

# Health & Care Focus

DRIVING LIFELONG PROSPERITY

Winter 2018

## HOME CARE RATES UPDATE: ARE FEE INCREASES AHEAD OF WAGE INFLATION?



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DRIVING LIFELONG PROSPERITY

# Home Care in England – a look back over the last 12 months

Hazlewoods Health and Care team has again requested various data on the home care market from local authorities in England with social services responsibilities.

This article looks at domiciliary care services for the over 65s.

## NEWS FROM PROVIDERS

In our article last autumn, there had been a number of acquisitions and investments to highlight within the domiciliary care market. There has been a marked slow-down in M&A activity in the sector this year, despite a backdrop of high levels of M&A activity in the year across the health and social care sector generally. Domiciliary care and supported living providers remain particularly exposed to continued austerity measures and the increasing impact on margins from national living wage (NLW) growth.

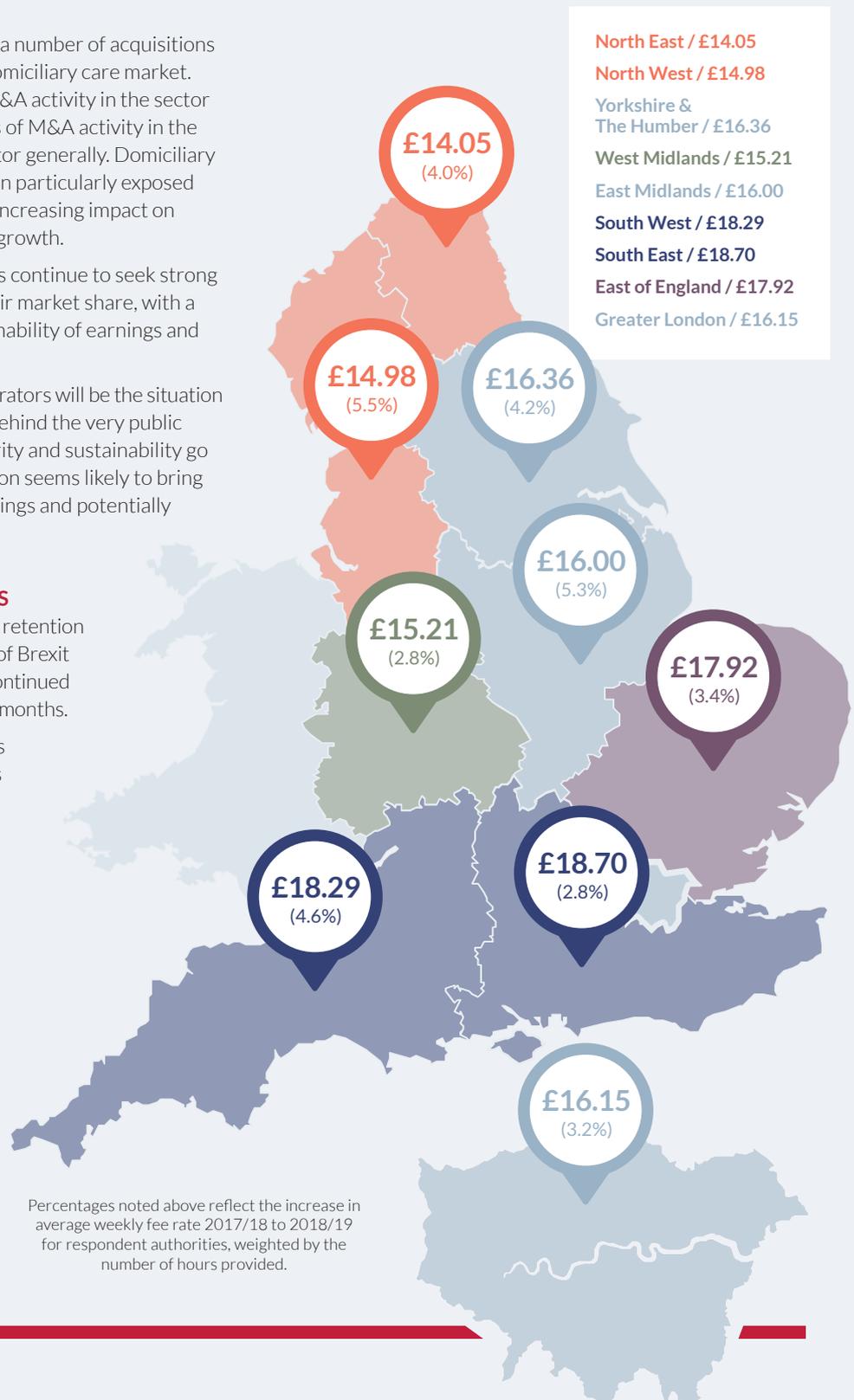
Nonetheless, a number of larger providers continue to seek strong businesses to acquire and consolidate their market share, with a strong emphasis on quality of care, sustainability of earnings and the potential for growth.

