Winter 2015

CAREHOMES UPDATE

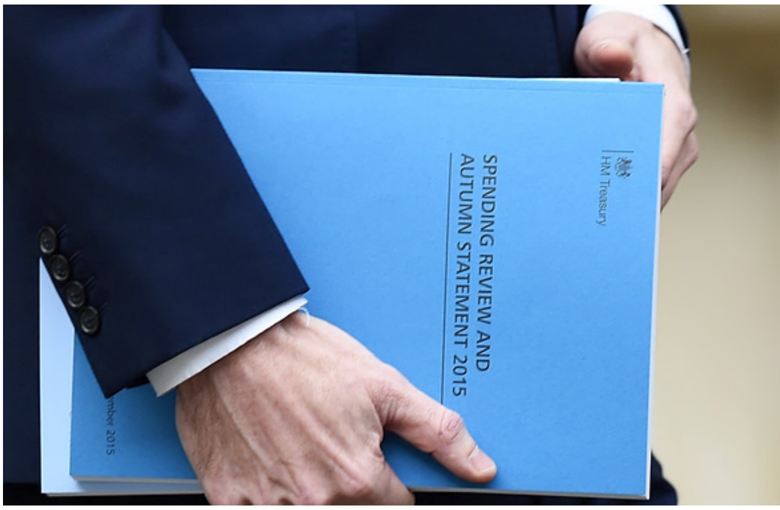
Bishop Fleming

The latest healthcare business and tax news

03333 219938

INSIDE:

Autumn Statement Leaves Care Homes Stranded



There was little joy to be found in the 2015 Autumn Statement for the care sector. The really welcome news was that the much-feared acceleration in the introduction of the National Living Wage did not happen.

There was the big U-turn on cuts to tax credits, but George Osborne promised that the planned £12bn in welfare savings would still be delivered "in full".

Care homes are still reeling from the Summer Budget shocks of a new National Living Wage and dividends tax regime from April 2016, on top of the rolling out of pension auto-enrolment, restrictions on migrant labour and the squeeze on council funding.

This time the Chancellor offered a few crumbs by way of allowing councils to raise an extra 2% on their council tax to fund fees for local authority residents in care homes. This will not be enough in itself to plug the funding gap for care homes, even if all councils go ahead with the charge and resist the temptation to spend the extra cash on other competing demands. Various estimates have suggested that the extra charge would have to be nearer to 10% to make a real difference.

Whilst on the subject of local authorities, the Chancellor confirmed that business rates will be devolved to local councils, but this will also come with a devolution of central government debt to councils - a clever way of passing the buck. Clearly some local authorities are going to fare better than others, which could make care home funding even more of a postcode lottery.

There was no mention of any reform to business rates, which is now overdue; a new regime based on business performance rather than outdated property values would be really welcome.

There was a grain of light in the announcements that the triple-lock on state pensions will be maintained, and small business rate relief will be extended for a further year. The Chancellor also announced that he wanted to loosen restrictions on student nurses, so that care homes can avoid using more expensive agency workers. However, replacing grants for student nurse tuition fees with loans will not help to increase numbers.

The NHS is to receive an extra £10bn a year in real terms by 2020 and the Better Care Fund will also be increased. There is concern though that without better integrated funding between the NHS and adult social care, more older people will end up stuck in hospital beds rather than care homes.

A worry for big care home operators is the new Apprenticeship Levy of 0.5% of an employer's wage bill, to be collected through the PAYE system. There will be a threshold of £15,000 before any payment has to be made, so only employers with pay bills of £3m or more will actually pay.

Looking forward, there are some useful changes on the horizon, including:

- The abolition from April 2016 of employers' NICs for apprentices aged under 25
- A reduction in corporation tax to 19% in 2017 and to 18% in 2020
- An increase in the employment allowance from £2,000 to £3,000 from April 2016
- A new £200,000 Annual Investment Allowance from 1 January 2016

The Autumn Statement was a missed opportunity to reduce the gap between rising care home costs and local authority funding. The growing compliance regime for the sector, coupled with greater financial pressures, calls for a more joined-up approach from the government on caring for the elderly.

