Care Sector

Specialist Care Home Accountants

Newsletter
Spring 2017

www.hawsons.co.uk

Introduction

Welcome to our Spring 2017 care sector newsletter.

The first quarter of the year has been hectic to say the least, with Article 50 now triggered which will see Britain formally exit the European Union within two years, the Chancellor of the Exchequer Phillip Hammond delivering his Spring Budget, and now the Prime Minister Theresa May has called for a General Election to take place on June 8th. The rest of the year looks set to be challenging for the care sector with a level of uncertainty created by changes on the horizon for the UK economy.

In this issue. we look at:

- Sheffield care home fee review and market analysis 2017/18
- Spring Budget 2017
- Figures reveal 900 carers quit every day as social care system nears crisis
- Making Tax Digital: Post-Budget update
- Apprenticeship Levy launches
- Car-tax-Trophe for new car buyers!
- Hawsons Wealth Management seminar: Pensions Continue to Evolve

We hope you enjoy this edition of our newsletter and, as always, please get in touch if you would like any further information.

Scott Sanderson
Healthcare Partner

E: ss@hawsons.co.uk
T: 0114 266 7141
M: 07824379502
LinkedIn: www.linkedin.com/in/scottsandersonhealthcare
Twitter: @HawsonsHealth

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**

HLB International

Sheffield care home fee review and market analysis 2017/18

Following the introduction of the new National Living Wage on 1st April, this year's care home fee review brings mixed feelings for the sector. While the increase is welcome, it is felt that it is not enough.

Sheffield City Council have **recommended** that fees in 2017/18 will rise by 3.2% for residential care homes and for nursing homes.

The tables below show the increased Sheffield City Council fee bandings:

Residential Care	Max Contribution from SCC (2017/18)	Mac Contribution for higher Environmental standard (2017/18)
Standard	£389.00	£391.00
High Dependency	£426.00	£430.00
EMI	£434.00	£438.00

**Source: Report Supporting The Recommendations for Care Home Fee Uplifts Sheffield City Council 2017/18*

Nursing Care	Max Contribution from SCC (2017/18)	Max contribution for Higher Environmental standard (2017/18)
Standard	£590.00	£596.00
Enhanced	£603.00	£609.00

**Source: Report Supporting The Recommendations for Care Home Fee Uplifts Sheffield City Council 2017/18*

Last year in our 2016/17 care home fee review and analysis, we saw the fees increase by 4.32% and now we look at the latest figures to review each of the core key performance areas for care homes, to look at the stability and sustainability of the care home market and analyse the recommendations for 2017/18 Sheffield care homes fees.

This year's care home fees review and market analysis follows (and provides a more in-depth look at the care home market) our article: How is your care home performing? Which found that although there were positive signs moving forward, many care home operators still face an uncertain and challenging future.

Sheffield care home fee review and market analysis 2017/18

This year's care home review comes with some interesting stats, detailed below:

- Fees for 2017/18 are to rise by 3.2% for both residential care homes and nursing homes
- There has been a total net reduction of 200 beds since 2013
- With the increase to the National Minimum Wage, the National Living Wage and associated pension costs, care homes are facing ever increasing financial pressures.

Sheffield care home fee review continued…

In detail – Sheffield and the national picture

Supply and demand:

In 2016, there was a total of 3,768 bed places in the city – this is a net loss of 200 beds since 2013 and 2016/17 saw the largest number of net bed losses. In the latter part of 2016, there were two unexpected care home closures, and while this didn't have a significant effect on the market in terms of availability, there was a significant reduction in beds that were available. According to the Sheffield City Council, it is not necessarily the number of beds available that is an issue, but more so the amount of beds that are available at a standard price.

The data suggests that while the market can cope in the short to medium term, it can't be suggested that the market is 'stable' and if there are any more unexpected closures, or any closures of any kind, it could potentially create significant instability. According to a report by Adult Social Care Outcomes Framework (ASCOF), the number of admissions of older adults into care homes has increased by 257.5 per 100,000 population between 2015 and 2016 and if this continues to increase, it is entirely possible that demand could exceed supply in the medium term.