Of greater concern to domiciliary care operators will be the situation at Allied Healthcare. The circumstances behind the very public announcements relating to financial security and sustainability go to the very heart of the sector. The situation seems likely to bring greater focus on the sustainability of earnings and potentially greater financial scrutiny from CQC.

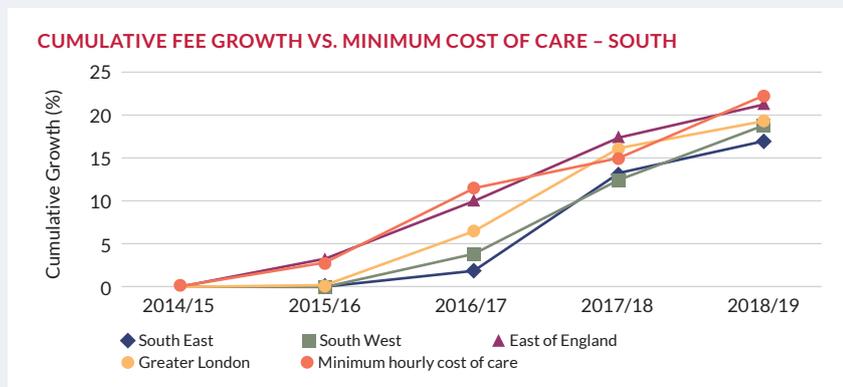
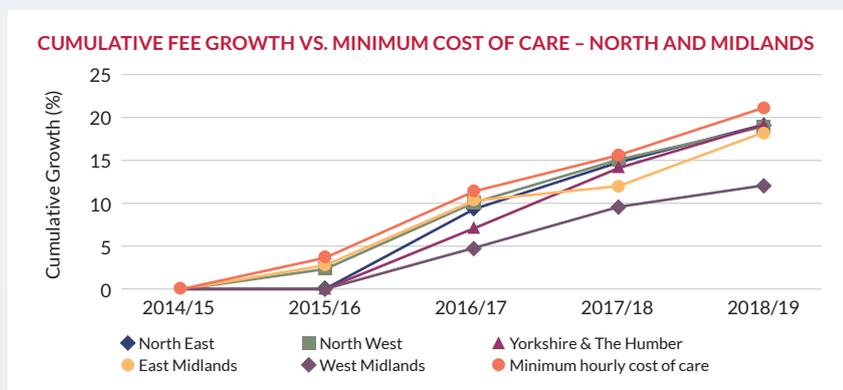
## SUPPORT FROM LOCAL AUTHORITIES

Wage increase pressures, recruitment and retention of good quality staff and the uncertainties of Brexit that we discussed in our last article have continued to run as common themes over the last 12 months.

In order to assess whether local authorities have been supporting home care providers with increasing fees, we have once again reviewed the average hourly rates and regional fee increases across England, with domiciliary care rates for the over 65s presented in the map.



Whilst the apparent increases are welcome, it is important to view these within the context of cost growth. The graphs below illustrate the cumulative percentage increases in average fee rates across each of the regions, compared to the minimum hourly care cost:



The minimum hourly care cost has been calculated based on the NLW applicable for each period, with uplifts applied for on-costs including holiday pay, training, sick leave, employer's NI and employer's pension contributions.

As shown within the above graphs, the vast majority of regions are failing to keep pace with the cost increases suffered by providers over the last four years, with only the North West increasing fees at a rate consistent with the levels of cost inflation (albeit from a lower starting point than most other regions).

