot. During the day I'll be taking the opportunity to speak to as many organisations in the sector as possible.

I am keen to introduce a regular Care Sector breakfast event, where care business owners and managers can meet each other and professionals from associated sectors, such as employment experts. I have organised many of these for the Charity sector and attendees have found them useful, so I would like to bring them to the Care Sector. The first one of these is planned for the summer.

I'll also be editing the Care Sector Newsletter and bringing relevant news, articles and advice to our readers.

New and existing Care Sector clients will still enjoy the same high level of service which they have come to expect, as Julie Hopkins will be providing ongoing support in a business development and advisory role.

If you would like to arrange a meeting with Michelle or another member of the Charity and Care Sector team, please contact michelle.ferris@albertgoodman.co.uk or telephone 01823 286096.

2020 Market Outlook

We're a couple of months into the year, and BREXIT has finally happened. But what is the outlook for the care sector in 2020? Jonathon Read, Senior Broker at Chandler & Co, shares his thoughts.

2019 was a turbulent year for the finance sector as a result of the political climate, which made many buyers, sellers and therefore high street lenders reluctant to do much business as they considered it high risk.

Despite this, there were challenger banks and other lenders whom we were able to place business with, from first-time buyers all the way up to corporate operators.

Moving forward now into 2020, a lot of lenders have entered the year with a positive outlook towards care home lending, despite the high street banks not aggressively lending, and some even withdrawing from the sector completely. Most challenger banks have increased their 'pot' for the forthcoming year, as confidence grows within the market. Therefore, there has never been a more vital time to contact a specialist broker with complete market access to get the best finance/mortgage deal for your care business - the names of some of these lenders may be unfamiliar to you, and some can only be accessed via a broker.

I think buyers can move into 2020 with confidence in the sector. Hopefully the Prime Minister can deliver on his promises to invest in the social care sector, which will boost market confidence and hopefully draw the high street back into care home investments.

Chandler & Co have been specialist commercial mortgage brokers since 1996. We are completely independent from the market and can therefore offer unbiased finance advice for care home businesses. For any purchase, development or refinance enquiries please don't hesitate to contact us on 01622 817484 or jonathon@chandlerandco.co.uk

Environmental taxes update

The Treasury will be bringing in a single plastic waste tax from 1 April 2022, although this may be brought forward. With so much discussion and debate around the use of plastic and climate change, we are starting to see businesses of all sizes consider their carbon footprint and how they can become greener. Here are some practical tips for making changes to your care business to benefit both you and the planet.

QUICK WINS

Firstly, do you still have plastic drinking cups? Replacing them with reusable ones is an easy change to make, as is regularly reviewing your energy supplier.

COMPANY CARS – CONSIDER GOING ELECTRIC

From a tax perspective if you offer company car benefits you may wish to add electric cars to your strategy list. Subject to any Budget announcements the new tax rates for company cars come into effect from 6 April 2020, and zero-emission cars purchased during the 2020/21 tax year with an electric mile range of 130 miles or more will be subject to a 0% tax rate when calculating a company car benefit. The rate will be increased to 2% in 2021/22. Pure electric cars purchased before 6 April 2020 will also benefit from the new tax rates, as the rate will be set at 2% for the three years to 2022/23.

In addition, a fuel benefit does not apply to electric cars. Employers may claim a reimbursement from employees of 4p per mile, which from 1 September 2018 is the deemed advisory fuel rate (AFR) for electric cars. Electric car charging stations can be provided without a tax benefit, unless a charge station is installed at home. There are also favourable capital allowances for electric cars, please speak to the Albert Goodman tax team for further information.

GET ON YOUR BIKE!

For employees with bicycles, HMRC has confirmed that the cycle-to-work scheme can cover bikes worth over £1,000 and includes electric bicycles.

ASK STAFF FOR IDEAS

Setting up an employee sustainability group not only helps to generate business saving ideas, it also helps the business on a path to greener sustainability and helps staff send a positive message to residents, relatives, and family friends. Here at Albert Goodman we have moved our search engine to Ecosia and are now helping to plant trees, an idea which came from our own sustainable staff group!

Liberty Protection Safeguards

In October this year the Mental Capacity (Amendment) Act 2019 will be implemented. What is the likely impact for care homes? Sara Isenberg, Associate at Royds Withy King, explains.

In 2009 the Deprivation of Liberty Safeguards ("DoLS") were added to the Mental Capacity Act, to create a procedure to authorise deprivations of liberties. However, the procedure has been heavily criticised, in part because it seems unfit to cope with the pressures of the numbers of people involved. At its creation, it was presumed cases would be narrow and rare – but in reality hundreds of thousands of people are being deprived of their liberty.

