



Care Homes

Market Update 2015

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Introduction & Definition

REPORT COVERAGE

This Key Note Market Update analyses the market for the long-term care of elderly people in the UK, covering residential care and nursing homes. These homes are operated by local authorities, private businesses or not-for-profit organisations (NPOs). In the UK, care homes can be broadly divided into two categories on the basis of the care levels that they are registered to provide: residential care; or nursing care. A care home for older people may be registered to provide residential care (sometimes also referred to as personal care) or nursing care only. Some care homes are also registered to care for people with specific needs, such as dementia patients or those with terminal illnesses. In England, the Care Quality Commission (CQC) is responsible for registering, inspecting and regulating care services to ensure they meet basic standards of quality and safety.

Access to residential and nursing care is largely administered by local authorities in England, Wales and Scotland; and Health and Social Services trusts in Northern Ireland. In England, older people's access to care is means tested on the basis of Government criteria — i.e. an individual is assessed according to the level of assets which they own — before they are liable to pay for the full cost of their social care needs. An older person requiring social care will need to undergo a number of assessment procedures before being placed in a care home, including a care needs assessment — usually conducted by the person's local authority — and an evaluation of the person's financial assets for eligibility of state-funded residential or nursing care. Wales and Northern Ireland both have means-tested systems which are similar to the one in England. In Scotland, those needing care get more help from their local government than those in other nations; however, in recent years, the Scottish Government has begun tightening the eligibility criteria due to the current financial climate.

There are four thresholds for levels of care needs, they are: low, moderate, substantial and critical. It is up to local authorities to decide which standard they want to set for each threshold. The squeeze on local authority budgets is making it increasingly difficult to keep the status quo intact and local authorities have responded to the situation by increasing the threshold for eligibility. Many local authorities have stopped providing support to those with low and moderate needs.

In terms of care funding, patients with capital below a specified lower limit are entitled to receive full funding from their local authority, while those whose capital exceeds an upper limit are not entitled to any public funding. Older persons with capital assets

exceeding the lower limit, but with less than the upper limit, contribute to their care costs on the basis of any income that they may receive from pensions or other benefits. The current upper and lower limits for the assessment of care in England are £23,250 and £14,250, respectively. In Wales, there is one single capital limit of £24,000 for residential accommodation. In Scotland, the thresholds for upper and lower limits are currently set at £26,250 and £16,250, respectively.

MARKET SECTORS

Residential Care

Residential care usually refers to long-term care given to adults in a residential setting (as opposed to the patient's home). Residential care homes usually offer support, ensuring that basic personal needs are met, such as preparing meals; maintaining levels of health and personal care, such as bathing, dressing and going to the toilet; and assistance in the use of medication.

Nursing Care

Nursing homes refer to services that provide personal care but also maintain a qualified nurse on duty at all times to provide nursing care. According to the Registered Nursing Home Association (RNHA), a nursing home, as distinct from a residential care home, has to provide the kind of care that requires the specific skills of a qualified nurse or the supervision of a qualified nurse.

Specialist Care

Specialist care homes are homes that are registered to provide care to meet the needs of people with special conditions, such as dementia.

Executive Summary

This Key Note Market Update analyses the market for the long-term care of the elderly in the UK, covering residential care and nursing homes that are operated by local authorities, private companies and voluntary organisations.

Over the past few decades, demand for long-term elderly care in the UK has risen dramatically, driven by the country's rapidly ageing population and increased demand for health and social care services. Between 2010 and 2014, the UK long-term care market for elderly and disabled people grew by 10.7% in value terms.

The private sector (including private companies and voluntary organisations) provides the vast majority of the long-term residential and nursing care services in the UK, accounting for around 90% of total market value in 2014, with the remaining share being supplied by the public sector. The provision of care home services has gone through profound changes and has transformed from predominantly public-sector services in the 1970s to mainly private-sector services today.

Local authorities continue to be the largest source of funding for elderly long-term care. Around half of long-term care places provided by the private sector were paid for by local authorities, whose budgets have suffered sustained and growing funding pressure since 2010. Funding for both long-term care and care at home for older people has been squeezed as a result of severe cuts to local authority budgets. This has led to a reduction in the range of care provision provided by local authorities and decreases in the number of older people eligible to receive care and support from local authorities.

Demand for elderly residential and nursing care in the UK will continue to grow over the coming years, driven by the UK's rapidly ageing population and increasing number of frail older people with complex care needs. Key Note forecasts that the UK long-term care market will grow steadily over the next few years. The private sector is forecast to continue to expand within the long-term elderly care market, while the public sector is expected to shrink further. Overall, over the 5-year period to 2019, Key Note forecasts that the UK market for nursing, residential and long-stay hospital care for elderly people will rise by 14.3%.

What's KEY in the Market?

KEY DRIVERS

There are several ongoing and emerging trends affecting the UK care homes market. Key drivers of the UK long-term care market include the following:

- The population in the UK is ageing as a result of lower mortality rates across all ages. According to National Statistics, the median (average) age of the UK population increased from 33.9 years in 1974 to 40.0 years in 2014, an increase of over 6 years. Old age is often associated with frailty, immobility and age-related chronic diseases, such as dementia. As such, an increase in the proportion of older people will inevitably increase demand for residential and nursing care services.
- Local authority funding has suffered unprecedented cuts over the past few years following the economic downturn. This, in turn, has had an adverse impact on adult social care services.
- The Care Act 2014 introduces some important changes to the rules which local authorities must follow when supporting people with social care needs. The Act includes a national eligibility threshold, which aims to make social care and the way it is funded clearer and more consistent across England.

MARKET TRENDS

An Ageing Population

The need for long-term care is closely linked to old age as the older population tends to have the highest disability rate. The population in the UK has been rapidly ageing over the past 45 years as a result of medical advances, and better nutrition, healthcare and sanitation. According to National Statistics' mid-year population estimates, in 2014, 11.1 million people in the UK were over 65 years old, up from 7.4 million in 1971 and 9.2 million in 1995. The number of adults aged 85 or over, the age group most likely to require care, is rising faster than the population as a whole. Between 1971 and 2014, the number of people aged 85 and over has tripled, from 485,000 to 1.5 million, representing 2.3% of the UK population total in 2014.

However, as people get older, the number of those suffering from chronic conditions — such as cancer, immobility, diabetes and dementia — and other age-related illnesses will grow, in turn creating demand for long-term nursing, dementia or specialist elderly care services.

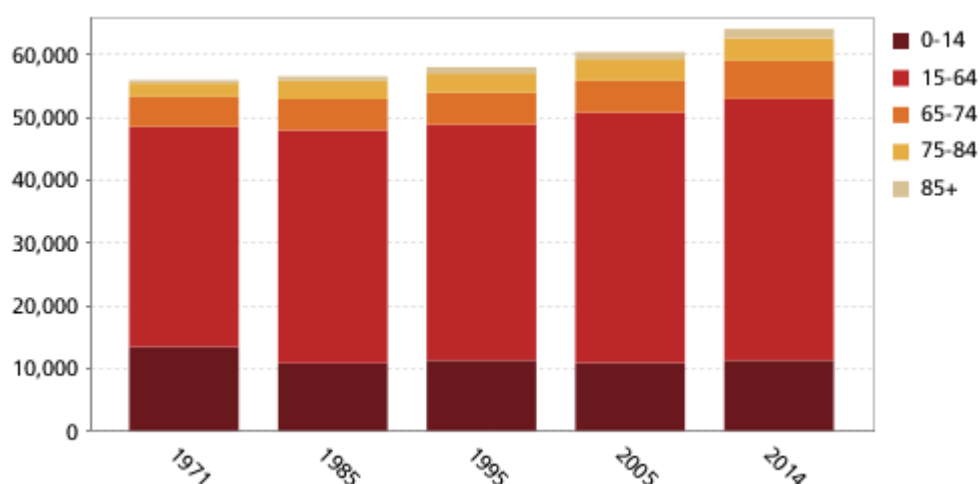
Table 2.1: UK Population Estimates by Age Groups (000), 1971, 1985, 1995, 2005 and 2014

