Care Home Insight

Autumn 2018 Hawsons Chartered Accountants

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Introduction

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Welcome to our Charity Newsletter

Welcome to our final newsletter of 2018. The long nights are drawing in and Christmas is right around the corner. Before we know it we will be well and truly into the Christmas party season indulging in the usual excesses it inevitably brings.

Overall it appears as though the UK economy is holding up fairly well with a steady expansion throughout the year. However Brexit uncertainty seems rife and there are hints of tougher times on the horizon. Not a week passes by that there aren't new forecasts or estimates predicting wildly different outcomes depending on the type of deal struck with the EU. Where it will all end up, only time will tell so in the meantime, to all our clients and contacts, have an enjoyable festive season and a prosperous New Year!
We hope you enjoy our final newsletter of 2018 and, as always, please do get in touch if you would like any further information.

Hawsons are specialist care home accountants

At Hawsons our dedicated team of specialist accountants and tax advisors offer a wealth of experience in the care sector including residential homes, nursing homes and other specialist care services.

Our in-depth knowledge and understanding of the sector is applied and we work closely with our clients, ensuring that changes in the care sector are recognised promptly and appropriate strategies implemented and actions taken.
We recognise that no two homes are the same.

For more information on our care home expertise, including the services we offer and our experience, please visit:
www.hawsons.co.uk/care-home-accountants

A fifth of care homes are 'inadequate' or 'need improvement'

It is reported that one if five care home in England are deemed 'not good enough'.

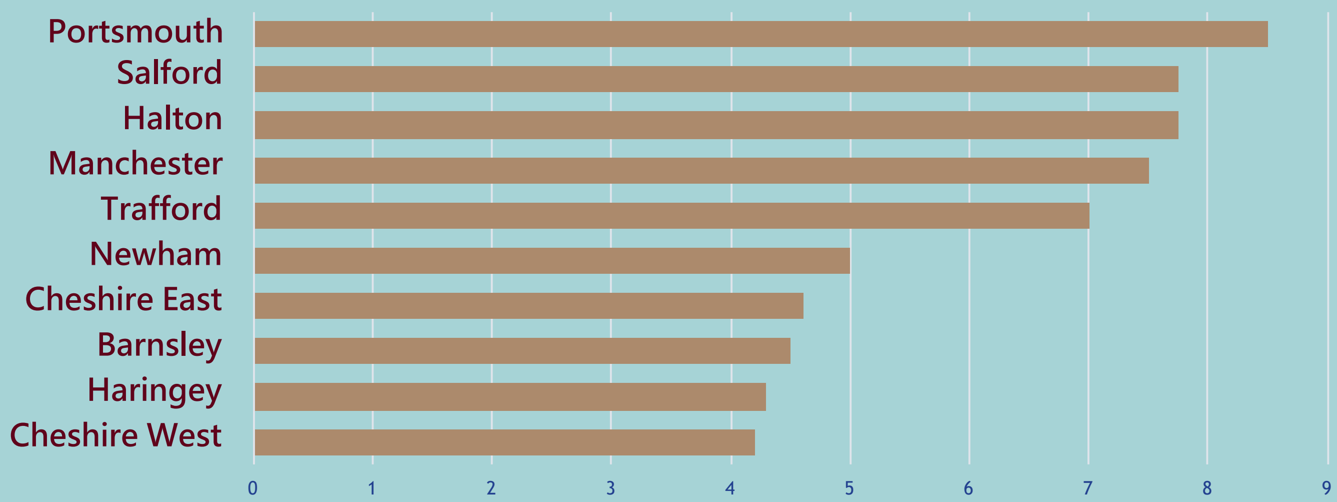
This figure has come after the Care Quality Commission (CQC) said that is a real concern how varied the standard of care is across the country. The poor rating that has been given to some care providers has resulted in them being unable to get insurance or banking. This has subsequently led to closures of some care homes.

Using the CQC rating system, 3,000 out of England's 14,975 care home have been rated either inadequate or needing improvement. This is particularly a concern in Trafford where a shocking 43% are rated inadequate or in need of improvement. This is the highest figure out of all areas in England.

Inspectors rate homes by assessing whether they are safe, effective, caring, responsive and well-led.

The results of such a high amount of care providers being referred to as inadequate is controversial since providers have in fact criticised the CQC inspection regime. Some have claimed that the inspectors are not correctly qualified which leads to questioning the accuracy of the inspections. There is also the disagreement that there is no independent body that they can appeal against the rating if they believe it is unfair.

Areas with the highest rates of "inadequate" care homes



Source: Care Quality Commission

Nadra Ahmed, Chief Executive of the National Care Association, said "What we know at the moment is that services in the north are more challenged than in the south. What we find with people who have different homes in different parts of the country is that, while they have the same ethos and so on at all homes, inspectors can differ in their ratings. I think that is a challenge the CQC themselves recognise. A poor CQC report can have a fundamental impact on a provider's ability to recruit, whether staff or for people living in service".

