Annual UK care sector roundtables and survey report

2019/2020

CARINGTIMES

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Contents

Quotes from around the country

"There are signs that the market is getting a bit tougher, and yet there is a lot of money trying to get into the sector, where there are good-quality deals with good-quality operators."
David McHattie, Barclays Corporate

"Notwithstanding the plethora of other issues there are, the sector does need to acknowledge that green initiatives are not just a 'nice to have' or a bit of a marketing tool. They are already absolute requirements for some of the key investors and lenders to the sector and given the speed of the shift change in public consciousness, it is not hard to imagine that local authorities and private purchasers will start to apply pressure to providers to demonstrate green credentials in the near future."
Daniel Braithwaite, Pinsent Masons

"Some local authorities are paying less than £500 a week, a level which is clearly unsustainable for existing homes and discourages new-build."
Tony Stein, Health Care Management Solutions

"There are two parts to the market at present. At the smaller capitalisation level that's still very active. At the larger end, some of the international private equity houses or international debt providers are a bit more cautious on funding in the UK right now. So it's a bit tougher to get deals done at the moment. We expect a number of deals to come to life in the new year, subject to things being resolved, but there could be uncertainty for a bit longer yet."
Andrew Nicholson, KPMG

"Dependency levels of those who are placed have noticeably increased. We are not providing social care anymore, we are providing healthcare. Average length of stay in our homes has gone down considerably. It is nowhere near what it was last year or the year before. The people being referred to us by local authorities are much frailer. We provide more general support than a hospital does, but that fine line between healthcare and social care has disappeared."
Ravi Gidar, Gold Care Homes

Survey analysis

The annual *Caring Times* care home sector survey plus round table meetings, involving key sector personnel and a booklet supported by Barclays, Knight Frank and Pinsent Masons, has over the past nine years become an invaluable bellwether and guide to the sector.

The successes are there to be followed over the years, including improving occupancy, better finances driven primarily by a shift to private care, better quality of operator, a positive focus on person-centred care and dementia, all reflected in greater sector and operator self-confidence. The difficulties and challenges can be followed too – staff recruitment and retention, the CQC, frustration with local authority fee structures, and frustration with the seemingly inevitable isolated but regular cases of abuse and appalling care.

The annual online surveys provide the factual evidence for what many believe intuitively. What they also provide of course – including the most recent 2019/2020 survey – is the norm for the BC – Before Covid-19 – years, a norm we all hope we will return to as soon as possible.

The most keenly discussed question BC was the impact of Brexit on the care home sector. The 2018 survey had shown just 3% of responders thought it would be positive. The 2019/20 survey showed that Boris Johnson had not convinced any more operators – 3% thought it would be positive, 52% thought it would be negative and 45% thought it would have no impact. It is amazing how quickly Brexit has disappeared from the agenda AC – After Covid-19.

In other respects, what proved most reassuring from the 2019/2020 survey perhaps is that there were no huge changes from previous years' surveys. The sector therefore seems stable. For example, operator confidence in their own businesses and the sector more widely remains strong. 63% of operators in 2018 were either extremely or very confident in their businesses, but in 2019/20 this figure had climbed to 78%. Traditionally, operators are much less confident in the sector generally than in their own businesses. In 2018, 45% of operators had little or no confidence in the sector, but this figure had dropped to 25% in 2019/20.

A significant sign of a sector's confidence is its willingness to invest. The 2019/20 survey showed that 55% of operators were looking to expand, of which 21% were looking to achieve growth by acquisition and 34% were looking to develop their own premises – the latter being a very positive sign because the sector desperately needs new stock. And 86% of owners indicated they had no interest in selling their businesses, but instead wanted to stay with the sector.

Another positive signal was operators' increasing willingness to invest in new technology. For a long-time, residential

care has lagged behind other sectors, but it appears that companies are now investing. Over 50% had invested in the previous year of which 31% had invested in digital health technologies and 10% in data and/or corporate social responsibility management technologies and 17% had invested in both.

THE BIGGEST CHALLENGES FACING THE CARE HOME SECTOR

Operators perceived issues surrounding staff as their biggest challenges – as they have done for the previous three years – and in particular staff recruitment. Three-quarters of operators said rising staff costs was an extremely or very significant challenge for them. Last year, a very surprising 14% of operators said they had no recruitment concerns, but it was not possible to identify who exactly these lucky operators were. This year a much more understandable 6% had no problems, which is reassuring for those operators that were wondering what they had been doing wrong. During round table discussions, ever-rising agency costs were again identified as the major cause for increasing staff costs.

Perceptions of the regulatory authority (CQC) remain controversial and often contradictory. In this survey the CQC has risen to joint first, with staff recruitment, as the most significant challenge faced by operators. And certainly during the round table discussions most operators showed their frustration with some aspect of the inspection process. The request for a 'level playing field' was frequently cited. By contrast, two-thirds of operators answered another survey question by saying they believed the CQC had made a positive impact on quality standards in the sector.