	1971	1985	1995	2005	2014
Age					
0-14	13,469	10,873	11,291	10,907	11,307
15-64	35,051	37,103	37,538	39,892	41,667
65-74	4,764	4,953	5,136	5,043	6,031
75-84	2,159	2,936	3,054	3,408	3,642
85+	485	689	1,007	1,164	1,459
Total	55,928	56,554	†58,025	†60,413	64,106

† — total does not sum due to rounding at source

Source: Mid-1971 to Mid-2012 Population Estimates and Mid-2014 Population Estimates, National Statistics © Crown copyright material is reproduced with the permission of the Controller of HMSO (and the Queen's Printer for Scotland)

Figure 2.1: UK Population Estimates by Age Groups (000), 1971, 1985, 1995, 2005 and 2014



Source: Mid-1971 to Mid-2012 Population Estimates and Mid-2014 Population Estimates, National Statistics © Crown copyright material is reproduced with the permission of the Controller of HMSO (and the Queen's Printer for Scotland)/Key Note

Life Expectancy and Health Life Expectancy

According to the National Statistics publication *Health Expectancies at Birth and at Age 65 in the United Kingdom*, life expectancy (LE) among women is historically greater than among men. According to the data, the average age laid out for a woman born in 2001 to 2003 was reported at 80.5 years, which was 4.6 years longer than the average age of 75.9 laid out for men born over the same period. However, in 2009 to 2011, although LE among women had increased to 82.4 years at birth, the difference between LE among women and men had lessened to just 4 years, with LE among men born between 2009 and 2011 reaching 78.4 years — 2.5 years longer than those born in 2001 to 2003. Despite these findings, it is important to note that longer LE does not necessarily equate to good quality life and it could be the case that the predicted LE at age 65 equated to years of poor health and suffering. As such, the *Health Expectancies at Birth and at Age 65 in the United Kingdom* also includes a healthy life expectancy (HLE) measure.

In 2001 to 2003, HLE — that is, years of good health — among men stood at 60.6 years at birth, compared with 62.2 years among women, which amounted to a difference of 1.6 years. Like LE trends, the HLE measure also illustrated growth over the 10-year period, with HLE among women growing by 3.9 years, while HLE among men increased by 3.6 years. Furthermore, HLE among women continued to greater than among men, and was 1.9 years longer in 2009 to 2011. What the data also show is that HLE rates among both men and women are shorter than LE rates overall, giving a more honest illustration of LE in the UK.

Table 2.2: Life Expectancy and Healthy Life Expectancy in the UK at Birth and at Age 65 by Sex, 2001-2003 to 2009-2011

	<u>Males</u>		<u>Females</u>	
	At Birth	At Age 65	At Birth	At Age 65
Life Expectancy				
2001-2003	75.9	16.1	80.5	19.1
2002-2004	76.3	16.4	80.7	19.3
2003-2005	76.6	16.6	81.0	19.4
2004-2006	76.9	16.9	81.3	19.7
2005-2007	77.2	17.2	81.5	19.9

2006-2008	77.4	17.4	81.6	20.0
2007-2009	77.7	17.6	81.9	20.2
2008-2010	78.1	17.8	82.1	20.4
2009-2011	78.4	18.0	82.4	20.7
Healthy Life Expectancy[†]				
2001-2003	60.6	9.4	62.2	10.7
2002-2004	61.0	9.6	62.5	10.9
2003-2005	61.5	9.9	62.9	11.1
2004-2006	62.0	10.1	63.7	11.4
2005-2007	61.4	9.9	62.9	10.9
2006-2008	62.5	10.1	64.2	11.3
2007-2009	63.0	9.9	65.0	11.5
2008-2010	63.5	10.1	65.7	11.6
2009-2011	64.2	10.7	66.1	12.1

† — methodology changed for the calculation of health life expectancy in 2005-2007, with the general health questionnaire asked of participants increased from three questions to five questions; data prior to 2005-2007 are Office for National statistics simulations based on the original three-question survey data before the five-question survey was introduced

Source: Health Expectancies at Birth and at Age 65 in the United Kingdom, 2009-11 (November 2014), National Statistics © Crown copyright material is reproduced with the permission of the Controller of HMSO (and the Queen's Printer for Scotland)

Cuts to Local Authority Funding

The social care system, like the National Health Service (NHS) and other publicly funded services, has suffered sustained and growing pressure in recent years. Despite the Government's pledge to protect the front line, care and support services have suffered from cuts in the public sector. According to the Local Government Association (LGA), central Government funding for local authorities has shrunk by 40% overall

since 2011; this has led to a reduction in the range of care provision provided by local authorities, a rise in the charges that the council makes for care services, and decreases in the number of older people eligible to receive care and support from local authorities.

Figures published by the UK charity Age UK show that there are currently more than 1 million older people without any care and support across the UK, and the number is growing. Funding for both long-term care and care at home for older people has been squeezed as a result of severe cuts to local authority budgets, with this affecting services including care and nursing homes, home carers, meals on wheels and day care services, etc.

Cuts in care spending have had a huge impact on the NHS and led to a bed-blocking crisis in NHS hospitals. This has cost the NHS £669m over the last few years from 2010 to 2015, as a result of healthy older people being kept in hospital for weeks because care and support is not available for them in the community. Reasons for delays to discharge patients include social services issues; home rehabilitation service demands; or long waits for a place in a residential or nursing care home.

ECONOMIC TRENDS

According to figures published by National Statistics, the UK resident population has been growing consistently over the past 5 years, from 62.8 million people in 2010 to 64.6 million people in 2014. Gross domestic product (GDP) growth at current prices has risen consistently over the last 5 years, with growth ranging between 2.3% and 4.6%; however, annual chain-linked estimates of UK GDP suggested more moderate growth, which ranged between 0.7% and 3% over the 5 years.

Despite the economic growth, the rate of inflation reached a 5-year low of 2.4% in 2014. Household disposable income rose year-on-year, increasing by 6.8% over the period as a whole, from £16,776 in 2010 to £17,911 in 2014. The number of unemployed claimants of Jobseeker's Allowance (JSA) in the UK soared in 2009 as a result of the economic downturn, reaching 1.53 million. Unemployment numbers remained high between 2010 and 2012, at over 1.5 million. However, the latest official figures suggest that UK unemployment fell to 1.42 million claimants in 2013 — a decrease of 10.7% on 2012 — and declined by a further 27.5% in 2014, to reach 1.03 million claimants. This indicates that the UK's economy is gradually recovering.

The UK's increasingly ageing population has been a main factor driving demand for residential and nursing care. Low inflation rates generally help to reduce the cost of supplying and maintaining services for older people in need of long-term care and lower the cost of these services for individuals. Robust economic growth, combined with

falling unemployment rates, will help to boost consumer and business confidence and increase spending on healthcare and investment in care homes.

Table 2.3: UK Economic Trends (000, £m, %, million and £), 2010-2014

	2010	2011	2012	2013	2014
<u>Resident Population</u> <u>Estimates (000), Mid-</u> <u>Years</u>					
Female	31,954	32,188	32,390	32,573	32,803
Male	30,805	31,097	31,315	31,533	31,794
Total population	62,759	63,285	63,705	64,106	64,597
<i>% change year-on-year</i>	-	0.8	0.7	0.6	0.8
<u>Gross Domestic</u> <u>Product (£m)</u>					
Current prices	1,558,365	1,617,677	1,655,384	1,713,122	1,791,934

% change year-on-year	-	3.8	2.3	3.5	4.6
Annual chain-linked GDP	1,591,494	1,617,677	1,628,338	1,655,447	1,704,998
% change year-on-year	-	1.6	0.7	1.7	3.0
<u>Rate of Inflation (%)</u>					
Inflation	4.6	5.2	3.2	3.0	2.4
Percentage point change year-on-year	-	0.6	-2.0	-0.2	-0.6
<u>Actual Number of Unemployed Persons in the UK (million)</u>					
Actual number of claimants	1.50	1.53	1.59	1.42	1.03
% change year-on-year	-	2.0	3.9	-10.7	-27.5
<u>Household Disposable Income Per Capita (£)</u>					
Household disposable income	16,776	16,875	17,378	17,623	17,911
% change year-on-year	-	0.6	3.0	1.4	1.6

† — does not sum due to rounding at source

GDP — gross domestic product

Note: inflation is at retail price index (RPI); inflation data shown are annual average changes; claimant count measures the number of people claiming Jobseeker's Allowance.

