

# FOCUS



Carterwood Focus  
Issue 16 • 2016

## The road ahead

A comprehensive review of revenue trading performance of the third sector NCF membership



The adult social care sector continues to face challenges on a number of different fronts.

There are indications of some better news for care homes for older people, given the increase in FNC contribution and the highest increase in fee levels across many local authorities for some time.

The key challenge for operators is whether these positives outweigh the impact of the National Living Wage, staff recruitment/shortages and pressure on operating margins.

Carterwood has prepared a benchmarking study for the National Care Forum (NCF). The work concentrates on turnover, including fee rates, occupancy and funding sources, which we have compared against national benchmarks as well as the results of last year's inaugural study.

Sample size:  
Increased from 11,984 to  
**12,423** residents

#### What we did

Our comprehensive survey was undertaken utilising the following dataset:

- 26 NCF members;
- 273 care homes for older people, varying in age, style and accommodation provision;
- 12,423 residents: split approximately 80 per cent receiving personal care and 20 per cent receiving nursing care.

In this survey we received data across all of the UK, although there is very limited data from Northern Ireland, Scotland and Wales in our regional analysis. Two further regions in England did not have a sufficient sample size from which to draw any meaningful conclusions, and when comparing against other regional benchmarks we have excluded these regions. However, all regions are included in our overall dataset in the rest of the document.

To enable meaningful comparison with the rest of the market, we have benchmarked the NCF data against LaingBuisson data from their latest UK market report (*Care of Older People UK Market Report, 27th Edition*), where practicable throughout this bulletin, at the NCF's request. All references to LaingBuisson relate to this recent publication. When comparing LaingBuisson data we have utilised their 'UK' average for our comparator in all of our analyses. The 28th edition of the LaingBuisson review was not available at the date of publication of this bulletin and therefore we have had to use the same data as that provided in our original bulletin, prepared in 2015.

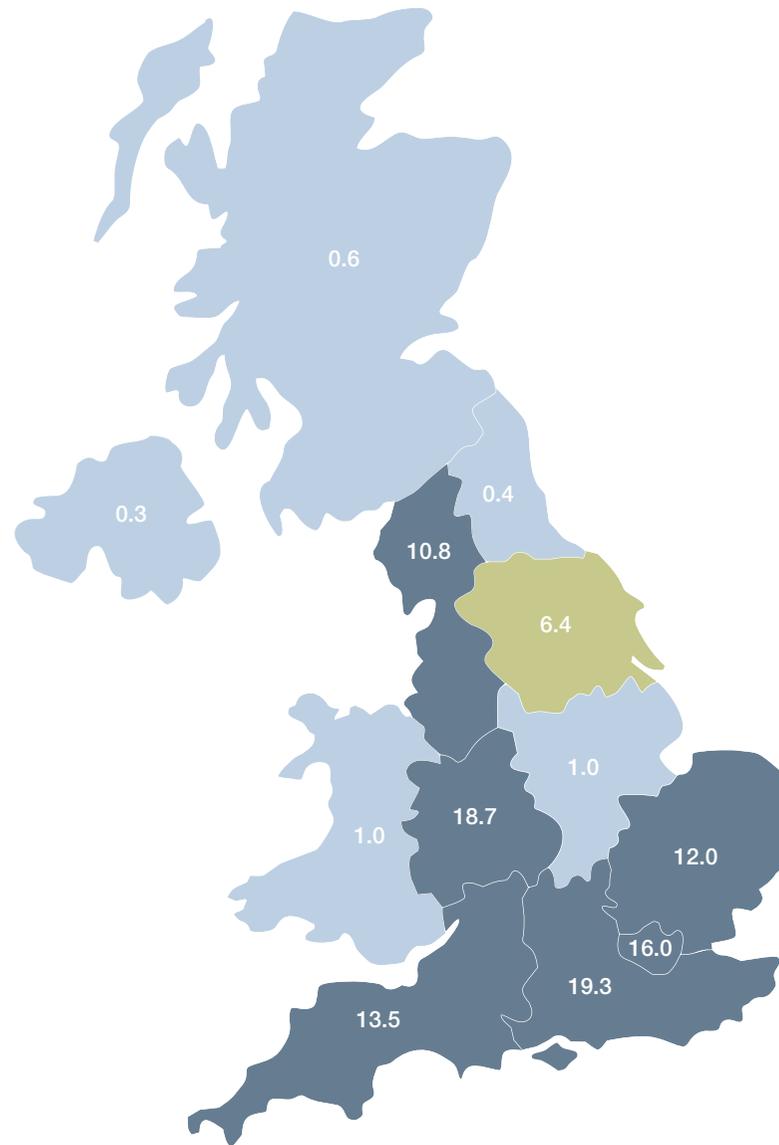
We have also benchmarked and compared against our 2015 inaugural research bulletin.

