

New Year Care Sector Insight from Chandler&Co

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Firstly, taking a look back, 2024 showed a resilient care home acquisition sector with continued buyer demand increasing deal completion pace as the year progressed, albeit the journey time from the purchase offer to completion has extended on average to 8 months due in part to additional due diligence. The downside being that the availability of care home stock for sale has continued to lag behind buyer demand across the UK.

With economic conditions in 2024 seeing a more normal trajectory, albeit from a higher start point due to the previous cost of living crisis, sustainable care businesses have continued to address operational efficiencies, with many providers having now adopted digital care planning and starting to evolve digital innovation practices. **Ownacarehome** partner, **Nourish**, an NHS Assured Supplier of social care technology, continues to innovate and increase its connectivity with technology platforms.



SAVINGS THAT ADD UP

Advantage Buying, a leading cost management company, has continued to save operational costs for care home providers and thereby increasing sustainable profits of a care home business, enhancing its current and future valuation.

Winter Health checklist

Advantage Buying have prepared a 10-point checklist to help save on your care home businesses energy costs.

[DOWNLOAD CHECKLIST HERE](#)



During 2024, care home operators in general have seen improved occupancy and a reduction in agency costs, strengthening business valuations and debt serviceability.

The commencement of a downward trajectory in Bank of England interest rate cuts also stimulated buyer demand with often multiple offers going to best and final bids for marketed care homes. The growing number of care home buyers in a demand led sector resulted in many opportunities going under offer within weeks of going to market.

We await to see if The Autumn Budget will increase the number of care home owners deciding to exit the sector and whether more favourable planning will increase the number of new care home builds and extensions.



Insurance cover challenge solutions have been provided successfully by Buyacarehome & Ownacarehome partner, **Quality Care Group (QCG)**. Increased due diligence from lenders has led to some more complicated requirements, which the team have confidently met. Read their popular tips when **buying** and **selling** a care home.

The CQC struggled to increase assessments and inspections with an internal overhaul promising to reduce care home registration waiting applications and ensure ratings and re-ratings happen sooner in 2025.

Despite ongoing challenges with **staff** retention and recruitment, the CQC continued overhaul with care providers adapting to the Single Assessment Framework, the sector continues to provide solutions and remain agile with support for care providers from **external consultants**. The Autumn 2024 Budget impact will be assessed within financial forecasts with care providers assessing self funder fee levels and third party top ups where they can, subject to fee increases from local authorities who will need to assess the 6.7% National Living Wage increase in their fair cost of care packages alongside the increase in employer National Insurance.

Chandler & Co. clients continue to be offered expert finance brokerage support throughout their care home acquisition journey and beyond, with a long standing reputation of over 30 years showing vendors that the team continue to present calibre buyers with competitive offers, working with the buyers and their professionals to secure a successful acquisition.



Some of our recent funding instructions & deal completions

Commercial Mortgage completion - £2.85m Refinance and capital raise for existing operator to acquire his third care home.

Loan sanctioned for a mortgage of £3,710,000 for an existing care home operator

Deal agreed for a mortgage of £1,739,304 for a new care home operator

£13m agreed for a Management Buy In of 8 residential homes

£500k agreed for a first time buyer of a new Learning Disability Home

Completion of a mortgage for £1.6m
A new purchase for an existing operator

COMPLETION for a mortgage of £1,570,000
Specialist Care Provider purchases second Care Home

NEW INSTRUCTION for a loan of £1,200,000 to purchase a Care Home in the South West for a new operator with a background in care

COMPLETION for a mortgage of £4,300,000 for a Care Home Operator as they purchase two more care homes



Autumn 2024 Budget Impact



How the Budget will fully impact the care home and wider sector will be witnessed in a care provision's operational performance in 2025. Inflation is now under more control, however, the economy as a whole awaits a continued reduction in the Bank of England's base rate, which in turn impacts the cost of debt.

The UK Budget 2024 has been met with mixed feelings by the care home sector. While it includes a £600 million allocation for social care, the funding is deemed to fall well short of the funding needed to support the sector facing rising employment costs from the 6.7% increase in the National Living Wage and higher National Insurance contributions. A substantial increase in the percentage contributed by self funders is most likely on the cards with local authority funding continuing to face challenges of affordability.

Despite the Autumn 2024 Budget, the care home sector continues to be seen by new entrants and scaling up care businesses as a key target sector with continued business growth anticipated during 2025.