For more information please download our full report by going to: **http://bishopfleming.co.uk/autumn-statement-2015**

Bishop Fleming were Highly Commended for Mid Tier Firm of the Year at The British Accountancy Awards 2015

Pay & Pension Plans Will Hurt Westcountry Care Homes

But Immigration Plans Will Have Less Impact

"Care homes could now cease cross-subsidy and focus on private residents"

Recent Government plans to impose a "living wage" – and new rules demanding auto-enrolment in a pension scheme – will make life more difficult for most Westcountry care homes. But less than half of the region's care homes are concerned about recent announcements, aimed at restricting migrant labour. These are the top line findings of a "snap-shot" survey among 55 Westcountry care home owners, conducted by the specialist care home team at Bishop Fleming.

The biggest majority (82%) of respondents agreed that the imposition of "the living wage" will increase their payroll costs, with no sign of local authorities being able to match that increased cost with increased fees.

Almost as many (80%) also reported that the new rules on auto-enrolment pensions will be complex for care homes, which have a high level of part-time and short-term employees.

Tim Godfrey, head of the care homes team, said: "It's easy to see that both these measures will add to the costs and administrative burden for care home owners. Nonetheless, the response to Government announcements about restricting immigrant labour helps to dispel the image of care homes being dependant on cheap immigrant labour".

Asked whether they were concerned about Government plans to restrict migrant labour, the largest number of respondents (45.5%) said "No – we are not reliant on migrant labour and have no problem in recruiting staff".

Meanwhile, almost as many (42%) said that increased immigration controls are of concern, accepting that they have to employ migrant labour at a time when it is difficult to recruit UK nationals. Tim Godfrey commenting "These findings underline the key issue that confronts the crucial care home sector".

"Homes that are reliant on serving local authorities are severely constrained on the fees they receive and, as a result, on what they can pay their staff. "Government plans to increase wages and impose pensions are eminently worthy, but there is no matched funding for local councils to increase the fees they pay to absorb those extra costs.

"This could increase the miss-match between privately self-funded residents of care homes, and those who are funded by their local council. Until now, many care homes have relied on fees from self-funding residents to cross-subsidise the 'below-cost' fees received for council funded residents.

"These extra costs could see a new divide between care homes that depend on council funding – forced to cut their costs and the quality of their care – and homes that decide to focus on self-funding residents", warned Tim Godfrey.

To talk to Tim or a member of our specialist care homes team please ring us on:
☎ **03333 219938**

xero

Congratulations to Xero

for winning 'Client Software Product of the Year' at the 2015 British Accountancy Awards.

This award winning cloud based software automates anything that can be and streamlines the task. We at Bishop Fleming are great supporters and have the team to help you access this. More to follow in our next newsletter...

Cash in the Attic

Nursing home owners could be missing out on sizeable claims for capital allowances, as the properties from which homes are run often contain integrated items of plant and machinery (P&M) that are overlooked for tax relief purposes.

Whilst claims for the usual furniture and fittings are common, items integrated into a building can be much more difficult to identify, and often end up being ignored. This is a wasted opportunity to claim extra tax allowances.

It is not just in existing homes where the problems lie; new nursing homes being designed and built often come with scant information on what they contain for the purposes of a claim. What is needed in these cases is a detailed breakdown of the integrated plant and machinery, together with allocated values.

A general term on a builder's document such as "carpentry" may cover, for example, qualifying joinery as well as non qualifying skirting. The distinction can sometimes be subtle and requires a tax specialist to identify and construct a viable claim.

Obvious items that can be claimed in nursing homes will include carpets, security alarms, lifts and hot and cold water installations. Not so obvious but also claimable will be items of equipment for safety, sanitary and dementia purposes, specialist drainage, mobility rails, and mechanical and electrical installations

Where items of P&M meet the Carbon Trust's energy efficiency criteria, 100% of the cost of these can be written off straight away under the rules for Enhanced Capital Allowances (ECA). The cost savings can be substantial. In newer buildings such claims could cover LED light fittings, heating and cooling systems, as well as combined heat and power systems that have been pre-registered with the Department of Energy and Climate Change.

Tax claims can also be made for nursing home refurbishments where, for example, there are redecorations or roof repairs. Around a third or more of such costs may qualify as repairs. Experience shows that between 20% and 40% of the cost of buying a nursing home could be attributable to P&M allowances, subject to the previous tax history of the building. It could be much higher where refurbishment has been undertaken.