### Regional breakdown

Table 1: Regional breakdown by sample size (2016 data)		
Government Office Region	No. of residents	Sample size
East Midlands	124	Low
East of England	1,496	High
London	1,983	High
North East England	53	Low
North West England	1,344	High
Scotland	74	Low
South East England	2,397	High
South West England	1,670	High
Wales	129	Low
West Midlands	2,316	High
Yorkshire & The Humber	799	Medium
Northern Ireland	38	Low
<b>Total</b>	<b>12,423</b>	



Source: NCF



**Figure 1:** Map showing percentage distribution of sample care home residents by Government Office Region (GOR)



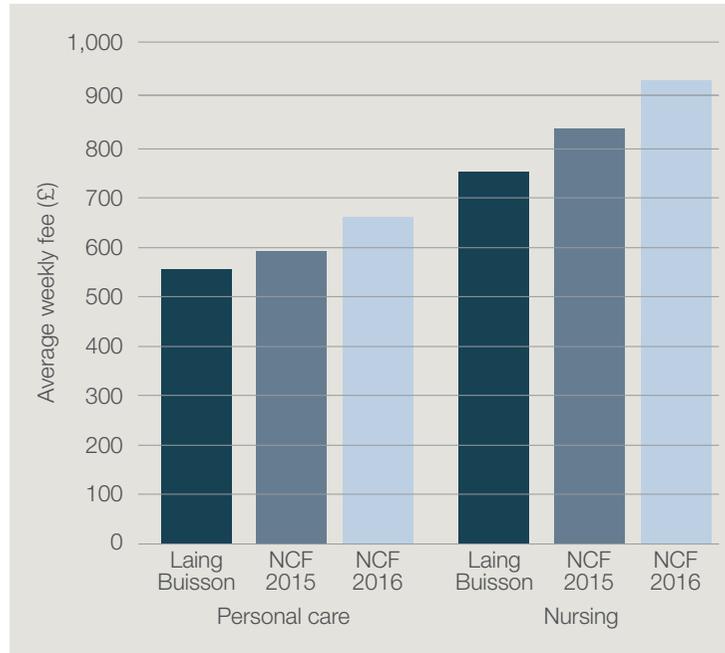


Figure 2: Fee Rates

Source: NCF, LaingBuisson

There has been an increase of 11.5 per cent in personal care fees, and a 10.0 per cent increase in nursing fees over the 12 months since our last data was collected. This is a rate significantly above prevailing inflation, and reflects the sector's ability to provide outstanding care, but also reflects changes to the quality of the underlying asset base of our sample study as well as evidence of significant strides in improving the quality of the stock, which has been reflected in better fee performance.

NCF  
Personal care  
self-funded average  
**£764**  
per week

NCF  
Nursing care  
self-funded average  
**£1,023**  
per week

### Category of care

The table below shows the average fee rates by category of care from the NCF dataset (no direct comparator available from LaingBuisson):

Care category	NCF 2015	NCF 2016	% change
<b>Nursing homes</b>			
Dementia	762	835	+9.6
Nursing - older people	836	917	+9.7
Personal care - older people	670	770	+14.9
<b>Personal care homes</b>			
Dementia	580	585	+0.9
Personal care - older people	560	551	-1.6

Source: NCF

The data collected in the nursing homes sample also includes people living with dementia admitted as personal care referrals, which explains why the nursing average for people living with dementia fee rate is lower than the older people nursing average fee rate. Many homes operating under a nursing registration also provide self-contained units of different care categories, which can also distort like-for-like comparison.