The challenge for care homes of maintaining a good reputation was highlighted by the rise of this challenge to joint second place alongside fee levels. Last year, during round table discussions it had become clear that, among other promotional tools, social media can be a very successful medium to promote a home locally, but it can also be a minefield easily triggered by ignorant or careless staff. Since then there has been considerable emphasis on social media educational programmes for staff but clearly the reputation of their homes remains at the forefront of owners' priorities.

Local authority fee rates have risen to joint second place with maintaining a good reputation in the list of greatest challenges faced by operators. Again, the nature of the email survey does not permit identification of where, in geographical terms, fee cuts are hurting most, but it was clear from the round table discussion groups that the perceived difficulties in the North remain a reality. During the discussions it also become apparent that some operators had developed good relations with their local authority and that modest (up to 5%) increases in fees had been achieved in some localities. ct

‘It’s challenging’ say care providers

Given that social care is a fragmented sector, it might be thought that the care sector professionals who gathered near Whipsnade in Bedfordshire in November would have enjoyed complete success at fragmenting the targets which came rocketing out of the traps. The reality was that rather a lot of the clays completed their trajectories unscathed. Still, we all looked the part, each team had its ‘hotshot’ and the sound of shotguns, along with the smell of cordite, added a certain frisson to the crisp autumn morning.

An after-lunch discussion suggested that many of the care providers present harboured more confidence in their care businesses than in their ability to knock-down clay pigeons. Barclays Corporate head of healthcare David McHattie reviewed a survey of providers conducted jointly by *Caring Times* with the event sponsors Barclays, Knight Frank and Pinsent Masons. A major finding was that, while many providers felt confident about their own businesses, they were less confident about the sector as a whole. Mr McHattie said that, while many providers who relied on local authority placements were finding it tough, investors were keen to support those operators who were developing new facilities aimed at the self-pay market.

“There are signs that the market is getting a bit tougher, and yet there is a lot of money trying to get into the sector, where there are good-quality deals with good-quality operators,” he said.

“In the survey, 53% of providers said they were looking to expand, primarily through development.”

National Care Association executive chairman Nadra Ahmed said a survey of her association’s members confirmed that local authority fee rates were a big challenge for many smaller providers.

“I think they have struggled to get the private market and so find it hard to increase fees, whereas the corporate market has managed to do that quite successfully,” said Ms Ahmed.

Pinsent Masons’ David Meisel suggested that local authorities may have reached a “tipping point” where local authorities simply could not afford to make further placements.

“We are seeing a few homes where occupancy is a little more challenged, and local authorities don’t seem to be placing as often as they were, despite a home being good quality,” he said. “There are fewer and fewer referrals, despite the demand.”

Danny Wulwick, from Bolt Asset Management, added that local authorities were increasingly funding home care packages in preference to residential placements.

Tony Stein of Healthcare Management Solutions pointed out that it was still more difficult for smaller homes because

the private-pay market was expanding, so older homes that were traditionally private-pay were now looking to take local authority placements.

Ravi Gidar, of Gold Care Homes, said that, while local authority placements had not significantly reduced, the clients being placed in the Southeast tend to be self-funders.

"The dependency levels of those who are placed have noticeably increased," said Mr Gidar.

"We are not providing social care anymore, we are providing healthcare. Average length of stay in our homes has gone down considerably. It is nowhere near what it was last year or the year before. The people being referred to us by local authorities are much frailer. I don't know where this 18-months figure comes from – I think it is under a year and even less for nursing. We provide more general support than a hospital does, but that fine line between healthcare and social care has disappeared."

And while foreign investors were still looking to put money into the UK care home sector, KPMG's Andrew Nicholson reported that uncertainty over the ramifications of the UK leaving the EU meant some deals had been put on hold.

"There are two parts to the market at present," he said. "At the smaller capitalisation level that's still very active. At the larger end, some of the international private equity houses or international debt providers are a bit more cautious on funding in the UK right now. So it's a bit tougher to get deals done at the moment.

"We expect a number of deals to come to life in the new year, subject to things being resolved. But there could be uncertainty for a bit longer yet. The investment is coming mainly from the US and Asia, and some from the Gulf.

David McHattie asked if people felt the NHS and social care budgets should be amalgamated as was the aim of the Manchester model. The response around the room was that the Manchester experiment had failed: "It has been a complete disaster – nothing has happened," said Anne Copeland of Kames Capital.

And yet, an around-the-room poll of confidence in the sector as a whole showed 60% of the group feeling optimistic about the care home sector in the longer term. ct

GEOFF HODGSON
Editor,
Caring Times

Care home hotshots hit their targets

A group of care home hotshots spent a valuable day near Market Harborough in Leicestershire in February imagining that the clay pigeons they were shooting were in fact favourite targets such as the CQC, local authorities and fees, the government, and the minister for social care.

