HEALTHCARE
PROPERTY
CONSULTANTS

HPC CARE NEEDS ASSESSMENT

On behalf of the Eric Wright Group

Land on Clitheroe Road
Whalley
Lancashire
BB7 9AD

June 2019

@healthcarepc
enquiries@healthcarepc.co.uk

User Guide

Welcome to the HPC Care Needs Assessment for Clitheroe Road, Whalley, Lancashire BB7 9AD.

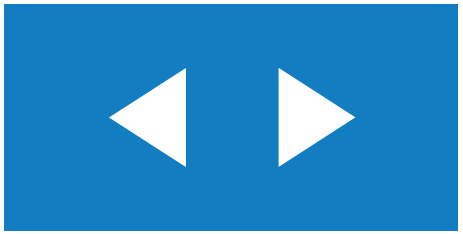
This interactive pdf allows you to easily access the information that you want, whether printing or going directly to another page, section or website.

The blue navbar located at the top of the page allows you to quickly access key sections of the document.

Use the document controls located on the bottom left to navigate through this report by sequential pages.

Contents

Return back to the contents at the beginning of the document



Navigation

Go to the preceding page or next page in the report

Contents

Instruction
This report has been carried out on the instruction of Mr N Puttnam, a Senior Development Manager within the Eric Wright Group (The Client). Instruction was confirmed by way of email correspondence dated 30th May 2019.

Background
The purpose of this report is to provide an indication as to the need for the provision of registered care accommodation for the elderly in the area around Clitheroe Road, Whalley, Lancashire BB7 9AD ('The Site').

The proposed development will incorporate a 64 bedroomed care home (Use Class C2).

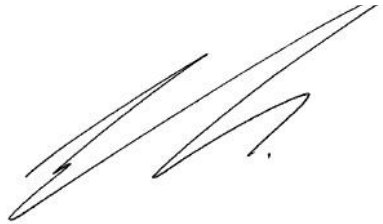
Geography
In carrying out our research we have focused upon an area within a radius of 4 miles from The Site (hereafter referred to as the 'Target Area'). The radius was selected in order to incorporate Whalley and Clitheroe in their entirety, with surrounding rural areas, yet fall short of the potentially separate markets of Burnley, Accrington and Blackburn. Unless specifically detailed, comment and data within this document refers to the Target Area. The geography is identified within the Executive Summary to this document.

Content
This report has been designed so as to provide a firm base on which the potential of the area can be considered. The format has been selected to provide a clear indication of care need without being verbally exhaustive.

The Site has not been inspected in relation to this report and comment is based upon data from a number of sources, each of which are detailed within Appendix IV to this report.

The report focusses upon current supply levels (in terms of registered care beds) before estimating statistical demand and considering the supply / demand dynamics for the Target Area. As a point of reference we have further provided a Borough wide overview of Ribble Valley within Appendix II to the report.

This report has been prepared by Nigel Newton Taylor, a Director of HPC and Chartered Surveyor with 30 years experience providing commercial property advice in both the public and private sectors. Specialising in care based property for the past 17 years, 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.



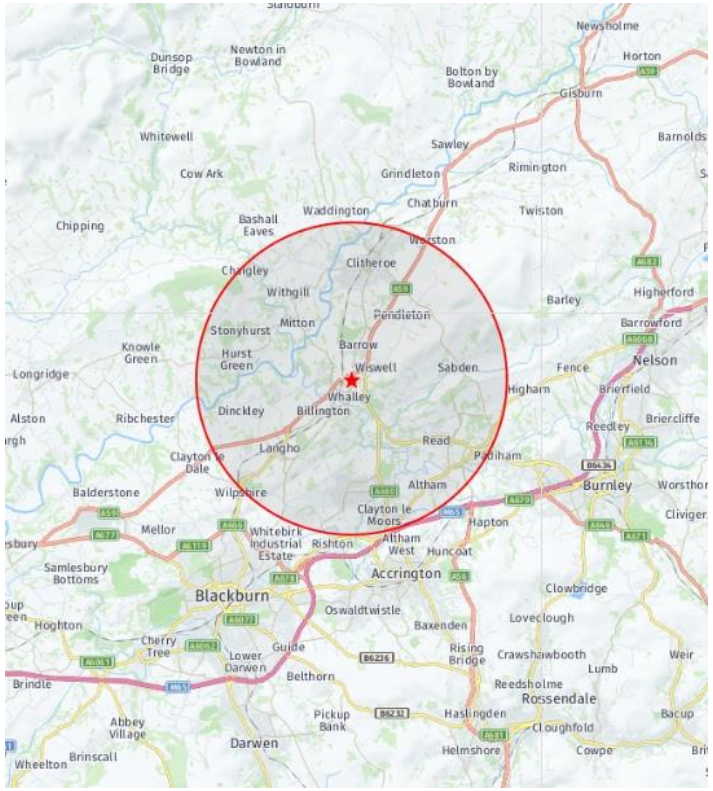
Nigel Newton Taylor BSc (Hons) MRICS

Healthcare Property Consultants Ltd
Commer House
Tadcaster Enterprise Park
Station Road
Tadcaster
LS24 9JF

11/06/19

Executive Summary

The Target Area



Supply / Demand Dynamics

	Current	2025
Statistical Demand (elderly care beds)	441	538
Current supply of Ensuite Bedrooms	216	216
Under Supply	225	322

Conclusion

Whilst the Ribble Valley would be considered a relatively rural Borough, there is a population approaching 46,000 within a 10 minute drive time of the Site. This incorporates a proportionately high percentage of elderly population, with the most elderly forecast to increase in number at a rate in excess of national expectations.

There are, within the Target Area, 14 registered homes for the elderly. All homes comprise either converted environment or have been purpose built prior to the turn of the millennium. There would appear to be no modern purpose built facilities. As a direct result, environmental configuration is comparatively poor with almost half of the care homes in the locality offering fewer than 10 en-suite bedrooms.

The North West, as a region, has attracted limited sector investment over recent years and this is reflected in the current operator breakdown across the Target Area. Almost half of registered beds are in the hands of small private operators and this lack of private investment in the care home estate has also necessitated the local authority to remain significant providers.

It is now approaching two decades since the Department of Health published the National Minimum Standards for Care Homes for Older People. Although the standards are no longer in place, they served to set a benchmark in terms of environmental quality, detailing a requirement for newly registered facilities to restrict bedroom occupation to single occupancy and for all bedrooms to incorporate an en-suite facility. In our experience a single occupancy en-suite bedroom is now considered the appropriate standard throughout the country by providers and commissioners alike.

There are currently 456 registered beds in the Target Area serving the elderly population in total although this accommodation includes just 216 en-suite bedrooms. As identified in the table alongside, a significant statistical shortfall in terms of appropriate accommodation provision for the elderly in total exists, rising to over 300 en-suite bedrooms by 2025.

Planning activity appears to have been extremely limited over recent years. The sole consent of significance is an Outline Consent for a Continuing Care Retirement Community in relative proximity to the Site, albeit in a comparatively rural locality to the west of Whalley. This is a recent (2018) consent which encompasses a 50 bed care home, 60 assisted living units and leisure ancillaries. I note from the relevant Officer Recommendation for Planning & Development Committee (March 2018) that the need for further care home beds was considered and the applicants calculated existing shortfall (196 ensuite bedrooms in the locality) was a factor in the decision making process. This figure (now outdated) does not vary significantly from our own assessment of undersupply.

Unfortunately, relevant local authority strategic documentation is dated. The Lancashire County Council (LCC) Market Position Statement awaits publication and we have therefore referred to the Older People's Care Market Review published in August 2012 by the Institute of Public Care following invitation by LCC. Concerns raised in respect of care home provision (see Section 7 to this report) mirror our own broad findings in respect of quality of accommodation, operator profile and rising elderly population & dementia prevalence (Ribble Valley attracting specific mention).