A spokesman for the CQC said: "People can be reassured that most care homes in England are meeting the 'mum test' – care would be happy for anyone we love to receive. But as our quality ratings data demonstrated, people's experiences of care can vary across the country meaning this is not the case for everyone. This variability continues to persist and is a real concern."

Health secretary announces £240million extra funding for social care

Matt Hancock, Health and Social Care Secretary, has vowed to give the social care system an emergency fund of £240 million to help with the winter burden faced by the NHS.

The money will be used to help the older generation stay out of hospital over the winter months.

Hancock said: "We will use this money to get people who don't need to be in hospital, but do need care, back home, back into their communities, so we can free up those vital hospital beds. And help people who really need it get the hospital care they need"

The government recognising this problem in the winter health crisis is a major step in bridging the funding gap that exists in the social care sector.

The extra funding will help achieve:

- More than 71,500 home care packages to help patients get out of hospital quicker.
- 86,500 reablement packages, which support workers to help patients carry out everyday tasks and regain mobility and confidence.
- Nearly 27,000 home adaptions, including new facilities for personal care, such as adapting a shower room if a patient has limited access.

Other actions that are being taken to boost aid over the winter months include:

- Ensuring extended access in primary care is in place across the country, with an additional 9 million appointments per year.
- Rolling out NHS 111 nationwide.
- Taking action to safely reduce ambulances conveying patients to hospitals through increased 'hear and treat' and 'see and treat'.
- Expanding the provision of 'same day' emergency care.
- Setting an ambition to reduce long stays in hospitals (over 21 days) by 25% to free up 4,000 beds.

Simon Stevens, NHS England Chief Executive, said: "*helping patients go home when they are ready is vital to easing pressure on the NHS, particularly busy A&E departments. So, as the government develops a comprehensive social care funding solution, hospitals will rightly welcome this targeted funding to ease pressures on the NHS this winter by paying for extra care packages and care home places for frail older people. Over the past 18 months the NHS and councils have worked together to cut delayed discharges, freeing up 4 hospitals- worth of beds across England. This money will allow councils to build on that progress."*

Advice on buying or selling a care home- key considerations

If you are about to purchase a new care home or embark on the sale of an existing care home, this article is a worthwhile reminder of some of the key accounting and tax-related considerations you should be thinking about.

Buying a care home considerations

The care home sector presents potentially lucrative business opportunities for those with sufficient capital to invest. The first port of call if you're looking to purchase a care home is to carry out financial due diligence; a process done to assist a prospective purchaser (and/or funder) to make an informed judgment as to whether to proceed with a proposed transaction or not.

The due diligence will cover all relevant aspects of the past, present and forecasted future of the care home and include things such as historical trading results, accounting policies, projected cash flow, tax computations and key business weaknesses. The amount of due diligence conducted will be dependent on a number of factors, including the experience of the buyer, the size of the transaction, the funding structure for the acquisition and the risks involved.

Once a financial due diligence has been conducted and the buyer is satisfied with the price/ risks, the buyer will need to seek advice to structure the transaction in the most tax efficient way. Tansactions tend to have complex tax implications so this is an extremely important part of the purchasing process.

Selling a care home considerations

If you have been waiting for a healthy environment to sell your care home, then now may be a great opportunity to realise best value…but, as with many aspects of business life, having a plan of how you are going to exit your business and executing that plan over a period of time generally leads to a better outcome than when things are dealt with in an ad hoc way.

From a tax perspective, there are many aspects to consider, including Entrepreneurs' Relief, Capital Gains Tax and Inheritance Tax. You may also wish to restructure the business to save tax and take advantage of a potential more beneficial tax position. Additionally, as the buyer is likely to conduct a financial due diligence investigation it is important that all of your financial information is accurate, up-to-date and presented in the best possible light for your care home.

Get yourself organised early and put yourself in the buyer's shoes. This often makes the selling process more efficient, cost effective and secures the best sale price – you often only get one chance to get it right. Away from the accounting and tax-related considerations, it is important to think about the full spectrum of business issues when selling your care home, including marketing, administration, room cleanliness, employee engagement and working procedures.

Even the smallest changes can reap the rewards and help you to differentiate from other care homes on the market.

How can we help?

As well as the technical excellence you would expect from a firm of chartered accountants, here at Hawsons we have dedicated teams of corporate finance and tax specialists who have extensive experience in the processes of buying or selling care homes.

Buying a care home

We have the flexibility to tailor our services whilst being able to offer a full deal advisory service including, identifying targets, initial approach, negotiation of terms, due diligence, tax efficient structuring and raising finance.