We further note that the responses from certain local authorities somewhat flatter other local authorities within their region. In the East of England, for example, the average reported increase across the respondent local authorities was 3.4%, however Peterborough City Council reported a 0% increase for the year. The same is true for certain local authorities in almost all of the other regions, with only East Midlands, North East and South West reporting increases across all local authorities who responded to our information request.

## CONCLUSION

Staff cost inflation continues to be fundamental to the longer term sustainability of the domiciliary care sector. The recently announced increase to NLW of 4.9% (from April 2019) brings local authority fee rate decisions into ever starker focus.

Of course, staff costs are not the only consideration in a domiciliary care business, with non-care staff and overhead costs also subject to inflationary pressures. However, with gross margins continuing to erode, overall profitability is likely to be impacted even where overheads remain flat. In a country with an ageing population, domiciliary care services are a vital part of our social care network, not only for the individuals who require the support but also for the dedicated employees who provide such a valuable service.

## HOW CAN WE HELP?

The data we have collated may help you to understand the local authorities you provide services to and perhaps benchmark your business against others in your area, or even in discussion with the local authorities.

Please do not hesitate to contact a member of the Health and Care team to find out how the data we hold can be used to the benefit of your business.

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# GDPR WHEN BUYING OR SELLING A BUSINESS

The General Data Protection Regulation (GDPR) came into effect on 25 May 2018. Just about every business will have been impacted by this legislation and will have reviewed their procedures for handling personal data. If a business is located in or holds, uses or processes personal data about individuals located in the UK or European Union, then GDPR applies. Sanctions for failing to comply can be severe.

If you are selling or buying a business then compliance with GDPR must be carefully considered. Part of the transaction process will normally entail a detailed financial and legal due diligence review of the target business. This always involves sharing of large volumes of financial and legal data about the business with the potential buyer and their advisers. Inevitably, personal data is involved. The definition of personal data is very wide and includes 'any information relating to an identified or identifiable natural person' (a 'data subject'). It can include names, dates of birth, postal and email addresses (including a work email address), national insurance numbers, telephone numbers, health information, bank details etc. In fact anything that

can be used to identify an individual who is the subject of the data.

There can be cases where there is a lawful basis to disclose personal data to a potential buyer. For example, if the buyer has legitimate interests. A buyer is unlikely to be able to maintain that it has a 'legitimate interest' for each and every employee and/or service user etc. However, it may be possible on a limited basis, for example to enable a prospective buyer/investor to assess the management team. In addition to a lawful basis to disclose, an additional 'processing condition' must be met to disclose some types of more sensitive data, such as health information and criminal conviction data. More information about lawful bases and

processing conditions can be found on the Information Commissioner's Office website: <https://ico.org.uk>

## **SHOULD THE TARGET BUSINESS ANONYMISE PERSONAL DATA?**

There will be limited circumstances in which processing personal data will be lawful for the purposes of providing due diligence information. For example, the buyer might well have a legitimate interest in knowing the age, medical condition and fees of individual service users but does not need to know their name for the purpose of their enquiries. Anonymised data, however, falls outside GDPR and can be provided.



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To achieve this, the seller and its due diligence team should review all documentation before it is made available to the buyer/investor to ensure any personal data contained within it is anonymised. This could well be detrimental to a buyer/investor's ability to analyse the data and the seller, buyer and their advisers will need to discuss how best to assist with the analysis. It may be that, for some information, the seller will have to carry out analysis on the buyer's behalf.

Ways in which information can be anonymised include:

1. Redaction of names, addresses, and other information from which the individual can be identified. Various software tools exist which enable this to be done quickly and easily.

2. Use of numbers or codes in place of names provided;
3. Redaction of all sensitive information which is subject to a special category of data under the GDPR and requires explicit consent to processing – this includes race, ethnic origin, religious or philosophical beliefs, trade union membership, sexual orientation and information relating to sex life, health information, political views, biometrics and genetics.

#### **OTHER CONSIDERATIONS**

Legal advice should be taken to consider the personal data already held by the target entity to ensure it is GDPR compliant and whether it

can be used by the new owner. The steps to notify individuals about who is going to be using their personal data and in what ways should be confirmed.

#### **CONCLUSION**

If you are buying or selling a business GDPR cannot be ignored. Data protection principles apply to every stage of the transaction – whether the transaction is completed or not.