Organised by *Caring Times* and supported by Barclays, Knight Frank and Pinsent Masons, the event provided the perfect opportunity for senior managers and owners to express their frustration and learn to be more effective in hitting their targets.

In clay target shooting, the emphasis is on remaining calm, positive, confident in your ability, but open to advice. Most important of all, you need to be resilient – able to recover from the occasional 'missed shot' and quickly get back to performing at your best. Everyone did well of course, but one group had learnt their lessons best and achieved the highest combined score, and the overall winner was *Caring Times* managing director Vernon Baxter.

After a light lunch, the action turned vocal. The purpose was to come together and discuss the issues which senior care home management is finding most challenging.

First up was fees paid by local authorities for care home places. Everyone agreed that in most cases they were too low to be able to sustain care homes. For example, Mala Agarwal of Athena Care Homes said she had had no increases in fees for three years and even when they had a discussion about it with their local authorities nothing happened. Tony Stein of Health Care Management Solutions, said that some local authorities were paying less than £500 a week, a level which is clearly unsustainable for existing homes and discourages new-build.

Threats by owners that they would be compelled to close were ignored and the only way that the homes could survive was by cross-subsidy from private payers.

Owners are seriously worried by the increase in the minimum wage in April (a rise of 4.9% for workers aged 25 and over) which, combined with other rising costs, will put many homes at risk unless there is a substantial increase in the fees paid by local authorities, possibly on a regional basis.

Next up was the perennial issue of the CQC. Descriptions of the organisation ranged from 'Not fit for purpose' to 'A vast bureaucracy which has lost its way' to 'CQC must grow up' or 'CQC have lost the plot'.

As one provider put it "We must have a regulator", so there was no interest in getting rid of the regulator – apart from one owner who recommended privatisation – but everybody agreed wholesale reform was much needed.

In particular there was a feeling that the CQC was no longer interested in working with, and for, the sector, but instead had become insular and self-centred, and that a serious culture change was needed to bring it into line with other regulators internationally. A proposal to put cameras into CQC headquarters was greeted with enthusiasm.

The third major topic discussed was the role of technology in care homes. Happily, much more optimism and positivity was on display. An overwhelming majority agreed that technology would – indeed would have to – play an increasing role in care homes, but this should only be to release care staff to provide the personal care which residents needed and so greatly valued. On this basis, technology could be a hugely positive force for good in the care home.

And continuing the positive note Avnish Goyal of Hallmark Care Homes commented that £4 billion may be made available for the social care sector as a short-term solution to some of its challenges. There was agreement that this was good news, but there were caveats. First, the money must be locked up specifically for the social care sector and fees in particular, and second, the money could not be viewed as a reason to put appropriate, long-term social care funding back onto the back burner.

The discussion ended with a vote of thanks to Dan Braithwaite and James Long of Pinsent Masons for their much-valued guidance and keeping the discussion on track. ct

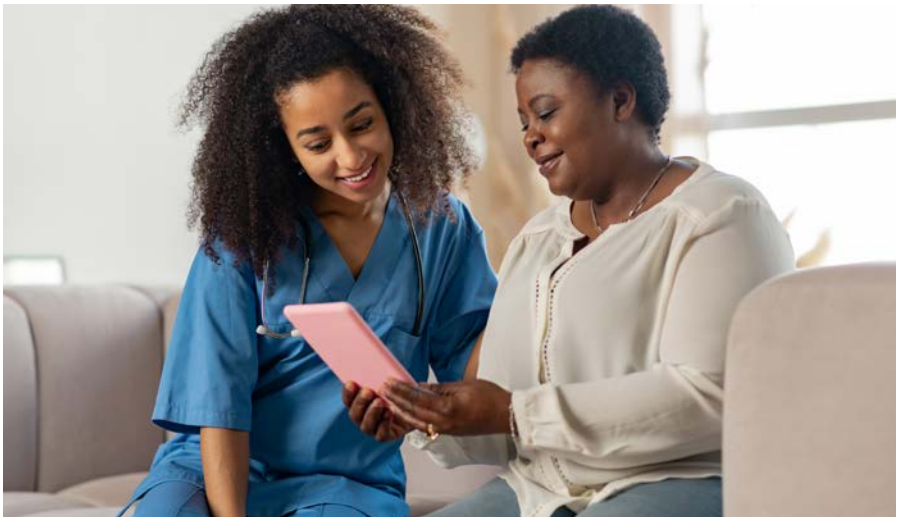
DR RICHARD HAWKINS
Editor-in-chief,
Caring Times

A view from Barclays

Perhaps not surprisingly many of the responses from the Survey are similar to last year, with the trends consistent over a number of years now.

Key issues remain staffing and occupancy rates. The sector has proved resilient to the staffing concerns posed by the UK's departure from the EU, but the latest announcements on a new points-based immigration system could prove a challenge, with care staff typically falling outside the qualifying criteria. This may lead to operators increasing wages to attract care staff. This on top of the increase in National Minimum Wage will add to pressures on profit margins for operators, especially those in the local authority funded space.