Selling a care home

The sale of a business is often the culmination of a lifetime's work. This will usually be a once in a lifetime transaction – with only one opportunity to get it right and achieve the maximum reward.

Expert advice should therefore be sought at the earliest opportunity. At Hawsons we have recently launched an exciting new exit planning service and, alongside the new service, we have set up a free-to-use "business attractiveness" test to help business owners find out how attractive their business is to a prospective buyer and identify any areas where the business can be improved to increase its value.

For care home owners looking to sell, this could be a particularly important tool for managing and streamlining the sales process, as well as maximising the best price for your care home.

Find more information about our business attractiveness test at:
www.hawsons.co.uk/exit-planning

Technology in the care sector-is your website effective?

Are you ready for tomorrow's service users today?

Whether you run a small home in the local area or have a group of homes with a national focus, it is time to start considering the implications technology may have on your care home, before you fall behind. Many care homes have outdated websites and this may be a good time to start thinking about an update, or even a complete redesign. In this article we talk to Scott Sanderson, Healthcare Partner at Hawsons, to discuss what makes a good care home website and how homes can stand out from the competition.

Q&A with Scott Sanderson – what makes a good care home website?

How important is a good website for a care home?

"The importance of a well thought-out and carefully designed website should not be overlooked in any sector, and it is becoming particularly important for care homes. Choosing a care home for a loved one is a huge decision and this is a decision which is increasingly - at least initially - being made online. A care home's website is central to new enquiries and provides operators with an opportunity to attract private fee payers – first impressions count! Care homes must therefore ensure that their websites are up to scratch, both from a technical standpoint and prospective service user's point of view."

What makes a good care home website?

"There are a number of things that make a good care home website. In particular, I would look at it from a prospective service user's viewpoint – what do they want to see? Testimonials from current residents, latest CQC reports, accreditations and awards, pictures of the interior and exterior of the care home, a list of key features the home has e.g. lifts, en-suites and activity areas and contact information should be included on all care homes' websites."

What makes a care home website stand out?

"Testimonials should really not be overlooked. Now, as many as 78% of people trust online reviews as much as recommendations from friends – that is an amazing statistic. Going beyond that, I would like to see more care homes include videos on their websites – either providing a tour of the home or further information from the owner or carers – as seeing the people behind the home really can make that vital difference. I would also like to see more websites include a FAQ section. Many people who are looking for a care home have never done so before, so it's understandable they have so many questions. Make the process as simple and as reassuring for them as possible."

What do owners need to know from a technical standpoint?

"The technical elements of a website need to also be considered. In this day-and-age your website simply has to be mobile-friendly. By that I mean that your website should work responsively on a mobile or tablet with no sideways swiping to read a page. Google recently confirmed that there are more mobile search queries than desktop – and have recently made changes to their complex algorithms to align with that. If your website isn't mobile-friendly you won't rank as well on Google. There are a number of other technical SEO (Search Engine Optimisation) considerations you will also have to make which determine how well you rank on Google. If you outsource the production of your website, the developer will help with these."

The Future of Audit?

It has been a difficult few months for the auditing industry – and in particular for the national firms that audit large listed companies and other 'Public Interest Entities'. After the high profile collapses of BHS and Carillion, amongst others – where the question of blame was put at the door of the auditors by the press – last week parliament's Business, Energy and Industrial Strategy (BEIS) committee launched an inquiry into what it called the 'broken audit market'.

The BEIS committee's inquiry is the fourth ongoing review into the audit sector or its stakeholders along with the Competition and Market Authority's review of the audit market, the independent review of the FRC (the auditors' regulator) led by Sir John Kingman and Project Flora, a government-backed review into the future of the audit industry.

The outcome of these reviews is not yet known – but one thing that we can say with certainty is that the future audit market will look different to the one that exists today.

So, what does this all mean for firms like Hawsons? The partners here see the potential future disruption as an opportunity.

Medium sized firms like ours are agile and have the ability to adapt quickly to the changing world around us. Our partners have a wider skill set than that typically found in 'Big Four' partners, who tend to specialise in a service stream and have more time to spend with our clients, meaning that we can develop deeper working relationships. David Grunberg, founding partner of Grunberg & Co, said in his recent article in Accountancy magazine

'A commonly heard remark from clients who leave the Big Four is that they felt a stronger bond being created with the partner and the team they joined at the new firm'.

This wider skillset and closer relationships mean that we really understand our clients' expectations and can adapt and innovate to meet those expectations. Innovation has been important for us – evidenced by our partnerships with Xero and Quickbooks for online accounting and our 'Making Tax Digital' workshops – and will continue to be as the market and clients' expectations change. Innovation is also important in the world of audit –making sure that we combine tried and tested methods with new technology to deliver efficient yet robust and effective audits.