The key outcomes of our research can be summarised as follows:

- A significant statistical under supply in terms of appropriate accommodation for the elderly in total exists – as does a similarly high under supply in terms of dementia specialist accommodation
- The aforementioned under supply exists not only in respect of the Target Area but also Borough wide
- The care home estate environmental profile is such that attrition is likely across homes in the short / medium term

With a fast rising elderly population, we believe that the need exists for further care home development in the Target Area.

Age Profile

The raw data might best be considered graphically. The chart below represents the Index value in order to indicate over or under representation of population band within the Target Area in comparison to national data.

By way of illustration, an index of 100 indicates that the age band has the same representation locally as nationally whilst an index of 120 would show that it has a representation 20% higher than the corresponding national figure.

As clearly identified, the local elderly population is, proportionately, extremely high. Indeed, the prevalence of individuals in the oldest age bracket is 25% higher than the national profile.

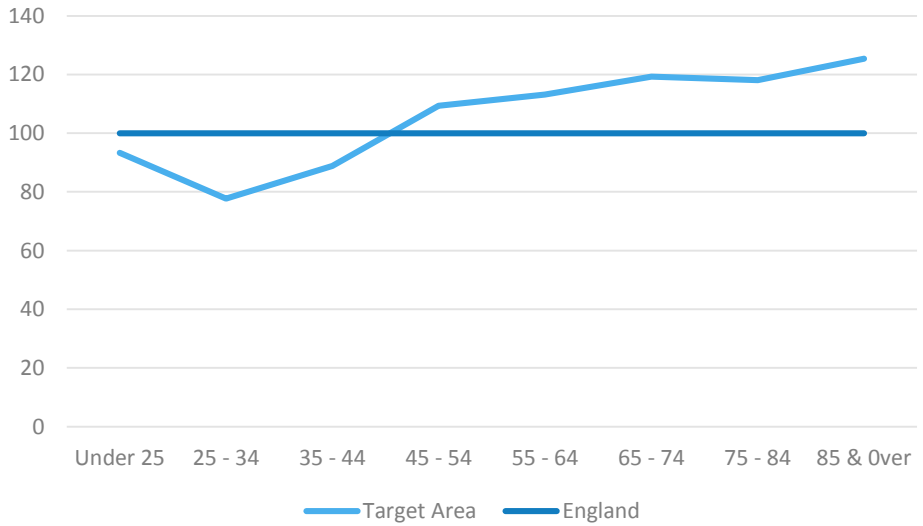
Age Band	Target Area
Under 25	15,438
25-34	5,936
35-44	6,243
45-54	8,183
55-64	7,558
65-74	6,562
75-84	3,969
85 & Over	1,773

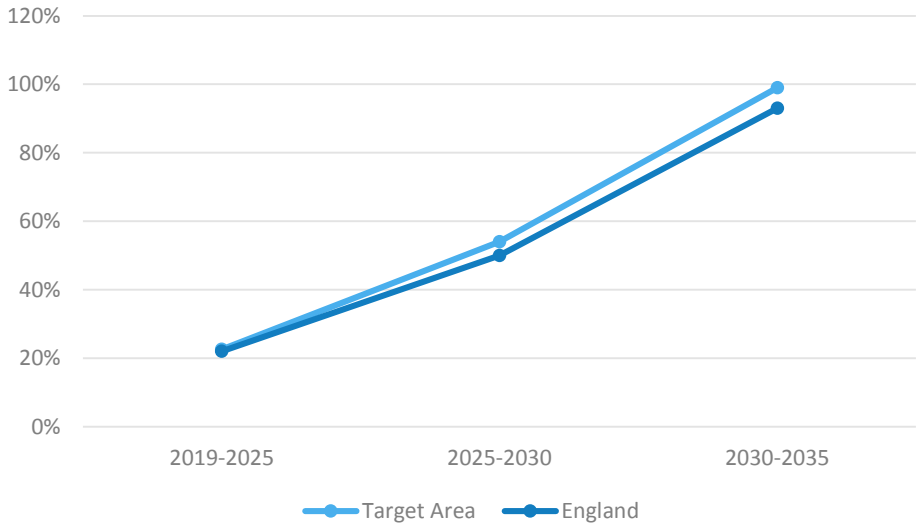
The following table details the projected population change in individuals over the age of 85 between 2019 and 2030:

	2019	2025	2030	2035
Projection	1,773	2,174	2,730	3,532

In terms of 5 yearly growth, the following chart identifies projected growth within the Target Area, plotted against the national projections. The identified growth rate is cumulative over the period, measured against the base year of 2019.

The number of people across the Target Area over the age of 85 is forecast to all but double by 2035, exceeding national expectations.





Supply

4.1 Existing Care Home Overview

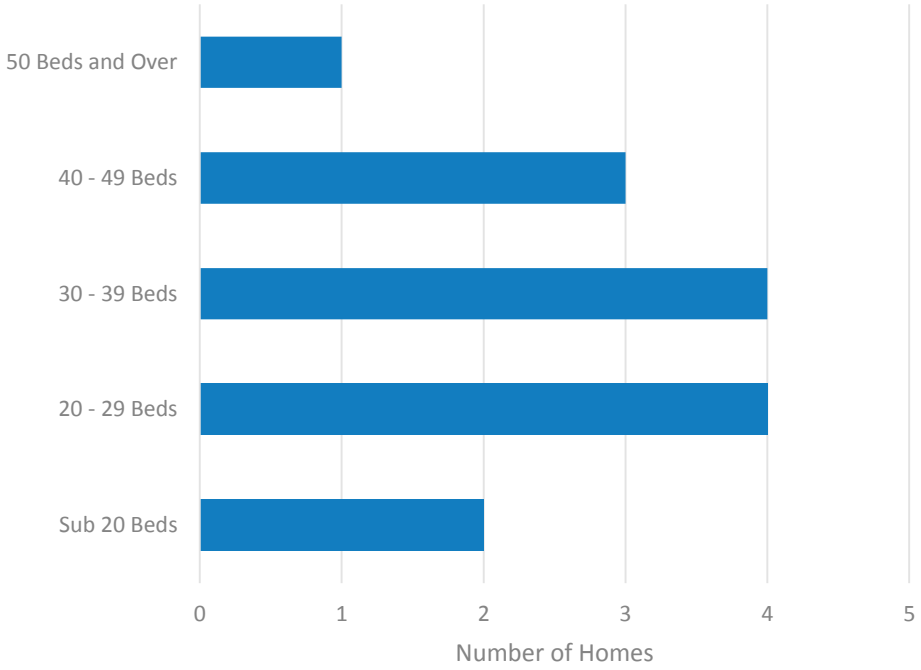
	Homes	Registered Beds	Dementia Beds	Total Rooms	Ensuite Rooms
Residential Care	12	377	306	363	180
Nursing Care	2	79	79	79	36
Total	**14**	**456**	**385**	**442**	**216**

A more detailed schedule of existing homes is provided within Appendix I to this report, along with a map of the Target Area identifying the individual locations.

Existing homes incorporate a predominance of converted accommodation. Indeed, even homes purpose built in their entirety would be considered dated by modern day standards.

	Target Area	UK
Single Rooms as a % of all bed spaces	94%	95%
% of all bed spaces with en suite wc	49%	70%
Average size of Nursing Home	40	53
Average size of Residential Home	31	32

The chart below details a breakdown of home size by registered beds. In considering the trading longevity of the local care home estate, viability is impacted by size of home. The average size of elderly care home closure nationwide is 28 beds.



4.2 Planning Activity

We have, in researching for this report, had regard to ongoing and recent planning activity in the Target Area. This has been carried out through utilisation of both the Barbour ABI and EGi planning directories. The search has encompassed planning applications relating to registered care home provision for the elderly lodged over the past 3 years where the outcome has been positive or, alternatively, a decision remains pending.

