



The UK Nursing Workforce Crisis or Opportunity?

The UK nursing workforce - crisis or opportunity?

Introduction

With the UK population growing older, living longer and suffering from an ever increasing range of conditions, the need for good quality care has never been higher.

Investors have recognised the opportunities in the UK's private health & social care sectors and significant progress has been made to develop new state of the art care homes and hospitals. The last three years have heralded the arrival of many new, well-funded investors to the sector. These investors, many of whom Christie + Co has guided through a number of high-profile deals and strategic restructurings, have actively targeted the private sector and were responsible for a number of major transactions.

Coming from an environment that has been dominated by distress, we now see that the market has gained considerable confidence again. This confidence drives investors to transform the market towards a higher level of quality, particularly in real estate.

From an operational perspective, however, the sector has significant challenges to overcome.

Staffing remains the most important factor in the delivery of high-quality care and has been a key area of focus for operators and regulators in recent years. Frequent reference has been made to a shortage of nurses in both the NHS and adult social care. Similarly, operators have reported a dramatic increase in the use of agency staff and rising staff costs.

Christie + Co now looks to give an answer to the true extent of the problem. Using our network and relationships with the major UK care home operators, we have conducted a survey of the largest nursing home operators on their use of agency staff and the effects on overall staff costs. Supported by a substantial amount of published data, we establish the true extent of the shortage and the key issues.

To provide solutions to the issues, we have invited three industry leaders to share their insight with us. We are grateful for the comments from our main contributors Dr Pete Calveley, CEO of Barchester Healthcare, Kevin Groombridge, Executive Chairman of Health Care Management Solutions, and Dr Chai Patel, CEO & Chairman of HC-One.

2013

Francis Report states “the system is not safe” in response to the Stafford Hospital scandal in the late 2000's
CQC identifies suitability of staffing as biggest quality issue

Nurse vacancy rates increase
Nurses report increased levels of workload & stress

2014

Staffing agencies attract substantial investor interest
Regulatory pressure from CQC increases
Nursing home operators report rising staff costs
Dramatic growth in NHS agency nurse expenditure

2015

How big is the problem really?
How is the industry responding?

Workforce and operators are increasingly under pressure

Pressure Points

Funding cuts

Ageing population/ increasing care needs

Reduction in commissioned student places – 22,000 in 2008/9 vs 17,000 in 2012/13

Immigration – Fewer overseas nurses now entering the UK & more leaving

Regulatory pressure & scrutiny

Material increase in the number of nurses retiring is forecasted - 37% of nurses are over 50 years of age

Impact

Overall nurse shortage – FTE vacancy rates of 7% in NHS & 9% in adult social care