Bishop Fleming's specialist Care Home team can carry out a full review of your nursing home P&M with the aim of maximising your capital allowances claim, to have a positive impact on your cash flow.

Payroll Reminders and Updates

The change of the National Minimum Wage (NMW) from 1 October 2015 brings with it an interesting discussion on the Living Wage and the implications to smaller employers and businesses. It is also an opportunity to remind the smaller or seasonal employers of their obligations to comply with Real Time Information (RTI) and the PAYE regulations.

It is no small burden, when the only paid staff are irregular, sporadic and on low hours, but still, ANY business paying staff is bound by the RTI legislation as soon as one employee is paid above the lower earnings limit, which is currently £112 per week or £486 per month.

The HMRC support package for smaller employers will cope with up to 9 employees on their software, after that you will need bespoke package or advice to allow the online RTI filing obligations to be fulfilled.

Advice and guidance is on hand, both from the government and also the Private sector. Here's the link to the new rates of pay for NMW.
https://www.gov.uk/national-minimum-wage-rates

Attention on the Auto Enrolment workplace pension legislation is now centred on the smaller businesses and organisations due to reach their staging dates in 2016 or 2017. This legislation cannot be ignored and we strongly recommend that preparation for this begins as soon as possible. For more information please visit: **http://www.thepensionsregulator.gov.uk/en/employers**

For advice on the best support for you and your carehome please contact us on:

☎ **03333219938** ✉ **healthcare@bishopfleming.co.uk**

Good Will Hunting

Recent changes to the tax treatment of goodwill will increasingly have an impact on business valuations, whether incorporating your business, or buying or selling a business. Goodwill is that elusive intangible balancing figure between the price paid for a business and the net value of the assets acquired.

Three key goodwill tax changes in the past twelve months have broadly been:

- removal of Entrepreneurs' Relief for goodwill on incorporation (from 3 December 2014)
- removal of company tax relief on purchased goodwill from a connected person (also from 3 December 2014)
- removal of company tax relief on any purchased goodwill (from 8 July 2015)

Existing purchased goodwill is not affected by the changes and continues to attract tax relief. The changes did not impose any restriction on other types of intangible asset – such assets will continue to secure relief.

Proper consideration should now therefore be given to property valuations, to recognise the contribution that such assets make to the value of the business.

It is increasingly important to speak with a Care Home specialist accountant when buying, incorporating or planning a sale.

For more information please visit our websiteadvice on **www.bishopfleming.co.uk/sector/carehomes** or contact us on:

☎ 03333219938 ✉ healthcare@bishopfleming.co.uk

The British Accountancy
AWARDS 2015
FINALIST

Bishop Fleming "Highly Commended" for Mid Tier Firm of the Year 2015

Bishop Fleming were Highly Commended for Mid Tier Firm of the Year at the British Accountancy Awards on 24 November 2015. Contact our specialist care home team, they are ready to support you and your business.

#TourofBF

smashes original target to raise over £25,000 for charity

Teams from all seven of our offices have raised over £25,000 for their local charities by completing the #TourofBF, a 325 mile cycle challenge.

More than 100 Bishop Fleming staff provided the logistical support, including marshalling, food, water, and first aid, for their 67 colleagues who rode the route that spanned all of our offices: Bath, Bristol, Exeter, Plymouth, Torquay, Truro and Worcester.

The Tour also received support from a number of Bishop Fleming clients including Ocean BMW who provided a motorcycle outrider, Rygor who provided a support vehicle, Paligap who provided nutrition products and Worcester University who provided support personnel.

Each office had voted to select its own local charity, and have spent 6 months working on fundraising activities including quizzes, static bike rides, slow cycle races, cake baking and raffles which have significantly contributed to the overall total.

To date, an overall total of just over £28,400 has been secured, via "Just Giving": http://www.justgiving.com/teams/TourOfBF. This has smashed the original target to raise £15,000 for the firm's 7 selected charities.

Half of the firm's 28 partners were among the cyclists, including Chairman, Jerry O'Sullivan and Managing Partner, Matthew Lee.

Matthew Lee commented, "It is a fantastic achievement by all concerned in organising and fundraising for the event and has been humbling seeing the commitment, dedication and enthusiasm that has been shown to undertake this event and fundraise for our 7 chosen charities. We are hugely grateful to all our clients and contacts for their generosity in helping us exceed our target."

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