Source: Population Estimates for UK, England and Wales, Scotland and Northern Ireland, Mid-2014, 25th June 2015/United Kingdom Economic Accounts, 30th June

2015/Consumer Price Inflation, July 2015/Labour Market Statistics, August 2015, National Statistics website © Crown copyright material is reproduced with the permission of the Controller of HMSO (and the Queen's Printer for Scotland)

MARKET POSITION

England

According to data published by the Health & Social Care Information Centre (HSCIC), in 2014/2015, total expenditure on long-term support for people aged 65 and over amounted to £6.8bn in England. Of this expenditure, 44.1% (or £3bn) was spent on residential care and 19.1% (£1.3bn) was spent on nursing care. A further 20.6% was spent on home care, at £1.4bn.

Scotland

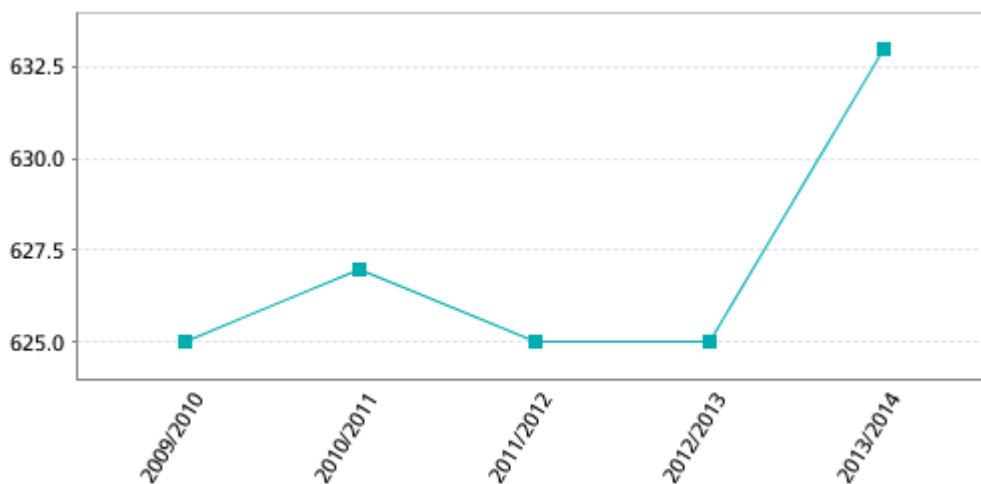
In Scotland, long-term spending on the care of older people increased steadily over the past 10 years. Net expenditure on care homes for older people in Scotland reached £633m in 2013/2014, up from £466m in 2004/2005 and £602m in 2008/2009, according to figures published by the Scottish Government. Over the 5-year between 2009/2010 and 2013/2014, net expenditure rose by 1.3%. Like the rest of the UK, growth in long-term care spending is driven by an ageing population in Scotland.

Table 2.4: Net Expenditure on Care Homes for Older People in Scotland (£m), 2009/2010-2013/2014

	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014
Value (£m)	625	627	625	625	633
% change year-on-year	-	0.3	-0.3	0.0	1.3

Source: Free Personal and Nursing Care 2013-14, the Scottish Government, National Statistics © Crown copyright material is reproduced with the permission of the Controller of HMSO (and the Queen's Printer for Scotland)

Figure 2.2: Net Expenditure on Care Homes for Older People in Scotland (£m), 2009/2010-2013/2014



Source: Free Personal and Nursing Care 2013-14, the Scottish Government, National Statistics © Crown copyright material is reproduced with the permission of the Controller of HMSO (and the Queen's Printer for Scotland)/Key Note

HOW ROBUST IS THE MARKET?

The UK long-term care market is not a robust one as the sector has been severely affected by the Government's public-sector spending cuts in recent years, in order to reduce the country's structural deficit. Local authority budgets, which are provided by the central Government, have been reduced by 40% over the last few years, which, in turn, has led to cuts in elderly care and support services as the threshold for care eligibility has been increased. Cuts to spending on care by local authorities have severely impacted care home operators' incomes, as many companies rely heavily on local authorities that outsource much of their services to these companies.

Market Size, Segmentation & Forecasts

MARKET SIZE & SEGMENTATION

By Value

As highlighted previously, demand for long-term elderly care in the UK has risen dramatically over the past few decades, driven by the country's rapidly ageing population and increased demand for health and social care services. According to LaingBuisson, the value of the UK long-term care market for elderly and disabled people grew from £9.34bn in 1995 to £15.89bn in 2014 — representing a rise of 70.2%.

The market is dominated by the private sector (including both private companies and voluntary organisations) which provides the vast majority of the long-term residential and nursing care for elderly and disabled people in the UK, with the remaining proportion being supplied by the public sector. Over the 5-year period to 2014, the market witnessed growth of 10.7%, rising from £14.36bn to £15.89bn. As shown in Table 3.1, in 2014, the private sector accounted for 89.9% of total long-term care services provision by value in, compared with 10.1% supplied by the public sector.

Long-term care for elderly and disabled people provided by the public sector has been falling consistently in recent years. Between 2010 and 2014, the value of the public sector's long-term elderly care provision fell year-on-year, from £2.18bn to £1.61bn, representing a decline of 26.4%. The public sector's spending on long-term care was further affected by the budget squeeze. Over the 5-year period, the total value for private and voluntary care increased by 18.2% and 13.2%, respectively.

Table 3.1: The UK Market for Nursing, Residential and Long-Stay Hospital Care of Elderly, Chronically Ill and Physically Disabled People by Sector by Value (£m), Years Ending December 2010-2014

	2010	2011	2012	2013	2014
Private Sector					
Private					
Nursing	5,658	5,853	6,186	6,414	6,756
Personal care (residential)	4,587	4,652	4,927	5,049	5,350
Total private	10,245	10,505	11,113	11,463	12,106

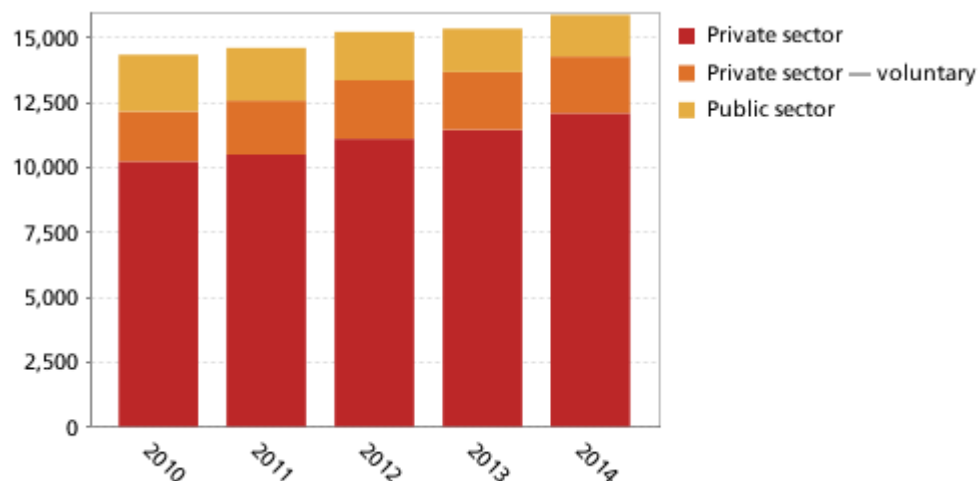
% change year-on-year	-	2.5	5.8	3.1	5.6
Voluntary					
Personal care (residential)	1,320	1,378	1,482	1,489	1,465
Nursing	607	702	778	740	716
Total voluntary	1,927	2,080	2,260	2,229	2,181
% change year-on-year	-	7.9	8.7	-1.4	-2.2
Total private sector					
	12,172	12,585	13,373	13,692	14,287
% change year-on-year	-	3.4	6.3	2.4	4.3
Public Sector					
NHS units	1,177	1,134	1,089	1,018	992
Local authority homes	1,005	900	776	656	614
Total public sector	2,182	2,034	1,865	1,674	1,606
% change year-on-year	-	-6.8	-8.3	-10.2	-4.1
Total					
	[†] 14,355	[†] 14,620	15,238	15,366	15,893
% change year-on-year	-	1.8	4.2	0.8	3.4

NHS — National Health Service

† — totals do not sum due to rounding

Source: Care of Older People (27th edition), LaingBuisson

Figure 3.1: The UK Market for Nursing, Residential and Long-Stay Hospital Care of Elderly, Chronically Ill and Physically Disabled People by Sector by Value (£m), Years Ending December 2010-2014



Source: Care of Older People (27th edition), LaingBuisson/Key Note

By Capacity

There has been a profound shift in the provision of long-term care services in the UK over the past few decades. The provision of care home services has transformed from a predominantly public-sector service in the 1970s to a mostly private-sector service today. In 1970, 68.9% of total long-term care capacity for the elderly and disabled people was provided by the public sector, including local authorities, and NHS hospitals, with 31.1% being provided by the private sector. By 2014, 93% of total UK long-term care beds were provided by private and voluntary providers, compared with just 7% offered by the public sector.

