

NEWS IN BRIEF

Funding crisis leaves thousands of care homes facing collapse



Of 7,497 care home companies 1,210 were found to be in financial distress

One in six care home companies is in danger of insolvency, according to a report warning that successive rises in the living wage have driven up costs to the point where they may bankrupt a large part of the system.

About 420,000 people over the age of 65 are being looked after in Britain's 11,000 residential care homes, including 220,000 of the most vulnerable patients, who are in 4,700 nursing homes.

Healthcare regulators and charities have repeatedly warned that the present situation is unaffordable but local authorities in England are preparing to cut £824 million from their social care budgets this year, according to one estimate.

Moore Stephens, an accountancy firm, examined 7,497 care home companies and found that 1,210 were in financial distress, an increase of a third over the previous year.

The company said that the government's proposals to raise the national living wage of £7.50 an hour to £9 an hour by 2020 would place an untenable strain on many care-home businesses. Their average staff costs have already reached a record 55 per cent of turnover.

Lee Causer, restricting partner at Moore Stephens, which carried out the research, said it was also possible that homes were finding it harder to hire carers from other European countries because of concerns about Brexit.

"Too many businesses in the care home sector are heading back to the brink," he said. "The mixture of rising costs, cuts in funding and an ageing population has created a volatile situation, with many companies now showing signs of significant financial stress."

“Due to the ageing population, extra staffs are needed at care homes to keep up with the demand, but many care homes just don’t have the budget for extra staff. This has made it increasingly difficult for care home companies to offer a high standard of care while remaining solvent. “

“Concerns have been raised that private care home providers unable to make a profit will hand back contracts to local authorities... Commentators have also speculated that the debate over the post-Brexit free movement of labour has already reduced the number of EU staff willing to relocate to the UK to work in the sector.”

The findings of a separate survey published today suggest that most working-age adults are unprepared to fund their parents’ care in old age.

A poll of 2,000 people for uSwitch.com, a price comparison website, found that the three quarters of young adults expected that their parents would pay for their own care, while the average consumer underestimated the £36,000 average cost of a year’s care by £7,700. Fewer than one in ten said they felt ready to foot the bill.

Caroline Abrahams, charity director at Age UK, said: “Most of us cannot predict whether we will need social care support in later life or how much it is going to cost. Add to this the crisis in funding, and the failure of governments to come up with a long-term solution, and it’s no surprise that few people are willing to plan for a risk that may well never crystallise.”

If you would like a free initial consultation to discuss your situation and options open to you then contact me Chris Berry at:

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