Increased workload for existing nurses

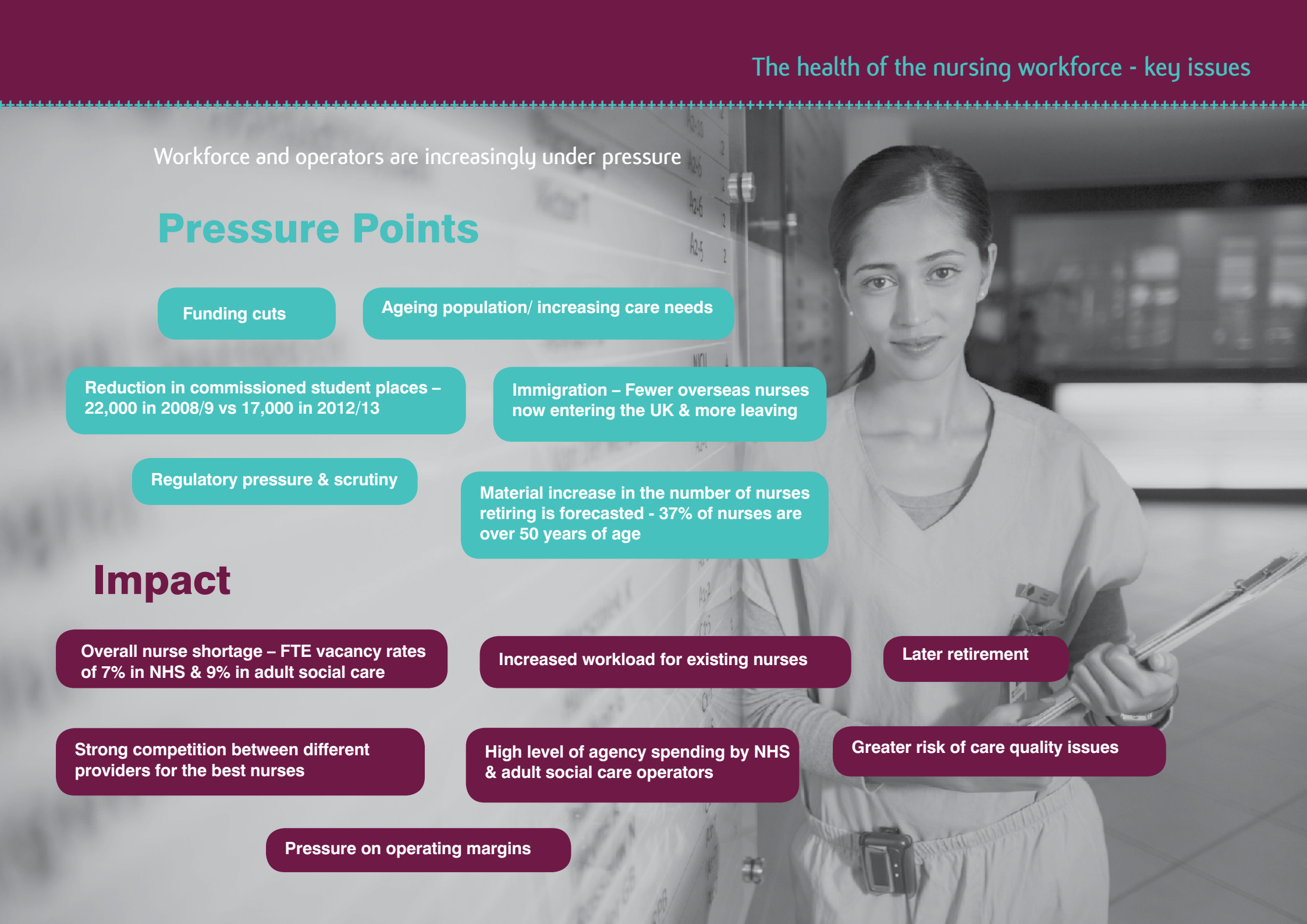
Later retirement

Strong competition between different providers for the best nurses

High level of agency spending by NHS & adult social care operators

Greater risk of care quality issues

Pressure on operating margins



Changes in the UK nursing workforce since 2004

Key drivers: Training places, immigration and retirement

2004-2007

- Increasing numbers of graduates from the UK
- High level of overseas immigration
- Increasing number of nurses holding the Specialist Community Public Health Nurse qualification

2008-2009

- Large drop in overseas immigration
- High number of nurses leaving the UK and the industry as a whole

2010-2015

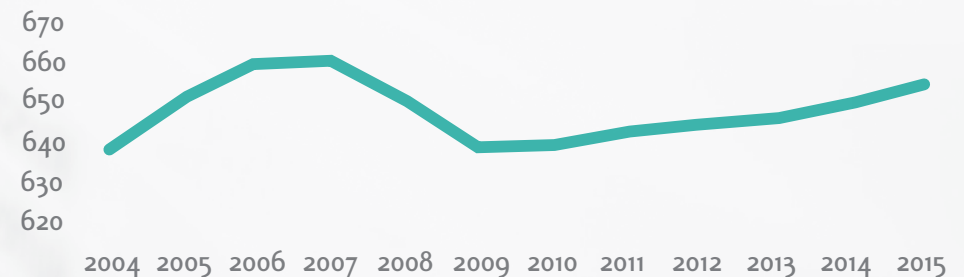
- Funding cuts resulting in lower number of UK nursing graduates entering the industry
- Immigration from the EU increasingly strong
- Upward shift in average retirement age leading to a lower proportion of nurses retiring each year compared to pre 2007 levels

The number of registered nurses has fluctuated greatly over the past 10 years. A peak of 661,000 nurses was reached in 2007, followed by a 3% fall to below 640,000 in 2009. Since 2010 there has been a steady increase to 655,000 nurses as at 31 March 2015.