Clients also expect us to be able to offer international expertise. Through our membership of HLB – the 12th largest global network of accounting firms –we have access to 25,000 professionals in over 150 countries. In any country that our clients want to do business in, we can provide guidance and expertise through the network. We currently do a great deal of work with the HLB network, so the service is seamless and the service level is similar to that offered by the Big Four networks.

The future of the audit market is unknown, but with our agility, close client relationships, ability to innovate and international network, Hawsons is well placed to be able to take advantage of any opportunities that arise.

Lords call for a delay to Making Tax Digital for VAT until 2020

The House of Lords Economic Affairs Committee have issued a scathing report on HMRC's Making Tax Digital ("MTD") for VAT program. The committee have voiced disappointment that on many issues raised by the committee in their 2017 report HMRC had taken "no meaningful action". The MTD for VAT program is due to be introduced in April 2019.

The 2017 report had suggested that the tax gap claimed by HMRC was "guesswork", the proposed timetable was "too tight" and that HMRC had underestimated the difficulties and costs faced by the "considerable number of people with limited digital skills or inadequate broadband access".

The tax gap

The committee found issue with the government's estimates that MTD will result in an increase in tax revenue of just over £1bn by 2020-23. They believe the benefits are overstated and highlighted that "reducing errors could reduce tax revenue as well as increase it".

The costs for taxpayers

Businesses using older software "face the cost of upgrading purely to meet MTD requirements". The committee criticised HMRC for believing that businesses would realise administrative savings that would outweigh any costs incurred in the transition to MTD. HMRC believe the average transition cost will be

£109. However, this figure has been challenged by witnesses who appeared before the committee who suggested the average cost could be anywhere between £300 and £2,000.

The timetable

The committee said that HMRC "is alone in its confidence that all one million businesses will be ready for MTD for VAT in April 2019". They believe HMRC have "underestimated the time for research, planning, training and system changes that some businesses will need".

The committee continue to allege that HMRC are more motivated by the possibility of increased revenue for the government instead of the need for greater efficiency. The report suggests that the government should defer the introduction of mandatory MTD by a minimum of one year but encourage businesses to join voluntarily. They believe that HMRC should wait until at least April 2022 before they roll out MTD to any other taxes.

Communicating with businesses

The committee found that HMRC had communicated primarily with software providers, agent representative bodies and agents. They accuse HMRC of neglecting to inform taxpayers "until they were invited to join the pilot". Last month HMRC informed the committee that it was 'significantly increasing its communications activity" but the committee felt that with just five months until the introduction it was "too late to begin an effective communications campaign".

The pilot

Although HMRC extended their pilot to 600,000 businesses in October 2018, the committee said "there is too little time before 1 April 2019 to make up lost ground and respond to implementation issues identified by taxpayers". There will be "no pause to allow the lessons learned in the pilot to be evaluated, particularly from the perspective of taxpayer readiness, and changes made before it is mandatory for most taxpayers". They highlighted that the reliability and performance of "HMRC's systems are still unproven at scale".

Deferred for some

The committee criticised the deferral extended by HMRC on the grounds that it was given mainly to other public sector bodies and a selection of small organisations with the most complicated tax affairs rather than "to the smaller businesses for whom implementation will be most burdensome and who have the fewest resources to devote to implementation".

Reaction

An HMRC spokesperson responded to this report, saying: "We are disappointed that the committee's report does not reflect HMRC's wide and significant engagement on MTD over the last three years, nor the changes made as a result for small businesses."

Craig Walker, Senior Tax Manager at Hawsons commented "Despite this scathing report, HMRC have given no indication that the introduction of MTD for VAT will be delayed and therefore businesses should ensure they are ready for the new regime".

The full report can be read here:

https://publications.parliament.uk/pa/ld201719/ldselect/ldeconaf/229/229.pdf

How can Hawsons help?

We can help you to review your current VAT record keeping arrangements and identify the changes that will be necessary to comply with the requirements of MTD.
If you wish to discuss the implications of MTD for you and your business, please get in touch with your usual Hawsons contact.

You are welcome to attend one of our FREE workshops that are running every month by signing up here: https://www.hawsons.co.uk/making-tax-digital-workshops/

Your Local Specialists....

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Sign-up to continue receiving updates from Hawsons...

Why do I need to sign up... again?

Due to the new General Data Protection Act (GDPR), that came into force on the 25 of May 2018, we need confirmation that you are still happy to receive our updates, newsletters and events.

What do I need to do?

Just fill in your details to confirm that you still want to receive our updates, events and newsletters. It only takes a minute, and will mean you stay in touch with us: http://www.hawsons.co.uk/newsletter/

Anything else?

Not at all! Although....you can follow us on social media to stay even more up to date with everything that we're up to here at Hawsons.

WE ARE AN INDEPENDENT MEMBER OF THE GLOBAL ADVISORY AND ACCOUNTING NETWORK