It is recognised that further work is needed to ensure that older people only go into a care home unless it is absolutely necessary and that further support is needed to care for people at their home after a short hospital stay. This could potentially reduce the amount of people living in a care home for the longer term. The tables below show the supply in care homes if demand continues at the current rate – the shaded boxes show the demand exceeding supply:

Nursing

Occupancy increase	Oct-16	2017/18	2017/18	2018/19	2019/20	2020/2021
1.00%	1945	1964	1984	2004	2024	2044
2.00%	1945	1984	2024	2064	2105	2147
3.00%	1945	2003	2063	2125	2189	2195
5.00%	1945	2042	2144	2195	2195	2195

**Source: Report Supporting The Recommendations for Care Home Fee Uplifts Sheffield City Council 2017/18*

Residential

Occupancy increase	Oct-16	2017/18	2017/18	2018/19	2019/20	2020/2021
1.00%	1451	1466	1480	1495	1510	1525
2.00%	1451	1480	1510	1540	1563	1563
3.00%	1451	1495	1539	1563	1563	1563
5.00%	1451	1524	1563	1563	1563	1563

**Source: Report Supporting The Recommendations for Care Home Fee Uplifts Sheffield City Council 2017/18*

Costs

Year upon year, payroll costs continue to rise. The increases to the National Minimum Wage and the National Living Wage (from 1 April 2017) will undoubtedly bring more financial challenges for care homes up and down the country. The care sector is going to be one of the hardest hit sectors by the yearly increases to the National Living Wage, particularly as salary structures in care homes are often set relative to the National Minimum Wage i.e. those paid above the National Living Wage may also expect to be given an hourly pay rise when the new rates come into force.

Staff retention and agency costs also continue to be an issue for providers, difficulties in finding qualified nursing staff and skilled care employees is leading to an increased reliance on recruitment agencies, which in turn is increasing the cost of recruiting new members of staff. Reducing staff turnover and retaining well-trained, qualified and competent staff is becoming ever more important.

2017/18 Sheffield care home fees rise

Scott Sanderson, Healthcare Partner at Hawsons, had his say on the fee increases: "The fee increases are of course welcome news. However, with the continued financial pressures facing care homes, one can't help but feel a little disappointed that the recommendations were not of a higher value. It is 1.12% less than last year and while we appreciate the uncertainty currently surrounding our economy, care homes are finding it ever more difficult to cope with the mounting financial burdens that are being placed upon them."

"While the increases for Sheffield care homes will be a relief to many operators and provide much needed financial support, it is no secret that costs are rising, staff retention is down and demand could soon exceed supply. That, in conjunction with an ageing population and the care home bed shortage, means that the care sector is still on an uncertain course."

Spring Budget 2017

The Chancellor Philip Hammond presented the last Spring Budget on Wednesday 8 March 2017. In his speech, the Chancellor was keen to point out that he wanted the tax system to be fair, particularly in relation to the distinction between employed and self-employed individuals. In this article, we look at how the Chancellor's Spring Budget impacts the care sector.

Main Budget tax proposals:

Our summary concentrates on the tax measures which include:

- increases to the Class 4 National Insurance rates – Update 15/03/17 – Chancellor withdraws plans to increase NI.
- a reduction in the Dividend Allowance from £5,000 to £2,000
- changes to the timing of Making Tax Digital for smaller businesses.

Previously announced measures include:

- increases to the personal allowance and basic rate band (a decreased band for Scottish residents)
- the introduction of the Apprenticeship Levy
- changes to corporation tax loss relief
- the introduction of an additional inheritance tax residence nil rate band
- changes for non-UK domiciled individuals.

Main Budget announcements (Care specific)

- £2bn investment in social care over the next three years
- £1bn available in 2017/18
- £100m to fund traige projects in A&E to help relieve pressure
- Chancellor ruled out "death tax" – a 10% levy on estates to fund social care
- English councils to receive £300m of discretionary relief to support those affected by increase in business rates
- Businesses losing rate relief will see their increases capped at a maximum of £600

Care home 2017 Budget impact

Sigh of relief as Chancellor promises £2bn fund

The overall opinion coming out of the care sector is relief. Senior figures believe that the Government has finally listened to their pleas for funding. However, having praised the Government for making the funds available, they have also warned that the money will only be an effective use of tax payers money if the Green Paper on adult social care can deliver the reforms that are necessary for putting the sector on a stable footing, so care homes will no doubt be looking ahead to engage with the Government as policies begin to take shape.

The Chancellor also ruled out Labour's so-called "death tax" in response to speculation that such a tax would be introduced. For a bit of background, the Labour Government proposed the "death tax" before the 2010 election and this consisted of a 10% levy on estates in order to fund social care.

Business rates

Another bit of good news is the £435m to support businesses that are affected by the increase to business rates. English councils will see £300m of discretionary relief to use locally and this will be available to charities. As well as that, those who will be losing rate relief will see their increase capped at £600, which is welcome news.

Scott Sanderson, Care home specialist and Partner at Hawsons, had this to say: "While the £2bn is welcome news and an important step in recognising the crisis that social care faces, the sector has still had roughly £5bn worth of cuts since 2010. We will await the Green Paper to see the Governments reforms and what effect this will have on the sector."