The key factors influencing the number of nurses over the past ten years:

1. The number of publicly funded nurse training places at UK universities
2. UK government policy concerning immigration from outside the EU
3. EU economic situation influencing immigration from within the EU
4. An upward shift in the average retirement age

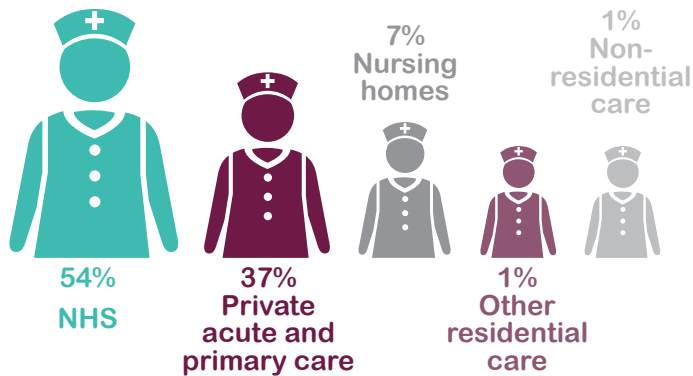
Registered nurses (headcount) in the UK (000's)



Source: NMC (2015)

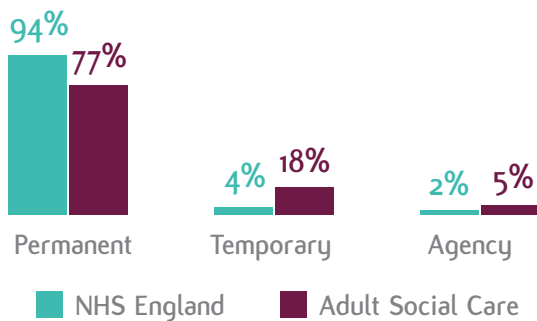
The NHS is the largest employer, with a much older workforce in social care

Registered nurses in England by employer type



Source: NMC (2015), HSCIC (2014), Skills for Care (2015)

Employment status of registered nurses



Source: NMC (2015), HSCIC (2014), Skills for Care (2015)

Nurses are employed across the health and social care sectors with fundamental differences in the overall age profile and employment status:

- The NHS is the largest employer of registered nurses
- 9% of nurses (c. 50,000 in England) work in the adult social care sector
- The primary distinction between the sectors is the age profile. As the NHS is the employer of choice for most newly-qualified nurses, a much larger proportion of nurses in adult social care is aged 55 years or above
- This dynamic is representative of the overall recruitment issues experienced by nursing home operators, resulting in a much larger proportion of nurses in adult social care being employed on a temporary and/or part-time basis

Share of nurses aged 55 years or older



NHS England 2013

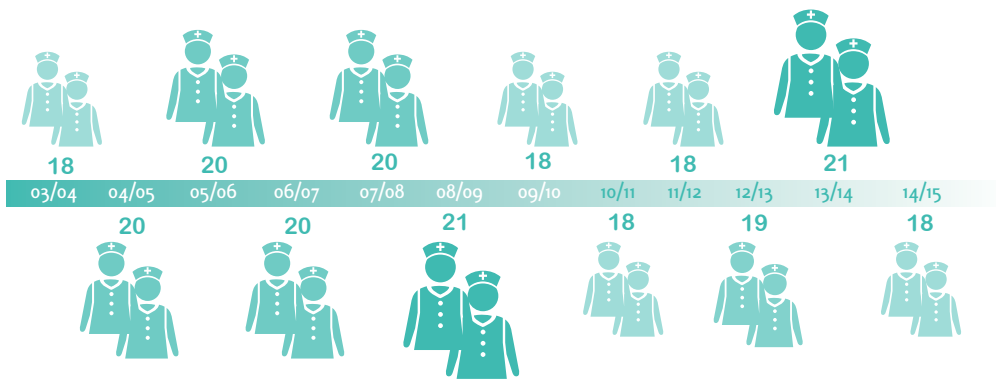
Adult Social Care 2015

Source: HSCIC (2014), Skills for Care (2015)