	Net New Ens. Beds
Consented New Homes	50
New Home Applications Pending Decision	0
Extensions to Existing Homes	8
Total Proposed Net Beds	**58**

Recent planning activity appears to be restricted to the following two consented schemes:

- 3/2016/0927 Ribble Valley B.C. Outline planning consent granted for a proposed Continuing Care Retirement Community at Elker Lane, Billington, Clitheroe BB7 9HZ. The proposed development is to include a 50 bed care home and further Assisted Living units.
- 3/2018/0562 Ribble Valley B.C. Detailed planning consent granted for conversion of the house adj. High Brake House, Chatburn Road, Clitheroe BB7 2BD to C2 use and linked to existing care home. Increase of 8 care beds.

Statistical Demand

5.1 Total Elderly Care Demand

In considering the potential demand for elderly care throughout the Target Area we analyse below the bed provision for key age groups based upon Laing & Buisson research. This confirms the following proportions of UK population living in a care home or long stay hospital setting as at 2018:

- 65 – 74 years: 0.57%
- 75 – 84 years: 3.6%
- 85 and over: 14.7%

Future forecasts have been calculated having regard to population movement forecasts (across relevant age bands) coupled with the above breakdown of care home occupancy across the elderly population. There is, of course, a level of uncertainty attached to such forecasting. In a drive to retain an individual's independence, the Assisted Living concept has become a popular alternative to the provision of low need residential care to the frail elderly. The potential for this occurrence is likely to increase. Conversely, as the incidence of dementia rises across the elderly population, so total independence may become inappropriate for many of our population and the need for a care home environment will be the natural choice.

This methodology confirms a total requirement for 441 elderly care beds. This level of demand rises to 538 by 2025 and 629 by 2030.

5.2 Dementia Specific Care Demand

The total number of people with dementia in the UK is forecast to increase to over 1m by 2025 and over 2m by 2050 if age specific prevalence remains stable with increase driven solely by demographic ageing.

There are a number of ways of ascertaining the demand for dementia beds, made all the more difficult by being a swiftly growing market. The report Dementia UK was published in 2007 by the Alzheimer's Society and was, at that point in time, the most comprehensive by some distance. The report contained methodology used by the Delphi consensus to calculate the prevalence of late onset dementia among existing care home residents.

There were, however, several potential biases in the reported studies which may have under estimated the frequency of dementia. The number of people with dementia in residential and nursing home care has been increasing since the 1980's and few of the studies included in the Dementia UK report had been conducted since 2000. As a direct result, the Alzheimer's Society updated the original report, incorporating subsequent research and publishing in November 2014. Once more utilising the Delphi consensus approach in order to estimate dementia prevalence, the evidence base was reviewed and updated within the document prior to evaluation by a panel of experts who provided estimates in respect of dementia prevalence. It was researched and written by academics from King's College London and The London School of Economics during the summer of 2014.

Evidence from research published following the original Dementia UK report publication (2007) indicated a change in the prevalence of dementia. As in the original report, the data presented for the update was confined to studies carried out in the UK, given the difficulty in generalising data from other countries where types of care home and entry criteria may differ widely. Based upon the evidence, the Consensus Group were required (as in the original report) to estimate both age and gender specific prevalence of dementia. The average prevalence across all settings considered was 69% - a level likely to be restricted due to the inclusion of extra care housing within the research. However, the Consensus Group also detailed estimated dementia prevalence among care home residents by age band and we have utilised this in our assessment.

The Delphi Consensus methodology suggests that there are circa. 309 current care home residents within the Target Area with diagnosable dementia. This demand level rises to 378 in 2025 and 443 by 2030.

Supply / Demand Dynamics

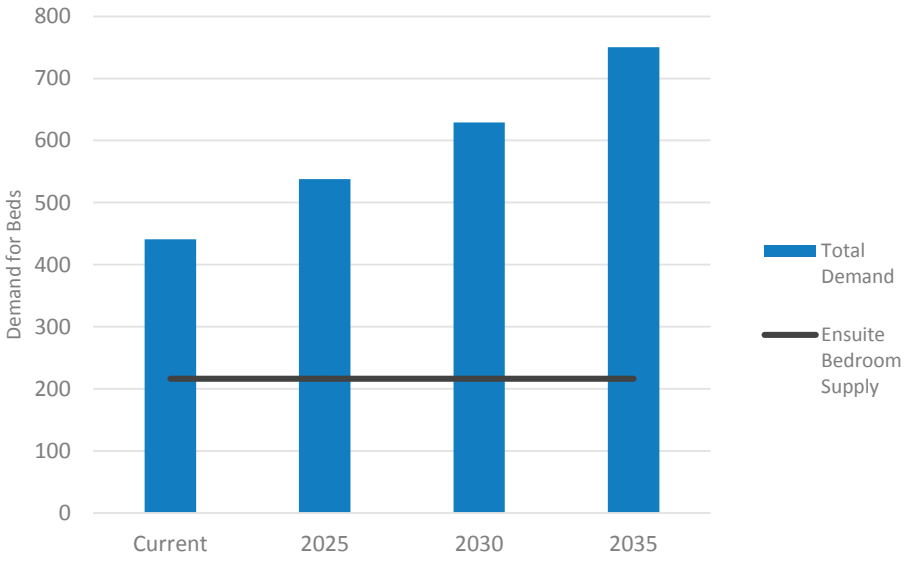
6.1 Total Elderly Care Dynamics

The chart details the total statistical bed requirement (current and forecast) within the Target Area as calculated in Section 5. In terms of supply, there are currently 216 en suite bedrooms in the Target Area (Section 4). This level is detailed in the chart below by the horizontal black line.

As identified on the chart, the current level of demand comfortably exceeds the aforementioned level of supply, resulting in an undersupply forecast to grow rapidly over forthcoming years.

In considering the future dynamics we have made a number of assumptions. Key assumptions which may impact if incorrect include:

1. Potential attrition is not reflected
2. The potential for further schemes coming on line is not reflected



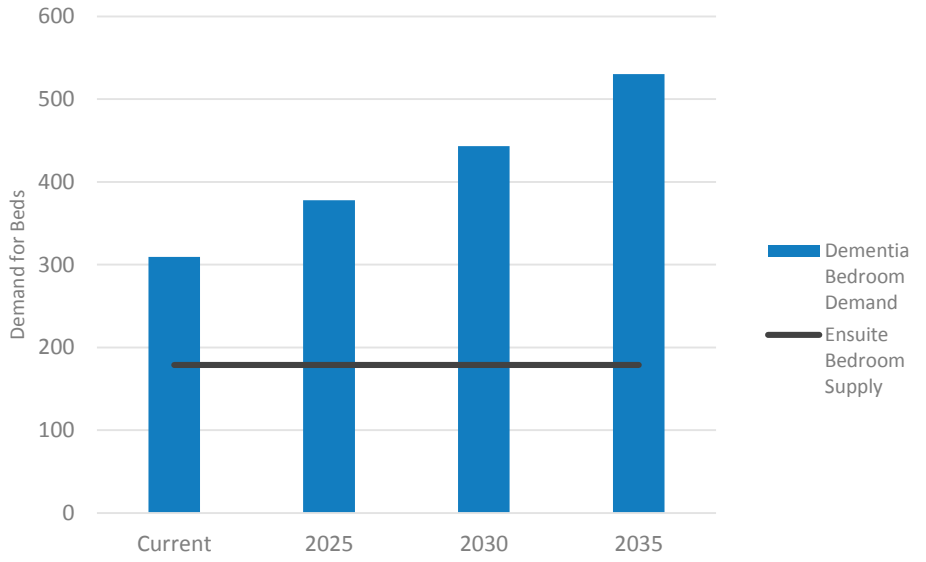
6.2 Dementia Specific Care Dynamics

The chart details the total statistical bed requirement (current and forecast) in terms of Dementia care provision within the Target Area as calculated in Section 5. In terms of supply, there are currently 179 en suite bedrooms in the Target Area registered for dementia clients. This level is detailed in the chart below by the horizontal black line.