The Mental Capacity (Amendment) Act 2019 has been introduced to improve the situation, and is to be implemented on 1 October 2020. Some of the key changes to the existing DoLS include:

- It will be setting neutral – it relates to the arrangement rather than the setting
- It will apply to all those aged over 16 years
- There will be Authorisations by a Responsible Body ("RB") with conditions to include capacity assessments, medical assessments, and necessary and proportionate assessments
- The 'Responsible Body' for care homes will be the Local Authority or Clinical Commissioning Groups ("CCG")
- There is scope for delegation of some assessments to care home managers where the person is aged over 18.

A Responsible Body can delegate certain roles to care home managers, such as: coordinating the process of authorisation and producing statements; making determinations as to capacity/mental disorders based on the assessments of others; undertaking consultations and producing draft authorisations records. However, care home managers can neither carry out any required assessments themselves or rely on those prepared by anyone with a prescribed connection to the care home, nor can they decide that the deprivation of liberty is necessary or proportionate.

Next Steps

There is the clear potential for care home managers to be delegated more work. Can requests from Local Authorities and CCGs be refused? In theory, yes, but this is possibly unlikely in practice. We will need to wait and see how secondary legislation fleshes out the Act, in particular how it will define 'prescribed connection', before we can provide guidance on who could be asked by care home managers to assist with assessments.

It would be helpful for care home managers/owners to start discussions with their Local Authorities and CCGs soon, to gauge their views and intentions. The homes can then take any necessary proactive steps, such as arranging training sessions for staff and/or considering budgetary changes. Change is afoot, and owners and managers will need to keep informed to understand the full impact on their business.

PRACTICAL TIPS FOR SUCCESSION AND EXIT PLANNING

In our Winter 2019 Care Newsletter, Jonathon Coombs from Pinders gave a valuer's perspective on getting a care business ready for sale. Julie Hopkins, care sector advisor and consultant at Albert Goodman gives some practical tips for the next stage: succession and exit planning.

Now that we have left the EU and entered the transitional phase of BREXIT, some providers are turning their thoughts towards succession and exit planning. Here are some practical tips to do so, in a sector which is evolving and remains challenging.

STAFFING

Carry out a full review of your staffing: where do your staff come from? Most care providers I speak with employ staff from within a 15 mile radius, so the effects of BREXIT are as yet unknown. Buyers prefer local staff, as it suggests consistency. Showing that you have low staff turnover points towards an established, well-led provider.

Ensure that you can demonstrate achievable training budgets, and progressive career and personal development plans. Show other ways in which staff are attracted to your business – pay, positive environment, innovation, and continuous improvement are all important factors.

HANDS-ON INVOLVEMENT BY OWNERS/DIRECTORS

This is often seen as a matter which requires resolution before a business changes hands. Has a family member expressed a desire to take over? If so, ensure a 12 month lead-in time for them to shadow you before you step down. If you are the Nominated Individual, discuss a potential role change with the Registered Manager, perhaps taking on the role of Nominated Individual, and in turn assisting the deputy manager to become the Registered Manager.

This would demonstrate to current and potential management that your business offers real career progression; and shows potential buyers that the business can function effectively without the current owners.

PROPERTY

A prospective buyer is like a prospective resident and relative, so ensure that they have a good experience when shown around the home. Remember they may initially send in a secret shopper!

Consider the whole environment, so that prospective buyers see a homely, natural feeling environment which in turn creates happy staff. Can you see residents doing activities, as hearing laughter in a care home is always a pleasure. Even in a busy environment a relaxed atmosphere can shine through.

If you haven't had a property capital allowance review, speak to a tax expert to arrange one; and it is always useful to have discussions with a valuer at the beginning of your succession planning.

Have you budgeted for a sustainable refurbishment programme, and is there potential to extend the home? Consider obtaining planning permission, because even if you do not intend to carry out the extension it will provide the buyer with a potential profit-enhancing project.

EBITDAR

Improving business performance should result in a greater value asset. You can read more about improving your EBITDAR in Benjamin Trought's article in this newsletter.

INSPECTIONS

Always be ready for your next CQC inspection and have evidence to demonstrate continuous improvement at the home. There is a clear link between high standards of care, reputation, and business performance.

BUSINESS STRUCTURE

Is the structure of the entity that you are selling or passing on to the next generation fit for purpose, or should you change it? For example you may wish to restructure a Limited Liability Partnership as a limited company; or incorporate your business if you are operating as a sole trader or partnership.

Consider extracting the care home property from the trading subsidiary or partnership into a holding company.

More in our summer Newsletter.

