morris crocker

Printed on 9Lives 150gsm. 100% post-consumer waste. The pulp is bleached using a Totally Chlorine Free (TCF) method. NAPM recycled approved

# Care Home News

morris crocker

Issue 3 • September 2010

## The New Coalition Government's Social Care Agenda

Amid the inescapable cuts in public expenditure, the new coalition government's plans for the social care sector are ambitious. The prime ministerial promises of protection for "front line services " and for "the poorest and most vulnerable" remain vaguely defined and, since the majority of resources for social care come through local government funding allocations, the future for the healthcare sector looks uncertain.

The need to reform the system of social care is a pressing priority. It is encouraging that the Government's five year policy programme published in May, included a new independent commission to be established. Its purpose is to advise on the future funding of long-term care and report within a year. However, as care is one of more than 30 issues on which commissions have been asked to advise, any new legislation may not appear that quickly.

The programme also mentions there will be more investment in dementia research and greater devolution of power to communities and local authorities. The role of the Care Quality Commission will also be strengthened.

We will of course keep track of the government's proposals for the sector and update you on any new legislation or changes that may affect your care home business.

Bob Hayes
Head of Care Homes Team

*If you require further information regarding these matters or would like advice on any other accountancy or taxation concerns you may have, please contact*
**Bob Hayes**
rwh@morriscrocker.co.uk
*or*
**Duncan Gardner**
dmg@morriscrocker.co.uk
*on*
**023 9248 4356**
*who will be pleased to hear from you.*

**Morris Crocker Chartered Accountants** Station House, North St, Havant, Hampshire PO9 1QU
Tel: 023 9248 4356 Fax: 023 9249 8163 Email: mc@morriscrocker.co.uk www.morriscrocker.co.uk





## The Emergency Budget

The emergency budget in June did appear to address what the government had acknowledged as one of its chief concerns.

In a move to protect the elderly from the same cuts and tax increases that the rest of society would have to come to terms with, the government pledged to renew the link between the state pension and the earnings index.

On the other side of the coin there were the inevitable cost cutting measures, namely the reduction in disability benefits, raising the question of why the government would support one section of society but not another.

Local authorities and NHS trusts are to experience significant public sector cuts that will affect all the services they provide, including care home contracts.

On a corporate level, two of the major players in the care home sector recently reported on the effects of reduced fee settlements.

In its Interim Report and Accounts for 2010, Southern Cross stated that the Local Authority fee settlements would be lower than expected and as the expected seasonal upturn in occupancy had not yet materialised they would be setting about extracting increased value from within their core operations.

BUPA's 2009 annual results also mentioned the public authority funding restrictions, recession driven slowdown in self-funded admissions and high winter mortality rates had resulted in lower occupancy in 2009.

A survey of 186 local councils in England in June states care homes will be provided with on average just 0.5% more funding than last year.

This is despite care home costs rising by an estimated 2.1%

### In this issue:





Morris Crocker Care Home News


# VAT on Agency Staff

We are often asked how VAT should be treated for the supply of agency staff. The position is clarified by HMRC as follows:

Staff supplied by an employment business may be either employees of that business, or self-employed and engaged by an employment business. In both cases, the worker's services are provided to the employment business, which in turn makes a supply of that worker to the client. HMRC state that if the worker comes under the direction and control of the client, then this is a supply of staff and the employment business must therefore account for VAT when appropriate on the full charge to the client.

However, if the employment business maintains the direction and control of its staff to make a supply of welfare or medical services directly to the final consumer, HMRC would see it as providing health or welfare services rather than merely a supply of staff and, subject to relevant criteria, would see the business as making an exempt supply of welfare or heath services.

This is a complicated area. If you use staff through an employment agency and have been charged VAT on the supply which should have been exempt you may be due compensation. For more information and advice on this and other VAT issues, please contact us.

## New Guidance on the Equality Act

The Equality Act will become law on 1 October 2010. The Advisory, Conciliation and Arbitration Service (ACAS) has issued new guidance entitled 'The Equality Act – what's new for employers?' to help businesses understand what the changes will mean in practice.

Changes brought in by the Act include:

- employers are potentially liable if their staff are harassed by people they don't employ, such as customers and suppliers;
- from October employers should no longer send out pre-health questionnaires with employment application packs, although certain exemptions will apply;
- Employment Tribunals can require employers found guilty of discrimination to take steps to change their policies and practices to prevent further discrimination; and
- if the contract of employment requires employees to keep pay secret, the Equality Act makes this requirement unenforceable.

John Taylor, ACAS Chief Executive, said:

'Fairness in the workplace is good business and motivates staff as well as improving effectiveness and productivity. Last year ACAS received around 32,000 calls on diversity and discrimination-related issues. Our new guide helps businesses and managers understand what the changes mean in practice and what action employers will need to take.'

## Is Incorporation Still Worth It?

In the past the decision to incorporate has been mainly driven by the amount of tax savings a business could receive. Although these have decreased over the years with the reduction in the personal tax basic rate from 22% to 20% and the increase of the company tax rate from 19% to 21%, tax savings are still available particularly when national insurance costs are brought into account.

In addition there are other issues which could make incorporation attractive including goodwill. Owners of businesses should benefit from Entrepreneurs Relief on the disposal of their business to their new company.

There are other non-tax advantages involved with incorporation such as having limited liability status. This places an effective barrier between the personal assets of the shareholder/directors and the company's creditors. A worthwhile consideration for SMEs in these times of economic uncertainty.

One further benefit of operating a business as a company is its possible effect on the owner's pension and payments to their scheme of excess company cash. Also, in terms of succession planning, employees could be offered an opportunity to acquire an interest in the business with the potential of a future buyout of the founding shareholders.

## CQC Registration

The Health and Social Care Act 2008 comes into force for private care operators on 1 October 2010. The requirement for care homes to re-register with the Care Quality Commission between April –October 2010 sends a strong message to providers of care homes that they need to demonstrate compliance with the new standards or suffer the consequences from a far tougher regulator.

Providers who fail to register and continue to operate, will be committing an offence and will be subject to a fine of up to £50,000 and/or 12 months imprisonment.

In answer to the question 'What should people who use services experience' in the CQC's registration guidance on financial evidence, the CQC states:

"People who use the service can be confident that the service provider is able to meet the financial demands of providing safe and appropriate services.

This is because providers who comply with the regulations will have the financial resources needed to provide and continue to provide the services as described in the statement of purpose to the required standards".

Every care home provider must produce financial evidence to show compliance with the new regulations. All care homes owners should have this information to hand - the tricky part is putting it all together for presenting to the CQC. For advice on how we can help in this matter, please contact us.

## Government Confirms Minimum Wage Rises

The government has confirmed that the new National Minimum Wage rates, which come into effect on 1 October 2010, will be:

- £5.93 (£5.80) per hour for workers aged 21* and over;
- £4.92 (£4.83) per hour for 18-20 year olds; and
- £3.64 (£3.57) per hour for 16-17 year olds.

*This band covers workers aged 22 and over until 30 September 2010.

For the first time there will also be an apprentice minimum wage rate of £2.50 per hour, which will apply to apprentices who are under 19 or those that are aged 19 and over but in the first year of their apprenticeship.



Morris Crocker Care Home News