Data from LaingBuisson show that the long-term care capacity for elderly and disabled people in the UK has increased in line with demand. In 2014, there were 487,000 residential, nursing and long-stay hospital care places in the UK, up from 477,600 places in 2010, a rise of 2%. The number of long-term care places for elderly and physically disabled people grew moderately in 2011 and 2012, by 1.4% and 0.7%, respectively. However, the number contracted in 2013, by 0.2%, with negligible growth seen in the following year.

In terms of providers, long-term care places in both local authority homes and NHS units declined, falling by 29.3% and 21.7%, respectively, between 2010 and 2014. As a result, the overall public-sector provision of long-term care places decreased by 26.7%, from 46,400 in 2010 to 34,000 in 2014. Over the same period, the number of long-term care places available in the private sector (including private and voluntary providers) rose by 5.1%, to reach 453,000 places in 2014.

Table 3.2: Nursing, Residential and Long-Stay Hospital Care of Older and Physically Disabled People by Sector by Number of Places, 2010-2014

	2010	2011	2012	2013	2014
<u>Private Sector</u>					
Private					
Personal care (residential)	191,300	195,600	195,900	199,400	200,200
Nursing	175,000	177,800	185,200	185,100	187,800
Total private	366,300	373,400	381,100	384,500	388,000
<i>% change year-on-year</i>	-	1.9	2.1	0.9	0.9
Voluntary					
Personal care (residential)	48,000	50,900	49,200	48,700	47,400
Nursing	16,900	16,400	18,600	18,300	17,600
Total voluntary	64,900	67,300	67,800	67,000	65,000
<i>% change year-on-year</i>	-	3.7	0.7	-1.2	-3.0
Total private sector	431,200	440,700	448,900	451,500	453,000
<i>% change year-on-year</i>	-	2.2	1.9	0.6	0.3
<u>Public Sector</u>					
Local authority homes	30,700	28,800	24,900	22,500	21,700
NHS units	15,700	14,700	13,900	12,800	12,300
Total public sector	46,400	43,500	38,800	35,300	34,000
<i>% change year-on-year</i>	-	-6.3	-10.8	-9.0	-3.7

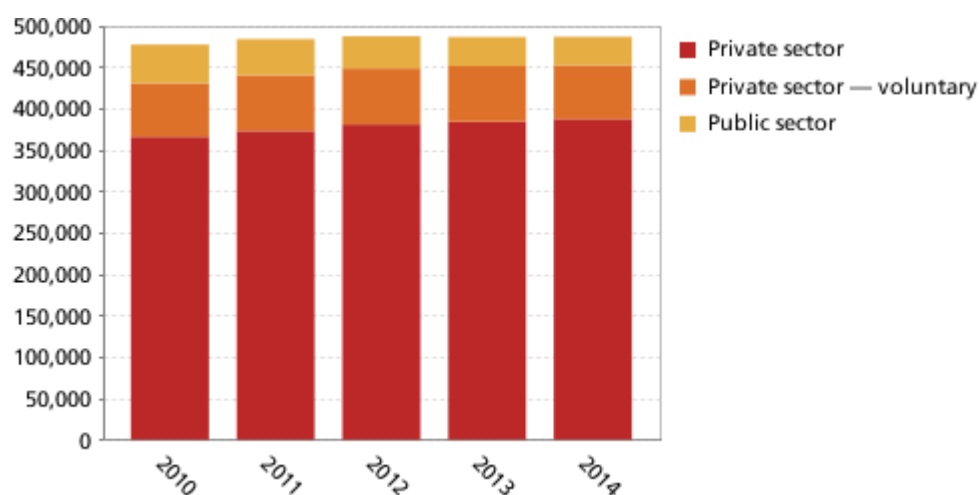
Total	477,600	484,200	487,700	486,800	487,000
% change year-on-year	-	1.4	0.7	-0.2	neg.

NHS — National Health Service

Note: yearly comparisons should be used with caution as review periods differ for 2010 and 2011 and 2012 to 2014; data are for years ending March 2010 and 2011 and September 2012 to 2014.

Source: Care of Older People (27th edition), LaingBuisson

Figure 3.2: Nursing, Residential and Long-Stay Hospital Care of Older and Physically Disabled People by Sector by Number of Places, 2010-2014



Note: yearly comparisons should be used with caution as review periods differ for 2010 and 2011 and 2012 to 2014; data are for years ending March 2010 and 2011 and September 2012 to 2014.

Source: Care of Older People (27th edition), LaingBuisson/Key Note

By Demand

Despite witnessing a fall of 1.5% in 2013, demand for long-term care places also increased over the past 5 years, from 420,821 places in 2010 to 433,148 places in 2014 — representing growth of 2.9%. In the year to September 2014, 433,148 places were occupied, out of 487,000 available places, compared with 426,761 places out of 486,800 places in the previous year. Between 2013 and 2014, occupancy rates increased from 87.7% in 2013 to 88.9%.

Local authorities continue to be the largest source of funding for long-term care for the elderly. Around half of long-term care places provided by the private sector were paid for by local authorities.

Table 3.3: Demand for Elderly and Physically Disabled People in Residential Settings in the UK by Sector by Occupancy Rate (000), 2010-2014

	2010	2011	2012	2013	2014
<u>Private Sector</u>					
Private					
Nursing care	154,088	156,883	164,735	162,388	168,250
Personal care (residential)	170,039	170,544	175,526	176,113	180,809
Total private	324,127	327,427	340,261	338,501	349,059
<i>% change year-on-year</i>	-	1.0	3.9	-0.5	3.1
Voluntary					
Personal care (residential)	45,535	46,128	45,628	45,431	43,854
Nursing care	15,208	16,461	17,531	16,821	16,215
Total voluntary	60,743	62,589	63,159	62,252	60,069
<i>% change year-on-year</i>	-	3.0	0.9	-1.4	-3.5

Total private sector	384,870	390,016	403,420	400,753	409,128
<i>% change year-on-year</i>	-	1.3	3.4	-0.7	2.1
Public Sector					
Local authority homes	22,206	20,426	17,502	14,793	13,225
NHS units	13,746	12,881	12,190	11,214	10,794
Total public sector	35,952	33,307	29,692	26,007	24,019
<i>% change year-on-year</i>	-	-7.4	-10.9	-12.4	-7.6
Total	[†]420,821	423,323	433,112	[†]426,761	[†]433,148
<i>% change year-on-year</i>	-	0.6	2.3	-1.5	1.5

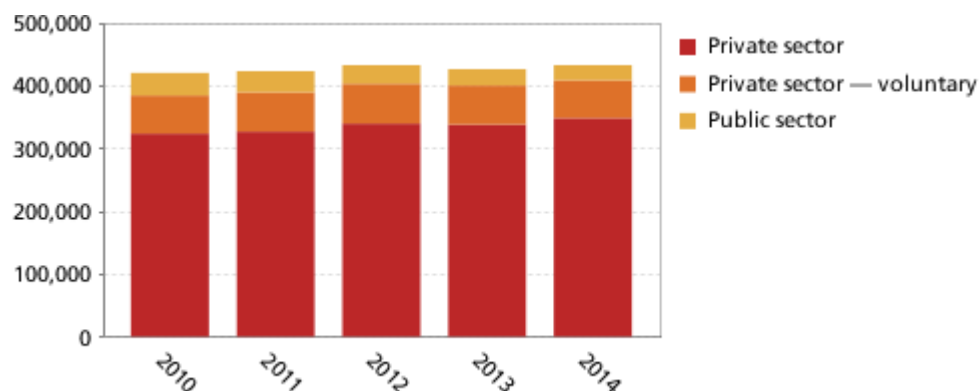
NHS — National Health Service

† — totals do not sum due to rounding at source

Note: yearly comparisons should be used with caution as review periods differ for 2010 and 2011 and 2012 to 2014; data are for years ending March 2010 and 2011 and September 2012 to 2014.

