

# Health & Care Focus

A helping hand for lifelong prosperity

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DRIVING LIFELONG PROSPERITY

# Is it time to review your costings?

Fees are a hot topic at the moment - the Forest Care Homes case (details of which are summarised below) has certainly given operators food for thought and hopefully it will have the same effect on local authority commissioners!

## Details of the case

On 21 December 2010, the Administrative Court in Cardiff quashed the decision made by Pembrokeshire County Council regarding fee levels paid to care homes for 2010-11. The fee setting decision was found to be unlawful on various grounds, and the Council was ordered to take the decision again. The Council subsequently raised its fee from £390 a week per resident to £448.

In summary, the provider at the centre of the case (Forest Care Homes) challenged the fee setting decision made by Pembrokeshire County Council, by way of a process called judicial review. Judicial review enables a court to review the decision of a public body and decide whether that decision was taken rationally and in accordance with procedural fairness. This process does not enable the court to state that a local authority should pay a certain level of fees or maintain a particular number of homes in the residential care sector.

The court held that Pembrokeshire's decision was unlawful for a number of reasons. Importantly, although it had taken its own budgetary constraints into account, it had failed to document the other factors it had considered when setting its fees rate. It also failed to show that it had adequately considered the consequences of its decision, particularly in relation to the human rights of the residents in the homes, whose interests are at the heart of the commissioning of care services.

The ruling sets a clear precedent. Local authorities that fail to follow the principles in the case sufficiently, may find themselves the subject of judicial review. This case provides care organisations with an important tool in challenging fees set by providers.

## What does this mean for you as an operator?

Going down the judicial review route (whether as a sole operator or as part of a regional care forum) is not for everyone due to the risks, commitment and costs. An operator making a challenge to fees paid by local authorities needs to have a highly organised financial function and an excellent understanding of the "cost of care".

Quite a high risk strategy, biting the hand that feeds you!

If you, like many others, are not one to pursue an authority in a judicial review, there are things that you should be doing.

Firstly, responses to any fee negotiation, whether annual or via cost consultants, require careful consideration. We suggest that advice is sought in this regard and we are used to doing this and would be delighted to have an input in any response. Specialist legal advice is recommended when entering into negotiations with local authorities or cost consultants.

Secondly, if you are in discussion with cost consultants or the authority, it is imperative that you have financial information that is accurate and robust. We are used to helping clients implement robust systems to give accurate management information and can benchmark this against the significant financial data we hold. Again, we would be happy to review this with you.

For more information please contact Andrew Brookes or Rachael Anstee on 01242 246670.

# Could childcare vouchers save you £1000s?

## Childcare Vouchers

One of the most family friendly benefits an employer can offer staff is childcare vouchers. Employees who take up the offer can enjoy tax and national insurance contributions (NIC) savings of up to £933 a year. Given the tax efficiency of childcare vouchers, it is well worth seeing if you can benefit from offering them too.

## Changes from 6 April 2011

The Government announced changes to the arrangements for employees joining a scheme from April 2011. The aim of the changes is to even out the amount of tax saving available for all employees, regardless of the tax rate that individual employees pay.

Although the savings for employees paying the higher rates of tax will be reduced, they may still be attractive, depending upon the circumstances. The table opposite sets out the potential savings from 6 April 2011.

## Take care

In some limited circumstances childcare vouchers may not be appropriate. Therefore before joining a scheme, remember:

- Childcare vouchers do not count towards National Minimum Wage (NMW), so any sacrifice should not take pay below the NMW rates (don't forget they are going up in October 2011)
- Childcare vouchers could affect an employee's entitlement to tax credits.

If you are interested in finding out more, please contact Andy Brookes on 01242 246670.



Employee's marginal rate of tax	Maximum weekly vouchers	Maximum annual tax and NIC saving
Basic rate (20%)	£55	£933
Higher rate (40%)	£28	£623
Additional rate (50%)	£22	£606

# The benefits of benchmarking

In a time when your fee income is under pressure from authorities and cost consultants and costs are rising, benchmarking your results can be a productive exercise.

At Hazlewoods we have consolidated our extensive financial data in respect of healthcare operators, and are able to produce detailed benchmarking reports, comparing your results to similar homes on a confidential basis. We suggest that this level of personalised detailed comparison is not available elsewhere.

The report covers areas including:-

- Occupancy
- Average weekly fee
- Direct staff costs %
- EBITDA (actual and %)
- Correlation of fees to CQC rating (where appropriate)

- Staffing mix
- Detailed overhead comparison
- Overheads per service user per week/annum

Below is a screenshot which will give you a flavour for the level of detail within the report.