As identified on the chart, the current level of demand comfortably exceeds the aforementioned level of supply, resulting in an undersupply forecast to grow rapidly over forthcoming years.

In considering the future dynamics we have made a number of assumptions. Key assumptions which may impact if incorrect include:

1. Potential attrition is not reflected
2. The potential for further schemes coming on line is not reflected



6.3 Supply / Demand Dynamic Overview

	Current Total Elderly	2025 Total Elderly	Current Dementia Elderly	2025 Dementia Elderly
Demand				
Statistical demand (incl. forecasts)	441	538	309	378
Supply				
Current supply of registered bed spaces	456	456	385	385
Current supply of en suite bedrooms	216	216	179	179
Dynamics				
Under or (over) supply in terms of registered beds	(15)	82	(76)	(7)
Under supply in terms of en suite bedrooms	225	322	130	199
Potential Supply Pipeline				
Undeveloped consented ensuite beds (net)	58	58	58	58
Undeveloped ensuite beds (net) awaiting decision	0	0	0	0

Attrition across existing bedstock in the short and medium term cannot be predicted with certainty. For this reason, we have assumed nil attrition in this table. A key factor in respect of attrition potential includes environmental nature/configuration within existing facilities. The care home estate has already been profiled in Section 4.1 to this report. The profiling confirms a high proportion of comparatively small converted facilities with poor level of en-suite provision. For this reason, we believe that the potential for attrition in the short/medium term is higher than average – especially should further development be forthcoming.

Detailed at the base of the table is the potential impact of further beds already in development or in the planning process at the time of reporting. What we are unable to predict is the potential level of further development yet to enter the planning process.

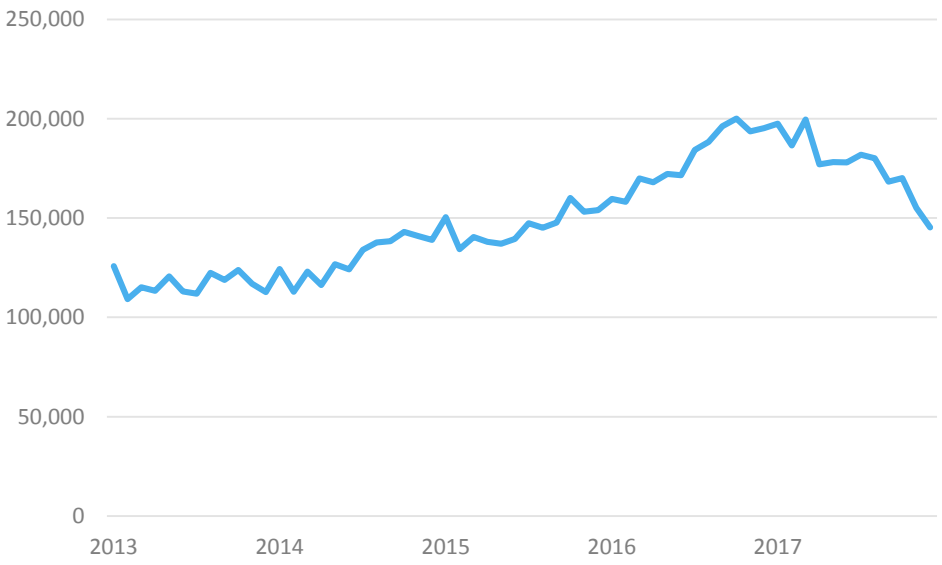
The statistical supply/demand dynamics are positive – pointing towards a significant under supply of en-suite bedrooms for single occupancy. This result is mirrored across both total elderly and dementia specific care provision. We would further comment that the supply/demand dynamics are particularly bad in the immediate area – there being only one existing home within 2½ miles of The Site.

6.4 Delayed Transfers of Care

Commonly referred to as "bed blocking", delayed transfers of care occur when a patient is ready to depart from hospital care and is still occupying a bed. NHS England monitor delayed transfers, defining a patient ready for transfer as being when:

a) A clinical decision has been made that the patient is ready for transfer and
b) A multi-disciplinary team decision has been made that the patient is ready for transfer, and
c) The patient is safe to discharge/transfer

The nationwide pattern is for increasing transfer delays, illustrated graphically below. In December 2013 the number of days delayed throughout the country amounted to 112,629. This level rose steadily through to the latter part of 2016, having peaked in October 2016 at marginally over 200,000. A national focus upon the issue subsequently led to a significant reduction in delay with only 145,318 days being lost in December 2017.



Quite apart from the significant financial implications, there are also potential effects upon the patient. A longer stay in hospital is associated with increased risk of infection, low mood and reduced motivation, which can effect a patient's health after they have been discharged and increase their odds of readmission.

There are multiple reasons as to why delays can occur including funding, housing issues, family disputes and waiting for appropriate equipment to be installed in the community. However, delayed transfers are significant in that they can be indicative of bed availability throughout the surrounding care home estate. For the purposes of this report we have focused upon the key category of delay (D) involving care home provision defined by NHS England as follows:

Delay awaiting residential / nursing home placement / availability

'This includes all patients whose assessment is complete but transfer is delayed due to awaiting nursing/residential home placement because of lack of availability of a suitable place to meet their assessed care needs. This does not include patients where local authority funding has been agreed, but they or their family are exercising their right to choose a home under the Choice of Accommodation Regulations and Guidance.'

The total number of delayed transfer days across the county for the calendar year 2018 within the above category is 9,496 (7.7 days/1,000 persons local population). The corresponding national figure was 445,868 (7.8 days/1,000 persons).

The NHS England data therefore points towards Lancashire having a level of delayed transfer due to care home associated availability almost precisely in line with national expectations. The regional data is further categorised between residential and nursing beds with delays due to lack of registered bed availability split evenly.

The Local Authority Perspective

Our enquiries indicate there to be no Market Position Statement (MPS) currently in place and the Lancashire County Council (LCC) website confirms the MPS to be submitted to Cabinet for approval on 5th September 2019. It is interesting to note that the MPS publication has now been delayed by Cabinet decision for well over a year. In the absence of a current MPS, we have had regard to the Older Peoples Care Market Review of August 2012. The document was published by the Institute of Public Care following an invitation by Lancashire County Council to provide analysis upon which the development of the MPS would be based. For ease of reference we detail below relevant quotations from the aforementioned document accompanied by section numbers in order to enable cross reference:

- 5.1.1 - *Lancashire also had a higher than average rate of permanent admissions to residential or nursing care for older people…despite a commissioning intention to reduce numbers funded in care homes, numbers have increased*.
- 7.1.3 - Quality of Care Homes. *In 2010/11, only 12% fully complied with the post 2002 Physical Standards. A high proportion of homes are relatively small with fewer than 30 bed spaces widely used as a minimum size for business viability…Some of these smaller care homes in particular, often based in older properties, are in need of significant investment and improvement to bring them up to current minimum standards and to comply with new Health and Safety regulations.*
- 7.1.6 - *A number of smaller, poor quality homes are likely to leave the market in the next 5 years because their quality cannot be brought up to the current standards, or they become financially unviable.*
- 11.3 - *There are particular concerns about the quality of homes in Lancashire, reflecting the nature of local stock i.e.. A high number of single ownership, small, older homes. Not all of these are poor – some are widely seen as excellent – but a large (unquantified) proportion need physical improvements.*
- 13.3 – There are *Increased numbers of older people with dementia and older people living alone with limiting long-term illness, particularly in Chorley, Ribble Valley, West Lancashire and across North Lancashire (Lancaster, Wyre, Fylde), reflecting the growth in numbers of older people in these districts. These people are likely to require care and support, but not all will be accessing state funded social care.*