Occupancy generally continues to be strong, although I think there is some evidence now that LA's are slowing down the rate at which they are placing residents, which is impacting on occupancy. And while LA's are taking longer to place residents, the average length of stay is tending to decrease, increasing the risk of voids. Understandably, fee levels continue to be a major issue for operators. For many, fees are unchanged year-on-year, athough a majority have managed to achieve increased fees in both LA-funded and private pay markets. The small minority that have experienced fee reductions will find themselves in an increasingly difficult place. With fees being stable or increasing for the majority, more respondents feel that the value of their business has increased over the past 12 months, although only a small number of respondents are considering selling their business in the near future. From our perspective, valuations of businesses are also being influenced by the large sums of money that are looking to invest in the sector from banks, pension funds, private equity and infrastructure funds. This is largely driven by the need to find alternate homes for their funds, given that some of the traditional investments such as retail property are now less attractive. This strong supply of funding is starting to impact on values, with sale multiples and leverage gently increasing. Interestingly, despite this surplus of funding, a third of respondents suggested it was harder to raise acquisition and/or development funding in the past 12 months. I think this reflects the fact that investors are looking for good-quality assets in prime locations and a number of banks are no longer actively funding the sector. For Barclays we remain committed to support the growth of the sector and have balance sheet and credit appetite confirmed to continue lending.



One of the disappointing aspects of the responses is that just over 40% of respondents have not implemented significant new technology in the past year. Our recent 'A Picture of Health' report looked into the opportunity presented by technology for the healthcare sector. Our report identifies how technology can reduce the burden of monitoring chronic conditions, identify changes in behaviour, and provide essential back-up for carers, improving resident outcomes and giving reassurance to residents and their families. It can also provide efficiencies across the sector through monitoring and improved resident wellbeing which may reduce reliance on staff. It can be difficult investing over a three- to five-year time frame to achieve long-term benefits when servicing current needs is a priority, but consumers are increasingly expecting to be part of a connected world. 78% of UK adults now own a smartphone, with increasing numbers in residential care, and evidence emerging that individuals who are supported with the right technology are happier with a greater sense of wellbeing. This will require greater investment across the social care sector going forward.

The challenges will continue into 2020, but as last year, I am confident that the sector will rise to meet the challenges and we look forward to debating the issues once again around the table in another 12 months. ct

DAVID MCHATTIE
Head of healthcare, Barclays Corporate

A view from Pinsent Masons

In a year of unprecedented uncertainty, it is probably fair to say that the providers we met at the round table events were finding it difficult to find positives, but there was a heartening degree of 'roll your sleeves up' pragmatism.

Part of that uncertainty remains in relation to the position on sleep-in shifts and notwithstanding the Court of Appeal decision, almost all of the corporate transactions we have done in the social care space in the past four to five years have included a specific protection for National Minimum Wage liability. The appeal case was heard in February in the Supreme Court, but nothing has yet been heard as to what the court's view might be (save for Lord Kerr saying it would be "a difficult one for the court to decide") and we do not expect to have a decision until July.

One shift noticeable at the events was the attendee's attitude to the CQC. In the past, while having a moan, operators have always appreciated that the CQC is doing a difficult job and would, to a degree, work with it, but this year, almost across the board, the way operators spoke about the regulator surprised me. It seems that managers and investors are really becoming disillusioned and now feel that because of its difficulties with funding, its increased scope, and the adverse press it has had, the regulator has become a very separate, uncollaborative and defensive body, and many thought that the gradings system has become almost farcical. Recent reports of generic replicated content in inspection reports will do nothing to help the relationship between regulator and the regulated. Interestingly, the survey results showed that 63% of providers think the CQC has a positive impact, but this was not the impression we got in the round table sessions.

Last November the Competition and Markets Authority confirmed that it will undertake a review of compliance with the guidance it issued in November 2018. A handful of larger operators have already been forced to give undertakings to the CMA and the CMA is due in court with one of the largest operators in July. This announcement was a further statement

of intent that it is prioritising consumer law enforcement where vulnerable individuals are affected, and if they have not already, operators need to look carefully at the upfront information they give to customers, their complaints handling processes, and any unfair terms/ implementation of terms.

From a transactional point of view, in the face of great adversity (Covid-19, Brexit, the election, question marks over entrepreneurs relief, local government association reports criticising the private sector) we have remained very busy and there appears still to be plenty of interest in investing in the sector. It was particularly exciting to see large facilities companies focusing on the UK market (we acted on the acquisition of the Good Care Group by Sodexo). Despite some of the largest operators struggling to find buyers in recent times, it would appear that there are still a number of social care businesses of scale intent on coming to market in the near future and it will be interesting to see who comes in for them.

