Care News

SUMMER 2021

Welcome

Welcome to the Summer 2021 Care Newsletter.

At the time of writing the UK's situation regarding Covid is looking much brighter, as the vaccination programme gathers pace. Over 30's have now been invited to book their vaccine, driving up the percentage of people in the country with at least a first dose, and of course the 'roadmap' out of lockdown is due to end in June (strains permitting).

Although the pandemic has, quite rightly, been the subject of many of our articles during the past year, for this edition we are turning our attention to environmental matters. To help us, we've sought the thoughts of colleagues at Triodos Bank UK, who address how care providers can plan for a greener future, and Bevan Brittan LLP, who explain the environmental benefits of digitalising care systems. We also have some practical advice from Steve Cavill, who spent many years managing multiple care home properties, on simple ways to make your care home greener without breaking the bank.

Whilst we have been focused on the pandemic the life of the sector has carried on, and we have news on CQC's strategy and a new University initiative, as well as some useful information on tax planning.

Michelle Ferris

Head of Charities and Care, Albert Goodman

Greening THE CARE SECTOR

The care sector has an important role to play as the UK works towards its recently set target to cut carbon emissions by 78% by 2035, compared to 1990 levels. Phillip Bate, business banking regional manager for the South West at Triodos Bank UK, shares his thoughts on how the sector can begin to plan ahead for a greener future

It goes without saying that the care sector has proved its adaptability over the past year, demonstrating that big changes to its procedures can be made. But as we look to recover from the effects of the pandemic, all sectors should be considering how they can rebuild, adjust, and adapt to the changes that are required for an environmentally sound future. And the care sector is no exception.

Currently, many care homes are housed in older properties. Quite rightly, their focus is on high-quality care and social impact, and being environmentally conscious is a challenge, especially in the buildings that they operate. But now is the time to look to the future and take the action that is required to drive the net-zero agenda.

At Triodos Bank, we've supported the care sector for over 40 years and in 2020 45,000 elderly people were cared for as a result of Triodos finance. We only support organisations with human dignity at their heart, which recognise that delivering high-quality care is more important than solely examining the balance sheet. We've financed care providers such as Cornwall Care, Cannon Care Homes and Carebase, helping them to give their residents the best possible quality of life.

We're a bank focused on long-term sustainability, so we're equally as passionate and knowledgeable about lending to environmental projects as we are to social ones. In line with this mission, we're keen to support more and more care providers to transition towards a greener future.

But what does this mean in practice? This could include support to finance a new development with credentials such as a high Energy Performance Certificate (EPC) or Building Research Establishment Environmental Assessment Method (BREEAM) rating. It could also be to support improvements to existing older buildings and make them more environmentally friendly, such as financing an energy-efficient retrofit. It could even be for on-site energy generation like heat pumps or solar panels. For example, we've worked with industry leaders Rendesco to help finance the rollout of ground source heat pump installations to provide low-carbon heating and hot water to retirement homes in over 100 sites across the country.

Thinking about wider environmental issues, we'd also encourage organisations to look at their approach to single-use plastic, and how they source their food. We work closely with partners such as the Soil Association and City to Sea, which are working hard to provide guidance on how all organisations can consider the planetary impact of their work.

For busy care home providers, the climate emergency can seem like a long way off, but it's key that it's factored into business plans over the coming years. Why? Not only is it the right thing to do – protecting the planet for current residents' grandchildren and great-grandchildren – it's also smart business sense. Energy efficiency measures can help to save on heating costs and environmental credentials can be a big draw – potential residents and their families may want the reassurance that their home is looking to reduce its carbon footprint.

Overall, there's lots of change, but also opportunity and innovation on the horizon. If you are committed to providing high-standard, human-centred care, and you want to find out how you can support the net-zero transition, then please get in touch.

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Digital Care Solutions
– THE ENVIRONMENTAL BENEFITS

Dan Morris, Partner and Digital Health & Care Lead at Bevan Brittan LLP, looks at how digital care solutions can help an organisation's green credentials.

The last year has seen extraordinary strides in the uptake and adoption of digital solutions across all aspects of life, whether that is online shopping, Zoom meetings or digitally facilitated health and care. Necessity, of course, is the mother of invention and when people are literally risking their health (if not their lives) simply by being in close proximity to one another, the benefits of digital innovation seem obvious.