Advice should be taken from your legal and financial advisers to ensure you stay GDPR compliant, or risk heavy fines or other enforcement action by the ICO.



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# Hazlewoods supports Care Workers Charity

We are delighted to announce that we are supporting the Care Workers Charity. In the UK there are over 1.5 million care workers who together make up one of Britain's largest workforces.

The Care Workers Charity was founded in 2009 and is there to help support carers on their rainy days, for those times when unforeseen circumstances arise, and when they are pushed beyond their financial limits. The life of a care worker includes early starts, long hours and can be mentally draining.

Carers support and look after the community's vulnerable individuals, and often have very little reward or recognition. They dedicate their career to looking after the needs of others, and sometimes a change in circumstances may result in the carer needing help.

## RACHAEL ANSTEE, PARTNER SAID

*I am delighted that we will be supporting the Care Workers Charity. To provide help to those who have dedicated their lives to caring for the needs of others is a cause we are proud to support."*



## ALEX RAMAMURTHY, FROM CARE WORKERS CHARITY, ADDED

*"We are so pleased Hazlewoods has chosen to be a member of our Supporters Club and we look forward to working with them. Our supporters play a vital role in maintaining a sustainable revenue stream, so we can continue to help carers when they need it most."*



For more information about the charity visit their website:  
[WWW.THECAREWORKERSCHARITY.ORG.UK](http://WWW.THECAREWORKERSCHARITY.ORG.UK)

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# WHAT WE DO: FREEDOM CARE CASE STUDY

The Hazlewoods Corporate Finance team recently advised a husband and wife team on their exit strategy. The successful outcome followed a number of years working with the business, assisting it with its growth plans to a point where the owners could realise their goals.

Freedom Care Limited engaged Hazlewoods in 2011. At this time, the company was a small residential learning disabilities business seeking good quality accounting and tax planning advice.

Hazlewoods worked with Joe and Katrina Kinch, the husband and wife team and owners of Freedom Care Limited. A holistic approach sought to streamline their financial affairs, considering bookkeeping and financial reporting matters and also ensuring tax efficiency, particularly in relation to property matters.

From the outset of the relationship with Hazlewoods, a multi team approach was adopted, led by the Corporate Finance team, working with the owners to ensure that the end goal could be reached; namely the sale of the business at the right time for maximum value.

In 2016, John Lucas and the Corporate Finance team began working with Joe and Katrina to facilitate the sale of the business.