Training of new nurses in the UK

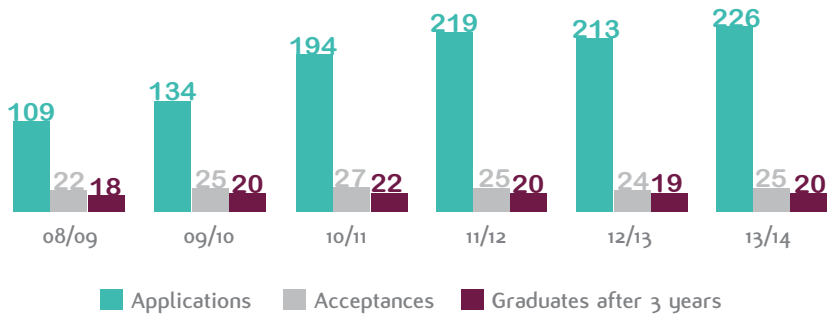
Demand for training is there, but austerity measures have resulted in 3,000 fewer graduates from UK universities

Number of new nurse registrants from the UK (ooo's)



Source: NMC (2015)

Applications for entry to nursing courses at UK universities (ooo's)



Source: RCN (2014), Christie + Co Analysis. N.B. These are not the number of applicants; most applicants apply for 4 courses

The number of nurses from the UK entering the nursing register is primarily dependent on the number of publicly funded university training places:

- Since 2013, a university degree is required for an individual to qualify as a registered nurse. According to the Willis Report, the three year course requires £78,000 in funding, making most nursing students reliant on publicly funded student places. Historically, the number of commissioned places has been dependent on the needs of the NHS, with little regard for the private sector
- Demand for training is there, but supply is restricted. Applications for entry to nursing courses have more than doubled since 2008, however the overall number of available places has remained constant. With an average drop-out rate of 20%, between 18,000 and 21,000 students graduate each year
- Austerity measures imposed by the government have resulted in a reduction in the number of commissioned nursing student places. These cuts are felt now, 3 years later, as 3,000 fewer graduates entered the register in 14/15 compared to 13/14

Considering the number of commissioned student places in 12/13, a further reduction of up to 1,000 nurses can be expected for 15/16.

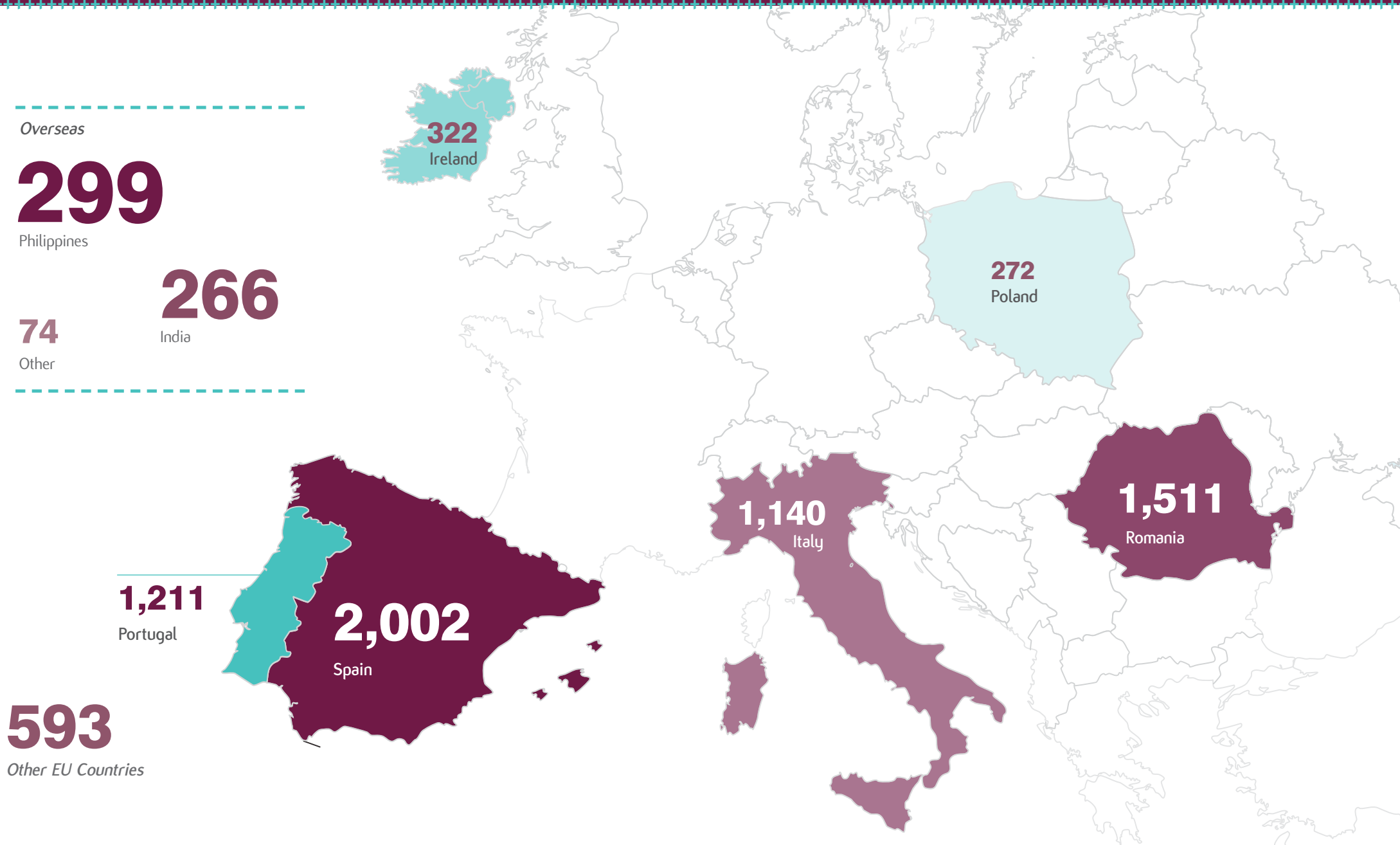
Since 2014, Health Education England has the mandate for all workforce planning and training commissioning for health professionals in England. With one single commissioner now in place we expect commissioning to be better coordinated and with a longer term view.