COMPLETION, AND POST-SALE

If you are selling your shares in the business, ensure that sufficient working capital is maintained. Consider how any outstanding loans and mortgages will be satisfied.

On a personal level, consider the tax implications of the sale and think about your own retirement and wealth planning when you have stepped away from the business.

If you would like to discuss any of the points raised in more detail, please contact julie.hopkins@albertgoodman.co.uk.

IMPROVING YOUR **EBITDA**

Are you planning to expand your care home, and considering the lending criteria you will need to satisfy to secure additional finance? Benjamin Trought, Senior Relationship Manager at NatWest, offers some advice on improving your EBITDA.

To ensure your business can obtain the funding it needs, thinking about how to improve your EBITDA is a good place to start. Many lenders will have a leverage policy for care homes where they will lend up to a maximum multiple of EBITDA, perhaps 4 or 5 times. This will also give the lenders a good insight into your management ability, another key factor in making the decision to lend.

Here are some tips on how to improve your EBITDA, which will put you in a good position when speaking to lenders to secure the funding you need:

1. Ensure High Care Standards are Maintained. This is the most important aspect, because if high standards are not maintained it could lead to low occupancy figures or a low CQC rating. A drop in EBITDA would then follow, which would weaken a lender's appetite to lend. Ensuring all staff share your vision for high care standards and embrace the culture of your business is vital. Of course, providing quality care is the main purpose of running your business!

2. Invest in Facilities. As a general rule quality facilities will attract premium prices. Higher fees are generally achieved where the rooms are of a good size (above 11 sq m) and have en-suite facilities. Adequate day space and additional facilities, such as a cinema room or landscaped gardens, will also be attractive facilities to have and may help you stand out from other homes. Whilst it may not always be possible to expand, keeping the home in a good state of repair and well presented with regular maintenance will help keep it attractive, enabling you to achieve higher fees.

3. Invest in Staff. We are all aware of rising staff costs, as well as the difficulty in recruiting in the sector. Therefore retaining your best staff is vital, to ensure you do not become too reliant on costly agency staff and that the outstanding level of care you provide is maintained. Whilst paying above the NLW would add to your costs, it would be wise to consider what the cost to your business would be if you had to replace staff or if you had a period of increased use of agency staff to cover the shortfall.

4. Embrace Technology. There are various care home care planning and management systems available which are designed to help improve efficiency, so you can spend more time providing care. Of course, better efficiency generally leads to better control of costs!

5. Negotiate with Local Authorities. Whilst some local authorities pay a flat rate, there may in some instances be scope to negotiate the rates. It would beneficial to speak to others who operate in the sector, such as specialist accountants and solicitors or local care groups, who would be able to advise on this matter and give you practical ideas on how to approach this.

For further information on funding for care homes please call Benjamin on 07786 660821 or email ben.trought@natwest.com

TAX TIP
– Borrowing from your company

At Albert Goodman, we are often asked whether a Director of a Limited Company can extract funds from it as a loan, and what the tax implications are of doing this. The answer is that yes, Directors can borrow up to £10,000 interest free from their companies at no tax cost to themselves. However, there are several points to consider.

Firstly, if you extract more than £10,000 then the whole loan (not just the amount in excess of £10,000) is a taxable benefit. Secondly, if a Director continues to draw funds from the company without a re-balance through remuneration planning and/or repayment of the funds drawn down, then the company will be subject to a temporary tax charge. This charge is currently 32.5% of the money borrowed and still owed nine months after the company's financial year end.

When considering an exit strategy or succession plan, the settlement of the director loan account should form part of the planning. For example, it can lead to higher dividends and higher rates of tax personally; and writing off a loan has tax implications, a complex area where professional advice is recommended. Also, consider that a potential buyer for the business may contract for the loan to be cleared prior to or simultaneously upon completion.

For further advice, contact Elaine Grose at elaine.grose@albertgoodman.co.uk

TECHNOLOGY IN CARE:
The Jolly Trolley

As we mentioned in our Winter 2019 newsletter, we attended The Care Show 2019 and met many exhibitors and speakers who are introducing new ideas to the care sector.

One of these is Little Islands, who showcased their award-winning 'Jolly Trolley' at the show. The Jolly Trolley is a self-contained, mobile interactive entertainment trolley which brings the benefits of music, song and reminiscence to care homes. It features touch-screen technology, sensory lighting, images, music and a karaoke system, built into an ice-cream cart design, and because it is on wheels it can be used anywhere from a lounge to a bedroom or outside. It can also be tailored so that families can be involved in creating individualised slide shows and playlists for their loved ones. The trolley was the idea of Little Islands' Product Manager Tony, whose career took him from nursing to managing a music shop, before becoming an award-winning Activities Manager, and it has proved very popular with care homes, families, and CQC!