Source: Care of Older People Market Survey, Table 5.1, LaingBuisson

Figure 3.3: Demand for Elderly and Physically Disabled People in Residential Settings in the UK by Sector by Occupancy Rate (000), 2010-2014



Note: yearly comparisons should be used with caution as review periods differ for 2010 and 2011 and 2012 to 2014; data are for years ending March 2010 and 2011 and September 2012 to 2014.

Source: Care of Older People Market Survey, Table 5.1, LaingBuisson/Key Note

FORECASTS

Future Trends

Older Population

Long-term demographic trends projections reveal that the UK's population is increasingly ageing. According to National Statistics' *Population Projections*, the number of people aged 65 and over is forecast to rise from 11.6 million in 2015 to 17.6 million in 2036, an increase of almost 6 million people. In terms of increases in the proportion of older people in the UK, it is projected that the proportion of UK residents aged 65 and over will account for 24.1% of the total population in 2036, up from 17.9% in 2015. Over the same period, the number of older people aged 85 and over is expected to more than double, rising from 1.6 million in 2015 to 3.6 million in 2036. Since the likelihood of needing long-term care increases with age, this demographic change is likely to lead to a surge in demand for long-term care services in the UK.

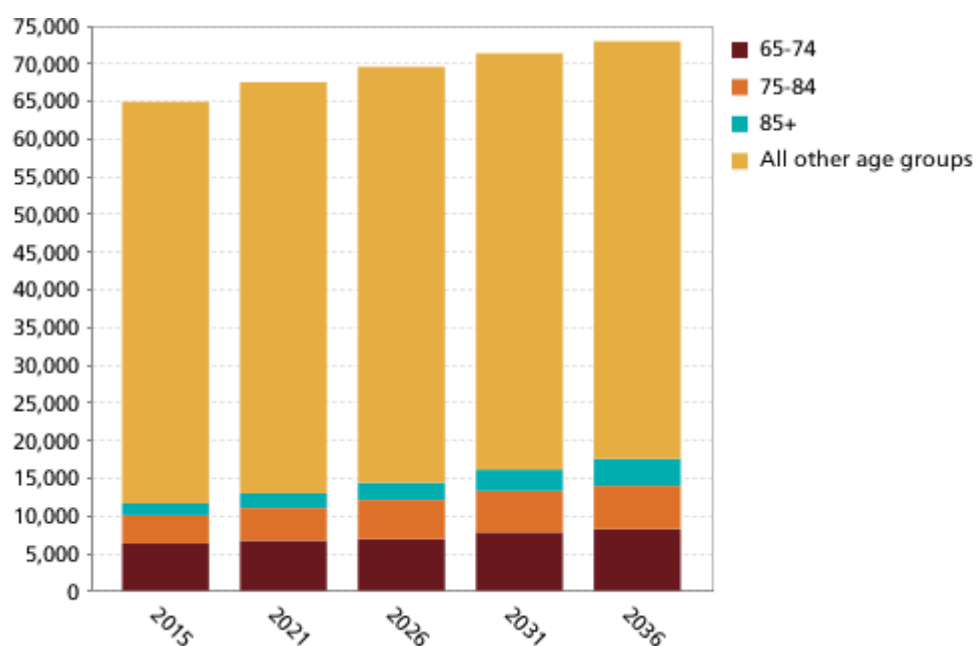
Table 3.4: UK Older Population Projections by Selected Age Groups (000), 2015, 2021, 2026, 2031 and 2036

	2015	2021	2026	2031	2036
65-74	6,327	6,751	6,941	7,823	8,255
75-84	3,758	4,336	5,210	5,487	5,751
85+	1,561	1,913	2,280	2,836	3,562
Total population aged 65+	11,646	13,000	14,431	16,146	17,568

All ages	64,938	67,550	69,575	71,380	72,971
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Source: 2012-based Population Projection, National Statistics © Crown copyright material is reproduced with the permission of the Controller of HMSO (and the Queen's Printer for Scotland)

Figure 3.4: UK Older Population Projections by Selected Age Groups (000), 2015, 2021, 2026, 2031 and 2036



Source: 2012-based Population Projection, National Statistics © Crown copyright material is reproduced with the permission of the Controller of HMSO (and the Queen's Printer for Scotland)/Key Note

Local Authority Budget Cuts

As previously mentioned, publicly funded care for elderly residents has been severely affected by the public-sector funding cuts witnessed since the economic downturn. The squeeze on local authority budgets is expected to continue over the next few years. In a new report published by the Local Government Association (LGA) in June 2015, entitled *Future Funding Outlook Report*, it was suggested that local councils in England could have their central government funding reduced by £3.3bn in 2016/2017, equivalent to 12% of their total budgets. The LGA predicted a further 11% cut in funding in 2017/2018, and 4% in 2018/2019. Financial pressures, coupled with rising demand from an ageing population, mean that a growing number of older people might be unable to receive publicly funded care services in the future. Furthermore, as

mentioned in Chapter 2 — What's KEY in the Market? — life expectancy (LE) rates in the UK are rising, which is further contributing to the strain on local authority budgets.

Medical Breakthroughs May Reduce Demand for Long-Term Care

Advances in medical science may provide new drugs/cures for chronic illnesses, such as dementia; this could allow older people to stay independent for longer, thus reducing demand for long-term care services. According to a recent study published in October 2015 by University College London, a new drug named Donepezil appears to delay the point at which an older person with Alzheimer's needs to be moved into a care home. The research — based on a study of 295 people with moderate to severe Alzheimer's disease — found that patients who continued to take the drug were almost 50% less likely to end up in a care home within the next 12 months.

Future Economic Trends

National Statistics projects that the UK population will continue to grow over the next 5 years, rising from 64.9 million people in 2015 to 66.7 million people in 2019 — representing an increase of 2.7%. Gross domestic product (GDP) in the UK is predicted to grow consistently over the forecast period, at yearly rates of between 2.3% and 2.6%. UK inflation is predicted to increase gradually over the next few years, peaking at 3.2% in 2019, from 1.1% in 2015. Meanwhile, the number of claimants of Jobseeker's Allowance (JSA) is expected to continue falling, from 970,000 in 2015 to 870,000 in 2018, before rising again slightly in 2019, to reach 890,000.

The UK's ageing population should help to ensure demand for long-term care services for the elderly in the years to come. The robust economic growth will help to boost business confidence and increase investment in carer and nursing home facilities.

Table 3.5: Economic Forecasts (000, % and million), 2015-2019

	2015	2016	2017	2018	2019
UK resident population (000)	64,938	65,386	65,825	66,266	66,697
GDP growth (%)	2.6	2.5	2.4	2.4	2.3
Inflation [†] (%)	1.1	2.3	3.0	3.1	3.2
Unemployment [‡] (million)	0.97	0.89	0.88	0.87	0.89

GDP — gross domestic product

† — at retail price index (RPI)

‡ — actual number of claimants; claimant count measures the number of people claiming Jobseeker's Allowance

Source: National Population Projections, 2012-based projections, National Statistics website/Forecasts for the UK Economy: a comparison of independent forecasts, August 2015, HM Treasury © Crown copyright material is reproduced with the permission of the Controller of HMSO (and the Queen's Printer for Scotland)

Forecast Total Market

Key Note expects that demand for elderly residential and nursing care in the UK will continue to grow over coming years, driven by the UK's rapidly ageing population and the increasing number of frail older people with complex care needs. Key Note forecasts that the value of the UK's long-term care market will grow steadily over the forecast period, rising from £16.23bn in 2015 to £18.54bn in 2019. The private sector is forecast to continue to expand within the long-term elderly care market, rising by an estimated 2.9% and 3.7%, respectively, in 2015 and 2016, while the public sector is expected to shrink further, to £1.29bn in 2019, from £1.53bn in 2015.