LCC has recently published the Dementia Strategy 2018-2023. It would be reasonable to say that the content of the document is limited and all but devoid of commentary relating to registered care (residential) provision. Strategic objectives are limited to:

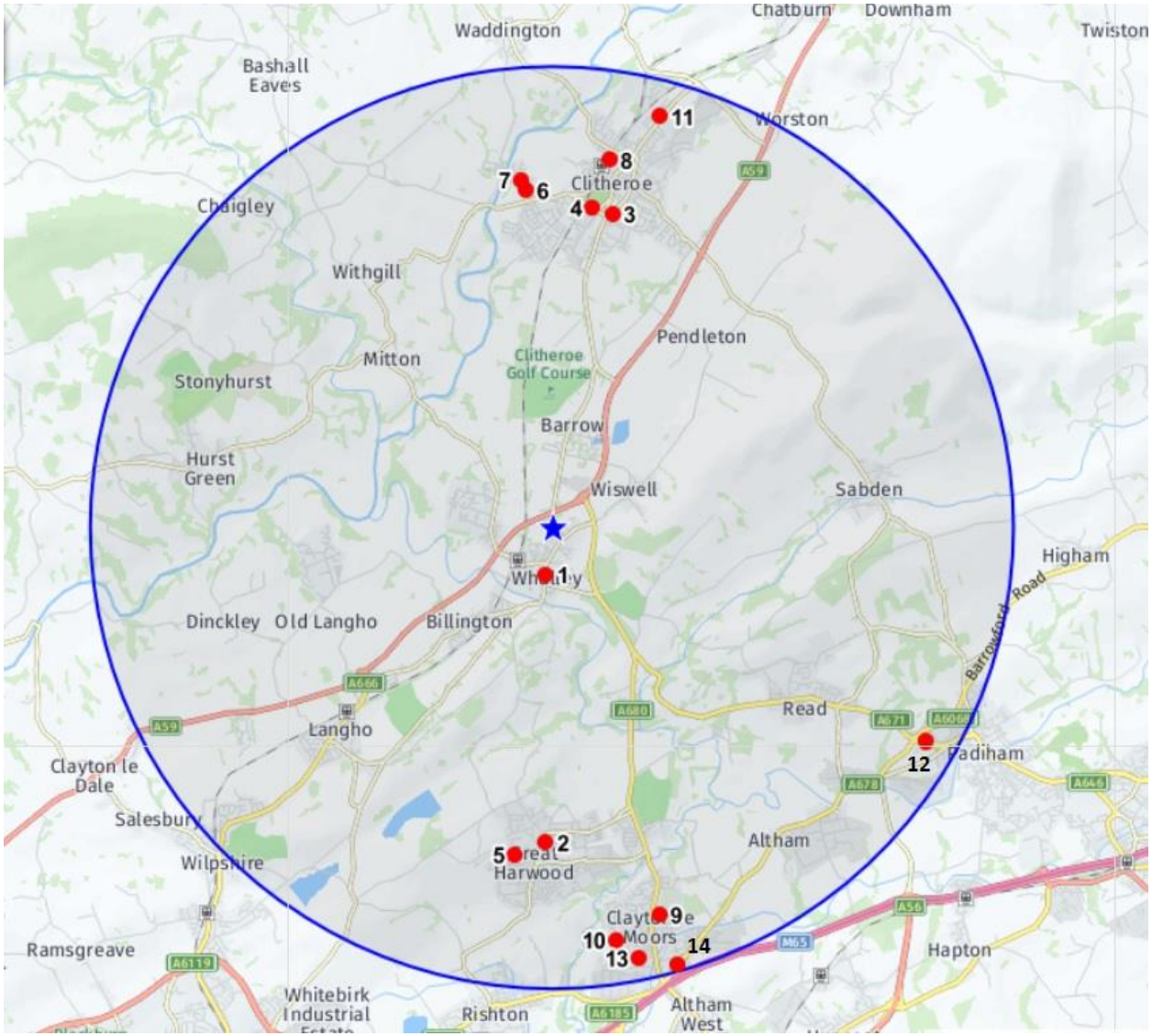
- Reducing dementia rates
- Raising awareness of dementia
- Promotion of early diagnosis
- Extend independence to dementia affected individuals
- Ensuring Lancashire County Council is “dementia friendly”

Appendices

Appendix I – Target Area Supply in Detail

Map Ref	Nursing / Residential	Name	Registration	Dementia	Provider	Distance (miles)
1	Residential	The Croft	26	26	Farrington Care Homes Limited	0.4
2	Residential	Townfield and Coach House	28	28	Townfield and Coach House Care Limited	2.7
3	Residential	Castleford Home for Older People	47	47	Lancashire County Council	2.8
4	Residential	Clitheroe Care Home	28	28	365 Care Homes Limited	2.8
5	Residential	Mill Lodge	16	16	Mr Karamchand Jhugroo & Mrs Pryamvada Jhugroo	2.8
6	Residential	Beech Grove	33	0	Roseberry Care Centres GB Limited	2.9
7	Residential	Abbeyfield Care Home Clitheroe	40	40	Abbeyfield Lancashire Extra Care Society Limited	3.0
8	Residential	Lowfield House	24	0	Lowfield House Limited	3.2
9	Residential	Woodlands Home for Older People	50	50	Lancashire County Council	3.5
10	Nursing	Hope House	42	42	Larchwood Care Homes (North) Limited	3.6
11	Residential	High Brake House	35	35	Brierley Care Ltd	3.7
12	Residential	Meadow Lodge	14	0	Mr and Mrs S Sharma	3.7
13	Nursing	Hollies	37	37	The Hollies Nursing And Residential Home Limited	3.8
14	Residential	Altham	36	36	Altham Care Limited	3.9
14		**Total**	**456**	**385**		

Appendix I – Target Area Supply in Detail



The map alongside details the Site and competing homes – the former appearing centrally and the latter detailed as red circles.

As identified, with the sole exception of The Croft, all homes are over 2½ miles distant situated in Clitheroe, Great Harwood and Clayton le Moors.

Experian™

Appendix II The Bigger Picture

We have given additional consideration to the dynamics across the Borough of Ribble Valley in terms of registered care provision for the elderly. Tabulated below is a breakdown of existing registered care for the elderly within a residential / nursing environment. The nature (and extent) of registration has been derived directly from CQC with bed breakdown sourced from the sector directory www.carehome.co.uk.

	Homes	Registered Beds	Dementia Beds	Total Rooms	Ensuite Rooms
Residential Care	11	410	336	401	231
Nursing Care	1	50	50	48	39
Total	**12**	**460**	**386**	**449**	**270**

	Ribble Valley	UK
Single Rooms as a % of all bed spaces	95%	95%
% of all bed spaces with en suite wc	60%	70%
Average size of Nursing Home	50	53
Average size of Residential Home	37	32

Utilising the same methodology as in Section 5, applying to the Borough wide population, we have calculated the statistical level of demand across Ribble Valley. The table below compares the demand level with aforementioned supply. As identified, there is a significant level of statistical under supply across the Borough as a whole in terms of not only ensuite bedrooms for the elderly in total but also appropriate dementia specific accommodation.

	Current Total Elderly	Current Dementia Elderly
Demand		
Statistical demand	520	365
Supply		
Current supply of registered bed spaces	460	386
Current supply of en suite bedrooms	270	230
Dynamics		
Under or (over) supply in terms of registered beds	60	(19)
Under supply in terms of en suite bedrooms	250	135

Appendix III Industry Comment

Elderly Care Home Market Overview

There are currently approximately 465,000 beds in registered care homes across the UK registered for elderly care provision and accommodating somewhere in the region of 420,000 clients. With an increasing number of older people now living longer and, as a direct result, often attracting more significant care need, the profile of this sector has never been higher.