While it is widely recognised that there are differing levels of digital maturity across the health and care system, and even more so within the care system itself, organisations like NHS Digital and Digital Social Care continue to develop, fund and extol the virtues of digitised care solutions, whether that be around assessment, discharge and withdrawal, improving the exchange of care information between organisations, digital care planning, or remote monitoring. The Chief Executive of Care England, Professor Martin Green, has recently reiterated the role of digital transformation as one of Care England's key strategic priorities.[i]

But perhaps a less obvious advantage of digitisation is its potential to improve an organisations' environmental and sustainability credentials. For example, Kaiser Permanente estimated that implementing its electronic health record system eliminated 1,000 tonnes of paper and 68 tonnes of x-ray film with a calculated savings potential of 21,000 tonnes of CO2.[ii] Similarly, remote monitoring and digital symptom checkers have the potential to reduce the need for ambulatory visits and, if visits do take place, a client with a complete electronic health record will enjoy more productive visits and less unnecessary double treatments. Replacing physical visits with telemedicine can result in a 40-70% reduction of carbon emissions.[iii] In Japan, remote bladder monitoring, which uses wearable sensors to show when a patient needs to urinate, is being hailed not only for its contribution to quality of life and client independence, but also for greatly reducing labour and laundry costs, with significant energy savings.[iv]

Of course, the use of digital technologies within the care sector does not come without cost. Tech solutions require devices and IT infrastructure (servers and data centres) that consume energy and produce electronic waste. This has to be offset against any energy savings and benefits that are claimed for digital solutions. However, for care businesses that are serious about the environmental and sustainability agenda, digital solutions offer plenty of promise.

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[i] Care England chief calls for continued acceleration of tech revolution - Med-Tech Innovation | Latest news for the medical device industry (med-technews.com)

[ii] Use of electronic health records can improve the health care industry's environmental footprint - PubMed (nih.gov)

[iii] Carbon Footprint of Telemedicine Solutions - Unexplored Opportunity for Reducing Carbon Emissions in the Health Sector (plos.org)

[iv] How Japan's Healthcare Solutions Are Advancing Our Everyday Life (forbes.com)

Social Care OUTLOOK

Julie Hopkins, Albert Goodman's Care Sector Business Developer and Consultant, shares her thoughts on the outlook for the sector.

Although the pandemic has put a dent in care home occupancy there has been a growth in care at home from paid and unpaid carers, whilst an ageing population means there has been no adverse effect on the need for rapid investment in the provision of care. We can expect new builds and refurbishment of existing buildings to continue into the next decade, with care providers diversifying and growing retirement and supported living services across the breadth of the social care sector.

So where will the future investment of care be focused? Hotspots of capacity remain throughout the UK, especially in more rural areas where domiciliary care cannot cope with the demand alone. Some areas, particularly in the South West, remain relatively untouched by the investor market, with the pandemic exacerbating future demand as people gravitate to areas with greenery and space.

The CQC's new themed strategy considers looking more at real-time data gathered from a wider network of sources including increased analytics of digital data, to drive better outcomes. Whilst we await the detail of what this looks like in practice, it reinforces the need for providers to have this on their horizon.

Innovation, future-proof building designs, taking ethical and green stakeholder views into consideration, and greater investment in a skilled workforce with continuous training and development, will all need funding.

The key drivers of care home quality are as follows: firstly, the building itself and how it has adapted during the pandemic. The past year has seen increased demand for wet rooms, more communal space and outside safe space, and isolation rooms. Second is a focus on employee well-being, flexibility, upskilling, reward, and changing areas. Next is enhanced Infection Prevention and Control procedures, with an ongoing greater use of PPE and sanitiser stations. The final point is the need for a robust digital infrastructure, as data sharing between health and social care continues its journey out of the pandemic.

Indeed social care will need to adapt to digital records within the next four years, and for many this journey is now playing catch-up. The pandemic has accelerated innovation and regulatory change, which will continue to adapt as climate change and green investment gathers pace on the forward agenda. See our article on CQC's five-year strategy elsewhere in this newsletter.

Investment in green technology will play an increasing role in business strategy in addition to enhancing clean air equipment, with emphasis on safe care and improved outcomes.

It goes without saying, social care needs to be kept in the spotlight together with a sustainable funding model, more on that later!

So the future of social care remains intact, albeit not without its challenges, long debated, and it goes without saying that the pandemic has made heroes of all who work in this environment and continue to do so. To you all, THANK YOU from Albert Goodman.