There has been an increase in fee rates achieved in nursing homes, regardless of care category, with significant increases across the board. This contrasts with personal care homes, where fees have been broadly static, with some deflation evident in older people referrals.

The trend from 2015 has been repeated in the ability to obtain higher fee rates for personal care referrals when they are placed in a nursing home, and the differential compared to those in personal-care-only homes has risen considerably.

Within personal-care-only homes, the premium achieved for the provision of care to people living with dementia remains modest, although it has risen very slightly to £34 per week (up from £20 per week), or by 6.2 per cent on average. This remains a little lower than we would have expected based upon our own experience, but the variance is substantial from operator to operator, and the dependence levels of dementia residents being catered for within individual homes varies widely.

## Regional performance

The table below shows average fee rates for privately operated homes by region compared against the data from the NCF 2015 and 2016 surveys.

Fee rates across all regions improved for nursing care, except the South East, which remained broadly static. The biggest increases were seen in the South West and North West of the country, with the North West seeing double digit fee inflation, which we consider is related more to a change in the make-up of the sample in that part of the country than any significant regional trend. London was the only region in which nursing care fees exceeded £1,000 per week, and in general, higher fee rates were obtained in the areas of the country with the highest underlying housing wealth – a correlation we would expect to be very strong at the regional level.

**10%** increase  
in NCF member nursing fees  
between 2015 and 2016



Region	LaingBuisson - private homes only 2015		NCF 2015		NCF 2016	
	Nursing	Residential	Nursing	Residential	Nursing	Residential
East Midlands	681	525	-	-	-	-
East of England	813	659	812	669	835	725
London	889	628	897	687	1,019	693
North East	631	522	-	-	-	-
North West	678	471	741	478	949	619
Scotland	704	534	-	-	-	-
South East	920	669	962	733	956	784
South West	844	578	771	571	853	672
Wales	676	517	-	-	-	-
West Midlands	731	529	765	532	831	580
Yorkshire & the Humber	683	513	-	-	812	596
UK / Total sample	756	563	837	598	921	667

Source: NCF, LaingBuisson



### Influence of asset type and accommodation quality on fees rates

The NCF members have been, and continue to be, committed to innovation in terms of care home design and improving the underlying asset quality to enrich and improve the lives of their residents.

We have analysed the relationship between the different types of care homes and fees/occupancy.

We have separated the homes in the sample into three groups or asset classes, and have utilised the provision of en-suites/wetrooms and whether the property is purpose built or converted as our differentiators, as follows:

- Primary – modern, purpose-built homes, mostly en-suite wetrooms – **28 per cent of sample**;
- Secondary – older purpose-built homes and conversions with a high proportion of en-suite bedrooms, but limited or no en-suite wetrooms – **39 per cent of sample**;
- Tertiary – homes with limited or no en-suite provision – **33 per cent of sample**.

Before analysing the data, we have compared the NCF dataset to the UK. Overall, the sample NCF data is of a significantly better quality than UK averages when benchmarked against the proportion of en-suites and wetrooms. We consider that this certainly contributes towards the strong performance when benchmarked against UK fee rate comparisons generally, and needs to be considered whenever direct comparisons are being made of the dataset against other external data sources.

Table 4: Sample comparison with UK market by class benchmark

Basis of assessment	Sample	UK
Number of care homes for older people	273	12,271
Number of bedspaces	13,528	470,297
% en-suite	77	67
% wetroom	38	17