The care home sector has varied greatly in size over recent decades. Whilst initial provision had principally been provided by local authorities through, typically, purpose built facilities developed during the 1960's and 70's, the private sector grew significantly during the 1980's - attracted by the relative ease at which converted accommodation might be registered, coupled with the willingness of local authorities to fund placements at attractive financial levels. The late 1990's saw a tightening of budgets and eligibility criteria, leading to reduced growth in the market before the current period of net bed loss resulting, in part, from the financial turmoil/funding pressure.

Care homes are a regulated business and require registration –for either the provision of residential care or nursing care. The original registration process was overseen by the relevant local authorities in which care homes were located. In an effort to create a level of regulatory uniformity, the Royal Commission on Long Term Care recommended, in 1999, a national regulatory body. As a direct result, the National Care Standards Commission was established by the Care Standards Act 2000. NCSC duties were subsequently transferred to the Commission for Social Care Inspection in 2004 and thereafter (following abolition of CSCI) the Care Quality Commission in March 2009. CQC remain responsible for the registration and regulation of care homes for the elderly. Whilst CQC is responsible for care home registration across England, the corresponding bodies in Wales and Scotland are known as Care Inspectorates.

At the turn of this millennium it was widely appreciated that the proliferation of registration criteria nationwide had led to varying standards of accommodation. For this reason, the Department of Health (under the Care Standards Act 2002) published the document "Care Homes For Older People – National Minimum Standards". This document, quite rightly, set out a high level of aspiration for care homes – specifically environmental expectations. Unfortunately, amidst significant concerns that enforcement of the standards would lead to wholesale home closures, the standards were watered down rapidly before being re-published in April 2003. Whilst allowing existing facilities to trade in their original format, the revised standards did ensure that newly developed facilities were required to provide a quality of physical environment comfortably in excess of the majority of developments previously undertaken.

Care home operators can reasonably be categorised under the categories Private Groups, Small Independent Operators, Local Authorities and Not for Profit providers. The 1980's and 1990's saw a significant growth in the number of family businesses operating a single care home – frequently a converted and extended dwelling. The proportion of accommodation in the hands of small independent operators continues to fall with such accommodation typically unfit for purpose in this day and age and the regulatory pressures ever increasing.

Whilst many local authorities throughout the country have maintained a foothold in elderly care provision, the extent of care home operation is generally restricted to one or two homes per council. Although there are, admittedly, notable exceptions, local authorities appear to be increasingly comfortably in outsourcing long-term care provision whilst restricting in-house care to post hospitalisation reablement/rehabilitation. Current economic conditions ensure that this level will reduce further over forthcoming years.

Despite the reducing local authority presence in the market, the sector remains comparatively fragmented in comparison to other British service industries. Whilst the industry had experienced continued consolidation from the early 1990's, this trend plateaued before effectively going into reverse at the turn of this decade. Indeed, the market share of the 10 largest private groups (24.4% of registered beds) has fallen from its peak of 28.7%. This is, in part, due to the break up of Southern Cross Healthcare in 2011/12 (formerly the largest UK provider) and also a refocus by corporate operators upon the development of new high quality facilities rather than "bulk acquisition" of smaller groups with questionable environmental quality.

Responsibility for the payment of fees would generally fall upon the individual service user although, subject to means test, a proportion of care home residents can be funded by the local authority or (dependent upon care need) the NHS. The current approximate breakdown in terms of the funding of service users is as follows:

- Local Authority – 37%
- Local Authority (with third party top-up) – 12%
- NHS – 10%
- Self-fund – 41%

Appendix III Industry Comment

Elderly Care Home Market Overview

National austerity over the past decade has seen restricted uplift in terms of fees being paid nationwide by local authorities. As a direct consequence, many care homes are now reliant upon self-funding service users to "subsidise" those benefiting from local authority funding.

The focus of care homes has changed significantly since the 1960's/70's local authority development boom. Whilst categorisation of care homes for the elderly remains somewhat antiquated (people over the age of 65), current expectations are for services users to be significantly older. Indeed, the majority of care home residents are now over the age of 80 with younger individuals with no or limited nursing need encouraged to remain independent either within their own home or within specialist housing for the elderly (with or without care). Whereas, in decades gone by, care home residents frequently spent several years in institutional care, the average length of stay has fallen dramatically – largely as a direct result of local authorities refusing funding/placement until care need is substantial. The average length of occupancy for a care home resident is currently in the region of 24 months.

Dementia Specialism

Dementia specific research published in 2015 by the World Health Organisation and Alzheimer's Disease International identified there to be 47½ million people estimated to be living with dementia worldwide. Indeed, with 7.7 million new cases of dementia each year this implies a new case of dementia somewhere in the world occurring very four seconds. The prevalence and incidence projections indicate that the number of people living with dementia will continue to grow, particularly amongst the oldest old. With people living for many years after the onset of dementia symptoms, cost implications are significant and the total estimated worldwide cost of dementia was US$ 604 billion in 2010. It is imperative that a national structure is in place in order to care appropriately for individuals with dementia and the UK is one of a limited number of nations worldwide to have a national dementia policy.

Data in respect of dementia service user numbers across the UK is, we believe, as yet unreliable. The condition is not always subject to diagnosis and care home based data is often impacted by the fact that many dementia sufferers were initially referred to the establishment on the basis of old age/frailty alone. Not withstanding, the Dementia UK Update published in 2014 by the Alzheimer's Society reveals the following data:

- 311,730 people living with dementia are living in care homes (58% residential, 42% nursing)
- 39% of people living with dementia over 65 are living in care homes (either residential or nursing)
- Approximately 55% of people living with dementia are in the mild stages, 32% in the moderate stages and 12% in the severe stages
- The current cost of dementia in the UK is £26 billion – of which £10.3 billion is spent on social care provision
- The average annual cost per person for people living in a residential care setting with dementia ranges from £31,000 to £38,000 dependent upon need.

Care home operators seeking to provide dementia care require appropriate registration with the relevant regulatory body (CQC or Care Inspectorate). For some time now operators have identified the increasing need for dementia care provision and, more often than not, care homes registered to provide care to the elderly now also incorporate dementia care registration. New developments over the past decade also have increasingly incorporated environmental design criteria based upon ongoing research. Although frequently advertising specialist dementia care, it remains comparatively rare within the UK for care homes to have absolute specialisation and sole focus on dementia clients. It is usually the case that a care home will accept both frail elderly service users and individuals in need of dementia –frequently the latter in a separate unit. To this end, other European countries appear somewhat more advanced in the provision of dementia care. The Netherlands is a prime example of this point, hosting concepts such as the revolutionary De Hogeweyk Dementia Village and Martha Flora specialist boutique care homes.

Appendix III Industry Comment

Nature of Care

For more than a decade now we have seen both central and local government spokespersons extolling the virtue of keeping individuals in their home environment for the maximum period. This has been extremely popular with the general public but is only practical to a degree. Whilst there is an undoubted case for frail elderly individuals of sound mind and with limited (if any) nursing need to maintain a non institutional lifestyle, there will always be the need for the care home environment as the level of need increases. What the market therefore continues to see is a movement away from the historic residential care provision for people aged over 65 towards more intense nursing based care for increasingly aged service users with higher level medical needs. Such needs are not only physical but, increasingly, mental with dementia care being in high demand.

