ALBERT GOODMAN

Care News

SUMMER 2020

Welcome from Michelle Ferris

Hello, and welcome to the Summer 2020 edition of the Care Newsletter.

This is my first edition of the newsletter, which I know has grown to be a welcome source of regular information for care providers across the South-West. I am grateful to Julie Hopkins for her work in launching and developing this publication.

At the beginning of the year we could never have imagined the situation we are now in. Covid-19 has taken hold across the World and, at the time of writing, claimed over ¼ million lives globally. Whilst the long-term effects of this virus are yet to be seen we have started to consider the possible effects on our sector, and our thoughts are contained within this newsletter.

You may notice that this edition of the Care Newsletter is more compact than usual. This is because although the work in our sector continues, much remains uncertain. We therefore felt that we could help you most by focusing on some key subjects which are unlikely to be affected by Covid-19. In future editions, with more certainty, we will revert to our usual structure. In the meantime, we hope that you find the following articles useful. Additionally, I recently undertook an interview with Soldo, and there's some useful content for the sector in there – which you can find on our social media channels.

Michelle

Head of Charities and Care, Albert Goodman

Covid-19 and the Care Sector: *What might happen?*

The Covid-19 pandemic has changed the World in ways which we cannot yet imagine. It has taken a huge toll on every sector of the economy, not least the care sector, which has experienced both criticism and praise. Whilst many long-term impacts of the virus have yet to be seen here are some of the things we know, and others which we think may happen, in the months ahead.

A greater appreciation of social care

After the initial Thursday night 'Clap for the NHS' the weekly ritual changed to 'Clap for Carers', recognising the huge contribution made by people caring for others outside a hospital setting. For the first time, social care is regarded as a vital healthcare service working alongside the NHS.

Will this change in attitude remain for the long-term? No-one knows, but it must be hoped that it will reignite the discussion about the future funding of the sector.

The possibility of more staff entering the sector

It seems likely that the UK will, like many countries, enter recession as a result of Covid-19. During the pandemic we have seen many staff who were either furloughed or made redundant in other sectors become carers. These staff may choose to remain in their new roles, as they have been able to experience how rewarding it is to work in the care sector. In addition, care work offers job security, and a survey conducted in early May suggested that care staff are amongst sectors who feel the most confident about their future job prospects.

Increased competition

Sadly, as has become apparent in recent weeks, care homes across the UK are experiencing a high number of resident deaths due to Covid-19. Whether these residents will be replaced quickly, or whether the sector experiences a longer-term reduction in enquiries, remains to be seen. This may result in some care homes closing permanently.

Funding

As mentioned above, the future funding of the sector is a discussion which has been delayed many times.

For some care providers, work on planned or future development and/or expansion of their services has been put on hold whilst they deal with the more immediate pressures of Covid-19. It is hoped that these developments will recommence after the crisis abates, although these decisions may be affected by a possible reduction in demand. How lenders react, especially with interest rates at a record low, is not yet known.

2020: PRE-PANDEMIC ASSESSMENT OF THE CARE SECTOR

Julie Hopkins wrote her assessment of the opening months of 2020 in the care sector before Covid-19 took hold. We have chosen to include it as some of her points are still relevant.

2020 began with pre-BREXIT slow motion as we headed towards 31 January. As the dust settled the business climate started to feel more positive, albeit many banks remained cautious regarding the lending criteria.

Increased due diligence in application and credit underwriting has continued, but is not insurmountable with the right professional support. The last few months have seen a return to the alternative funding models which, combined with investor support and the traditional banks lending within their parameters, means that the sector continues to tackle challenges head on.

Demand for care services continues, with package availability made more challenging due to the staffing crisis which affects some areas more than others.

The traditional banks have moved funding criteria away from the smaller homes, whereas Challenger banks see the growth potential, particularly of the small groups (two to five care homes). Thus there is an increasing reliance upon specialist commercial finance brokers to source the debt funding.

Alongside the corporates there continues to be interest from business entrepreneurs, who are seeking to enter the sector or expand their existing independent portfolios. Care homes with less than 35 beds continue to be attractive to the independent entrepreneur, financed by private investors, challenger banks and, on occasion, traditional banks subject to the underwriting terms. Care homes with grounds and extension potential continue to generate interest for parties looking at portfolio growth, restructure, alternative use, and retirement supported living.

So how is care at home faring I hear you say? There continues to be a shortage of carers, with demand for packages greater than the supply of care services, and people having to either rely on families or friends as unpaid carers or have their care needs not met at all. This, combined with hospitals being at capacity, resulted in care homes experiencing full occupancy at times.