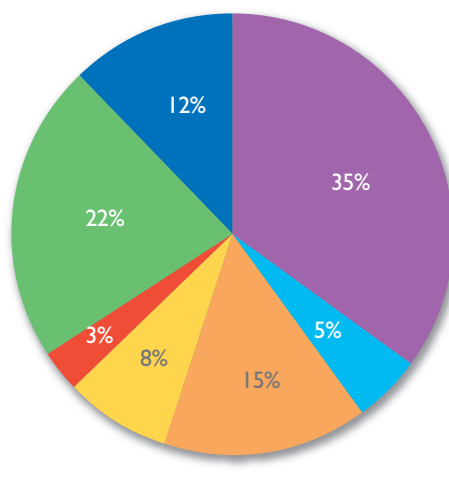
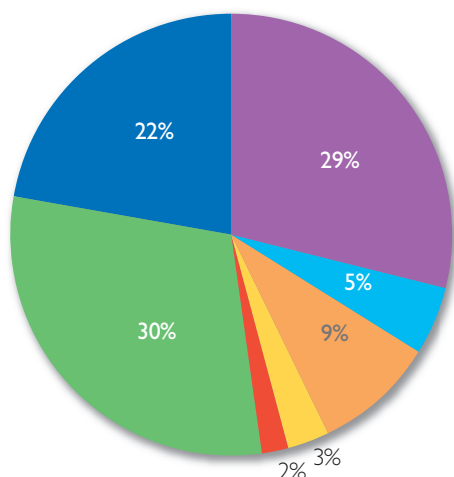
Benchmarking your data can highlight areas to address in term of costs (e.g. is your insurance premium higher than for similar homes in the same region?). Without this level of comparison it may be difficult to pinpoint where you are paying more. Addressing these areas could increase profitability and ultimately business value.



For existing clients we will be preparing a benchmarking report with your annual accounts. If you are not currently a Hazlewoods client we will be delighted to talk to you about benchmarking. If you are interested, please contact Rachael Anstee on [rachael.anstee@hazlewoods.co.uk](mailto:rachael.anstee@hazlewoods.co.uk) or 01242 237661.

	Your Business £	Lowest £	Benchmark Average £	Highest £	Laing & Buisson* £
<b>Overheads per service user per week</b>					
Food and provisions	34.97	15.28	33.72	35.01	30.00
Client welfare	6.00	5.70	7.77	9.00	3.00
Consumables	1.45	1.01	1.33	6.25	N/A
Cleaning	9.50	5.07	6.29	8.00	3.00
Insurance	4.20	1.95	2.52	5.13	5.00
<b>Overheads per service user per annum</b>					
Rent	n/a	571.02	648.70	3,534.88	N/A
Rates	156.10	130.25	170.66	1,149.58	N/A
Light and heat	805.66	435.10	878.12	1,316.55	1,199.22
Repairs and renewals	1,570.52	475.18	1,615.03	2,723.73	1,824.90

\* Laing and Buisson are nationally recognised experts in the field of Health and Social Care



- Client consumables and welfare
- Cleaning and waste disposal
- Property running costs (exc depreciation)
- Others (Registration, sundry)
- Telephone, printing, postage and stationary
- Repairs and renewals
- Admin staff wages and pensions

Note: the above is not actual data and is for illustrative purposes only.

# Tax relief on pension contributions - use it or lose it !

For some business owners, pension contributions have been heavily restricted. In recent years, your contributions may have been restricted to £20,000, although there may be an opportunity now to enhance your pension, whilst getting 50% or even 60% tax relief.

## What opportunity is there?

In relation to the last three years, 2008/2009 to 2010/2011, there is potentially an opportunity to make additional contributions of £50,000 (gross). This is "carry forward" relief and is what creates the opportunity to mitigate 40%, 50% or 60% income tax rates.

For example, if you have contributed £10,000 gross each year; you may pay £50,000 for 2011/12 and, in addition, the "unused" £40,000, carried forward from 2008/09, 2009/10 and 2010/11,

making a total of £170,000. Subject to your input period date (a complication that needs checking), you could even add a further £50,000 shortly before April 2012.

Importantly, the relief is available "earliest year first", which means that unused relief for 2008/09 must be used in 2011/12 or lost thereafter.

A condition of carrying forward is that pension membership must have existed in each year. Therefore, someone with no existing pension plans cannot use this facility. For this reason, it may be advisable to set up a nominal annual contribution now, so that a scheme is in place if a big contribution is needed.

For further information please contact Andrew Brookes, Head of Healthcare, in the first instance.

## Health & Care e-bulletins

We issue monthly bulletins to our clients and contacts covering a variety of topical healthcare issues and developments that you may be interested in.

If you would like to receive this update, or if you already receive it but would prefer us to use a different email address, please contact Jenny Saunders on:  
jenny.saunders@hazlewoods.co.uk or 01242 246670.



**Andy Brookes**  
Partner and  
Head of Healthcare



**David Main**  
Partner



**Rachael Anstee**  
Healthcare Director



**John Lucas**  
Healthcare Director

Our Health and Social Care Team are happy to discuss matters arising from this newsletter, as well as any other issues relating to your business or personal affairs.

The services we provide include:

- Accountancy and bookkeeping
- Taxation planning
- Management accounts
- Strategic planning
- Audit
- Raising finance
- Acquisition searches and advice
- Financial and taxation due diligence
- Confidential business disposals
- Sage advice and training
- Financial planning
- Payroll assistance to include bureau service
- Benchmarking and profitability advice
- Incorporation



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This newsletter has been prepared as a guide to topics of current financial and business interest. We strongly recommend you take professional advice before making decisions on matters discussed here. No responsibility for any loss to any person acting as a result of this material can be accepted by us.

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