Those in the know still tell us that retirement villages are the future and there is certainly no shortage of long-term investors and insurers looking to put their money into such developments. Strangely, the difficultly such developments are having is finding appropriate reputable care partners to work with.

While it wasn't in the survey (it will be next year!) one particularly interesting issue discussed was climate change and 'green initiatives'. It was a relatively stark message to those in attendance because while none of the operators could give any specific examples of green initiatives, the investors in attendance got very excitable and stressed to everyone that due to the recent shift in the public's attitude to environmental issues, green credentials are going to be a prerequisite (not just a 'nice to have') for any future investments. Social care providers (like everyone) need to get environmental responsibility onto their board agendas pronto!

It's good to see that the number of providers implementing significant new technologies continues to rise (up to 58% this year from 49% last year) and the providers we speak to are generally now all using apps and cloud-based software that support patient care. This is, of course, a healthy trend, but providers need to be wary of the increased volume of data that they will generate. How this data is stored and processed and the privacy laws that govern it are among a number of legal considerations that face the sector. We are encouraging our clients to consider these implications from the outset, so as to be on the front foot if and when challenged. ct

JO ELLIS
Partner,
Pinsent Masons

A view from Knight Frank

KNIGHT FRANK'S 8TH ANNUAL REVIEW OF CARE HOME TRADING PERFORMANCE

Knight Frank's care home trading performance index (CHTPI) provides industry-leading benchmarks on occupancy rates, average weekly fees (AWF), major costs, and profitability across the UK elderly care market. As well as comparing performance across regions and care types, this year's review also compares trading performance by funding type (local authority versus private-pay) and gives an indication of care standards across the corporate market. This year's survey aggregated data from as much as 82% of the UK corporate market. We hope you find it useful and a big thank-you to all the operators that have contributed their data for the 2018/19 financial year.

FIGURE 1
SAMPLE CHARACTERISTICS

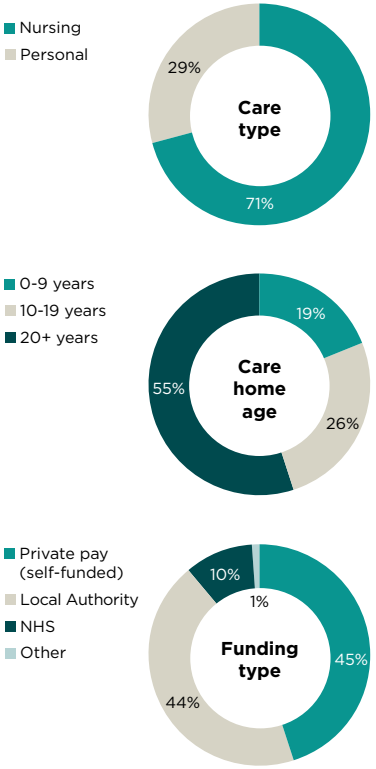
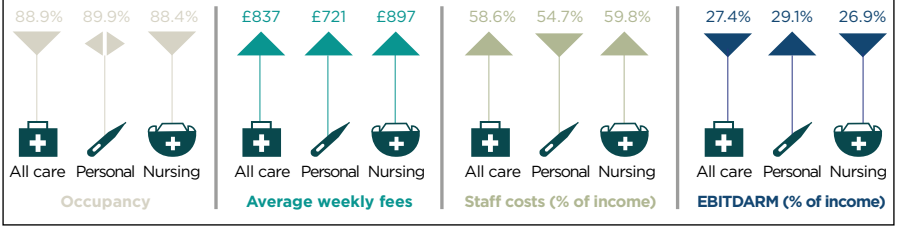


FIGURE 2
2018/19 RESULTS AT A GLANCE



OCCUPANCY AND FEES

The UK occupancy rate has been on an upward trend in recent years, edging close to 90%. This trend appeared to be bucked in 2018/19 with occupancy falling 0.5% to 88.9%. This moderate fall is largely down to variances in our survey respondents rather than any meaningful change in the balance of supply and demand.

Occupancy rates in the personal care sector saw very little decline in 2018/19, as shown by Figure 4. In contrast, the nursing sector fell by 0.7% to 88.4%. The high cost of nursing care could be discouraging home admissions, but we must remember that full-time residential care is usually a necessity rather than a choice. As such, we expect a rapidly ageing population to drive continued bed demand and keep occupancy rates elevated in 2019/20 and beyond.

Average weekly fees have increased considerably over the past decade and the inflationary trend continued in 2018/19 with the overall average up 8% to reach £837. As shown in Figure 5, fee increases have occurred in both the personal care and nursing care sectors over the past six years. There are a number of factors driving fee inflation in the current market:

- Rising staff and property costs have forced operators to adjust fee rates to protect earnings.

