

Welcome

Welcome to Haslers's Focus on...bulletin, looking at news and information relevant to specific business and industry sectors.

This Focus on Care and Nursing Homes bulletin takes a look at the impact of local

authority cuts and why a landmark High Court decision could completely change the picture.

If you have any feedback on this issue of Focus on Care and Nursing Homes, or would like to know more about our

services or how we can help you, please contact us on **020 8418 3333** or email **Laurence Jacobs** (Partner, Business Services Group) **laurence.jacobs@haslers.com** or **Jon O'Shea** (Partner, Tax Consultancy) **jon.oshea@haslers.com**.

Fees that fail to match costs declared illegal

According to Community Care Market News' Annual Survey of UK Local Authority Baseline Fee Rates – produced by healthcare intelligence specialists Laing & Buisson – the majority of local authorities in England had frozen or reduced the amount they paid for care home placements, although some authorities in Wales and Scotland had increased payments.

However, there may be light at the end of the tunnel for care home businesses which are struggling as local authorities fail to reflect the rising cost of places for elderly residents in the fees paid.

In November, the High Court in Manchester ruled that Sefton council, in Merseyside, had acted illegally by freezing payments to residential care homes for two years in a row. While the council acted after cuts in central government funding, the judge



said that it had not consulted with care providers and so deprived them of the chance to voice their concerns over the freeze.

With the council now having until 9th February to rethink their strategy, this is likely to have a knock on effect on other authorities throughout England. According to Sefton Care Association, one of five organisations who took the

council to the High Court, this could lead to an additional £1 billion for care services across the country.

This will be welcome news to care providers who have received, on average, a fee increase of just 0.3 percent in 2011-12, compared with the 2.8 percent that Laing & Buisson estimated was needed to keep pace with care home cost inflation.

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Indeed, taking current levels of inflation into account, care home operators have been left facing an average 2.5 percent reduction in their margins on local authority-funded residents during the current financial year.

Nevertheless, the number of placements looks set to remain steady during the financial year, with 45 percent of councils saying there would be no change in placing practice, 26 percent that they expected

placements to increase and less than a third (29 percent) expecting the number of placements to be lower at the end of the year than at the start.

Overall, this means that care home operators are still likely to face funding pressures while the local authorities review their funding decisions. Yet, there could be ways to improve efficiency and performance that they have not already considered,

which is why it makes sense to involve independent experts, like the team at Haslers, who can advise on further opportunities to operate in a more cost-effective way.

Something as straightforward as improving your in-house accounting, or help in setting key performance indicators against which to measure your business performance, could really help. For more information, please contact us.



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