To find out more or to book a demonstration, telephone 0800 093 8499 or email hello@littleislands.org

UKHCA DIGITAL SOLUTIONS

In early December the United Kingdom Home Care Association (UKHCA) hosted the Digital Solutions for Homecare event to explore the opportunities offered by digital technologies to improve transparency, quality and efficiency. Through panel discussions, providers shared their experiences of selecting and implementing technologies such as digital care planning for their businesses; technology suppliers discussed the different digital solutions available and what successful care technology looks like; and Digital Social Care, a government-sponsored organisation working in partnership with NHS Digital, talked about the support available for providers around cyber security, data protection and working with the NHS.

You've achieved a 'Good' rating:
WHAT NEXT?

You and your team have worked tirelessly in preparation for the arrival of CQC, and you've now heard that you have been awarded a 'Good' rating. What happens next?

The answer largely depends on what your previous rating was. If you were previously judged to be 'Outstanding', you may wish to contact your Inspector to find out why you haven't achieved the same rating this time. Making contact with them is a good idea anyway, to find out what steps you would need to take to achieve an 'Outstanding' rating next time.

If this is a change from your previous rating, you will need to make changes to the rating displayed at your care setting and on your website, if you have one. You may also wish to consider writing a press release about your achievement (if the new rating is the same or an improvement on your previous rating) and sending it to the local press – it is a 'good news' story, and will offer reassurance to families, prospective families, and health care professionals.

And of course, it is important to celebrate with your staff and residents, and to start planning how else you can improve for next time!

THANK YOU, ALEXA:

Over half of care home staff think AI should be used in care homes

The leading care home review site www.carehome.co.uk has reported that over half of care home staff think homes should use Artificial Intelligence (AI) such as smart speakers to help care for residents. The website surveyed 2,611 care home owners, managers and staff, with 52% responding in this way. Carehome.co.uk says that AI can help people with limited mobility to regain some of their autonomy using their voice to control their environment, such as by operating light switches and temperature, as well as enabling them to call their friends and family. It does however caution that with many care homes struggling to recruit staff, this could lead to an over-reliance on AI.

A new Government – but no new direction for social care yet

The result of the December General Election means that the UK is in a more certain position regarding Brexit, and the UK left the EU on 31 January. However, the Queen's Speech was very short on detail about the Government's plans for social care.

In his first speech after being re-elected, Prime Minister Boris Johnson promised to fix the 'crisis' in the system. Encouragingly Helen Whatley, the new Health and Social Care Minister appointed in the 13 February re-shuffle, reportedly has a strong interest in the sector, and has spent time with a healthcare worker to understand the role.

Mr Johnson wants to seek cross-party agreement on the way forward for social care, but with both Labour and the Liberal Democrats looking for new leaders at the time of writing, this is unlikely to happen quickly.

Cera Care's new app
connects people to their communities

Cera Care has launched a new app, to enable those receiving care to connect with their local community. The company uses an on-demand digital platform to enable families to arrange, schedule and manage home care for elderly relatives, and its new app, 'Connected Care', helps them to coordinate basic activities such as booking taxis, ordering food and organising trips out.

BE PREPARED FOR EMPLOYMENT LAW CHANGES COMING IN 2020

Royds Withy King solicitors have been watching some of the main developments for this year, and highlighted three which could affect the care sector. Firstly the Mencap sleep-in case, which we reported on in a previous newsletter, will come before the Supreme Court for a final determination on whether 'sleep in' shifts are working time for the purposes of the National Minimum Wage. Secondly, the National Living Wage will rise on 1 April. Finally, the government's policy paper in response to the Taylor Review, called 'The Good Work Plan' and described as "the biggest package of workplace reforms for over 20 years" is due on 6 April. Visit the Royds Withy King blog for full details.

DATES FOR YOUR DIARY

1 October: OLDER PERSONS DAY

14 - 15 October: THE CARE SHOW, NEC BIRMINGHAM

End note

As we reach the end of another newsletter we enter a new financial year, and we hope that the articles you have read have given you advice and ideas with which to move your care business forward.

In the next edition we will be hearing from guest experts about business valuations, and how to set up a domiciliary care franchise. As ever, please get in touch if you would like Albert Goodman's assistance with your business, or if there is a particular aspect which you would like to hear about in our newsletters.

Until next time, I wish you a prosperous Spring!

Julie

LIST OF ALBERT GOODMAN CARE SERVICES

Accounts and Audit compliance (Peter Strong and Michelle Ferris)
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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