Source: A-Z Care Homes, Carterwood

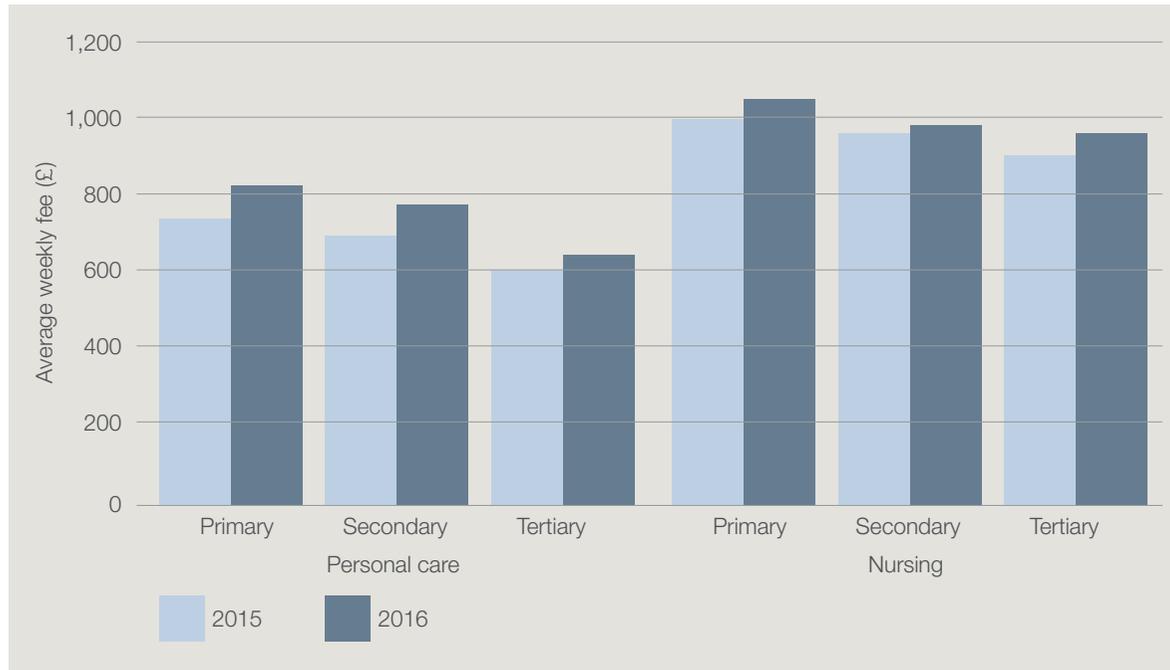
**38%**

wetroom provision  
in sample

**17%**

wetroom provision  
in UK

We have utilised the *A-Z Care Homes Guide* to determine the UK position for comparison purposes, as well as our own wetroom database. We have considered the NCF average self-funded fee rates for personal care and nursing residents in Figure 3 below.



**Figure 3:** NCF average weekly fees by asset class and category of care

The average self-funded fee paying uplift between older-style properties without en-suite facilities (tertiary assets) and modern new-build units is £114 per week and £187 per week for nursing and personal care in 2016, respectively.

Closely resembling our 2015 data, the above trend is exactly what we would expect – the better the asset the higher the fee. However, the scale of the increase (between 12 and 29 per cent premium for nursing and personal care, respectively) remains lower than we would have anticipated. This demonstrates the robustness of the NCF members to be able to charge strong self-funded fee rates within more challenging accommodation due to high quality care provision and a focus upon quality in other areas rather than merely the built environment, e.g. investment in staff, higher staff to resident ratios, etc.

Most NCF members concentrate upon generating an acceptable level of surplus to ensure that there are funds to reinvest and also that the operational business is sustainable and exceeding resident and regulatory expectations through staffing mix, training, on-going asset improvement, etc. There also may be some resistance in fee setting policy at the very top of the market if the operator has charitable status or other non-profit motivations.

There is, therefore, a clear relationship between asset quality and fees, although perhaps not as pronounced as expected.

