April 2015

# update+

## When one door closes...

Research into the closure and commissioning of care homes throughout England

HEALTHCARE PROPERTY CONSULTANTS

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# Foreword

## Growth in the level of England's elderly population over forthcoming decades is significant. Coupled with an ever increasing awareness surrounding dementia, it would be a reasonable expectation that the development of new care home facilities incorporating state of the art environment and quality care would be significant.

Unfortunately, HPC research indicates otherwise with the number of beds in newly registered homes all but mirroring the number simultaneously falling out of the market. Indeed several regions are showing a net bed reduction.

This document encompasses research in respect of care homes (both nursing and residential) registered by the Care Quality Commission to provide care for the elderly, including those with dementia. Analysis looks at the level of newly registered facilities, contrasting with those subject to closure – on both a national and regional basis - with somewhat surprising (and concerning) results. Market forces are such that the short and medium term future are likely to follow suit.

Average of
**6,033**
Beds opening annually

Average of
**5,558**
Beds closing annually

QUICK FACTS

Buckingham House, Gerrards Cross, Buckinghamshire. Opened by Maria Mallaband Care Group 2014 following feasibility advice provided by HPC.

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# The National Picture

Care homes opening

Care homes closing

Registered providers of newly developed facilities are increasingly falling into two key categories – Limited Companies and Charities. Historic research[1] indicates an increase in major provider UK care home operation from 32.4% of homes in 2005 to 51.1% in 2013. This pattern of consolidation is continuing apace – with growth specifically identified in the for profit sector.

In respect of expanding care home operators, the 12 month period to September 2014 saw Care UK as comfortably the most active in opening new facilities. Multiple new homes (predominantly throughout the South/ Midlands) were also registered by Fremantle Trust, Maria Mallaband Care Group, Gracewell Healthcare, Porthaven Care Homes and Signature. With significantly less activity towards the North of the country, key operators in terms of new development continue to comprise Helen McCardle Care Limited and Ideal Care Homes.

The registered providers of homes closing during the corresponding period comprise an extremely high proportion of private individuals – frequently operating from converted premises providing an environment no longer fit for purpose.

In terms of corporate closures, there have been a number of facilities de-registered by some of the larger national corporates for a variety of reasons including environmental and regulatory issues. The impact of the Southern Cross collapse continues to be seen as the current providers re-structure sections of the former estate, leading to inevitable fall-out.

The financial pressure experienced by local authorities over recent years continues to take its toll. The raft of local authority care home development during the 1960/1970s has now come to the end of its useful life and, coupled with the comparatively high cost of in-house care provision, local authorities nationwide continue to de-register.

**11**
care homes opened by Care UK 2014

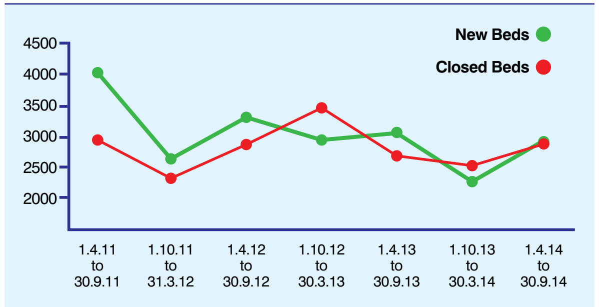
**Local authorities de-registering homes in 2014:**
Medway, Walsall, Bristol, Camden, Newcastle, Blackburn, Cheshire West, Hampshire, East Sussex, Devon, Plymouth, Birmingham, Dudley, Wolverhampton, Leeds, North Yorkshire

QUICK FACTS

Source: [1] LaingBuisson

# The National Picture

We have undertaken analysis of the data at six monthly intervals throughout the research period and the relevant data is detailed graphically.