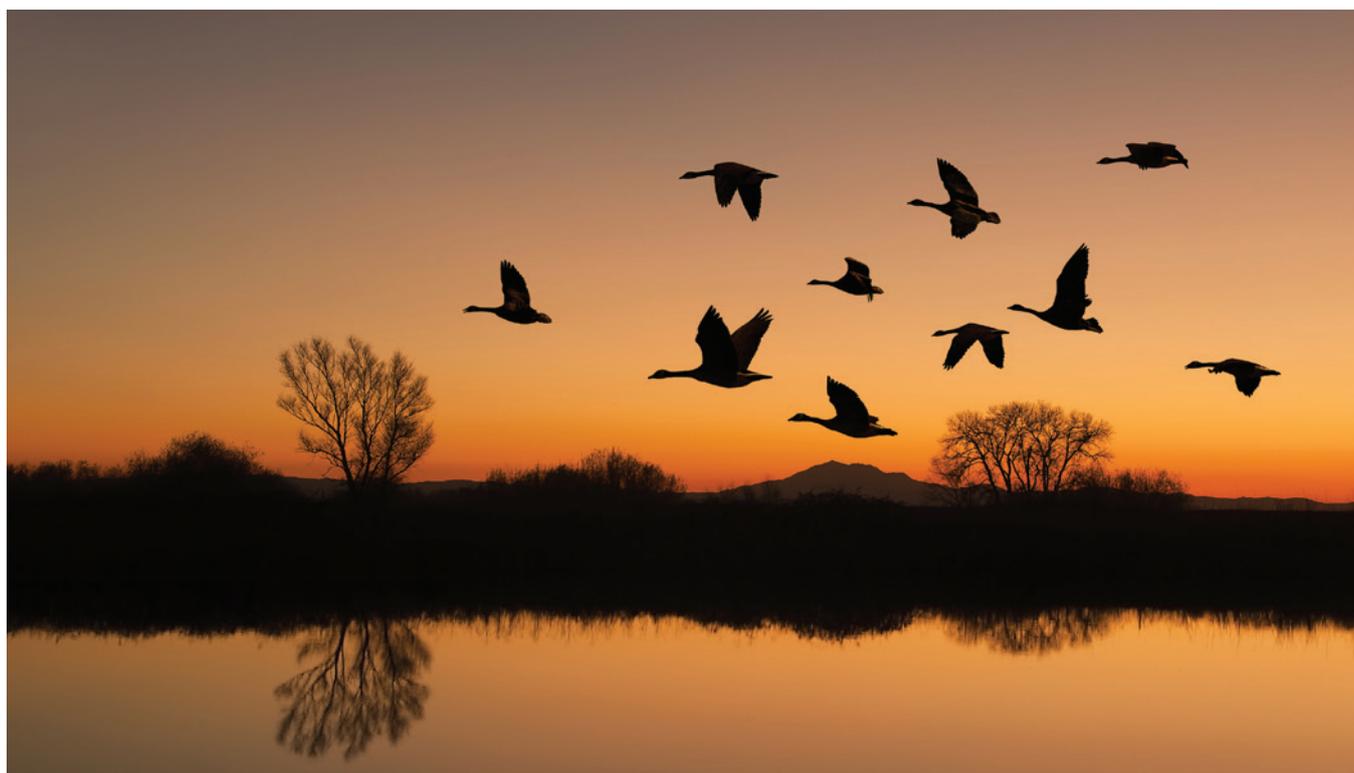
Following an initial soft marketing review, it became clear that the business would benefit from further development of its services in order to achieve maximum value and therefore a second growth plan was developed with Joe and Katrina.

John Lucas helped the company find an appropriate new build opportunity, working with the developers to build 3, 2 bed specialist care units for adults with complex and challenging behaviours linked to underlying autism diagnoses

The beds were all filled very quickly and profitability was soon high enough to justify a compelling value for the business. The company was sold to the Accomplish Group in July 2018.

John and the Corporate Finance team were delighted to work with Joe and Katrina Kinch throughout this project, not just to help them achieve their exit, but also to demonstrate that increased value can be achieved through working with clients on a longer term basis. Joe Kinch said: *“Over the years John Lucas and his team at Hazlewoods have guided our business in a way that goes beyond personal and caring; their approach has seen our company grow and achieve success in a way that we could never have imagined. Throughout our relationship with Hazlewoods they have ensured that the information and advice that they have given us is always professional, ahead of the curve and easy to follow.”*

If you would like to discuss with the Corporate Finance team how we can help in the short, medium or much longer term in terms of plans for the business and eventual exit, please do not hesitate to contact a member of the team.



# HOW CAN WE HELP YOU?

We act for a significant number of operators within the health and care sector and have a wealth of experience in the provision of compliance services, business advice and support.

We have developed enviable knowledge and understanding of healthcare over the past 25 years, which has enabled us to stay at the cutting edge of developments in the sector, both through transactional work and our client relationships.

We work with well over 200 businesses on an ongoing basis in a variety of sub sectors including:

- Nursing and residential homes for the elderly
- Specialist needs education colleges
- Eating disorders, drug and alcohol units
- Children's homes
- Independent hospitals
- Learning disabilities
- Supported living
- Mental health
- Domiciliary care

## MEET THE TEAM



**ANDREW BROOKES**  
Partner  
01242 237661



**DAVID MAIN**  
Partner  
01242 246670



**JOHN LUCAS**  
Partner  
01242 246670



**RACHAEL ANSTEE**  
Partner  
01242 237661



**MARTIN HOWARD**  
Partner  
01242 237661



**RICHARD DADE**  
Associate Partner  
01242 246670



**SIMON WORSLEY**  
Director  
01242 237661



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Windsor House, Bayshill Road, Cheltenham, GL50 3AT

Tel. 01242 237661 Fax. 01242 584263

[www.hazlewoods.co.uk](http://www.hazlewoods.co.uk) / @Hazlewoods

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