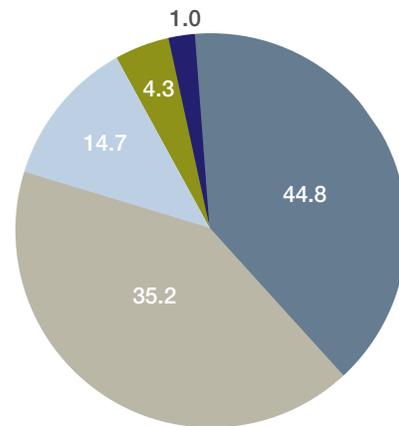


## Funding mix

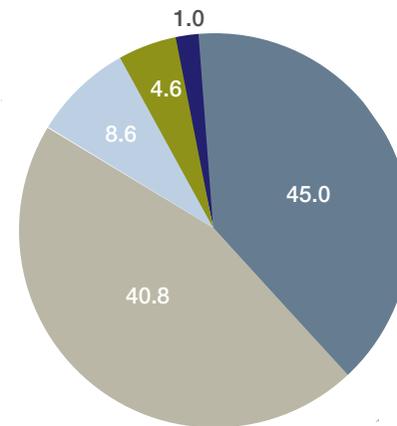
The overall proportion of NCF wholly self-funded service users is 45.0 per cent, which compares favourably against other benchmarks – LaingBuisson’s latest estimate of the size of the self-funded market is 41 per cent, although they note in their latest survey that this is only an estimate. This matches the last NCF 2015 data, where the self-funded mix was 44.8 per cent.

There remains a lower than anticipated proportion of Continuing Health Care (CHC) referrals, but we consider that this figure is distorted as a result of the higher proportion of personal care homes (nearly three times the number of nursing homes) in the sample.

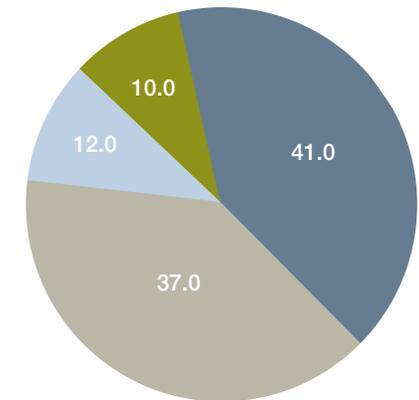
The funding mix is summarised in the pie charts below, where we have compared the NCF 2015 and 2016 data against LaingBuisson national averages:



**Figure 4:** Funding mix – all homes (NCF 2015)



**Figure 5:** Funding mix – all homes (NCF 2016)



**Figure 6:** Funding mix – all homes (LaingBuisson)

The funding mix by asset class demonstrates a similar trend to the fee analysis – the robustness of the third sector to attract self-funded service users. Again we consider that this is likely due to the perceived quality of the care provided and local reputational strength of the NCF members in their local areas enabling them to outperform the local markets, as well as the inherent strength of the underlying asset quality compared to UK norms.

The distribution of the funding mix by asset class shows evidence that better quality facilities improve the proportion of self-funders. However, similarly to our analysis of fees, the relationship is not as strong as we would expect. The top-up relationship identified in the charts below shows that more homes achieved top-ups in the tertiary asset class in 2015 and in the secondary asset class in 2016 than the primary asset class. This points to factors driving this relationship other than underlying asset class, which we have already identified as being tangible elements such as staff training, management strength, charitable ethos and approach, etc.

