

# Healthcare Matters

## For Care Home Proprietors

### Caring for your cashflow...

**The Care Home sector faces spiralling rents, increased regulation, declining income from Councils and an economy teetering on the edge of a double dip recession – tough times indeed.**

With the demise of Southern Cross fresh in everyone's minds, what went wrong with the business model? After all aren't we told that the UK's population is getting older and therefore demand should be buoyant? It is of course naive to think that helpful demographics alone can be relied upon to produce cash year in, year out. There are too many other variables. The minimum wage, commonly paid in many homes to some workers, has increased. Other overheads, such as heating, energy and food costs have all increased. The supply of new homes can and did outstrip demand, allowing local authorities to bargain harder on price.

Public sector cuts are here to stay. The Government has made reducing the budget deficit its number one priority and public sector expenditure is the area over which it can exert most control. Those providing services to the public sector, including private care homes, are being hit hard and need to act decisively to ensure survival.

The challenge is to better manage profitability and cash flow to keep within the strict financial covenants that have been agreed with lenders.

Our tips are essentially good business practice – going back to basics and instilling the right discipline in your business. Act quickly and decisively – and turn a problem into an opportunity.

**1. Cash is king:** an old adage but so true in these troubled times. What's the most important indicator of business health? Some people look first at turnover, then profitability and finally cash flow. However, cash is what actually stands between a business and bankruptcy. A business may be growing strongly, it may even be profitable, but if it cannot afford to pay its creditors on time then it may be forced into insolvency.

By preparing monthly cash flow forecasts, you can establish what your short term cash requirements are and then forecast longer term cash flows based on realistic and credible financial information. Unexpected costs are an unpleasant fact of life for any business. It is usual in your cash flow forecast to build a monthly contingency into the figures to mitigate the effects of unexpected costs. If these costs never materialise, you will be pleased at how well you are doing against budget.

**2. Negotiate credit terms with suppliers** that are as long as possible, negotiate terms with residents that are as short as possible.

**3. Keep your bank informed:** manage your relationship with your bank and keep them in the picture every step of the way. If you are looking to re-finance, consider alternative sources of finance.



**4. Tax:** look at your tax liabilities – can any be reduced by efficient tax planning? For instance, can you restructure pay & benefits packages for staff in a more cost and tax efficient way? Early preparation of your accounts is essential to help plan your tax payments. If you are self-employed, ensure your 2010/11 Tax Return is completed now to determine what your liabilities are next 31 January and 31 July.

**5. Review your costs:** look at your costs on a value for money basis. Leave no stone unturned and review every commitment. However do not automatically cut marketing expenditure – there is still business out there to be won.

**6. Staff:** Don't jettison staff unnecessarily; it may prove a false economy to make staff redundant when you consider the costs of recruitment (both direct and indirect) and the loss of care and expertise. Be objective and carefully consider the skills, commitment and capability you need, both now and in the future.

If you would like to discuss any of the issues covered in this article, please contact our lead healthcare partner Paul Samrah on 01737 781546 or email [psamrah@kingston-smith.co.uk](mailto:psamrah@kingston-smith.co.uk) or your usual Kingston Smith contact.

# Agency Workers Regulations

**The new Agency Workers Regulations (AWR) comes into force on 1 October. Employers who traditionally use temporary workers, such as the healthcare sector, will have to take care to ensure they are not exposed as these workers get new rights to the same basic pay and employment conditions as employees hired to do the job directly.**

## Who does it cover?

It covers those working temporarily for an agency; under the direction of a hirer; or on a contract to perform work personally for the agency. This includes 'umbrella companies' providing the PAYE service for those working as freelancers, contractors or temps.

## What's changing?

From Day 1, the worker is entitled to access information on vacancies and to certain facilities (i.e. canteen, childcare, transport services and car parking) as a comparable worker.

After 12 weeks (the qualifying period) in a role with the same organisation, the worker is entitled to the same basic pay and working conditions including:

- Duration of working time
- Annual leave or payments for leave
- Rest periods and breaks
- Length of night work

- Basic pay, overtime and allowances
- Bonuses or commission linked to the amount or quality of work
- Discretionary bonuses that over time have become custom and practice

## Cost of getting it wrong?

Express anti-avoidance measures have been put in place to address concerns that businesses might rotate agency workers to avoid the provisions. Tribunals will be able to make awards of up to £5,000 if a hirer is found to be in breach of the provisions.

## Adding up the weeks

Watch this carefully. Continuity is only broken when the worker starts with a new hirer, or they take on a substantially different role in your organisation or there is a break of more than 6 weeks. Continuity is not broken, but the weeks don't count, when there is a break for leave, sickness, shutdown or a strike. Continuity continues to accrue for the likely duration of the assignment when a break is due to maternity, adoption or paternity leave. Using different agencies to appoint the same worker does not affect continuity. If there is a gap of less than 6 weeks between the worker leaving and becoming re-engaged, the working weeks need to be added together.

## What should care home proprietors do?

Although there are no firm requirements, it makes sense for those using healthcare workers covered by the Regulations to identify a "comparable employee" to enable a direct comparison of the basic terms.

The healthcare sector in the United Kingdom engages roughly 10% of the total 1.3 million



agency workers estimated across the UK, with this in mind, it makes sense to do this now for all workers who are currently working in your business and who are expected to continue past 1 October 2011.

To find out more about how the new Agency Workers Regulations may affect your care home business, please contact our HR specialist Heather Matheson on 01708 758958 or email [hmatheson@hrinsight.co.uk](mailto:hmatheson@hrinsight.co.uk). Heather Matheson is the Managing Director of HR Insight, who are part of the Kingston Smith group.

## Care Show London 11 - 12 October Olympia

We are pleased to announce that Lead Healthcare Partner Paul Samrah, will be speaking at the Care Show in London on Tuesday 11 October from 13.00 - 13.45. Paul will be discussing tax saving opportunities for care home owners, addressing both personal and corporate taxes and looking at the impact of the Capital Allowance regime. The seminar will avoid jargon and will equip owners with tax planning ideas that are straightforward and easy to take on board.

## Contact us

More information about Kingston Smith LLP and our services can be found at [www.kingstonsmith.co.uk](http://www.kingstonsmith.co.uk)

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