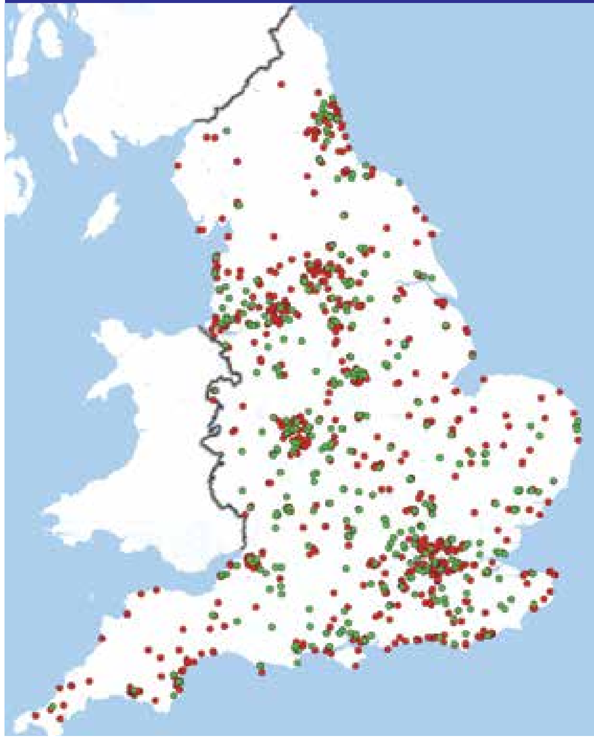



Bed numbers (in terms of closed facilities and new developments) are extremely consistent throughout each period. Net loss/gain has fluctuated over the period, with accumulative outcome being a marginal net bed gain.

In terms of home (rather than bed) numbers, the annual number of newly opened homes is marginally in excess of 100 with the corresponding closure figure being approximately 200.

With the exception of the extreme South West and North West, the geographic spread of homes opening is relatively even throughout the country. Whilst there is an understandable increase in density towards the larger urban areas, this is surprisingly slight.

**The comparison between care homes opening and closing**



The comparative density in respect of closure activity around major urban areas (particularly London) is more noticeable with the other significant trend comprising the closure of homes in coastal resorts – specifically along the south coast.

**58**
average bed size of new home

QUICK FACTS

**27**
average bed size of home closing

Belong Wigan, Greater Manchester.
Opened by Belong in 2009.
Valued by HPC.

# A Regional View

## Analysis of the data on a regional basis indicates a clear north/south divide.

With development funding having been in relatively short supply until very recently, the reasonable expectation would have been for an increased development focus throughout the north of the country – offering a greater level of land availability at comparatively low value. In fact, the converse has applied – reflecting the overwhelming operator desire for the more affluent self-fund market in order to minimise operational risk resulting from inadequate local authority fee levels coupled with nominal annual uplift.

"The data clearly identifies new development to be financially driven, rather than reflecting regional demand. CQC analysis during the research period identifies the London region as having the highest level of elderly population per registered care home bed. Despite this level of comparative demand, the capital continues to haemorrhage beds. In contrast, the affluent south east enjoys the second highest proportionate bed provision for the elderly and yet development continues apace".

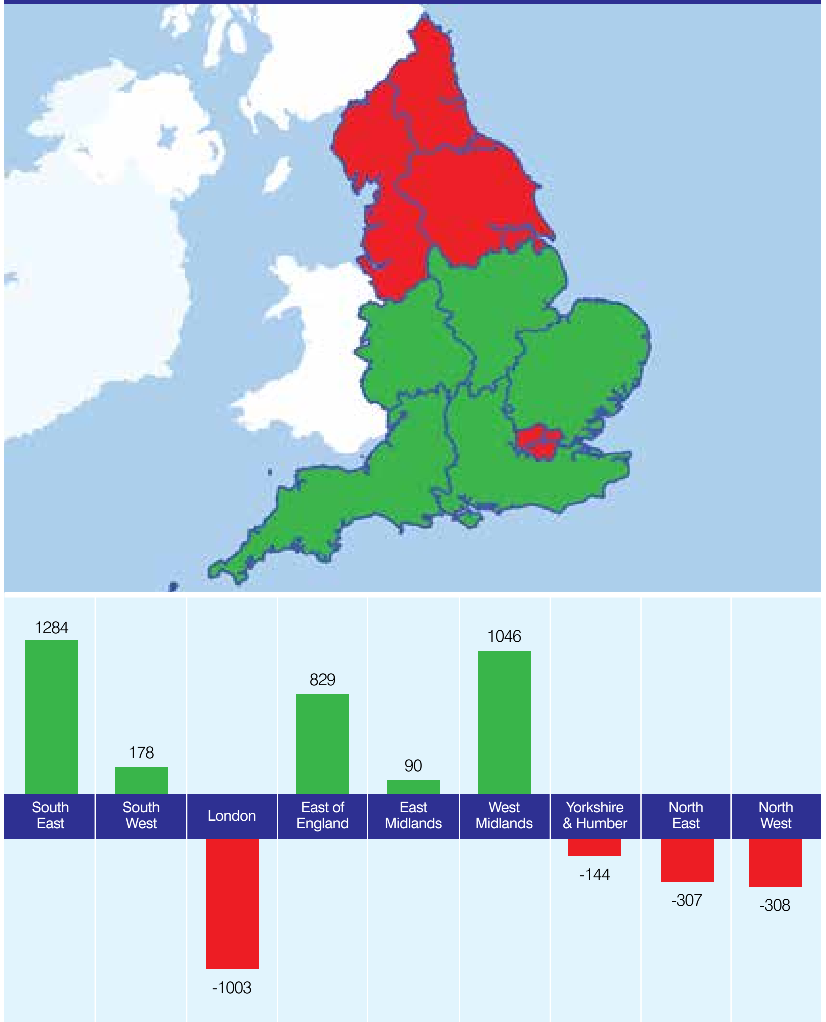
Nigel Newton Taylor BSc (Hons) MRICS, Director of HPC.