Simple ways to make your care home **more environmentally-friendly**

BEING KIND TO THE ENVIRONMENT WITHOUT SIGNIFICANTLY INCREASING OVERHEADS IS A CONSTANT CHALLENGE FOR CARE HOME OPERATORS. STEVE CAVILL, WHO HAS MANY YEARS OF EXPERIENCE MANAGING MULTIPLE CARE HOME PROPERTIES, SHARES HIS THOUGHTS.

One of the easiest ways to improve energy efficiency is to install *LED light bulbs*, which operate at 15-20 watts whilst giving out the same lumens as a 100w incandescent bulb. Lights in care homes are on for long periods during the day, so particularly in corridors and communal areas this is an easy way to be more energy efficient!

LED lamps have developed greatly over the years, starting off emitting very blue light but now available in various levels of colour from very blue to yellow. This is particularly important for care homes, as residents spend a lot of time indoors under artificial lighting and are therefore highly exposed to the light. Blue light signifies daytime, and yellow light signifies mornings and evenings. Newer (and therefore quite expensive) technology allows lights to change colour during the day, to mimic natural daylight and support residents' circadian rhythms.

It is also worthwhile installing *PIR motion sensor* switching in cupboards and communal stairwells, where lights are often left on unnecessarily.

Heat exchange air handling is difficult to fit retrospectively, but is my number one requirement in a newbuild property. Newbuilds have very high thermal standards, which includes air leakage, which is designed to perform thermally with doors and windows shut. But care homes require good ventilation, with bedroom windows often left open throughout winter days with the heating bellowing out. Air handling seeks to bring in fresh clean air from outside, via a filter to remove any micro-particulates. The heat exchange brings cold clean air into the building and extracts warm old stale air from the building within one unit, and transfers some of the heat from the outgoing stale air to the incoming clean air.

Solar Voltaic Arrays were good when the Government was offering FIT (feed in tariffs), and they can be used to offset the energy requirements for a new build care home to help meet BREEAM (Building Research Establishment Environmental Assessment Method). If you are considering this, look closely at the cost v return calculation, and for any incentives like FIT.

When it comes to *water harvesting* there are two types – Grey and Rain. 'Grey' is waste water from places like basins which is recycled to flush toilets. It is not recommended in care homes due to the strict requirements for the hygiene of water (ACoP L8), as the residents are in a very high risk category for Legionnaires Disease. Rainwater harvesting diverts water from the gutters and paving into a storage tank, which is then used for watering gardens.

Air source heat pumps & comfort cooling (Air to Air) can be retrofitted very easily. They are the same as air conditioning units, but have built in invertors. In the winter they can heat the air inside by taking heat from the cold air outside (they work like a fridge in reverse), and then in the summer they can be switched to cool inside. These are great as the electricity use is a fraction of the heat benefit received, with the added bonus that they can be used for cooling in the summer. During the summer overheating is a huge problem in care homes, so having an air source heat pump in communal lounges will reduce or eliminate the problem. However, be careful not to use the air conditioning to cool the air whilst the radiators are still on – I have seen this happen many times!

The Funding *of* Social Care

Julie Hopkins, Albert Goodman's Care Sector Business Developer and Consultant, discusses where the social care funding debate might go next.

Funding of the social care sector has been a constant topic of debate over several governments, with White Papers and many consultations but as yet no solution. The outcome of the Mencap 'Sleep-in' case, detailed elsewhere in this newsletter, only highlights the need for an answer.

Whilst we await the November 2021 spending review, and care businesses follow the Government's path out of lockdown, how can business sustainability be addressed?

Some care providers, already struggling pre-pandemic with underfunded Local Authority rates, may not survive the next decade. Covid-19 has accelerated the need to adapt, be agile and accelerate investment, alongside the increasing stakeholder focus on green technology and future-proofing businesses for future pandemics.

The next decade will see a huge increase in the demand for care, which needs to be paid for along with the deficit arising from the pandemic. I do not have solutions, purely observations at this stage of the funding debate.

Funding could come from several areas, new and old:

- The two tiers of Local Authority and private funding to continue, creating increased polarisation towards the private sector
- A growth in care at home, privately funded with live in care and supported living demand
- A growth in nursing home and at-home provision, with discharge from hospital followed by a needs and financial assessment, benefitting from the integration of care journey
- Greater family responsibility, a continuation of the outcome from the pandemic, with people seeking greater job flexibility to look after family members
- A ten year 'plan' from the government to tackle the funding of care, which could include:
  - Increasing National insurance
  - A new ring-fenced tax
  - A new 'insurance'
  - Paying for improved outcomes rather than hours
  - Addressing the needs threshold
  - Another national mechanism
  - Encouraging people to save for care in addition to pensions
  - Grants for preventative technology
  - The State to provide a basic level of care for all
  - A new look at Continued Health Care

Whatever the future holds there is no doubt that Martin Green, CEO of Care England, was correct in his assertion that, "we need the Government to produce a long term funding settlement, a workable solution in the best interest of citizens."