Existing Care Provision

The aforementioned pattern of growth within the care industry has left the sector with a potentially massive dilemma as we move forward. The vast majority of current facilities were either converted from former dwellings or comprise the first generation of purpose built bed-stock constructed during the 1960's and 1970's. Those homes were built (and properties converted) at a time when environmental expectations fell significantly below those of modern society. It is no longer acceptable for service users to share bedroom accommodation and it is a reasonable expectation that an en-suite facility should be made available. There is a strong likelihood that, over the next decade, the UK will see significant attrition across the care home estate as properties are deemed unfit for the future. This will coincide with the huge population growth in the elderly age bracket. Without significant development of appropriate care facilities there is a distinct risk of forthcoming bed shortages.

Development

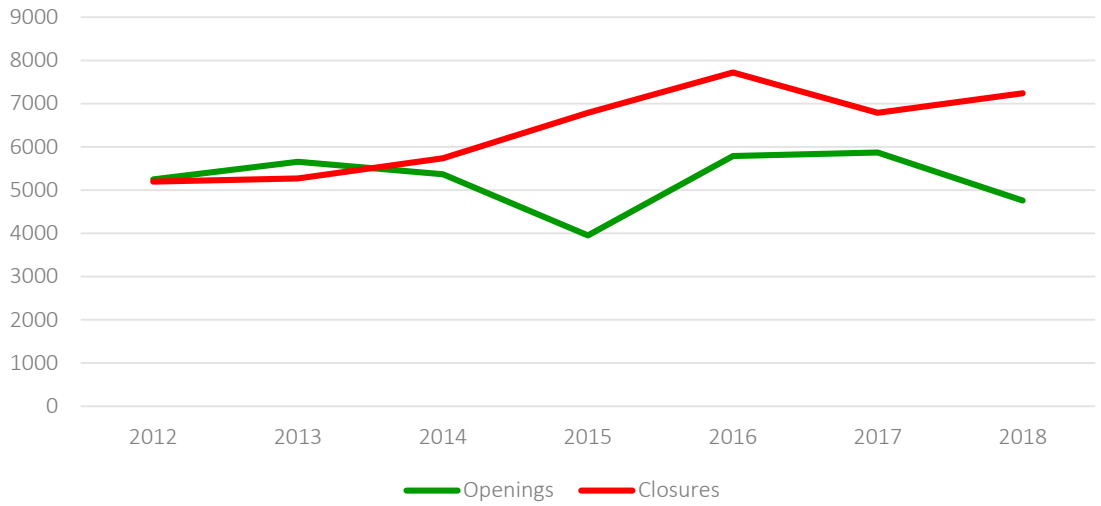
The care home market, in comparison to other property based markets such as retail and industry, has historically been extremely naive in development. For decades the retail industry has analysed demographic breakdown to the n^{th} degree prior to investing in new stores. Conversely, there has been a significant historic tendency for care home developers to develop facilities on a random basis based on 'gut feel' and (as importantly) the availability of cheap land. It is only in recent years, as funding constraints have hit and occupancy levels fallen, that care home developers (and associated operators) have begun to appropriately consider site selection.

Unfortunately, recent years have seen a strengthening of the economy and an increase in the appetite of residential developers throughout the UK. This has directly impacted upon the ability of care home operators/developers to secure appropriate sites - increasingly being outbid by the housing sector. This is having the affect of limiting growth in the social care sector.

Appendix III Industry Comment

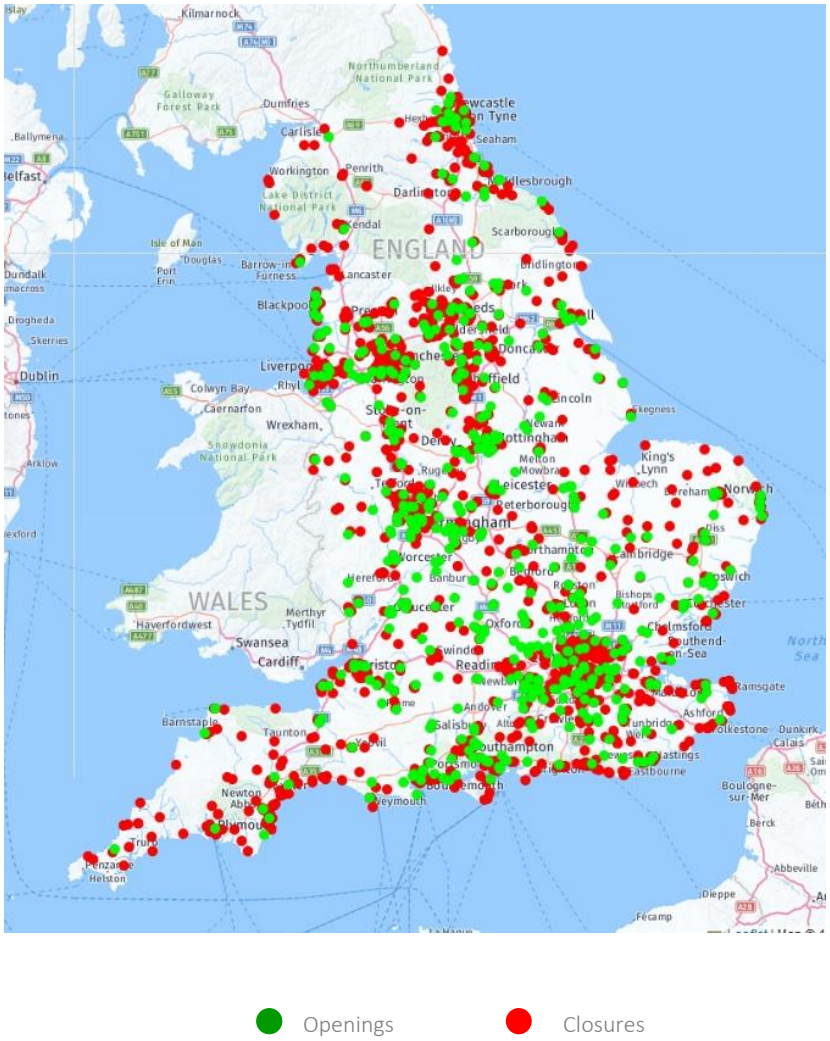
Market Movement - The National Picture

Over the past seven years HPC has carried out analysis of elderly care registration data supplied direct by the Care Quality Commission. The net loss/gain has fluctuated over the period with the cumulative outcome being a loss exceeding 8,000 beds. The data below reflects opening / closures and excludes extensions and registration reductions.



In terms of home (rather than bed) numbers, the annual number of newly opened homes is marginally below 100 with the corresponding closure figures exceeding 200. The average size of a new care home development over the past 7 year period is 60 – contrasting with a mere 28 registered beds within homes closing.

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 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.



