



Focus on Cirion Plant

A bit about me...

My involvement with care homes goes all the way back to my teenage years, when I worked in a local care home as a kitchen porter. I enjoyed the work and meeting the people in the home. It appeared to be well run and the residents seemed genuinely well cared for. Unfortunately, the property itself was far from ideal and sadly its location overlooking a local beauty spot in a good residential area made its eventual closure for conversion to flats somewhat inevitable.

I began working in the care sector professionally much later, in 1996, initially working as a care sector agent and later as a valuer. I joined GVA Grimley in 2005, to help establish a team in the North West. I live in South Manchester and spend most of my spare time chasing around after my two young children and when the weather allows, getting out into the garden!

What am I working on at present...?

We are still seeing a lot of proposals for new care homes and clients are increasingly aware of the benefit of initially appointing

us to conduct feasibility and valuation reports before committing to sites, planning applications or construction works. I am currently advising a number of regional house builders on their first care home schemes, something I think I will be doing more and more of as this year unfolds.

Also on my desk at the moment are two valuations for mid-sized nursing homes being acquired by existing operators. They are both very recent deals and prove that the market is unquestionably still active with appetite from purchasers and support from lenders.

What interests me about the care sector?

I am genuinely interested in the development of the sector and operator's visions of what they want to achieve. GVA Grimley has always had a very strong consultancy base of work in the sector and it's great to be part of that, providing the opportunity to see a much wider spectrum of care businesses.

Where do I see the market going?

Through a slightly difficult period, probably with reduced transactional volume in the short-term, but coming out the other side much quicker and stronger than any other business or property sector. Good managers will continue to be the defining characteristic of most, if not all successful homes and their recruitment and retention should be a focus for all operators. Rightly or wrongly, the Star Ratings given by CQC as part of their inspection process could become ever more important to the trading performance of homes.

Cirion Plant MRICS

A recent selection of Healthcare transactions, sold by Samantha Cooper...

Leyland

LD Home
12 registered bedspaces
Sold to a Corporate Operator

Manchester

Purpose Build N.H.
63 registered bedspaces
Sold to a Local Operator

North West

Fostering Agency
Sold to a Venture Capitalist

Wigan

Dementia Home
20 registered bedspaces
Sold to a Regional Operator

Manchester

Closed Care Home
18 bedspaces
Acquired for a Corporate Operator

Healthcare Matters

North West

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Is the worst behind us?

With 2008 behind us and with a new year to look forward to, many will be wondering, is the worst now behind us and what are the challenges and opportunities for 2009 likely to be?



For many within the sector, frozen credit markets have brought growth to a standstill and stifled investment, especially those handcuffed to lenders who are unable or unwilling to back even the most successful providers. That said, many operators who are fortunate to have the backing of more able lenders, have continued to develop new services and expand operations throughout 2008, albeit usually against a backdrop of increased borrowing costs.

With base rates at record lows, hopefully the thaw will now take place in earnest. With this difficulty receding, 2009 will in all probability bring a different set of challenges, those of a difficult recession in the wider economy. The care sector has been here before and so far, business performance within the sector remains strong and the demographic driver is unchanged. There is, therefore, an understandable level of confidence that the sector will not be too badly affected, although the tightening of the local authority purse will create some pressures, especially for services at the lower end of the dependency spectrum.

Our expectations for 2009 are therefore of a relatively steady market, within a depressed economy. The flight to quality will no doubt continue at a more rapid pace, accelerated by tighter lending criteria and the pressure on local authority budgets. The ability of poorer units to achieve the prices they witnessed at the height of the market has already all but disappeared. Good quality homes are still attracting good interest levels, but pricing is more subdued and arguably more realistic. The trend of purchasers being less willing to pay prices based on 'projected' trade levels as opposed to 'actual' is becoming more widespread, except where the solutions are short term and relatively painless.

New build continues to be a growth area across the north and north-west, with a growing acceptance of its ability to better meet the needs of more a physically dependent client group, particularly in nursing care. At the time of writing, the majority of new provision being developed in the region is not by the major providers, but by smaller regional operators.