CQC's *five-year* strategy

In January the Care Quality Commission (CQC) launched a consultation on its five-year strategy. Commenting on the effects of the past year, it commented, "The pandemic has forced health and social care to think differently, and we are no exception. For CQC, it has accelerated the need for us to change. Our draft strategy has been developed to enable more effective regulation for the future and support services to keep people safe."

There will be changes to the way CQC regulate as well as an emphasis on flexibility, undoubtedly driven by the changes which it was forced to adopt during 2020. Routine inspections of care homes ceased on 16th March 2020, with CQC using remote methods to give assurance of safety and quality of care and physical inspections only taking place in extreme circumstances. It introduced an Emergency Support Framework, which used enhanced intelligence gathering to help local CQC teams give targeted advice and support. Its interim guidance, released in September 2020, stated that its inspectors were 'spending more time on virtual activity and less time on physical site visits. Our transitional regulatory approach may mean that we will request more information from providers in a digital format. This includes inspectors asking for access to digital care records when not on site.'

It is clear that inspections as we knew them will probably cease to exist. As the consultation document states, "The pandemic has made clear that some of the ways we currently work prevent us from being flexible and responding to situations as they happen", along with an acknowledgement that, "There's also more use of digital technology in health and social care…We've seen more services taking advantage of this during the pandemic." The latter point will be good news for providers both in terms of efficient use of staff time, and environmentally too – for more information on this, see Dan Morris' article elsewhere in this Newsletter.

Following the original draft of this article, the CQC launched its strategy on 27th May.

The strategy is built on 4 interlinked themes:

- People and Communities
- Smarter Regulation
- Safety through Learning
- Accelerating Improvement

Throughout these themes run 2 core ambitions: assessing local systems and tackling inequalities in the health and care sectors.

Whilst we await to see the detail, the Year 1 priorities are to develop how risk is monitored and test a new assessment framework. A new provider portal and mobile-friendly website will be created, and they will also carry out further research to develop collaborative work.

TAX PLANNING FOR **CORPORATION TAX**

For the financial year 2023 (1 April 2023 onwards), the small profit rate (up to £50,000) will be 19%, with the main rate at 25%.

Of particular note is that profits between £50,000 and £250,000 will be charged corporation tax at a tapered rate, with the marginal rate of tax between the limits actually higher at 26.5% (not immediately obvious in the Budget).

The profit limits will also be split between associated companies (under common control), a throwback to the past, adding yet again more complexity to the tax system.

Close investment holding companies will become liable to corporation tax at 25%, regardless of their profit

It is clear that the new £50,000 profit threshold will influence the incorporation decision of a smaller care provider, although tax should not be the only deciding factor when considering the structure of an entity.

The timing of any loss relief should also be considered. The relief through 'carry back' gives cash earlier, but the 'carry forward' will give relief at a higher rate from 1 April 2023. It should also be noted that a Super Deduction capital allowance has the effect of creating different scenarios.

Those providers who are also charitable do not need to pay corporation tax, which is an obvious benefit of charitable status, although it is offset by increased governance and reduced flexibility on extracting earnings.

Michelle will be considering the pros and cons of care providers operating under charitable status in a future newsletter.

Improving Adult Care Together (IMPACT)

Care organisations and the University of Birmingham will be working together to develop a centre for adult social care, to promote and maintain independence and wellbeing.

IMPACT (Improving Adult Care Together), has been funded by the Economic and Social Research Council (ESRC), part of UK Research and Innovation, and The Health Foundation. Partners include Care England, Skills for Care, the Social Care Institute for Excellence, the Care Workers' Charity, Scottish Care, Carers UK, the British Association of Social Workers, Think Local Act Personal, the Association for Directors of Adult Social Services, and the Universities of Sheffield, Stirling, Ulster and Cardiff.

The centre will bring together people working in the sector, those providing unpaid support, people experienced in implementing evidence, providers, commissioners and policy experts, and academic teams from across the UK.

Its aims include helping people to make better use of high-quality, practice-based evidence to support innovation; build capacity and skills in the workforce; and develop sustainable and productive relationships between those working in adult social care.