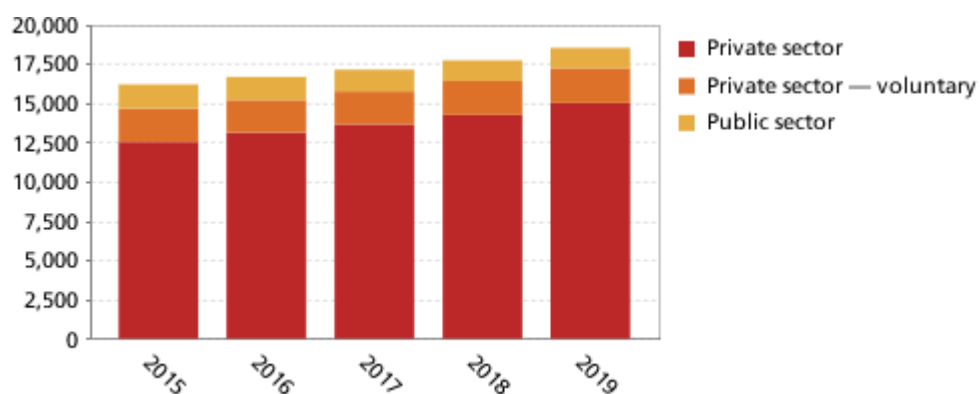
Table 3.6: The Forecast UK Market for Nursing, Residential and Long-Stay Hospital Care of Elderly, Chronically

III and Physically Disabled People by Sector by Value (£m), Years Ending December 2015-2019

	2015	2016	2017	2018	2019
<u>Private Sector</u>					
Private	12,570	13,153	13,690	14,276	15,040
% change year-on-year	3.8	4.6	4.1	4.3	5.4
Voluntary	2,126	2,087	2,091	2,150	2,214
% change year-on-year	-2.5	-1.8	0.2	2.8	3.0
Total private sector	14,696	15,240	15,781	16,426	17,254
% change year-on-year	2.9	3.7	3.5	4.1	5.0
Public sector	1,531	1,455	1,380	1,325	1,289
% change year-on-year	-4.7	-5.0	-5.2	-4.0	-2.7
Total	16,227	16,695	17,161	17,751	18,543
% change year-on-year	2.1	2.9	2.8	3.4	4.5

Source: Key Note

Figure 3.5: The Forecast UK Market for Nursing, Residential and Long-Stay Hospital Care of Elderly, Chronically III and Physically Disabled People by Sector by Value (£m), Years Ending December 2015-2019

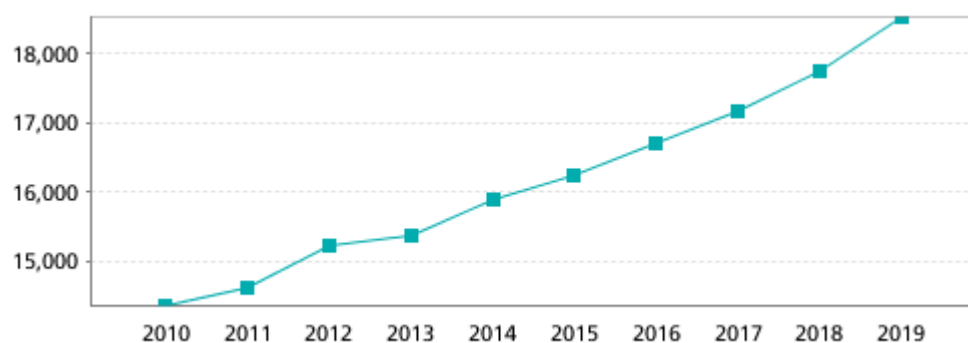


Source: Key Note

MARKET GROWTH

Figure 3.6 illustrates growth in the UK elderly long-term care market in the 10 years from 2010 to 2019. As can be seen, the UK market for nursing, residential and long-stay hospital care of elderly, chronically ill and physically disabled people is expected to grow in value by 29.1%, from £14.36bn in 2010 to £18.54bn in 2019.

Figure 3.6: Growth in the UK Market for Nursing, Residential and Long-Stay Hospital Care of Elderly, Chronically Ill and Physically Disabled People by Sector by Value (£m), Years Ending December 2010-2019



Note: 2015 to 2019 data are Key Note estimates.

Source: Care of Older People (27th edition), LaingBuisson/Key Note

International Perspective

OVERVIEW

Many countries, like Britain, are experiencing a rapid ageing of their populations due to rising life expectancy as a result of advancements in medicine, and improvements in healthcare and nutrition. Today, even in the poorest nations, most people are living longer. According to a report published by the World Health Organization (WHO) in September 2015, globally, the number of people over the age of 60 is expected to double by 2050. However, the WHO warned that longer years of life do not necessarily mean improved health, especially among people from disadvantaged backgrounds, as those in poorer countries are likely to have the poorest health and the greatest needs in old age. The globally ageing population will push an increasing number of frail older people (particularly those aged 80 and over) into needing long-term care services. As such, the WHO has called for governments to develop long-term care systems that can help to reduce the inappropriate use of acute health services.

The US

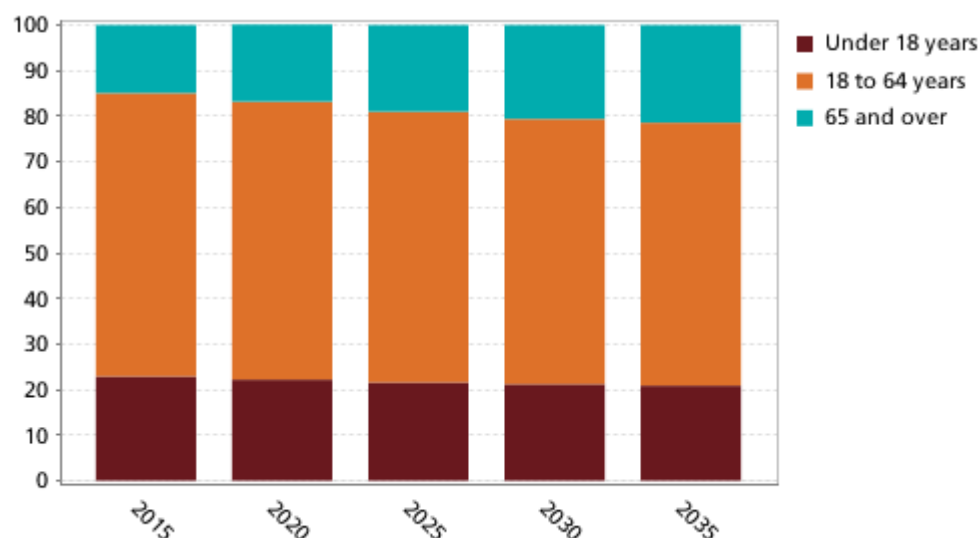
In the US, the number of senior citizens is on the rise. According to the 2014 *Census Bureau* report, in 2035, the number of people aged 65 and over is expected to account for 21.4% of the total US population, up from 14.9% in 2015. Around half of all long-term care costs are paid for by Medicaid — a means-tested and tax-funded programme for the long-term care of elderly and disabled people that cannot afford it. A significant proportion of long-term care is provided by families and friends in the community. Like the UK, finding a way to pay for long-term care services is a growing concern for older people in the US and their families, and a major challenge facing the state and the federal government.