Capital Allowances in the Care Home Sector

Helping to counter act increases in the cost of employment always remember to make the most from the tax reliefs from capital allowances:

In their video, Jonathan Jex of **Jex Capital Allowances**, delves into the valuable tax reliefs available to care home owners. Whether you're new to the concept of capital allowances or looking to deepen your understanding, this video equips you with the knowledge you need to make informed financial decisions for your care home business

[Watch now and start unlocking the financial advantages available to your care home!](#)



Useful to know – UK Company size thresholds to increase



When?

New regulations will increase company and Limited Liability Partnership (LLP) size thresholds effective April 2025 and will include removing certain requirements from the Directors' Report.

Why is this happening?

The threshold uplift is to reduce the reporting burden and complexity on Companies and Limited Liability Partnerships (LLP) Annual Account reporting.

What are the new thresholds?

	Micro	Small	Medium
Turnover of not more than:	£1m	£15m	£54m
Total assets not more than	£500k	£7.5m	£27m
Monthly average of employee not more than:	10	50	250

To confirm the impact the new thresholds will have on your company or Limited Liability Partnership (LLP) reporting speak with your Accountant or our panel of advisers on [Ownacarehome](#) or [Buyacarehome](#). It is noted that entities moving into the small reporting regime will be exempt from having a statutory audit of their annual accounts, which is subject to implications of group membership and from producing a Strategic Report.

Entities moving to the micro category will be exempt from producing a Director's Report.

For medium and large entities there will also be reduced reporting requirements, particularly with non-financial reporting in the Directors' Report.



Environmental Sustainability sustainable development

The Well-led key question includes a focus on how a care provider is assessing and acting upon any negative impact a service has on environmental issues, and it is expected to increase in priority from 2025.

As part of CQC's new **Single Assessment Framework** there is a quality statement on environmental sustainability and in 2025 as part of the rating health and social care services efforts to become more environmentally sustainable will be examined. This quality statement links to **Regulation 17 Good Governance**.

CQC Quality statement

"We understand any negative impact of our activities on the environment, and we strive to make a positive contribution in reducing it and support people to do the same."

What this quality statement means

- Staff and leaders understand that climate change is a significant threat to the health of people who use services, their staff, and the wider population.
- Staff and leaders empower their staff to understand sustainable healthcare and how to reduce the environmental impact of healthcare activity.
- Staff and leaders encourage a shared goal of preventative, high quality, low carbon care which has health benefits for staff and the population the providers serve, for example, how a reduction in air pollution will lead to significant reductions in coronary heart disease, stroke, and lung cancer, among others.
- Staff and leaders have Green Plans and take action to ensure the settings in which they provide care are as low carbon as possible, ensure energy efficiency, and use renewable energy sources where possible.
- Staff and leaders take active steps towards ensuring the principles of net zero care are embedded in planning and delivery of care. Low carbon care is resource efficient and supports care to be delivered in the right place at the right time." (Source CQC)

START planning your Environmental green journey

- Do you have an **environmental strategy**?
- Do you have a **green care home team**?
- Have you developed an **Action Plan**?
- How are you monitoring your green journey progress?

Supporting care providers across the UK contact **Sustainable X**



What is the impact of ESG on Lending?

At the time of writing this newsletter lenders in the care space are stepping up their **green policy** implementation with varying degree.

The health and social care sectors continue to be positive sectors from a funding perspective albeit not without challenges. Looking back at 2024 lenders continued to support the care sector with increasing due diligence, taking into account serviceability of debt alongside the track record of experienced operators and the relatable experience of new entrants to the sector. Where there is a new entrant to the care home sector, lenders on the whole seek to mitigate lender risk with the new entrant having consultancy support. An area of expertise of the experts on the **Buyacarehome panel**.

The health and social care sectors continue to be a vibrant sector to lend in with multiple buyers for many care homes at a time when stock availability remains challenging. The care home and wider care sectors continue to support families and communities alike, many at their time of need in a generation that is rapidly ageing with increased acuity.

Lenders continue to focus on operator credentials, quality of property, and the fair maintainable trade as part of the valuation process.

Where a provider seeks to extend a care provision or improve, for example, communal spaces, ESG will play its part. Lenders will assess how any property retrofitting will improve a care home's environment in addition to enhancing a social space for residents and staff.

The rating of care homes continues to have a significant impact on a lender's due diligence, which has thus been impacted by the CQC's internal performance during 2024, resulting in a backlog of new provider registrations and inspection re-rating, especially where a care home has been rated as requires improvement or inadequate. To combat a delay in rating inspections, mock inspections from **external consultants** has been a growth area of support to the care sector, since delayed inspections or inspection inconsistencies under the Single Assessment Framework impacted stakeholders' ability to assess care quality.