SUPER DEDUCTION AND THE ANNUAL INVESTMENT ALLOWANCE (AIA)

In the Spring 2021 budget, Rishi Sunak unveiled a new "Super Deduction" for businesses. The Super deduction allows 130% deduction on new, qualifying plant & machinery purchased in the two years from 1 April 2021.

The way the new allowance works is that it is a first year allowance at 130% of qualifying expenditure. Whilst the nature of the qualifying expenditure is defined by reference to items which would otherwise go in the general pool, in fact the expenditure must be kept separate for each asset on which super deduction is claimed. The rules for the super deduction also increase the disposal proceeds to 130%, and this then creates a sting of a higher balancing charge on disposal.

You also need to be careful if your company accounting period straddles 31 March 2023, since the 130% Super deduction will be time apportioned. Thus companies may plan to buy new equipment before 31 December 2022, in order to benefit from the Super deduction.

The AIA is unaffected by this, as you can allocate AIA to whichever assets you choose. You can therefore have 100% allowance up to your AIA, and 130% on expenditure in addition.

For example, Capex is £3 million, of which £1 million qualifies for super deduction. Allowances will be:

£1 million at 130% - super deduction

£1 million at 100% - AIA

£1 million at 18% - WDA

Subsequent sale of super deduction assets for, say, £200,000, creates a balancing charge of £260,000.

If you would like further information regarding this and how it could help you, please contact Andrew Law on 01823 286096 or email andrew.law@albertgoodman.co.uk

Sleep-in case comes to an end, but the funding debate rumbles on

In March, the Supreme Court delivered its ruling in the Mencap:Tomlinson-Blake case related to the rate paid to care staff on sleep-in shifts. In their ruling, the Supreme Court acknowledged that no-one would doubt the importance of care workers, and that sleep-in staff are among the low paid. However, the justices said that workers must be paid national minimum wage when they are awake and working, but they do not need to be paid this when they are asleep.

Providers and Local Government welcomed the ruling, with the Chair of the Local Government Association commenting that, "Had the appeal been upheld, care providers and councils providing social care would have faced massive bills, which would have increased the huge financial pressures they are already facing." In contrast, Unison general secretary Christina McAnea said, "No one is a winner from today's judgment. Everyone loses until the government intervenes to mend a broken system that relies on paying skilled staff a pittance." On this point most agree, with the LGA saying that the decision, "does not remove the need for a sustainable funding settlement for adult and children's social care, which includes important decisions on the workforce such as pay, recruitment and career development. The Government should bring forward its proposals on adult social care funding as soon as possible."

MARKET UPDATE

by Rob Kinsman, Director, Christie & Co

There has been a dramatic reduction of COVID-19 outbreaks in care homes throughout the South West from a peak in January. The latest statistics we have for a seven-day period in April show no COVID-19 related deaths in Cornwall, Devon and Somerset. This is fantastic news and illustrates the success of the vaccination roll-out with both clients and staff. However, occupancy remains a challenge for many providers in the region with average occupancy remaining stubborn at around 80%, dramatically lower than the long-term average and this is not sustainable for many owners. As restrictions are lifted there is hope that demand will increase and referral levels will improve.

Despite these challenges, the transactional market in Q1 has remained strong with investor appetite undiminished. The Southern Care team at Christie & Co agreed more deals in the first three months of this year than we did for the same period in 2020. Despite the lockdown, offer levels on our clients' businesses are also ahead of last year, with keen interest from both new entrants and existing providers. Conversely, we have seen a marked reduction in care homes coming to the market, with new instructions levels down 25% on the prior year. Demand is therefore outstripping supply in the market and values are holding firm.

Recent deals concluded include the sale of the Hilldales and Northview in Ilfracombe on behalf of Administrators, Begbies Traynor, and the former Rosemount Care Home in Chudleigh for residential redevelopment.

End note

We have reached the end of another Care Newsletter, one which we hope you have found useful! Our thanks go to our independent contributors, whose expert opinions give our newsletters a rounded perspective of the issues affecting the care sector.

We will shortly begin work on our Autumn newsletter, and if there is a particular issue or theme which you would like us to cover please do get in touch at michelle.ferris@albertgoodman.co.uk .

Until next time, I wish you a happy and healthy summer.

Michelle Ferris

Partner, Head of Charities and Care, Albert Goodman

Dates for your diary

15th - 16th September 2021

DEMENTIA, CARE AND NURSING HOME EXPO (NEC BIRMINGHAM)

13th - 14th October 2021

THE CARE SHOW (NEC BIRMINGHAM)

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