Table 4.1: Population Projection of the US by Age (%)
2015, 2020, 2025, 2030 and 2035

	2015	2020	2025	2030	2035
Under 18 years	22.9	22.2	21.6	21.2	20.9
18 to 64 years	62.2	61.0	59.4	58.2	57.7
65 and over	14.9	16.9	19.0	20.6	21.4

Source: 2014 National Population Projections: Summary Tables, US Census Bureau

Figure 4.1: Population Projection of the US by Age (%)
2015, 2020, 2025, 2030 and 2035



Source: 2014 National Population Projections: Summary Tables, US Census Bureau/Key Note

Europe

In Europe, long-term elderly care services in most European states are funded by governments through taxes or social insurance. Informal care provided by spouses, children and other family members also plays a large role. The projected increase in demand for long-term care services driven by the ageing population will present a major challenge for governments in Europe. As projected by the European Commission, by 2035, the elderly population in the EU-28 will account for 25.8% of the population total.

In the UK, the long-term care system in England can be categorised as a 'safety-net' type of system, as it only supports those with severe needs who are unable to afford care costs. In Germany, the long-term care insurance system was introduced in 1995 and became a mandatory social insurance, like medical and unemployment insurance. Germany is also facing the ageing problem; in 2013, 21% of the German population were aged 65 and over, and the proportion is expected to rise to 30.6% in 2035. Meanwhile, the long-term care system in Italy is highly fragmented, with sources of care funding, governance and care management spread over local and regional authorities in each region.

Table 4.2: The Elderly Population in the EU-28 as a Percentage of the Total Population by Country, 2013, 2020, 2035, 2030 and 2035

	2013	2020	2025	2030	2035
Country					
Italy	21.2	22.4	23.5	25.3	27.3
Germany	21.0	23.2	25.2	28.1	30.6
Greece	20.3	22.1	23.8	25.8	28.4
Portugal	19.6	22.4	24.5	26.8	29.1
Bulgaria	19.4	21.7	23.1	24.3	25.6
Sweden	19.3	20.4	20.9	21.5	22.2
Finland	19.1	22.1	23.4	24.5	24.8
Latvia	18.9	20.7	23.1	25.5	27.0
Croatia	18.3	20.7	22.6	24.2	25.4
Lithuania	18.3	20.7	24.0	27.7	30.1
Estonia	18.2	20.6	22.6	24.3	25.5
Austria	18.2	19.5	21.1	23.5	25.5
Denmark	18.0	20.0	21.1	22.4	23.4
Spain	17.9	20.1	22.4	25.3	28.2
France	17.8	20.3	21.8	23.2	24.4
Belgium	17.7	18.9	20.0	21.3	22.1
Malta	17.5	21.2	23.3	24.4	24.5

Hungary	17.4	20.3	21.6	21.9	23.0
Slovenia	17.3	20.6	22.9	25.0	26.7
UK	17.3	18.7	19.8	21.4	22.7
Czech Republic	17.1	20.2	21.4	22.3	23.0
Netherlands	17.1	20.0	22.1	24.3	26.2
Romania	16.4	18.9	20.5	20.8	23.2
Poland	14.5	18.4	21.2	22.7	23.7
Luxembourg	14.0	14.8	15.6	16.8	17.9
Cyprus	13.4	16.3	18.5	20.5	21.9
Slovakia	13.3	16.9	19.5	21.6	23.2
Republic of Ireland	12.4	15.0	17.1	19.4	21.4
EU-28	18.4	20.5	22.2	24.1	25.8
Norway	15.8	17.1	18.1	19.0	20.0

Note: elderly population refers to those aged 65 and over; although Norway is not a Member State of the EU, it is closely associated with the EU through its membership in the European Economic Area (EEA), in the context of being a European Free Trade Association (EFTA) member as has therefore been included in the table.

Source: The 2015 Ageing Report © European Commission

Strengths, Weaknesses, Opportunities & Threats

STRENGTHS

- In recent decades, the UK private elderly residential and nursing care sector has benefited from the long-term decline in public-sector in-house provision of elderly care.
- In the UK, most long-term care for older people is provided in residential or nursing care homes. There are more than 11,000 registered care homes for older people in the UK.
- The UK population is rapidly ageing; old age is linked with frailty, immobility and failing health. Many older people are living with one or more long-term medical condition(s). The UK's ageing population will help to boost demand for residential and nursing care.
- The UK long-term care sector is well regulated compared with some other European countries and it has clear structure to monitor the quality of long-term care provision for older and physically disabled people, e.g. The Care Act 2014.

WEAKNESSES

- The long-term elderly care sector has been affected by public-sector spending cuts, as local authorities purchase much of the long-term care services used from private care operators.
- Medical advancements and the development of new drugs, which help with dementia, for instance, could help older people to stay independent for longer, thus reducing the demand for long-term elderly care.
- Long-term care providers' profit margins are highly dependent on high occupancy rates.

OPPORTUNITIES

- The number of older people aged 85 and over will grow dramatically over the next few years. This will provide opportunities for care homes that offer specialist care.
- Access to the Internet in care homes can provide opportunities to increase interaction for residents and their family, and help to tackle social isolation and loneliness. Making care homes more appealing in this way could boost resident numbers.
- The development of new, high-quality care accommodation is expected to continue over the next few years, especially in locations that attract a high percentage of self-funded residents and top-up fees.

THREATS

- The squeeze on local council budgets has led to cuts to care and support services, and impacted older and disabled people's eligibility for financial support. This, in turn, has affected income in the care homes sector.
- The abuse and neglect of older people frequently reported in the media will continue to cast a shadow on the long-term care sector.
- From October 2015 onwards, the national minimum wage (NMW) for adults increased from £6.50 per hour to £6.70 per hour. The imminent increase in the NMW will have a severe impact on care home operators' profit margins.

PEST

POLITICAL

Health and Social Care Act

The Health and Social Care Act, introduced in 2012, outlines the most extensive reorganisation of the National Health Service (NHS) in England since its inception. The reform aims to maximise patient choice, supporting better integration between health and social care services, and promoting individual independence and wellbeing. Key areas of the Act include the following:

- establishing an independent NHS Board to allocate resources and provide commissioning guidance
- increasing general practitioners' (GPs') powers to commission services on behalf of their patients
- strengthening the role of the Care Quality Commission (CQC)
- developing Monitor, the body that currently regulates NHS foundation trusts, into an economic regulator to oversee aspects of access and competition in the NHS
- cutting the number of health bodies to help meet the Government's commitment to reduce NHS administration costs by a third, including abolishing Primary Care Trusts and Strategic Health Authorities.

The Health and Social Care (Safety and Quality) Act 2015 received Royal Assent in March 2015. It amends the Health and Social Care Act 2012 and aims to improve safety and quality of care. It enables health and adult social care providers to share information about a person's care with other health and care professionals. The Act also introduced the idea of 'consistent identifier' (using the NHS number) for all data sharing associated with or facilitating care for an individual. This will enable better connection of health and care records as people move between services.

The Care Act 2014

The Care Act 2014 is the most significant change in social care policy over the last 60 years. Replacing previous out-of-date regulations, the new Act aims to make provisions to reform the law relating to care and support for adults and the law relating to support for carers; to make provisions about safeguarding adults from abuse or neglect; to make provisions about care standards; and to make provisions about integrating care and support with health services. The Act was designed to rationalise local authorities' obligations, and to introduce new duties based on the principle of an individual's wellbeing, including physical, mental and emotional wellbeing. The wellbeing principle

applies to both the person needing care and their carer.

The Act also introduced a national minimum threshold for social care for the first time. Previously, eligibility for social care services was set regionally by local authorities. Under the regulations, adults are entitled to care and support if their needs are related to a physical or mental impairment and their wellbeing is significantly affected by not being able to achieve two or more of a total of ten outcomes, such as managing toilet needs, managing and maintaining nutrition, personal hygiene, and dressing, etc.

Part of the Act came into force in April 2015, which changed how local authorities assess and fund adults' care needs. It allows local authorities to contract out social work functions, such as care assessments. It also covers how local authorities should determine who is eligible for care support, and other new obligations on local authorities. The remaining parts of the Act will come into effect in April 2020 and cover how local authorities should charge for both residential care and community care. Under the Act, a cap of £72,000 on care costs will also be introduced in April 2016. This means no one has to pay more for their care needs once they have spent a total of £72,000. This applies to both care home fees and the cost of care which people receive in their own home.