Funding local authority placements continues to be an issue, with a £1billion grant confirmed by the Government for adult social services and childrens' services, and councils advised to utilise the 2% care precept. Unfortunately this does not address the 6.2% increase in the National Living Wage, with care services funded mainly from the local authority remaining under increasing pressure. Homecare mergers and acquisitions have continued, with established brands which offer a private service as their main income stream able to demonstrate sustainability and reinvest in the service as they seek outstanding care.

Meanwhile multi-banked facilities are increasing, with providers looking at other lending criteria to fund their vision. This has led to other banking options reaching the care sector since January, with varying loan to value percentages.

Planning care fees: Peace of mind for residents, families, and care home owners

Louise Osborne, Partner at Albert Goodman and member of the Society of Later Life Advisers (SOLLA), explains why it is so important to plan ahead.

Fees can be daunting when entering care for the first time. Whether it's domiciliary or residential care, the prospect of setting up what is often the largest standing order you have ever established, and for that standing order to be in place for the rest of your lifetime is, for some, overwhelming. So much so, it can sometimes be the barrier which precludes people from getting the care they need until a crisis occurs. It can also be a worrying time for the family, torn between getting the very best care for their loved one and the daunting prospect of potentially running out of funds and being asked to pay the fees from their own resources.

There is little information available in the market, and many sources merely set out the various options without actually providing personalised advice and recommendations. At Albert Goodman Financial Planning, we work with residents and their family to answer their most pressing questions about making their money last as long as possible; when it may run out; and what will be left as an inheritance. We carry out detailed cash flow analysis to answer these questions, and others, for people planning their care fees.

We consider many different options with clients taking into account their income, capital and statistical life expectancy, enabling them to make informed decisions and to remain in the care home of their choice for as long as they may need to. Options include:

- Renting our their home or other property
- Holding cash accounts which are accessible, with financially strong institutions, protected by the FSCS, and maximise interest rates available.
- Taking some investment risk with the aim of growing their capital
- Purchase of a long term care annuity.

This type of planning is also beneficial to care home owners and managers, as it provides them with certainty over their fee payment and avoids difficult conversations in the future about long-term fee payment. The following example shows how our advice can help.

Mrs L had a statistical life expectancy of 9 years, and her care fees were £778 per week. When we were approached to provide her and her family with a care fees strategy she had sold her home, and had £156,493 in the bank. We ran several scenarios which showed that her cash would have run out in less than 6 years, investment risk was not suitable, and she had no property to let. She purchased a LTC annuity for £133,900, giving her peace of mind that she could remain in the care home of her choice for her lifetime and had a certain legacy for her loved ones of £22,593.

To find out more or arrange an appointment, contact Louise Osborne on 01934 642222 or email louise.osborne@albertgoodman.co.uk

Fire Compartmentalisation - why is it so important?

Fire Safety is a vital part of running a care home, because nothing is more important than your residents' safety. Yet many care homes are failing in the area of compartmentalisation. Simon Coats of Pinders tells us more.

The Grenfell Tower disaster reinforced the need for a good Fire Risk Assessment (FRA), yet it is surprising how many care homes, when inspected, are found to have seriously compromised compartmentalisation.

In 2019 the London Fire Brigade reported that nearly half of all care homes inspected did not have a sufficient FRA, and that one of the major failings identified was that roof voids were not appropriately compartmentalised. Such deficiencies are not uncommon in new and older homes alike and will allow a fire to spread quickly between the different compartments of a home, undermining its evacuation strategy.

It is in hidden and rarely inspected areas where further potential problems lie. Ceiling and roof voids invariably house a multitude of pipes, cables, ventilation ducts etc; and where these pass through fire designated compartments, they must do so with the provision of proprietary 'fire-stopping' materials which will seal any openings in the presence of fire.

Ideally retrospective applications, and those in a new build, would carry a local certification sticker bearing the name of the Company and the fitter who installed it. The presence of expanding fire rated foam is rarely an acceptable solution, due to the limitations of such foams. As an operator, are you aware of where and how complete your compartments are?

In 2017 two people died in a Cheshunt care home after a fire travelled through voids in the roof, allowing it to quickly engulf the whole building. Most of the occupants of the home were too frail to move themselves to safety, but thankfully fire crews were able to rescue the remaining 33 residents.

The AG App Stack

So, you're getting to grips with cloud accounting and keeping your records on Xero, QBO, Sage Cloud... and seeing the benefits this brings - what next? Which part of your process can you automate next to save more time and enhance your record keeping and management information even further?