Indeed, 2009 should be the year for the regional providers, who can benefit from some economies of scale, but have not lost touch with their local relationships and understanding of their local markets. They are also still close enough to the grass roots of their business to maintain and improve the quality of care and continue to deliver strong financial performance. Such operators, by virtue of their size, are more flexible and more able to respond to change quickly, a vital ingredient in today's business environment.

In this edition, for those considering an exit from the market, we consider the importance of pre-sale preparation, an integral component of the disposal process. My colleague Matthew Stone considers Local Authority budgetary constraints and the implications of a further squeeze on funding streams.

It has become apparent that 2009 brings numerous challenges to the care sector however, despite the short-term uncertainties, the market is very much long-term in both name and nature.

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Local Authority fee cuts – taking back the windfall

In a climate of rising inflation, with care homes especially hit by increasing food and utility costs, most care providers would hope that these pressures will be reflected by the local authority in their annual fee review.

It comes as a great surprise therefore, that in such a climate, Wirral Borough Council, in Merseyside, have elected to reduce their fees for nursing care, to be applied to all local authority funded admissions from 28 November 2008.

The decision has been justified on the basis of changes to Free Nursing Care which took place in October 2007. Before October 2007, three Free Nursing Care (FNC) Bands existed, which were then combined to one single band. The rates for each band has formerly been £40 for low dependency, £87 for medium dependency and £139 for high dependency. These were replaced with a flat rate of £101 per week for all new nursing admissions.

At the time, the change did not attract significant publicity and with the exception of a number of prominent dissident voices, most providers appeared to greet the change favourably, given that the majority of residents were previously in the middle banding, which meant an increase of £14 per resident per week.

Following consultation with providers, Wirral has now confirmed that it will reduce its nursing fees for Older People by £14 across the board. We understand that this is described as 'withdrawing the windfall arising from the increase to FNC' in recent correspondence to providers. As is so often the case with such changes, those homes which are more reliant upon local authority funded service users will suffer the most. Homes which have a high proportion of private clients may not be significantly affected.

The move is emblematic of local communities' current situation. Heavily indebted, with huge pressures on social care budgets arising from increasing proportions of elderly residents. Local authorities could be forced into hard choices about how they manage their budgets. One can



have some sympathy for their plight, however, if local authority fees fail to keep pace with inflation, or worse, fees fall in real terms, the investment and modernisation we have seen across the sector in recent years could well falter.

It will be interesting to see whether any other authorities follow the worrying precedent now set by Wirral. One thing is for sure, times are tough when it comes to local authority budgets and they are likely to get worse before they get better. If not already a hot topic, it gives further impetus to the arguments around the funding of long term care and the need to find a more equitable and sustainable model in the future.

Matthew Stone MRICS

Financial pre-sale preparation

Whatever thoughts you have on the sale of your business, we know from our experience that careful financial planning and the right advice at an early stage is essential. Selling your business is a major decision and, particularly in these difficult times, it is essential to plan how you can maximise both the sale price, through proper financial preparation and the net proceeds of the sale, through proper tax planning.

It is vitally important that any potential purchaser of your business has accurate and up to date management accounting information available upon which they can base their decision. Reliable accounting procedures and up to date management accounts prepared

by an external accountant will not only assist you with pre-sale profitability planning but will also add considerable weight when presented to interested parties.

Once a sale on your business has been agreed a purchaser will most likely undertake their own financial due diligence and their lender will request a formal valuation, both of which will have close regard to the financial information for the business. Banks are now much less likely to lend on businesses where financial information is patchy or out of date and the banks valuer could be more cautious in cases where reliable information is lacking.

Every business sale is unique and involves some level of emotion and stress throughout the transaction process. It is always important to have your key people on board at the outset and appoint professional

advisors which have direct experience in the disposal of care businesses at an early stage to achieve a successful sale. It is even more important that your professional advisors have the experience necessary to handle the emotions and intricate nature of these transactions.

An experienced lead advisor is essential to ensure that your interests in the sale remain paramount, while also ensuring that any deal hangs together and that all parties involved work together to achieve a successful outcome.

To discuss your opportunities contact Mark Worsley at: mworsley@clbcoopers.co.uk or call 01204 551100.