FIGURE 3
REGIONAL SHARE OF THE SAMPLE BY PERCENTAGE OF BEDS

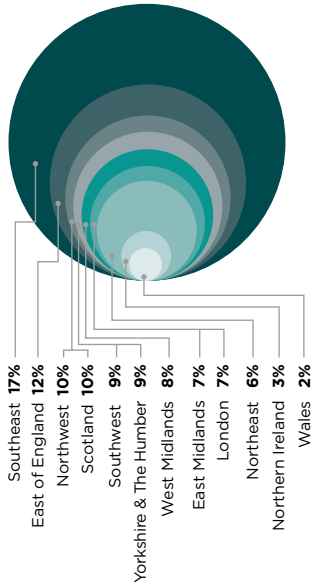
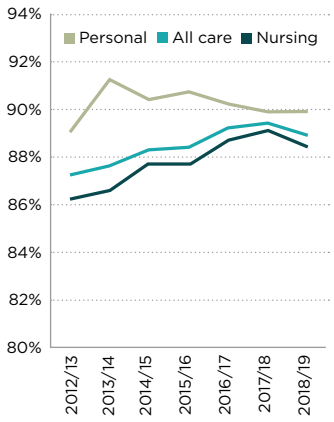


FIGURE 4
OCCUPANCY RATES BY CARE TYPE



- Elderly people continue to enter residential care with more severe medical needs, resulting in a shift towards more expensive and medically intensive nursing care.

- The typically more expensive private-pay market is growing in size. This is because of greater demand for luxury product and also because the number of people eligible for public funding is shrinking in relative terms.

- Higher care standards are forcing care home providers to improve and reinvest in their facilities. Increasing fees is one way to subsidise capital expenditure.

As shown in Figure 6, the Southeast and London remain the most expensive regions for both personal and nursing care. Higher fees match the higher staff costs and salaries paid in these regions. Privately funded homes in London command the highest fees in the UK, but are few in number relative to the Southeast where many new homes targeting the private-pay market are being developed.

FIGURE 5
AWF FEE BY CARE TYPE

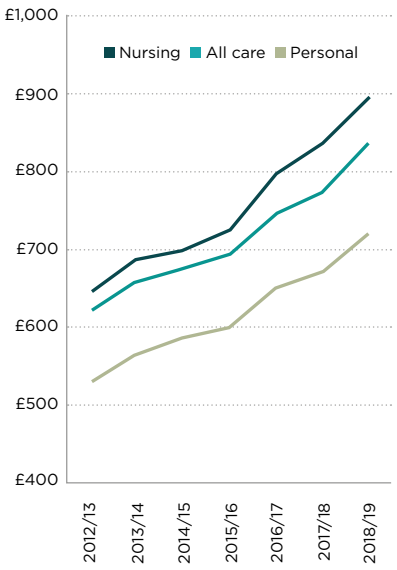
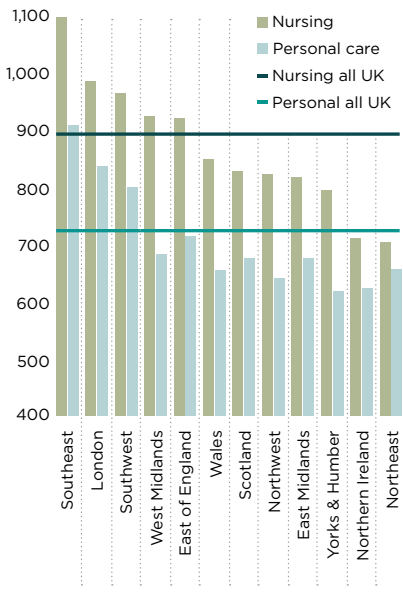


FIGURE 6
AWF BY REGION AND CARE TYPE



COSTS

UK wide, staff costs represented as much as 58.6% of income in 2018/19, up 1% from last year. As such, staffing remains the number one challenge for care home operators. As shown in Figure 7, average UK staff costs have increased by 50% over the past decade, measuring £25,938 in 2018/19 on a per resident per annum basis. The growth has mirrored increases in the National Living Wage which has gone up for the fourth consecutive year since replacing the minimum wage in 2016. Recruitment remains an issue of equal footing for many operators and higher salaries are one way to attract the qualified nurses and carers needed.

The 2018/19 index confirms that operators are increasingly reliant on agency staff to deliver care, often at a further cost. As Figure 8 shows, agency staff costs typically represent 6% of total staff costs in personal care homes and as much as 9.7% in nursing homes. The reliance on agency staff in the nursing care sector is related to the growing shortage of nurses in the UK, a factor put further into question with Brexit potentially reducing the pool of migrant workers in the nursing profession.