QUICK FACTS:

**South East**
region with most significant net bed gain

**Greater London**
region with most significant net bed loss

Regional assessment of net bed gain/loss



# Crystal Ball Gazing

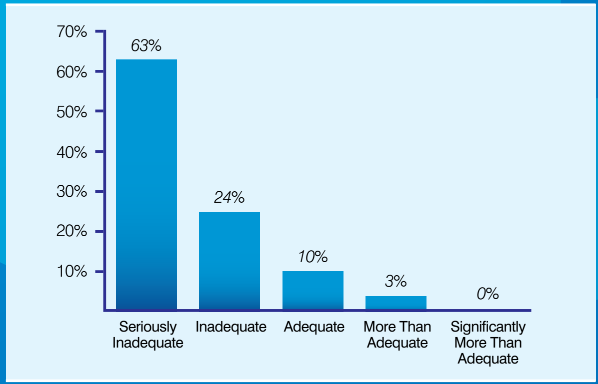
## Development

We do not anticipate new care home development to increase or decrease significantly in the short term. Analysis of planning activity in respect of new build homes over the past 5 year period results in marginal annual fluctuation with no year straying by more than 8% around the mean level.

The upturn in the economy and increasing availability of development funding would, prima facie, increase the likelihood of further development. However, these very factors are restraining the sector with care home operators/developers struggling to bid competitively against alternative land use.

Ashwood Care Centre, Warminster, Wiltshire.
Developed by Northcote Ryder and marketed by HPC.
Acquired by bpha.
Opened by the Orders of St John Care Trust 2014.

Operational viability is a key component of the site selection process and potential fee levels an important consideration. The HPC National Care Home Survey 2014 provided clear insight into operational perception of local authority fee levels;




With 87% of survey respondents considering local authority fees to be less than adequate, this continues to limit the interest of operators and developers in the less affluent areas of the country.

## Attrition

Just as competing uses are limiting new development, so we continue to see such uses offering a potential "escape route" to struggling care home businesses with property prices for alternative use resulting in business closure and property sale becoming financially attractive.

The aforementioned local authority financial restraints will continue to impact upon in-house estates and, at the time of writing, closure proposals from Surrey County Council and Southampton City Council feature in media headlines.

Whilst the developers of new facilities have the benefit of site selection, existing operators do not. A significant proportion remain heavily reliant upon local authority funded service users. With local authority baseline fees failing to reach either national minimum wage or CPI level for several years[2], margins have been constantly eroded and small facilities reliant upon funded service users remain most at risk.