Figures reveal 900 carers quit every day as social care system nears crisis

Figures have revealed that in England last year, more than 900 adult social care workers quit their job every day. These growing staff shortages are putting vulnerable people at risk of receiving poorer levels of care, according to service providers.

The ageing population means more pressure is facing adult social care systems than ever before, and the chairman of the UK Homecare Association has written to the Prime Minister to say that the adult social care system (which applies to anyone over the age of 18) is on the brink of collapse.

In response to the ongoing crisis facing the sector, the Chancellor did announce in his Spring Budget 2017 that £2bn was being made available help ease the pressures - with £1bn of this funding being available from 2017/18.

A recent report by a charity have shown that there were more than 1.3 million people employed in the adult social care sector in England, and roughly 338,520 adult social care workers left their job in 2015/16 - this equates to 928 people leaving their roles every day and over half of these people never worked in the care sector again.

The care sector has twice the turnover of staff than any other profession in the UK (27%). Along with the £2bn fund, the Chancellor also allowed local authorities to raise council tax bills in order to fund social care services.

According to the Office for National Statistics, the number of people aged 75 and over is expected to double by 2040, and without any reforms, there will not be enough people to care for an ageing population.

Scott Sanderson, Healthcare Partner at Hawsons, had this to say: "The population is getting older and living longer, there are simply not enough people employed in the adult social care sector to care for these people. With the National Living Wage and National Minimum Wage set to increase year upon year, things will only get tougher for a sector that struggle to pay those wages."

Scott continued: "The sector is in dire need for the Government to act on this and while the £2bn is welcome, it doesn't change the fact that since 2010, there has been an estimated £5bn worth of cuts. The Government has stated that a total of 87,800 apprentices started last year and while this is good news and a step in the right direction, staff turnover is far too great at this moment in time."

It is estimated that social care jobs have increased at an average of 3% since 2010 and Scott concluded that "this is great news for a sector and much needed with such a high turnover in staff and I hope to see the 27% in staff turnover decrease in the coming years."

Making Tax Digital: Post-Budget update

What is Making Tax Digital?

MTD is the biggest shake-up of the personal tax system in 20 years and will fundamentally change the way taxpayers report to HM Revenue & Customs (HMRC) and keep their business records. Taxpayers will be required to keep records digitally and update HMRC more frequently than is currently the case. The roll out of MTD will commence in April 2018.

The general principles of MTD

The government has decided how the general principles of MTD will operate. Draft legislation has been issued on some aspects and more will be published in Finance Bill 2017.

Under MTD, businesses, self-employed people and landlords will be required to:

- maintain their records digitally, through software or apps
- report summary information to HMRC on a quarterly basis through their 'digital tax accounts' ("DTAs")
- make an 'End of Year' declaration through their DTAs.

DTAs are online areas where a business can see its tax details and interact with HMRC digitally.

Exemptions

Businesses, self-employed people and landlords with turnover under £10,000 are exempt from these requirements. There will also be a very limited exemption for businesses or people who "cannot engage digitally".

Changes announced in the Budget

The Chancellor announced a one year deferral (to April 2019) from the mandating of MTD for unincorporated businesses and landlords with turnovers below the VAT threshold (currently £85,000). For the self-employed and landlords that have turnover in excess of the VAT threshold, the commencement date will continue to be from the start of accounting periods which begin after 5 April 2018.

Lords call for delay

The House of Lords Select Committee on Economic Affairs, Finance Bill Sub-Committee (FBSC), have been looking at the potential impact of the MTD proposals. The FBSC have now published a critical report ("The Draft Finance Bill 2017: Making Tax Digital for Business") calling for a far more cautious approach by the government to the roll out of MTD. The committee has recommended delaying the introduction of the scheme to 2020 to allow for a full pilot.

The report concludes that the roll-out of the scheme is being rushed, imposing unnecessary burdens on small businesses and landlords, and will yield little benefit to the government. The Lords' committee recognised the unprecedented technological and logistical challenges that would be faced by the small businesses that do not currently maintain digital records or interact with HMRC on a frequent basis. The committee are also concerned that the government's estimate of the 'tax gap' saving is fragile and not based on adequate evidence.

New penalty regime

HMRC are set to introduce a new regime for late submission penalties and late payment sanctions under MTD. HMRC have now opened a consultation on how the new penalty regime should operate. The consultation paper sets out three possible models for late submission penalties and provides an update on late payment penalty interest. The proposals have been developed with the new MTD obligations in mind but the consultation also explores the suitability of the sanctions for other regular submission obligations. The consultation also provides an update on late payment penalty interest as a sanction for late payment of income tax, corporation tax and VAT.