We are at the start of care home developments being fully electric, for example powered by air source pumps and utilising solar panels, striving for BREEAM certification, which is used to specify and measure the sustainability performance of a building, however, new care home builds will all have a focus on net zero carbon which lenders will take into consideration to ensure that the care home property is sustainable and fit for purpose.

Lenders continue to support the health and social care sectors which are a vital part of society now and going forwards, increasingly so as our population ages.

Care Provider Sustainability looking forward



Changes to care worker visa grants alongside workforce retention continue to provide challenges to the care sector whether a care home or care in the community. Focus on a positive entry to the sector, whether as a new entrant or someone returning enhances that individuals experience and thus a greater chance that they will stay in your care service. Feeling valued, supported and empowered as a care worker goes a long way alongside continuous training and development.

With staff recruitment and retention, a key focus of running a care home, the upcoming employment reforms, set to come into force by 2026, as discussed by Chris Amys of [rwk goodman](#) in [this article](#) , will require a care provision to plan ahead.

Technology continues to innovate in the sector with champions within a care provision standing a better chance of utilising and improving a service, having the time allotted to head up this function, confidence being key to using the systems creating a supportive environment.

As care homes continue to adopt [digital software](#) creating a team champion will help your team understand why you are adopting the process and what the benefits are, including having real time care plans at your fingertips and increasing time available to spend with residents replacing manual and repetitive administrative tasks. Routine tasks, such as medication management and care planning can be enhanced by automation reducing the over reliance on staff who are then free to focus on more personal care, and increased communication with family members.

The care sector will continue to evolve in the decades ahead, with Artificial Intelligence AI, starting to make inroads into the operations of a care business. Working alongside your care staff, who will always provide the soft skills, AI will no doubt increasingly make administrative tasks easier, leaving more time to support those being cared for whether in a care home or in the community.

[READ HERE](#)

[Ownacarehome in discussion with Paul Nery, care home provider and founder of Carey AI.](#)



Assistive technology continues to innovate supporting remote monitoring with wearable devices supporting recipients of care in care homes and care in the community enhancing an individual's safety and security.

CQC Scoring update

With effect from 2 December 2024, the CQC is no longer including scores at evidence category level, only showing scores for quality statements. (Source Caroline Barker HCR Law). This will hopefully enable the CQC to complete an increase in their assessment activity to reduce the backlog. It is thus anticipated that there will be an increase in CQC activity in 2025.

Growing your care home portfolio

With growing demand from care home buyers across the UK, a popular guide for care home providers can be assessed [here](#), with key considerations when scaling up your care business, taking you through key points in your acquisition journey drawing upon in-depth care sector experience.

Supporting the care home and wider sectors
Chandler & Co. have been supporting business growth for over thirty years specialising in arranging care home mortgages and business finance, providing impartial advice in all aspects whether you are considering acquisition, refinance, capital raise, buyout, development, expansion or even restructuring debt with your existing lender.



Refinance supports care home portfolio sustainability and growth for a sector which suggests that 'by 2050 there will be a shortfall of more than 200,000 beds across the UK.' (Source Knight Frank)

Demand for care home beds continues to outstrip supply, especially for purpose built with wet rooms, modern extensions and quality property conversions. As part of our added value service at Chandler & Co. we have launched our **Property Finder Service**, supporting care home owner new entrants and existing care home owners to source care home acquisitions throughout the UK working closely with selling Agents.



