



Press Release: 12 October 2017

Voyage Care BondCo PLC (“Voyage”) today announces its response to the issue of the applicability of national minimum wage (“NMW”) regulations to overnight stays (“sleep-ins”).

On 26 July 2017, the Government announced that all HMRC investigation activity on sleep-ins in the social care sector would be suspended until 2 October 2017. A second Government announcement on 28 September 2017 extended the suspension period for a further month.

Prior to and since the first announcement on 26 July 2017, the social care sector, led by Voyage as the founder of Learning Disability Voices (LDV), has been in a series of discussions with BEIS, the Department of Health, Treasury, HMRC, ADASS, VODG and LGA regarding sleep-ins and how the payments for them should work both retrospectively and prospectively. However, despite some encouraging signals, the Government has increasingly made it clear that, in its opinion, sleep-in time should be paid at national minimum wage rates, notwithstanding that a case from a charitable provider is currently being considered by the Court of Appeal, which is expected to opine on this delicate issue next year.

Given the Government's position and that HMRC can apply penalties for underpayment of up to 200% of underpaid wages, we are now increasingly seeing the social care industry move towards paying NMW for sleep-ins. Given our strong commitment to quality of care and ensuring that our staff are fairly remunerated, with effect from 1 July 2017, Voyage will pay those fulfilling sleep-in shifts at a rate that is consistent with the application of the NMW regulations to all the hours involved.

Voyage continues to see strong demand for its high quality services across the country. Quality continues to give the business a strong competitive advantage. The decision we have taken today is positive for our ability to recruit and retain the right staff to help further improve our leading quality position and capitalise on growth opportunities.

Overall, Voyage performs approximately 300 sleep-ins per night, 365 days per year. The estimated gross annualised incremental cost of the proposed change is in the range of £5.0m - £6.0m, before recovery from Local Authority customers. In the current financial year, the estimated gross impact will be in the range of £3.5m - £4.0m.

The Care Act 2014 is clear that Local Authorities must commission sustainable care and, when commissioning services, permit the service provider to meet its obligations to pay at least the national minimum wage. As a direct consequence of this decision today we will be seeking recovery from customers. While the degree of recovery remains uncertain, particularly in the early years, we aim to recover as much of this incremental cost as possible, as quickly as practicable.

June 2017's LTM pro-forma EBITDA, after adjusting for sleep-ins and the recent Focused Healthcare acquisition, moves from £38.2m to £36.7m. On the basis of achieving a reasonable rate of recoveries in accordance with the above, net leverage moves from 6.21x to 6.95x pro-forma EBITDA.

In relation to any past liabilities, the Government has made it clear that it will continue to evaluate whether these should be centrally funded. Given that HMRC (as enforcer of the NMW), as recently as March 2016, declared our approach was “compliant”, we believe we have a legitimate expectation, with regards to HMRC enforcement, such that there should be no material liability for the past. In our last financial statements we disclosed a contingent liability on sleep-ins. Until further clarification has been received, and in the absence of any further developments, we will continue to disclose a contingent liability. Given these developments we now estimate this contingent liability should be disclosed at between £4m and £8m.

Ends

Forward-Looking Statements

This press release may include forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “projects”, “anticipates”, “expects”, “intends”, “may”, “will” or “should” or, in each case, their negative, or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts and include statements regarding Voyage Care’s or its affiliates’ intentions, beliefs or current expectations concerning, among other things, Voyage Care’s or its affiliates’ results of operations, financial condition, liquidity, prospects, growth, strategies and the industries in which they operate. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Readers are cautioned that forward-looking statements are not guarantees of future performance and that Voyage Care’s or its affiliates’ actual results of operations, financial condition and liquidity, and the development of the industries in which they operate may differ materially from those made in or suggested by the forward-looking statements contained in this press release. In addition, even if Voyage Care’s or its affiliates’ results of operations, financial condition and liquidity, and the development of the industries in which they operate are consistent with the forward-looking statements contained in this press release, those results or developments may not be indicative of results or developments in subsequent periods. No representation is made as to the accuracy of such statements, projections and assumptions and Voyage Care accepts no legal liability to any person in relation to the statement.