Health & Care Focus

DRIVING LIFELONG PROSPERITY

Summer 2019

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Talent shortage: Fact or fiction?

In this issue, we have invited Howard Green, Founder and CEO of specialist health and social care recruitment consultants, Harben Green, to provide a unique perspective into the challenges of recruitment within the sector.

By its very nature, recruitment at any level is extremely reactive and what we hear from the majority of the UK's operators is the uphill battle to find the right calibre of manager. My response to this is that, perhaps, businesses are not quite looking in the right place.

The philosophy at Harben Green has always been about finding the best person for the job, not just the person who happens to be on the market in the same week that a vacancy becomes live. We choose not to use traditional recruitment methods and have never advertised on job boards or searched a CV database. We use an assured & proactive approach to represent the passive candidate market.

Across a sector where 11% of homes are actively looking for or are without a registered manager, using a unique headhunting methodology is proven way to unearth the best talent, often found living locally to your care home.

When an operator loses a manager the need to recruit is often accompanied with a huge sense of urgency. A perceived lack of high calibre, available candidates, coupled with a regulatory requirement to have a registered manager in place, can and will lead to rushed and often incorrect hiring decisions,for a role so integral to the success or failure of the home. Hiring the wrong person can lead to loss of permanent teams, a decrease in the standards of care and a drop in CQC ratings.

As we all know, care home teams are the number one reason for the success or failure of any home and, therefore, recruitment should not be an afterthought or rushed activity. Having the right management team will naturally increase staff retention of your most talented and valuable individuals. The old adage, 'employees leave bad managers, not companies' certainly rings true.

We would be foolish not to recognise the lack of nurses and how cuts to bursaries, Brexit, red tape etc. have all contributed to a national shortage of qualified RMNs, RGNs and RLNDs. Temporary staff, although sometimes a necessity, can harm the continuity of care and will detrimentally affect an operator's bottom line. Homes that have an over-reliance on temporary members of staff have inherent recruitment issues; where recruitment is a problem, retention through positive employee engagement and recognition should become key.

Our belief is simple; get the management team right and recruitment across the home will naturally improve, creating a notable impact on the clinical and commercial excellence of a home.

We consider that there is not necessarily a lack of talent in the marketplace, rather the best managers are not spending time searching for jobs and applying to your advert. By identifying the best talent in your area Harben Green can present you with options that you did not know were available. To discuss your talent strategy and recruitment requirements in more detail, contact our Executive Search team on **0333 939 8185**, email **hello@harbengreen.com** or visit **www.harbengreen.com**.

Company cars and tax

For a number of years, the concept of a tax efficient company car has been diminishing with annual increases to the benefit in kind (BIK) charge. However, the tide appears to be turning and the government has recognised that tax incentives for environmentally friendly cars are a good thing!

Unfortunately, this change will not take place until April 2020 and for 2019/20 tax charges on the individual will be higher than ever. Even the most efficient cars will be subject to a minimum BIK charge of 16% of the car's list price.

WHAT ARE THE TAX IMPLICATIONS?

The best option from a tax perspective will be electric cars or hybrid cars that have a good electric range. For cars with CO_2 emissions of between 0g/km – 50 g/km, 100% first year capital allowances will be available for the company and the BIK charge on the individual will drop to as low as 2% from April 2020 where the car has an electric range of 130 miles or more.

For cars with CO_2 emissions of over 110g/km, the tax charges become significantly higher with annual capital allowances of just 6% for the company and a BIK charge of at least 27%, increasing up to a maximum of 37%. For example, a higher rate taxpayer having a company car with a list price of £30,000 and high CO_2 emissions could face a tax bill in excess of £4,000 per annum.

In some cases, the company may not be able to claim capital allowances for the car, for example, when it is taken out on an operating lease; however, the cost of the lease payments should instead be deductible.

PRIVATE FUEL

If the company also reimburses fuel costs, and the company car is used for private journeys (including the ordinary commute from home to work), a further tax charge will arise on the employee. Unless the employee is undertaking a significant amount of private miles, it could cost the employee more in tax than the provision of fuel itself. A BIK can be avoided, however, where the fuel cost for all private mileage is reimbursed by the employee.

OTHER CONSIDERATIONS

Another point to note is for company cars taken as part of a salary sacrifice scheme. If the CO_2 emissions of the car are in excess of 75g/km and the arrangement has been entered into after 6 April 2017, the individual is now taxed on the higher of the BIK charge and the salary foregone (or cash alternative).

A final consideration could be to instead look at a company van as they tend to be much more tax efficient. Care needs to be taken to ensure that they are treated as vans for tax purposes, however, as a recent case found that some VW Kombi Transporters should be treated as a car. Double cab pick-ups are a popular choice and separate guidance issued by HMRC supports that these vehicles will be treated as vans for BIK purposes provided that they have a payload of one tonne or more.

THE DECISION!

The decision to buy a new company car may be best delayed by a year until the lower BIK rates come in. If it is not possible to wait that long it will still be worthwhile bearing in mind the rates from 2020, when deciding which make/model to opt for.

For directors, the decision of whether to own a car personally or via a company could hinge upon whether they are looking to purchase an energy efficient electric vehicle or gas guzzling diesel car. We can help by carrying out a comparison of the tax implications of company versus personal ownership.

Future: Employee ownership

A NEW ROUTE FOR BUSINESS SUCCESSION?

When looking towards the future and a possible exit from the business, consideration will most commonly be given to passing it on to a family member, a management buy-out, or a third-party sale.

An alternative route, which we have recently advised on and implemented for one of our clients, is an employee ownership trust (EOT). An EOT operates similarly to the John Lewis model, where the employees also become owners of the business and participate in the company's profits.

The EOT provided the perfect exit for our client. With no family members wishing to take over the company, and the employees not in a financial position to buy-out the owners, the route we designed allowed money within the company to be used to finance the exit.

Although an EOT is not a new concept, it has grown in popularity following the introduction of tax incentives in 2014 by the government to help encourage employee-ownership. The exiting owner will not be subject to capital gains tax (CGT) when they sell a controlling interest in the company to the EOT, compared to a minimum 10% CGT charge for a third-party disposal and the employees will be able to receive an annual bonus of up to £3,600 without being subject to income tax.

Recent research by The Ownership Effect Enquiry also supports that EOTs can improve productivity, increase employee engagement and have a positive effect on the wider economy. We are discussing EOTs with more and more clients. Whilst the cash payback may ultimately be slower using an EOT than pursuing a traditional exit strategy, the benefit of the tax saving achievable may be persuasive in some cases. Please get in touch if you would like to find out more.

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