In the first of a series of articles we introduce our AG App Stack. This shows examples of some of the apps available and will be further developed and more apps added as we find the best ones to recommend to you:

1. Invoice processing can be automated with Auto Entry, Hubdoc and Receipt Bank. These systems capture, analyse and post invoices, receipts and statements into your accounting system. Documents can be uploaded using a mobile device, desktop, email, or scanner and then you can access all your documents in one centralised, digital system of record. Prices vary across the systems and can be tiered pricing, price per item and with Hubdoc from 18 March 2020, will be included in Starter, Standard and Premium Xero plans free. Once documents are uploaded to Hubdoc, the key data is automatically extracted and synced to Xero as accurately coded transactions. Xero then matches these transactions to the bank feed for one-click reconciliation. All documents are searchable, and easy to access from anywhere in the world.

2. Get paid more quickly by adding a payment service to your invoices. Systems such as Stripe allow you to receive online payments from the full range or debit and credit cards. Stripe integrates with Xero and a number of other systems, and gives your customers a quick and easy way to pay you.

3. If you are using Xero, QBO or Sage and are looking to improve the quality of your data, be more efficient, or benefit from hearing about new developments or tips and tricks, then an AG System Health Check is the thing for you. We review your accounting system and prepare a report detailing areas for consideration, and suggestions to improve the records and aid the business management.

Please speak to your usual Albert Goodman contact for more details on any of the above and more. clare.blackmore@albertgoodman.co.uk

RCN CONSIDERS CHANGES TO MEMBERSHIP STRUCTURE

The Royal College of Nursing is considering changes to its membership structure, in a bid to make it more inclusive. The college has admitted that its current model, which separates members into three categories according to whether they are a registrant, support worker or student, is outdated due to expanding routes into the profession and new nursing roles. The RCN has therefore put forward plans to scrap the current structure and replace it with a single membership category for all nursing titles, with membership fees varying depending on income.

Members were asked to share their views on the proposals, with the consultation closing on 1 April. Proposed changes resulting from the consultation will be presented at the RCN annual general meeting in June this year.

THE APPRENTICESHIP LEVY
- Levy Transfers available in the South West

For the past three years (starting in April 2017) the way apprenticeships were funded has been different. All UK employers in the public and private sector with a wage bill of over £3 million have had to contribute to the apprenticeship levy (0.5% of their annual wage bill). The 'apprenticeship levy' was designed to counteract the long-term decline in employer investment in training in the UK, and is expected to raise an estimated £2.8 billion in 2019/20.

Levy-paying employers create an account to receive levy funds, manage apprentices, and pay training providers. Levy payers can support apprenticeships in other organisations by transferring up to 25% of their funds to other employers, which could be particularly useful for small providers.

Although no figures on the success of the levy have yet been released, Skills for Care reports that there are a number of areas which are facilitating and encouraging levy transfers, including social care providers. In the South West, these are Somerset (Somerset Education Business Partnership); Bristol, North Somerset and South Gloucestershire (Healthier Together); and Cornwall (Cornwall Council).

For more information, visit www.skillsforcare.org.uk/Learning-development/apprenticeships/Apprenticeship-funding

A Personal invitation from Chandler & Co

Our colleagues at Chandler & Co are Independent Mortgage Brokers in the Care Sector, and have contributed several articles to previous Care Newsletters. They would like to offer a personal one to one, no-obligation meeting to discuss the mortgage options available on your care home.

Chandler & Co have been specialising in arranging mortgages for the care sector for nearly 25 years. They can provide impartial advice in all aspects, and working with them will give you access to some of the most competitive funding available in the market.

They are able to assist with Restructuring of existing loans; Equity release and debt consolidation; Refurbishments and extensions; Purchase of additional businesses; and Land purchase and new build schemes.

To arrange a meeting please contact Mark Hickman, Director at Chandler & Co on 01622 817484 or 07500 056193, or by email mark@chandlerandco.co.uk

End note

We hope that the articles contained above are useful in navigating your way through these unprecedented times, and in planning for the future. With luck by the time we publish our Autumn Newsletter the pandemic will be nearing its end, and we can all look forward with renewed confidence.

In the meantime we hope you, your staff and clients remain safe and well.

Michelle

Dates for your diary

1st October: NATIONAL OLDER PERSONS DAY

9th - 10th November: DEMENTIA, CARE AND NURSING HOME EXPO (NEC BIRMINGHAM) - Still going ahead at the time of writing.

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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