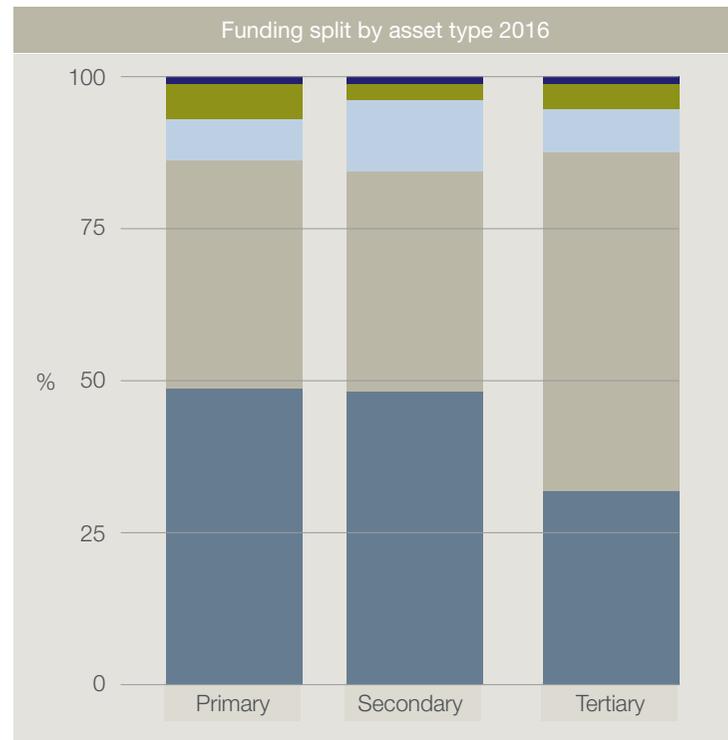
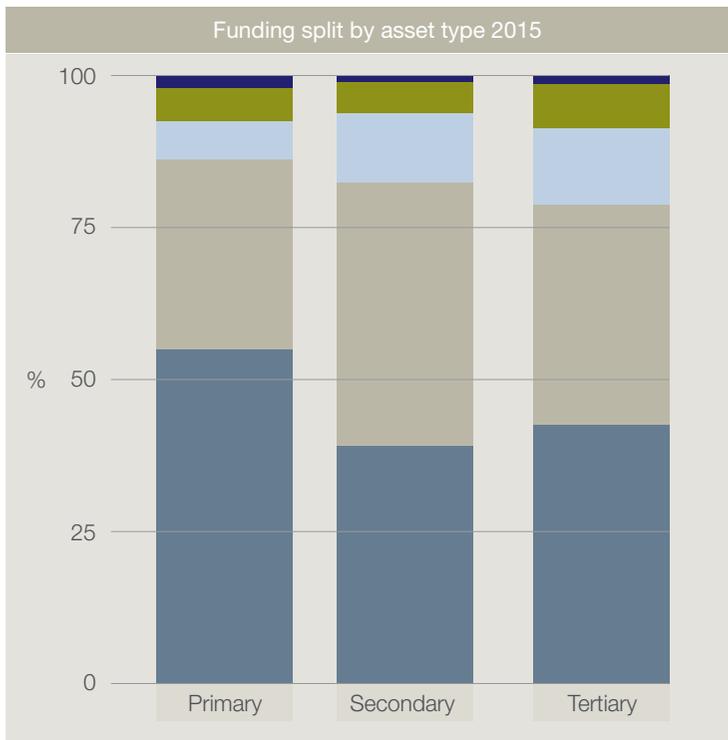


Figure 7: Funding split by asset type 2015

Figure 8: Funding split by asset type 2016

Source: Carterwood, NCF



## Occupancy

Overall occupancy across the NCF members has increased by 1.5 per cent, or 1.4 percentage points, from 91.2 per cent to 92.6 per cent, which is now some distance higher than the overall LaingBuisson independent sector average of 90 per cent, and in line with the LaingBuisson third sector average of just under 93 per cent.

Occupancy varies across the sample by region, but some of the variations in the original 2015 dataset have reduced, with the South West moving from the worst performer to the second best in terms of overall occupancy rate. The 2016 data more closely correlates with the LaingBuisson regions compared to last year's study, although we would note that there are a host of factors that can influence occupancy data at care home level on a spot basis, including seasonality, target market, asset class, reputational strength, etc. The underlying asset type also impacts upon average occupancy levels.

Table 5: Average occupancy by region (%)

Region	LaingBuisson - UK average		NCF data set 2015	NCF data set 2016	% change
	Nursing	Personal care	Combined nursing and personal care	Combined nursing and personal care	
East Midlands	89.3	90.2	-	-	-
East of England	91.9	91.6	91.4	90.4	-1.1%
London	90.3	93.9	92.1	91.3	-0.9%
North East	85.9	88.0	-	-	-
North West	91.8	91.0	93.2	93.5	+0.3%
South East	89.3	91.4	91.0	91.4	+0.4%
South West	90.0	90.5	85.5	94.4	+10.4%
West Midlands	85.8	94.0	95.1	95.3	+0.2%
Yorkshire & the Humber	89.0	89.4	-	90.6	-
UK	90.0	91.2	91.2	92.6	+1.5%