Food and property costs made up a combined total of 9% of income for care operators in 2018/19. Property costs saw a significant rise of 15% over the past year, averaging £2,316 per bed per annum in 2018/19. As Figure 9 shows, the rise occurred across all regions of the UK and there were a number of reasons for this:

FIGURE 7
UK STAFF COSTS VS NATIONAL LIVING WAGE (NLW)

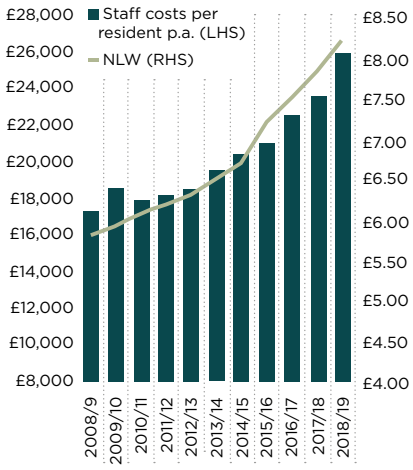
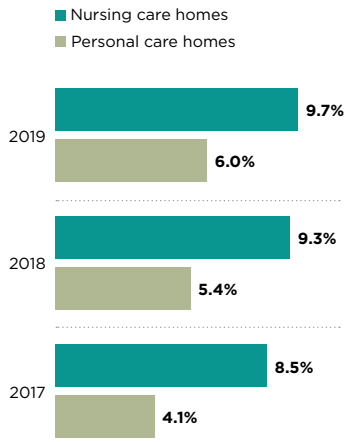


FIGURE 8
AGENCY STAFF COSTS AS PERCENTAGE OF TOTAL STAFF COSTS



- Utility costs increased at an annual rate of 7.3% per annum (ONS RPI), the highest rate since 2012.

- Council tax rates, although a small outlay, were up on average 5.1% in 2018/19 (ONS).

- 55% of homes in the index are now 20 years or older, adding to the level of maintenance and repair required in many homes.

Food costs increased 8% in 2018/19 to reach £1,578 per resident per annum or £4.32 per day. Food price inflation is at its highest rate in five years and a weakening pound has also made imported goods more expensive.

Capital expenditure

Last year we reported how a lack of capex was a concern for the UK market given the age of stock. Data this year suggests that many corporate operators are now investing more heavily in upgrading their facilities. Average capex increased 15% to reach £1,644 per bed in 2018/19, compared to £1,430 per bed in 2017/18.

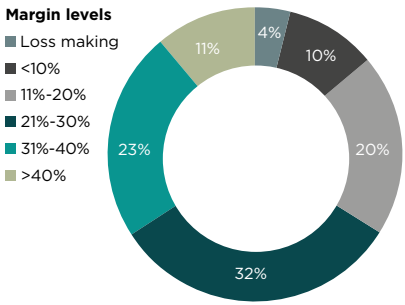
FIGURE 9
PROPERTY COSTS PER BED (2018 VS 2019)

PROFITABILITY & CARE STANDARDS

The historical trend for profitability doesn't make pretty viewing. Average EBITDARM has fallen from 32% in 2008/09 to 27.4% in 2018/19. Broadly speaking, year-on-year fee increases have not been enough to counteract escalating staff costs and protect profit margins. Despite tough conditions overall, Figure 10 shows how the vast majority of homes in our 2018/19 index achieved EBITDARM margins in excess of 20% and a third of homes achieved EBITDARM in excess of 30%. The picture looks much more positive on this measure. Further to this, our analysis of the private-pay market showed how such homes are averaging EBITDARM margins of around 38%.

Funding is certainly not the only factor in determining trading performance and profitability. Figure 11 shows how the Northeast, which derives three-quarters of income from LA and NHS funds, has an average EBITDARM margin of 29% – the fourth-highest of the UK regions. At the other end, the Southwest region has one of the largest private-pay markets, but EBITDARM margins average much lower at 24.1%. Clearly a multitude of factors and conditions can influence the profitability of a care home.

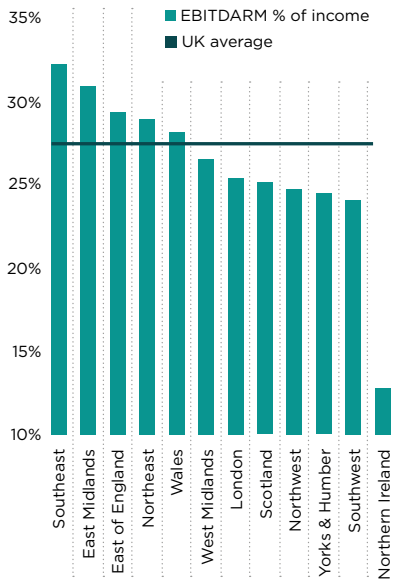
FIGURE 10
DISTRIBUTION OF EBITDARM MARGINS ACROSS THE CHTPI



EBITDARM

The industry standard definition of earnings before interest, tax depreciation, amortisation, rent and management allows for consistent comparison across all homes (owned or rented)