**87%** of surveyed care providers consider council fees inadequate

QUICK FACTS

**1.7%** average local authority fee uplift 2014/15

Source: [2] HPC research

# Crystal Ball Gazing

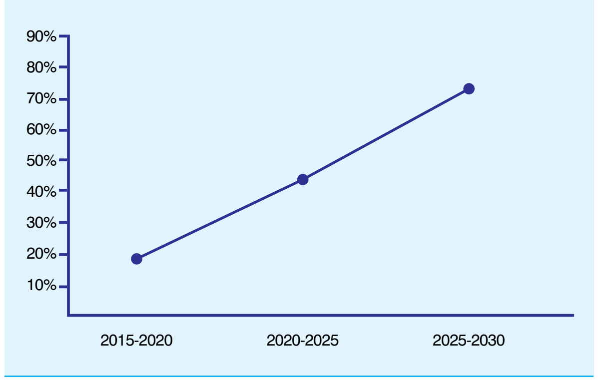
## The Existing Estate

- Nominal movement in total bed numbers for the elderly over recent years
- Currently fewer total registered beds for the elderly than at the turn of the century
- Approximately 7% of registered beds continue to be in shared rooms[3]
- Approaching 30% of registered beds have no en suite facility[3]

## Population Profile

- Median age of care home clients at admission – 85[4]
- Population over the age of 85 in England forecast to increase from 1.63m to 2.84m by 2030[5]
- Current level of 850,000 people with dementia in the UK forecast to rise to 1m by 2025[6]

**Cumulative Population Growth over age of 85**




Mountfitchet House, Stansted, Essex.
Opened by Care UK 2014 following feasibility advice provided by HPC.

Forecast population increase of

**74%**

in over 85 year olds over next 15 years

> “Current market dynamics are such that the sector is struggling to replace dated and inappropriate bed stock. With the number of people in England over the age of 85 forecast to rise by 74% over the forthcoming 15 years, the current trajectory of development will fail to meet demand levels”.

Nigel Newton Taylor BSc (Hons) MRICS, Director of HPC.

Source: [3] LaingBuisson [4] BUPA [5] Experian [6] Alzheimers Society

# Research Parameters

## Geography

- The registration/de-registration data has been supplied by the Care Quality Commission – the regulatory body in respect of care home provision throughout England.

## Research Period

- This document reflects the relevant data collected in the 3½ year period commencing 1st April 2011 and ending 30th September 2014.

## Category of Registration

- The research specifically focuses upon care facilities (with or without nursing) registered to provide care to the elderly (with or without dementia).

## Inclusions and Exclusions

- We have included all newly registered elderly care facilities and those where registration has ceased.
- The analysis reflects new and closed care homes only. It excludes amendment to registration – typically in instances where the registered bed number on an existing facility has been increased/decreased, categories have been subject to minor amendment or there has been a change in registered provider.

# Data Sources

- Alzheimer's Society – Online key dementia statistics
- Barbour ABI – Online planning data
- BUPA – The Changing Role of Care Homes – 2011
- Care Quality Commission – schedule of care home registrations activated and de-activated between 1st April 2011 and 30th September 2014. Subsequently analysed to exclude amendments to existing registration and homes with care focusing upon specialist needs rather than elderly or dementia care
- Care Quality Commission – The State of Healthcare and Adult Social Care in England 2012/2013
- Experian – Online demographic information
- HPC – Annual Fee Review Analysis 2014/15 following Freedom of Information requests
- HPC – National Care Home Survey 2014
- LaingBuisson – Care of Older People UK Market Report 2013/2014

# Authors

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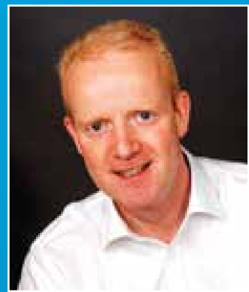
**BSc (Hons) MRICS**

Nigel Newton Taylor is a Chartered Surveyor with over 25 years' experience providing commercial property advice in both the public and private sectors. Specialising in social care, he has provided a mix of consultancy, valuation and transactional advice to a wide range of clients including local authorities, lending institutions, Not for Profit organisations and corporate healthcare operators.



**Ian Wilkie**

Ian has 30 years' commercial property experience and has specialised in Healthcare since 1990. He has worked throughout the UK, including four years in London heading a busy national healthcare department. Ian has been Lead Advisor on some of the larger social care transactions in the UK and also acts for, and retains, many private clients.

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