ECONOMIC

Government Funding

The UK economy has a strong influence on government spending on health and social care services. The recent financial crisis and the subsequent bailout of banks put severe strain on the Government's finances. In order to reduce the country's structural deficit, the Government introduced steep cuts to public-sector spending, and health and social care reforms to deliver improved efficiencies and outcomes. Since 2009, local authorities have reduced the total amount of state-funded care provided to elderly and disabled people. Many local authorities have raised the eligibility level they set for long-term care packages.

According to recent analysis by the National Audit Office, the total number of adults receiving state-funded care services in England fell from around 1.8 million in 2008/2009 to 1.3 million in 2012/2013. Over the period, the number of adults aged 65 and over receiving state-funded social care services fell from 1.2 million to 90,000.

Average Care Home Fees

The cost of long-term care services in the UK has been increasing in recent years, in line with the overall cost of living. According to LaingBuisson, the UK's average fees for private-sector nursing home residents reached £756 per week in 2014/2015, up from £705 in 2010/2011, an increase of 7.2%. Over the 5-year period, average weekly fees for private residential care rose by 9.1% to £563 in 2014/2015.

In August 2015, figures released by care agency Prestige Nursing & Care showed that annual care home costs in the UK rose by 2.5% in 2014/2015, compared with a smaller increase of 1.1% in the previous year. The study further revealed that there are huge discrepancies in care home costs across the UK, with the east of England having the highest and fastest-growing care home costs, at £33,800 in 2014/2015, compared with the lowest of £24,232 in the North East.

Increases in care home costs, combined with rising demand from an ageing population and reductions to care funding, contribute to the challenges faced by the long-term care sector.

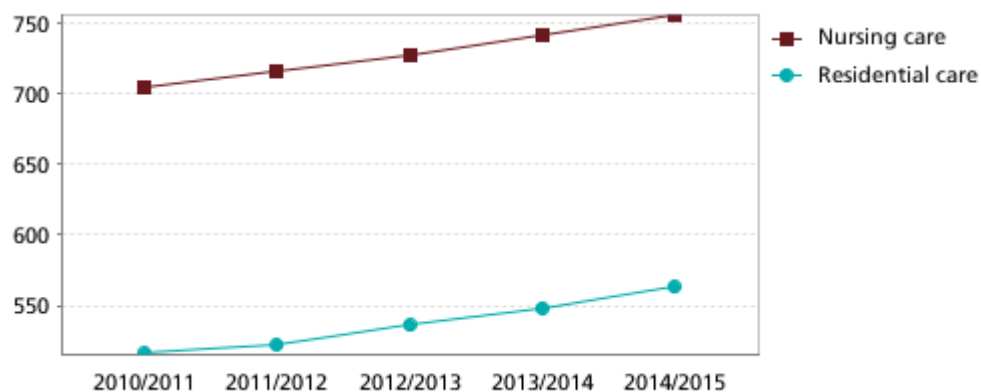
Table 6.1: Average Weekly Fees at Private-Sector Care Homes for Older People in the UK by Type (£), Years Ending April 2011-2015

	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015
Nursing care	705	717	728	742	756
Residential care	516	522	536	548	563

Note: figures are weighted average.

Source: Care of Older People (27 edition), LaingBuisson

Figure 6.1: Average Weekly Fees at Private-Sector Care Homes for Older People in the UK by Type (£), Years Ending April 2011-2015



Note: figures are weighted average.

Source: Care of Older People (27 edition), LaingBuisson/Key Note

SOCIAL

Abuse and Neglect in Care Homes

Abuse and neglect in care and nursing homes is an ongoing issue in the UK. In 2014, the Care Act 2014 was introduced by the Government, with the aim of safeguarding vulnerable older adults, preventing harm and reducing the risk of abuse and neglect. As part of the Act, the CQC announced that it would carry out Ofsted-like inspections of care homes and services across England, awarding ratings of Outstanding, Good, Requires Improvement or Inadequate, with homes that were deemed Inadequate forced to shut down. However, as of July this year, as few as 9% of homes had so far been assessed, due to a shortfall in the number of inspectors, as was reported in *The Telegraph* on 22nd July 2015; this is despite a February 2016 deadline being put in place. While this deadline has been extended to October next year, cases of abuse continue to be reported in the media.

In February 2015, a report into a care home in Dorset found there were eight allegations of carers abusing residents between 2010 and 2012. A member of staff raised concerns after seeing another staff member verbally abusing and neglecting a vulnerable resident. Meanwhile, in September 2015, the daughter of an elderly woman at a care home in Birmingham installed a hidden camera after she became suspicious of the ways her mother who suffers from Alzheimer's disease was being abused by carers. The video footage showed the older woman was being assaulted, threatened and mocked by staff. The footage led to a police investigation and resulted in the two carers involved being sacked.

Covert surveillance has been proposed as a means of combating abuse in care homes, with around 73% of visitors to this year's Care Show agreeing that video surveillance

should be introduced to care homes, according to Carehome.co.uk. However, this could open up a 'legal minefield' for both care home providers and for individuals wanting to monitor their relative's care, with a range of ethical consideration to bear in mind, regarding the way in which concerns for privacy are balanced with those about people's safety and autonomy.

TECHNOLOGICAL

As technology continues to advance, new ways of caring for elderly and disabled people are being developed across the world. For example, Japanese car manufacturers are currently developing devices to help carry elderly people or provide mobility assistance. The idea of using robots to care for the elderly is starting to find its way into care homes.

In September 2015, it was reported in the news that several NHS trusts are experimenting with the use of PARO in care homes for the elderly, including care homes that deal with dementia patients. PARO is a therapeutic robot baby harp seal, which is intended to be cute and to have a calming effect on and elicit emotional responses among patients. It has five kinds of sensors — tactile, light, audition, temperature and posture — with which it can perceive people and its environment. It has been found that PARO has helped to reduce patient stress, improving relaxation and motivation.

Company Financials

Financial data for the leading companies in this market are listed below; it should be noted that the financial results for certain companies are not restricted to sales of the products covered by this report.

	Turnover (£000)	Pre-Tax Profit (£000)	Year End
Company			
Barchester Healthcare Ltd	523,400	11,484	31/12/2014
HC-One Ltd	314,580	21,270	30/09/2014
Anchor Trust	265,822	12,054	31/03/2014
The Orders of St John Care Trust	99,573	2,577	31/03/2014
Hallmark Care Homes Group Holdings Ltd	3,788	188	31/03/2014
Countrywide Care Homes Ltd	44,152	16	30/04/2014
Four Seasons Health Care Group Ltd	43,195	-3,499	31/12/2014
Balhousie Holdings Ltd	29,500	-1,329	30/09/2014
Ideal Carehomes Ltd	18,672	269	31/03/2015
Bupa Care Homes (CFG) PLC	-	12,670	31/12/2014
Care UK Ltd	-	-42,300	30/09/2014

Further Sources

Associations

Age UK

<http://www.ageuk.org.uk>

Publications

- The 2015 Ageing Report

European Commission

<http://ec.europa.eu>

- Care of Older People (27th edition)
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<http://www.carehome.co.uk>

National Audit Office

<https://www.nao.org.uk>

World Health Organization

<http://www.who.int>

Key Note Research

Key Note is a leading supplier of market information, publishing an extensive range of consumer, industrial, business-to-business and services titles. With over 30 years' experience, Key Note represents clear, concise, quality market information.

For all reports, Key Note undertakes various types of research:

Online searching is carried out by product code or free search method, and covers the period from the last edition of the report to the current day.

Trade sources, such as trade associations, trade journals and specific company contacts, are invaluable to the Key Note research process.

Secondary data are provided by Kantar Media (TGI) and Nielsen for consumer/demographic information and advertising expenditure, respectively. In addition, various official publications published by National Statistics, etc., are used for essential background data and market trends.

Interviews are undertaken by Key Note for various reports, either face-to-face or by telephone. This provides qualitative data ('industry comment') to enhance the statistics in reports; **questionnaires** may also be used.

Field research is commissioned for various consumer reports and market reviews, and is carried out by NEMS Market Research.

Key Note estimates are derived from statistical analysis and trade research carried out by experienced research analysts. Up-to-date figures are inserted where possible, although there will be some instances where a realistic estimate cannot be made or external sources request that we do not update their figures.

Key Note Editorial, 2015

