

Nursing and Residential Homes



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Industry Background

The Care Quality Commission holds responsibility for the registration of residential and nursing care establishments. The terms of the establishment's registration reflect the level of care offered and the registering authority will specify the standards that must be met based on this. There are two main registration categories, 'care home (providing personal care)' and 'care home (providing nursing)'.

Once registered, care homes in England are inspected and reviewed on a regular basis to ensure that they continue to meet the required standards. The inspection and review regime is as follows:

- Annual service review - does not involve a premises visit. The review is used to determine the frequency of inspection visits
- Key inspection - a thorough on-site inspection. Every new establishment receives a key inspection during its first year of operation. The frequency of subsequent key inspections depends on the quality rating of the establishment - an 'excellent' establishment would receive at least one key inspection every three years, while a 'poor' establishment would receive two key inspections a year
- Random inspection - generally unannounced and often used to follow up a particular issue that has been identified
- Thematic inspection - has no fixed frequency. Thematic inspections look at a particular issue - for example nutrition - in a number of different establishments on a regional or national basis

Care homes are also required by the Care Quality Commission (CQC) to complete an annual quality assurance assessment. This includes a self-assessment section - in which care home proprietors/managers are required to assess how well they think they are meeting the needs of their service users - and a dataset giving some basic facts and figures about the establishment and the services provided.

Once they have been inspected and reviewed, care homes are given a rating by the CQC. It is a legal requirement that care homes display the latest rating score at their premises and on their website. Homes judged inadequate are placed in 'special measures' as a framework and timescale for improvement.

Care in specialist residential and nursing homes is provided by local authorities, private businesses and voluntary organisations. Long term care is also provided in some cases by the National Health Service (NHS), on care of the elderly wards and in specialist institutions. According to Care of Elderly People Market Survey published by Laing



Some Industry specific areas of advice from our experience

VAT: As you are generally unable to claim back VAT suffered on business inputs, skilled but non VAT registered tradesmen are handy to know.

Special Capital Gains Tax treatment, up to £40,000 per owner lettings relief over and above normal relief for owner's occupation of business building etc.

There can be annual tax/NI savings to be had by operating the trade from within a limited company but with the premises being owned personally.

Are all staff set up on the wages records? Despite popular opinion there is no such thing as 'casual labour'.

Is the ownership of the business correctly set up such as to minimise the various taxes and maximise tax reliefs?

What are your future plans? Exit strategy or next generation involved? Plan in place to achieve this?

Staff and owners accommodation and meals... all ok?

Wills: are they tax efficient particularly as regards the business?

Are profit shares/extraction of profits made in the most tax/NI efficient way?

Are owners and staff arrangements of vehicles maximising tax reliefs etc.?

Is a change of accounting date a good idea?

Some Industry specific areas of advice from our experience (cont'd)

Are any loans (both business and personal) arranged in such a way as to maximise tax relief and minimise costs?

Has the strategy on owners' company cars been reviewed in the light of taxable benefits and capital allowances now being driven by CO2 emissions. It can now even make sense for a company to provide low emission cars to non-employee family members such as children!



Use of Information Technology

How are you maintaining your books and records?

Are you reconciling cash and bank accounts regularly?

Do you know how much you owe or how much you are owed at any time?

The proper use of IT can provide you with regular and meaningful management information and save time and cost.

Would outsourcing your payroll and pension obligations be of benefit?

Would you welcome us maintaining or training you or your staff to operate a computerised accounting system, providing key financial and management information in a timely and understandable form?

& Buisson, the provision of nursing, residential and long stay hospital care of elderly, chronically ill and physically disabled people in the UK breaks down as follows:

Local authority residential	8% of total places
Independent sector residential	50% of total places
Independent sector nursing	38% of total places
NHS long stay	4% of total places
	100% (467,800 places)

It is estimated that between 20% and 25% of all people require long term residential or nursing care at some time during their lives. This percentage is likely to increase as the population ages and life expectancy increases

The greater part of most homes' income comprises residents' basic monthly fees. These normally cover board and accommodation, as well as a specified level of care (personal and/or nursing). Different rates are normally charged for different levels of care; the basic monthly fee for the care of low dependency elderly people is, for example, likely to be considerably lower than that for nursing terminally ill patients.

Many homes tailor their fee structures to reflect local authority funding limits. Those charging rates which are higher than these may nevertheless accept local authority funded residents with no 'top-up'; the result can be a two tier charging system for the same level of care.



Certain services and provisions may not be covered by the basic fee - these may be referred to as 'extras'. Additional charges might be made in respect of the following:

- Intensive nursing, private medical treatment and physiotherapy
- Medicines and specialist consumables, such as incontinence supplies
- Personal services, such as hairdressing and chiropody
- Telephone calls, special outings and entertainments
- Short term respite care

A care home might also handle considerable sums of residents' own money which are disbursed on their behalf, for example to purchase newspapers, tobacco and other personal items. No extra charge is normally made for this type of service.

Key Performance Indicators

Financial performance in the care home sector is generally assessed in the following ways:

- Fees per resident
- Occupancy rate
- Ratio of food costs to income
- Net profit

Operating costs particularly employment costs vary considerably from one home to the next, leading to considerable differences in profit margins within this sector. For this reason, the food costs to takings ratio is sometimes considered to be a more consistent indicator of performance.

It is an arithmetical fact that the higher the average revenue per resident that can be achieved the less turnover is needed to cover overheads and a reasonable level of profit.

Ask us how your numbers compare for your type of home.

Ask about our own award winning “tax tools” software including “business profitability analyst” based on key driver information.



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Tax Investigations

Approximately 10% of all investigations carried out by HM Revenue & Customs (HMRC) will be selected at random but these random selections will be targeted at trade sectors where tax is thought to be at risk. HMRC's stated aim is to spread the investigation net to cover all sectors, including nursing homes. Additionally, HMRC may have their own program of investigations targeted at this sector because of local knowledge, often the result of information obtained in the course of successful investigations into the same or a related type of business in the area.

When a business is selected for investigation other than at random, the most common reasons are:

- Information provided to HMRC by a third party
- Low and/or fluctuating Gross Profit Rate, or some other inconsistency in the accounts
- Low and/or fluctuating Drawings
- Unexplained introductions of cash into the business
- Technical offences, including failure or late notification of liability

Since HMRC is allowed only one enquiry into a return, added to the above reasons for selection for investigation will be an enquiry into a technical matter (e.g. the capital/revenue repairs argument).

You can pay a small premium to ensure your professional fees are covered in the event of an investigation – be VAT, PAYE or tax affairs generally.