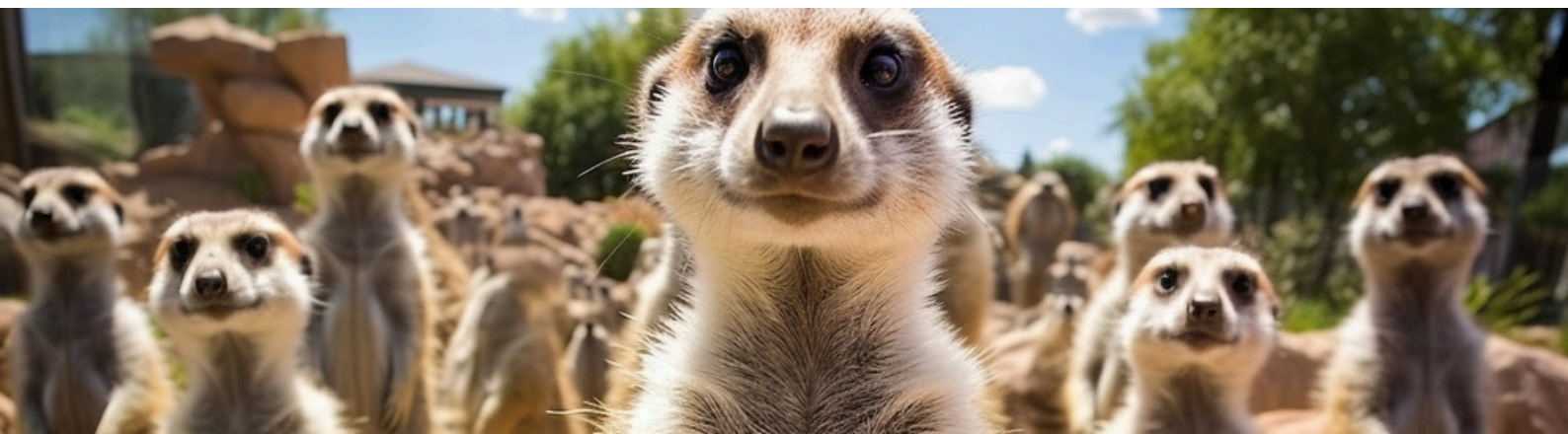
How to be the care provider of choice

Tips to stand out from the crowd:

- Trust is at the forefront of your care service
- Evidenced by tailored care plans, clearly communicated to residents, family members and attorneys
- Clearly demonstrated personal care starting as soon as you walk through the front door highlighting empathy, kindness and respect
- Your care rating and inspection report show the public your care services first hand
- Regularly evaluate and **improve your care services** based on feedback and outcomes
- Invest in staff training and innovation with career plans and continuous innovation
- Leverage technology creating team champions to take your staff on the journey with you
- Ensure your care home contracts are clear and transparent
- A positive staff culture and environment will speak for itself
- Does your **website** and **PR** clearly present your care service?
- With an increasing number of care placements found on line your website and extended social media channels have become your shop window
- Celebrate positive feedback, promote your teams, use testimonials and reviews to enhance the credibility of your care home service
- Build your care home reputation through community engagement
- Benchmark your performance and adapt

Establishing a reputation as the care provider of choice fosters trust, loyalty, increased occupancy from referrals and long-term sustainability.

Whether seeking finance for your care home acquisition, refinancing or retrofitting speak with one of the Chandler&Co Team to help you on your care home business journey.



Meanwhile What are the Independent Finance Brokers saying:

Latest tips and observations from the finance brokers at Chandler & Co. forming part of your care home funding acquisition journey:

“When buying a care home ensure that you request up to date information from the selling Agent, including:

Latest financials of the target care home

- Latest filed accounts together with the previous two years
- Up to date management accounts
- At least 6 months fee lists including the latest month (anonymised)
- Current staff structure (anonymised)
- The latest staff pay lists (anonymised)
- Current rota hours

“It is usual for any director and/or intercompany loans towards equity to be postponed as part of the loan agreement”

“A lender will require clarity of the Buyer’s acquisition group or single asset structure”

“Lenders who would consider the smaller care home tend to rely more heavily on the vacant property value and alternative use

Lenders often ask a new entrant to the care home sector: “What relevant care experience do you have, if none, what are your reasons for entering the care sector and what mitigants do you propose to implement?”

Typical client questions:



Client: 'How is a variable finance sanction interest rate loan margin arrived at?'

Answer "A lender will consider the customer's risk rating, loan term and security type to produce the interest rate plus base rate"

Client: 'When purchasing a care home when should I appoint a solicitor?'

Answer: "We recommend holding off instructing legals until the valuation on the proposed care home purchase comes back, just in case there are any major issues"

Client: 'Within the business plan submitted with the loan application what should I include in the forecast?'

Answer: "It is best practice to include a 12 – 24 month Profit & Loss account, Balance Sheet and cash flow forecast or at least a cash flow for the next two years, demonstrating forecast covenant compliance"

Client: 'What happens when a 5 year term loan comes to an end?'

Answer: "A lender would typically look to renew the loan at this point for a further 5 year term subject to a credit assessment of the business at the time. The amortisation schedule could also be discussed at this time with the option to reduce or extend the remaining years of amortisation, with market forces at the time impacting whether the interest margin increases or decreases"

In conclusion, 2024 witnessed a surge of buyer interest in the care home sector compared with 2023, held back by the shortage of available stock, and the signs are there that 2025 will be a busy year for care home acquisitions as long as the availability of good quality stock improves.

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