The consultation closes on 11 June 2017.

How do I prepare for Making Tax Digital?

Over the coming weeks and months, we will provide further guidance on what MTD will mean for your business and explain the practical steps you should take to ensure a smooth transition to MTD.

If your business does not already keep digital records, you should consider doing so now so you can start to familiarise yourself with the software.

If you wish to discuss the implications of MTD for you and your business, please get in touch with your usual Hawsons contact.

Apprenticeship Levy launches

The new Apprenticeship Levy will be launched in April 2017. We look at what this is and who will be affected by the government's new levy.

What is the Apprenticeship Levy?

First of all, only employers with a wage bill of over £3m will be affected by the Apprenticeship Levy. The levy will be set at a rate 0.5% of an employer's pay bill, but each employer will receive an allowance of £15,000 to offset against the levy.

Any employer with a wage bill of £3m or higher must adhere to the new rules, whether apprentices are employed or not.

The good news is that it is expected that only 2% of UK businesses will be affected by this new scheme.

All sectors

The new apprenticeship levy will apply to all sectors – including the charity sector who will not be exempt from adhering to this new scheme.

How is this levy paid?

The levy will be paid through the PAYE system alongside tax and National Insurance Contributions.

Apprenticeship funding

Any employer that is too small to fund the levy – roughly around 98% of those in England – will be eligible to receive 90% of training costs funded by the UK government. Along with this, employers and training providers that take on young apprentices aged 16 to 18 can claim extra support worth £2,000 per trainee.

Employers with fewer than 50 employees on their books can claim 100% of their training costs to be funded by the government if they take on apprentices or young care leavers. As well as this, there are to be 15 funding bands – with the caps ranging from £1,500 to £27,000 and, as previously stated, the plans will be launched in April 2017. The funding system will not be launched until a month later.

Employers that pay the levy

The new 'digital apprenticeship service account' will be the platform for employers to access government funding for apprenticeships to pay for the training. This service will also assist employers in finding training providers in order to deliver a successful apprenticeship programme.

This only applies to businesses in England; as separate arrangements will be made in regards to Scotland, Wales and Northern Ireland.

Employers that do not pay the levy

From May 2017, when the new funding system is launched, employers can use the registers on the digital apprenticeship service to choose the type of training they wish the apprentice to receive, the training provider and an assessment organisation.

Employers that do not pay the levy will not need to use the digital apprenticeship service in order to pay for apprenticeship training and assessment until at least 2018.

Full steam ahead

The British Retail Consortium had called for a delay to the introduction of the Apprenticeship Levy until at least 2018 which, according to its Chief Executive, Helen Dickinson, would "allow more time to design a truly viable system that delivers high quality training."

The manufacturers' organisation EEF had acknowledged that an increase in funding for topics such as maths, science and engineering would be a welcome change, but also warned that there should be a delay in the levy's introduction.

Despite the calls to delay the introduction of the levy, it will go ahead as planned from April 2017

Car-Tax-Trophe for new car buyers!

The way Vehicle Excise Duty (car tax) is calculated is changing. These changes are going to have a significant impact on all new car buyers and care will need to be taken to avoid potentially hefty tax charges. Below are details of the new rules affecting all new cars from 1st April 2017.

New Vehicle Excise Duties

From 1st April 2017

New Vehicle Excise Duties (VED) rules come into force for new cars registered after 1st April 2017. These tax changes mean that all new car buyers will face a significant increase in their car tax in the first year of registration, depending on CO2 emissions. Whilst currently low emission cars are exempt, the new VED system will only be free for vehicles with no emissions i.e. electric and hydrogen cars. There is also a new five-year supplement to pay for cars costing more than £40,000 which will be £310 per annum. Buyers of smaller, more economical cars will face the largest increases in duty as they have previously benefited from the old regime favouring low emission cars.

Why change?

Manufacturers have slashed CO2 emissions resulting in less tax revenues for the Exchequer. It is estimated that a quarter of new cars pay no road tax as CO2 emissions are below 100 g/km.

The new changes in detail

Cars registered after 1st April 2017 will pay a one-off tax charge for the first year under a revised CO2 based band system. From the second year onwards, the CO2 scale becomes irrelevant as there will be two flat rates. A zero rate for zero emission vehicles and a flat rate of £140 for other cars. Cars costing over £40,000 will pay the £140 from year two plus £310 for the first 5 years, meaning a total of £450 pa. After five years, they revert back to the £140 flat rate. A £40,000 plus car with zero emissions will pay the £310 expensive car supplement. As part of the changes, alternative fuel vehicles e.g. hybrids, bi-ethanol and liquid petroleum gas will benefit from £10 lower rates for the first 5 years.

