

Business Sustainability

Of

Care Homes

In

Flintshire

September 2017

Osterly-Associates Ltd
Redwither Business Centre
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LL139XR

Care Home Intervention

1) Introduction

Osterly Associates is an independent consultancy which was established in 2014 to provide business sustainability support to community based businesses and stakeholders.

It specialises in working with SMEs in groups and sectors that are vulnerable to political change or facing challenges that are outside normal business modelling. Often the businesses in these groups are micro or family run and as such do not access mainstream support.

Osterly Associates operates on a low fee basis by using innovative stakeholder engagements and a network of industry experts to ensure that the highest quality support is available at affordable prices. This ensures that access to its support is inclusive and accessible to all and is delivered in a timely and appropriate way.

Osterly Associates is highly active in providing business support for sports & leisure sectors, community care and youth development organisations and is proactive in building multi agency solutions to community issues by encouraging innovative stakeholder responses.

2) The Project

Flintshire County Council established a Strategic Opportunity Operating Group as part of a long-term strategy to ensure that the county has a robust stock of independent care providers able to meet the projected demand of the immediate future.

Following discussions with Flintshire County Council and Osterly-Associates Ltd it was agreed that contact be made with up to 24 care homes located in Flintshire with a purpose of identifying business issues that affects the long-term sustainability of the business and to offer tangible support to help them address those issues.

3) The Activity

The activity began in June 2017 and concluded in September 2017.

Owners and managers from 18 homes were interviewed by an experienced business adviser and a diagnostic review was completed , 2 homes declined the offer and 4 were unable to schedule an interview in the timescale..

The diagnostic tool to conduct the interviews were designed to structure the interview but allow for a personal conversation so as to ensure that the individual circumstances were accommodated.

Homes were visited by qualified business advisers except for the times where a telephone conversation was deemed more appropriate by the care home. The diagnostic tool led to action points which were measured to ensure that findings were consistent.

4) Findings

The diagnostic tool consisted of a uniform template populated by a number of headings; this allowed the business adviser to conduct the interview as a conversation rather than asking a set number of questions. The adviser was then able to identify action points (or tasks to be addressed to increase the sustainability of the business). The action points were then compared which has led to the following findings;

- a) **General description of business...** We categorised these into two groups; Family or Group owned. This allowed the discussion to identify decision making capability and access to resource.

The group owned care homes were able to provide varying degrees of back of house support and many administrative tasks were conducted on a central basis. This allowed the registered manager to concentrate more on the delivery of care than worrying about the day to viability of the business.

Smaller independent homes were more reliant on the capability of the registered manager and time pressures and work load were more noticeable in these homes.

- b) **Client/Patient Base...** We deliberately asked about the differing factors between private and LA sponsored patients and at no time during this exercise did we notice any discrimination in valuing patients, although because of financial pressures most of the homes are now requesting top up fees from LA sponsored patients. A major observation of the business advisers was the obvious care and innovative methods adopted by the homes to care for the patients. The level of activities with the patients were high, the care assistants were engaged with the patients and communication between the managers and staff appeared to be positive.

- c) **Staff...** Managing staff and recruitment and retention are major issues across the sector but we did notice variations. The availability of local transport has an impact on some of the homes and those on good bus routes were more likely to be able to staff their homes than those off a main bus route. All of the homes interviewed paid at or above the living wage but recognised that this would be difficult in the future as wages increase above the income streams. Group owned homes had central HR services available to them and several of the

family owned homes contracted with external HR agencies such as Peninsula to manage their HR issues. Sickness and absence rates are high in comparison to other industries but it is accepted as one of the negatives of the sector. The most common causes of absence is sickness and diarrhoea. The impact is for a short term need to replace staff and the added costs associated with that plus the reliance on the honesty of the staff member due to the short term nature of the illness. All homes controlled abuse of this by operating statutory sickness policies.

When asked directly about the difficulties of recruiting staff there was a variance in replies. Several homes stated that more should be done to increase the image of the sector and that very often potential recruits were unaware and unprepared for the nature of the job. The variation in replies came when some homes stated that they had difficulty in finding suitable candidates and others stated that they had waiting lists. Others suggested that the NHS "poached" the experienced members of staff and several homes were proud of the fact that majority of their staff had been employed by them for many years. Our conclusion is that the difference is likely to be effected by the size of the home and the way that the home is managed. The fact is that there is a need to attract new entrants into the sector and increases in the living wage will add to the financial pressures on owners in the future.