Source: NCF, LaingBuisson

Table 6: Occupancy by asset class

Home type	Average occupancy (%) 2015	Average occupancy (%) 2016	(%) change
Primary	92.6	93.9	+1.4
Secondary	91.9	91.7	-0.2
Tertiary	89.2	92.1	+3.3
All homes	91.2	92.6	+1.5

Source: NCF

The underlying trend of the best assets having the best occupancy continues in the primary class homes, but occupancy in the tertiary quality homes has increased quite substantially over the past year, indicating a general increase in demand for services, regardless of the type of asset.

**95.3%** Highest occupancy remains in the West Midlands

### Key findings

- The quality of the assets in our survey has, however, improved since the 2015 dataset, and is far superior compared to the UK average. This is unsurprising given the third sector's, and particularly the NCF members', prioritisation of innovation and commitment to improving accommodation over the past decade.
- All providers, not-for-profit and for profit alike, are operating in a challenging environment with National Living Wage, recruitment and retention challenges; apprenticeship levy and local authority fees remaining low and health funding via CHC and FNC not as high as it could be (and not actually linked to the reality of people's assessed care needs). The fact that the not-for-profit sector continues to innovate and achieve great outcomes for people using services is a credit to how they lead and how their staff deliver care services on an ongoing basis.
- NCF member average fee rates have increased significantly over the past 12 months, by 11.5 and 10.0 per cent for personal care and nursing, respectively. This has been driven primarily by an increase in self-funding fee rates, and also increases to CHC funded referrals (although these only make up a small proportion of the total revenue from the sample).
- Fees in personal care only homes are significantly lower than personal care referrals being catered for in smaller units within larger homes that have a nursing registration.
- There is evidence of a small premium being paid by people living with dementia in personal care settings, which has increased from £20 pw to £34 pw over the past 12 months. We would expect some premium to reflect the additional staff costs, expertise and training required.
- The funding mix of self-funded referrals remains almost identical to 2015 data.
- Regionally, as expected, London and the South East remain the strongest performers in terms of average and self-funded fee rates achieved, although the South East has experienced modest fee growth over the past 12 months compared to other regions. This is perhaps a signal that the increase in new-build development in the region is starting to have an impact upon local markets. The North West continues to perform very well in terms of fee and occupancy rates. The South West region occupancy levels have improved markedly, and are back in line with where we would expect.
- NCF overall occupancy has improved and is now in line with LaingBuisson's third sector average rates, at 92.6 per cent of registered capacity.
- There is a direct relationship between the class of the underlying NCF asset and all of the key revenue drivers. The higher the asset class, the higher the average fee rate, the greater the proportion of self-funders, and the stronger the occupancy levels.
- As in our previous study, the relationship is, however, not as strong as expected, with many 'tertiary' assets (predominately older conversions) holding up very well against newer purpose-built accommodation. This is likely to be due to the quality of care provided, local reputation, and consumer choice; where consumers do not always prefer larger purpose-built homes.





#### Carterwood and NCF – working together

- This issue of Focus has drawn on data supplied by NCF member organisations who provide care and support services throughout the UK.
- The National Care Forum represents the interests of third sector health and social care providers in the United Kingdom. Accredited with becoming a leading authority in the sector, its activities involve assisting its members in keeping up to date with developments in the care sector and to promote improvements in the quality of services.
- NCF and Carterwood have been working together for more than 6 years and we are confident that our association will continue to flourish.

## Carterwood's products and services

With a wealth of healthcare experience within the team, we operate agency, valuation and consultancy divisions, and it is these three strands combined that enable the insight to provide developers with the market intelligence, site-specific commentary and research methods to make better informed decisions.

We currently work for over 350 clients in the social care market and 70 per cent of the top 20 care home operators.

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[info@carterwood.co.uk](mailto:info@carterwood.co.uk)  
[www.carterwood.co.uk](http://www.carterwood.co.uk)

Aztec Centre, Aztec West,  
Bristol, BS32 4TD