The VED tax bands from April 2017 are as follows:

Emissions (g/km of CO2)	First year rate	Standard rate
0	£0	£0
1-50	£10	£140
51-75	£25	£140
76-90	£100	£140
91-100	£120	£140
101-110	£140	£140
111-130	£160	£140
131-150	£200	£140
151-170	£500	£140
171-190	£800	£140
191-225	£1,200	£140
226-225	£1,700	£140
Over 225	£2,000	£140

Cars above £40,000 pay £310 annual supplement for five years.

Cars registered before 1st April 2017

Existing VED bands will remain in place so that these cars continue to pay the current VED rates even after the new bands come into force.

Car-Tax-Trophe continued

Current (pre-April 2017) vehicle VED tax bands:

VED Band	Emissions (g/km of CO2)	Annual rate	First year rate
A	Up to 100 g/km	£0	£0
B	101-110 g/km	£20	£0
C	111-120 g/km	£30	£0
D	121-130 g/km	£110	£0
E	131-140 g/km	£130	£130
F	141-150 g/km	£145	£145
G	151-165 g/km	£185	£185
H	166-175 g/km	£210	£300
I	176-185 g/km	£230	£355
J	186-200 g/km	£270	£500
K	201-225 g/km	£295	£650
L	226-255 g/km	£500	£885
M	Over 255 g/km	£515	£1,120

Road tax refunds when you sell your car

Any remaining road tax is refunded to the seller and the buyer has to re-tax the car. The tax refunds should be sent automatically when the DVLA receives notification that the car has been sold. Sellers must inform the DVLA of the change of ownership immediately and fines for not doing so are £1,000.

Conclusion

With the news that only cars with zero emissions costing less than £40,000 will qualify for the new £nil rate tax band, it's clear that the government is keen to put pressure on manufacturers to provide more vehicles within this bracket. This is another step on the road towards the Transport Ministers goal for all cars and vans to be zero emissions by 2050.

www.hawsons.co.uk

Hawsons Wealth Management Presents

Pensions Continue to Evolve

Hawsons would be delighted if you could join us for a seminar where Nigel Smith, Director of Hawsons Wealth Management Limited, will talk you through the ongoing changes in the pensions world.

As a qualified pensions specialist, he will provide details of the favourable tax benefits currently available with pensions, looking at:

- **Funding options**
- **Income requirements**
- **Flexible retirement options**
- **Death benefits**
- **Inheritance tax consequences**

During this seminar, Nigel will explore all these areas and inform you how our Wealth Management team can help.

Following Nigel, Erica Dietsch, Independent Financial Advisor at Hawsons Wealth Management Limited, will look at investment opportunities that may be suitable to provide income in a tax efficient manner. She will consider the following:

- **Investment bonds**
- **Offshore solutions and how they are taxed**
- **ISAs, Unit trusts & Investment trusts**

Sheffield

- **Tuesday 16th May 2017**
- **Tapton Hall, Shore Lane, Sheffield, S10 3BU**

Doncaster

- **Friday 19th May 2017**
- **The Portland Suite, Doncaster Racecourse, Leger Way, Doncaster, DN2 6BB**

Northampton

- **Thursday 25th May 2017**
- **Sunley Conference Centre, The University of Northampton, Park Campus, Boughton Green Road, Northampton, NN2 7AL**

Programme (for all venues)

- **Registration and refreshments: From 7:45am**
- **Presentation: 8:15am**
- **Finish: 9:30am**

To register for this event, click here.

www.hawsons.co.uk

Spring 2017

Registered to carry on audit work in the UK and Ireland and regulated for a range of investment business activities by the Institute of Chartered Accountants in England and Wales.

Sheffield
0114 266 7141

Pegasus House, 463a Glossop Road, Sheffield, S10 2QD

Doncaster
01302 367 262

5 Sidings Court, White Rose Way, Doncaster, DN4 5NU

Northampton
01604 645 600

Jubilee House, 32 Duncan Close, Moulton Park, Northampton, NN3 6WL

HLB International

Your local specialist:

Sheffield

Scott Sanderson
Partner
0114 266 7141
ss@hawsons.co.uk

Doncaster

Martin Wilmott
Partner
01302 367 262
maw@hawsons.co.uk

Northampton

David Owens
Partner
01604 645 600
davidowens@hawsons.com

Find out more about our specialist care home services.

Please call your local office or visit:

www.hawsons.co.uk/care

Register to receive this edition quarterly:

www.hawsons.co.uk/newsletter