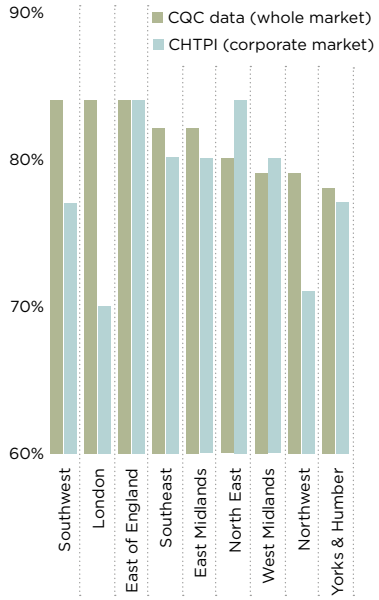
FIGURE 11
EBITDARM PERCENTAGE OF INCOME



Care standards

This year, we are also able to provide an indication of care standards for the English homes in the index, as indicated by the Care Quality Commission. By comparing the ratings of homes in our survey against the CQC's whole market ratings, we can assess how the standard of care being delivered in the corporate (group) market compares to the total market, including all non-group providers. Figure 12 suggests that care standards in the corporate market are generally similar in most regions. The exceptions are London, the Southwest and Northwest, where the corporate market looks to be underperforming with notably less homes rated as Good or Outstanding.

FIGURE 12
CARE HOMES RATED GOOD OR OUTSTANDING



OUTLOOK FOR THE SECTOR

This year's index provided greater evidence of the polarisation within the sector. Many homes, particularly those focused on the private-pay market continue to report excellent profit margins of the level needed to enable operators to grow their businesses. Other homes are experiencing a more challenging operating environment, especially those dependent on local authority money. Despite the funding challenges, data shows that operators have done superbly well to maintain high standards of care and we should recognise this achievement.

Challenges

- Staffing remains the biggest challenge to operators, both in terms of cost and recruitment. The shortage of nurses is a huge concern given that demand for specialised nursing care (including dementia care) has never been greater.

- Many providers continue to be affected by the social care funding crisis, especially those drawing income from budget constrained local authorities. The Green Paper which hoped to address the funding problem has now been delayed several times and operators, among many other UK businesses, will be hoping for some political stability going forward to give a chance of resolving the issues.

- Regulatory requirements across the UK are becoming more stringent and rightly so if the UK is to lead international standards of care. Despite the newspaper headlines, group-run care homes rarely fail their residents. Our index shows that only 1% of English homes were rated as Inadequate by the CQC.

Opportunities

- The private-pay market continues to grow with success stories common among operators and individual homes. The rise of the luxury care market reflects growing consumer demand from affluent self-funded residents and the ability of independent care operators and developers to service that demand and deliver an exceptional standard of care.

- New care home development represents an excellent opportunity for all stakeholders. Elderly population projections across the UK suggest there will be unprecedented demand for residential care in decades to come, creating a huge opportunity for those ready to invest.

- Innovation and technology is increasingly moving its way into the sector as we search for ways to improve operating efficiency and deliver better care. Many operators have already started to invest in various technologies, but there is certainly an opportunity for more to follow.

Conclusion

Thinking about the annual *Caring Times* care home sector survey while the UK is in lockdown is a curious experience. Since the survey was conducted the world has turned upside down. The UK's health and social care system is facing its greatest challenge since the end of World War II and everyday life has changed dramatically, no matter what age or wealth demographic you belong to.

Earlier in this report we refer to the survey as being conducted BC – before Covid-19. In many ways this evocation of a different age and time is fitting; it is difficult to think of a public health crisis that could be more impactful for the care home sector, with its increased mortality rates for the elderly and the strain it is placing on the health and social care workforce. This is already an epoch-defining experience and it is impossible to ignore its effect on the sector.

However, this does not make the content of the *Caring Times* survey redundant; indeed, within its results we can see the significant issues providers already faced, the fault lines of a system now under seismic pressure. What the survey also shows is the care sector's remarkable resilience – its ability to cope in the face of increasing burden and diminishing resources, which will surely be the qualities needed over the coming weeks and months.

The survey outlined staffing and the regulator as the two greatest issues facing providers. Anecdotal reports suggest the impact of Covid-19 on the care workforce has been profound – with virtually no testing available, individuals and organisations are having to perform a balancing act between isolating those team members with any symptoms and ensuring they have requisite resources to perform care duties at a time where standards have never been more important.

It's too early to say how this period will alter the dynamic between care operators and the regulator. Prior to the crisis, relationships between providers and the Care Quality Commission were strained to say the least. If there is a silver lining to be found in this current situation, it could be that it serves as an opportunity to rebase the sector's relationship with its regulator. Times of crisis tend to break down silos and this could be an opportunity to move towards a more collaborative future between care home operators and the CQC.

One further legacy of the Covid-19 crisis may well be how it changes our approach to the care sector. As Mahatma Ghandi famously said, the true measure of any society can be found in how it treats its most vulnerable members – and once the Covid-19 crisis has passed, the challenges facing those looking after individuals in care will remain.

Let's hope society will then provide the care sector the prominence it has always deserved. ct

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Managing director, Investor Publishing

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