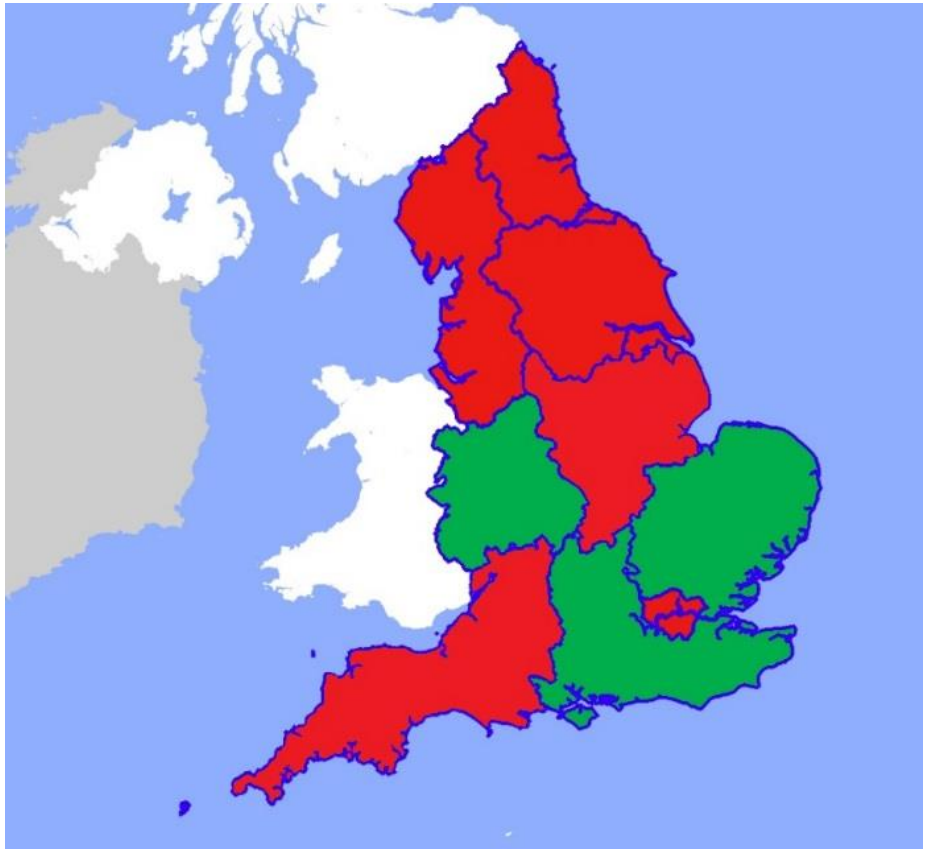
Appendix III Industry Comment

Market Movement - The Regional View

Analysis of the data on a regional basis indicates a clear North/South divide. With development funding having been restricted in recent years, 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 therefore suggests that new development tends 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 proportion of bed provision for the elderly and yet development continues apace.

The lack of development in less popular areas has led directly to bed shortages arising from the dynamics of elderly population growth and net registered bed loss. From an operational perspective, these regions are now experiencing increased occupancy levels due to the aforementioned dynamics and, as supply/demand dynamics continue to move in favour of care home operators, so the potential for fee increases strengthens.



Appendix IV Data Source, Assumptions & Reservations

3 Age Group Distribution and Growth
All population age profiling data has been provided by Experian – one of only six suppliers approved by the Office of National Statistics (ONS) following Census release. The population figures provided are 2019 mid-year estimates OA level.

4 & Appendices I & II Supply
In order to ensure that the schedule of competing homes is as current as possible, the majority of information is drawn from the live web database of the Care Quality Commission. Supporting information in respect of room configuration is provided by the website www.carehome.co.uk and relevant websites of operating care homes.

4 Planning Activity
The suppliers of historic planning data from which we have extracted the enclosed information are both Barbour ABI and EGi. Enquiries have been limited to activity over the 3 year period pre-ceding the date of this report (unless otherwise stated). Should development of the Site be considered further, formal enquiries of the local authority should be undertaken.

5 Statistical Demand—Total Elderly Care
We have relied upon Laing & Buisson's Care of Older People UK Market Report (29th Edition) in providing figures for bed requirements among the elderly in total.

5 Statistical Demand—Dementia Specific Care
In respect of specific analysis and comment on the level of demand for Dementia care provision, we have referred to the above Laing & Buisson publication in addition to:

Laing & Buisson's Dementia Care Services UK Market Briefing 2009 which, in turn, relies to a degree upon Dementia UK (2007, Alzheimer's Society).

Alzheimer's Society (2014); Dementia UK Update.

6 Supply / Demand Dynamics - Delayed Transfers of Care
Data supplied monthly on line by NHS England.

7 The Local Authority Perspective
Provided direct by the relevant Local Authority to HPC or publicly available on the internet.

Tenure and Reports on Title
Unless otherwise stated, HPC have not inspected the title deeds, leases and related legal documents and, unless otherwise disclosed to us, we have assumed that there are no onerous or restrictive covenants in the titles or leases likely to impact upon our findings.

Condition and Repair
HPC have not carried out a building survey in respect of The Site nor any competing facility referred to in this report. Indeed, we have not inspected woodwork or any other part of the structure whether covered or exposed, accessible or inaccessible. We are therefore unable to confirm whether any facilities are defect free. None of the services, drainage or service installations were tested and we are, therefore, unable to report upon their condition.

Environmental
HPC have not carried out soil, geological or any other tests or surveys in order to ascertain site conditions or environmental condition of The Site (or competing facilities). The report assumes that there are no unusual ground conditions, contamination etc. which would impact detrimentally on the operation of a development.

Local Authorities, Statutory Undertakings and Legal Searches
HPC have not made any formal searches or enquiries in respect of The Site and are therefore unable to accept any responsibility in this connection. We have assumed that all necessary consents, licences and permissions enabling The Site to be put to the proposed use will be obtained with no outstanding works or conditions required by statutory, local or other competent authorities.

We would specifically confirm that HPC have not contacted the Care Quality Commission in respect of the proposed development.

Business Performance
In instances where reliance has been placed on information supplied to us by the client, HPC accept no liability should such information subsequently prove to be inaccurate or unreliable.

Third Party Data Provision
As previously stated throughout this report, HPC have relied upon information sourced from third party data providers. HPC have made every effort to ensure the reliability of each provider but take no responsibility for omissions or erroneous data sourced.

Time Limitation
The potential of The Site is impacted by market movement outside of the control of HPC. For this reason, it is necessary to limit the period of time for which this report remains valid to four months from report date.

Instructing Party
The instructing source is detailed within Section 1 to this report. Reports have been provided for the use of the party to whom they are addressed. Whilst they may be disclosed to other professional advisors as part of the process, no responsibility is accepted to any third party for either the whole or any part of the content.

Liability Cap
HPC confirm that the extent of our liability in respect of this report is limited to a maximum sum of £2,000,000.

Appendix V Author Overview

Nigel Newton Taylor is a Chartered Surveyor with 30 years experience providing commercial property advice in both the public and private sectors. Specialising in 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.

Relevant Qualifications:

- 1988 Bachelor of Science (with Honours) in Urban Estate Surveying
- 1990 Professional Associate of Royal Institution of Chartered Surveyors

Healthcare Property Consultants Ltd – 2008 to Date
Director

- Co-founder of business specialising solely in healthcare agency, valuation, consultancy and research
- Provision of consultancy advice in respect of development site selection to regional and national corporate operators
- Provision of consultancy advice alongside EY and PwC during 'Fair Price for Care' exercises
- Sale of registered care homes and independent hospitals on behalf of national corporate operators
- Feasibility provision to charitable organisations in respect of estate restructuring (YMCA, CLS Care Services)
- Expert Witness advice to legal and planning processes
- Rent review negotiations on behalf of UK's former largest corporate care home operator (Southern Cross)
- Consultancy advice provided to private operators and corporate providers including Care UK, BUPA, Maria Mallaband Care Group, Healthcare Homes, Avery Health and Bondcare.

GLP Taylors – 2005 to 2008
Director

- Managing Director of healthcare department
- Provision of consultancy advice and agency services to local authorities throughout care home externalisation processes (Essex County Council, London Borough of Havering)
- Provision of consultancy advice alongside PwC during 'Fair Price for Care' exercises across seven local authority areas

Christie & Co – 1997 to 2005
Director

- Manager of Leeds office
- Valuation and agency experience, specialising in healthcare, based (at various times) in Nottingham, Manchester and Leeds

Valuation Office Agency – 1988 to 1994
Senior Valuer

- Miscellaneous commercial, residential and agricultural valuation experience
- Training and supervision of graduate colleagues through RICS qualification

Nigel Newton Taylor *BSc (Hons) MRICS*
Director
RICS Registered Valuer
Healthcare Property Consultants Limited

Tel: 01937 222107
DDI: 01937 222159
Mob: 07733 884436
E: nnt@healthcarepc.co.uk