- d) **Training....** All homes visited were very proud of their training record and acknowledged the value of the Flintshire County Council training vouchers. The homes owned by a group have their own training programmes in place and often used external training providers. They recognise the value of career progression and remarked that this policy often assisted in staff retention rates. Smaller family owned homes found the cost element to be more of a handicap but still recognised the need. There was a willingness for managers to broaden their management skills but stated that time to train was a major barrier in them not proceeding.
- e) **Premises...** Many of the homes we visited were converted Victorian merchant houses or country homes and several had recently expanded the premises. Many are old and difficult to alter. Many of the older buildings are not energy efficient and the ability to meet the new care standards is beginning to take effect. One home interviewed had a genuine concern about the prospect of having to decommission 4 rooms which would reduce their income by £100,000 per annum. Others spoke about the cost of heating the buildings with one example of a monthly oil bill of £1,400. Other businesses have used as much of the outside space as practical thus restricting future growth. Homes that are located in an urban area tended to be restricted for future expansion and in the sample we visited, there seemed little capacity for new growth. However, homes located in more rural Flintshire have significant space, excellent outside space but are less convenient to access.
- f) **Sales and Marketing...** we approached this topic from a purely business prospective. When asked "What is the breakeven figure for the number of patient's resident in the home to make the business viable?" No home could answer this. However, they were fully aware as to whether they were losing money or not. Almost all of the homes were fully occupied and several had waiting lists for rooms. This negated the need to advertise the homes to attract

residents. When asked about the impact of not advertising they did not consider the value of marketing to attract staff or commission services.

- g) Asset Management...** A recent grant from Flintshire County Council for asset purchase has had a significant effect on the sector and was broadly welcomed by all homes. There is a general acceptance that a good standard of assets is an important part of providing a quality service and all homes stated that they regularly review and upgrade assets. A common comment amongst all homes was the wish that an asset library be established where equipment that is expensive to purchase and only used on occasion could be sourced and a rental scheme for larger equipment be considered.
- h) Environmental and Energy...** The most common topic when discussing this section was about the cost of utilities and there was a distinct difference between group owned and privately owned homes. The group owned homes had a central utilities policy and the purchasing decisions were not made by the registered manager, but the privately-owned homes were very conscious of the cost implications. Heating costs were the biggest concern and many of the businesses had signs of being very inefficient. Several homes suggested that they would be interested in a joint procurement project to give themselves a stronger buying power. The value of a robust Waste policy is an area that is becoming more topical and most homes indicated that if we were able to provide support in this area, it would be welcomed.
- i) Finance...** We were unable to study the accounts of any of the homes but we were aware of this from the outset. All of the homes are reporting that the financial viability of the business is getting more challenging. The majority of the homes require a top up to LA sponsored fees and need a proportion of private patients to survive. The impact of the new care standards will add to cost in the short term but the biggest threat to the sector will be the cost of employing suitable staff. The increase in the living wage, a general reduction in unemployment rates, increase in employment and the unknown impact of Brexit suggests that the pool of candidates will get smaller. Profit margins are tight and any increase in interest rates plus increases in other overheads such as business rates, fuel costs and food costs will have an impact on the long term sustainability of the sector.
- j) Compliance...** The new care standards are very much at the forefront of the planning of all of the homes. Each home that we visited had their own needs to address on compliance but they have accepted that the intention of the care standard is for “increasing standards” and they prioritise these issues.
- k) Growth...** Many of the homes have either recently increased their capacity or are intending to increase their capability. As mentioned earlier, there is limited opportunity for some of the homes visited due to restricted outside space and one home is for sale, so there are no

plans for growth. Several of the privately owned homes indicated that they would be prepared to meet a growth adviser in the future

5) Further Activity

The diagnostic exercise has identified 5 key action points.

- i) Environment & Energy
- ii) Procurement & Assets
- iii) Training
- iv) Financial Viability
- v) Recruitment & Retention

Following the identification of the 5 key action points Osterly Associates intends to work with local stakeholders to provide additional support to the social care sector in Flintshire.

In cooperation with Business Wales, Social Care Wales and Flintshire County Council, referrals have been made to the resource and Energy adviser from Business Wales who will contact homes on an individual basis to offer support, including access to Carbon Trust funding to assist in improving the energy efficiency of the buildings. He will also advise on wastage policies.

Each home who participated in this project will be offered continues business support from a Business Wales growth coach who will engage with them on future financial viability issues and help to seek finance and funding should it be required.

The possibility of an asset library will be discussed with Flintshire County Council and followed up.

A meeting will be arranged between Flintshire County Council and Business Wales skills team to identify if there are training opportunities beyond those already offered through the social care training team which homes can access.

A social care conference is planned for 7th February 2018 at Coleg Cambria Deeside. The conference will bring together stakeholders such as Flintshire County Council, DWP, Social Care Wales, Wrexham County Borough Council and will be sponsored by Business Wales. The format will be a conference in the morning and a recruitment event in the afternoon.

All further activity will be cost neutral to Flintshire County Council and further cooperation will be sought to ensure that this initiative is the beginning and not the end of a sustained package of support to the social care sector in Flintshire.