Commissioned nursing student places in England (ooo's)



Source: RCN (2014)

International nurses joining the register in 2014/15

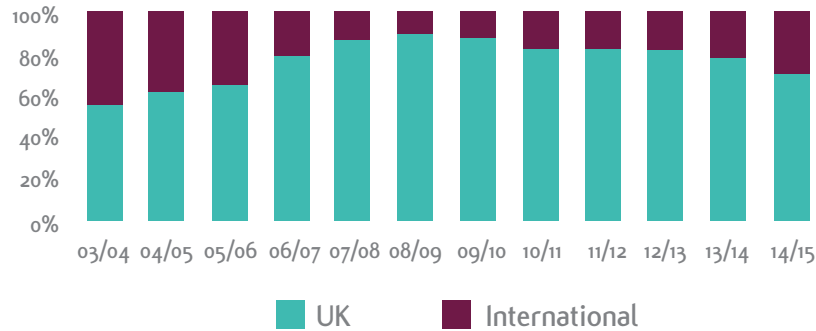


N.B. These numbers refer to the number of nurses trained in above countries.

Source: NMC (2015)

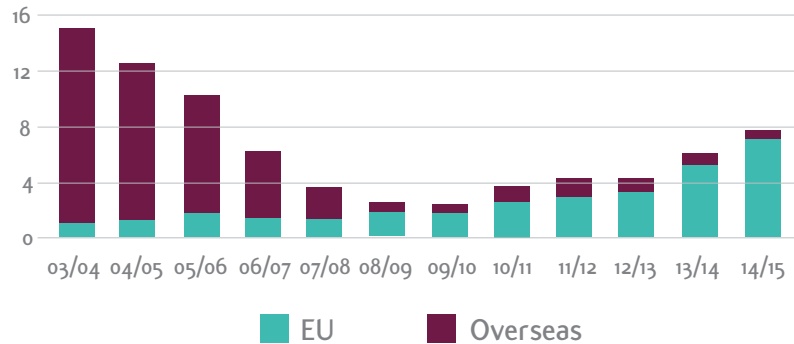
International nurses coming to the UK

Distribution of new nurse registrations



Source: NMC (2015)

International nurses entering registration (000's)



Source: NMC (2015)

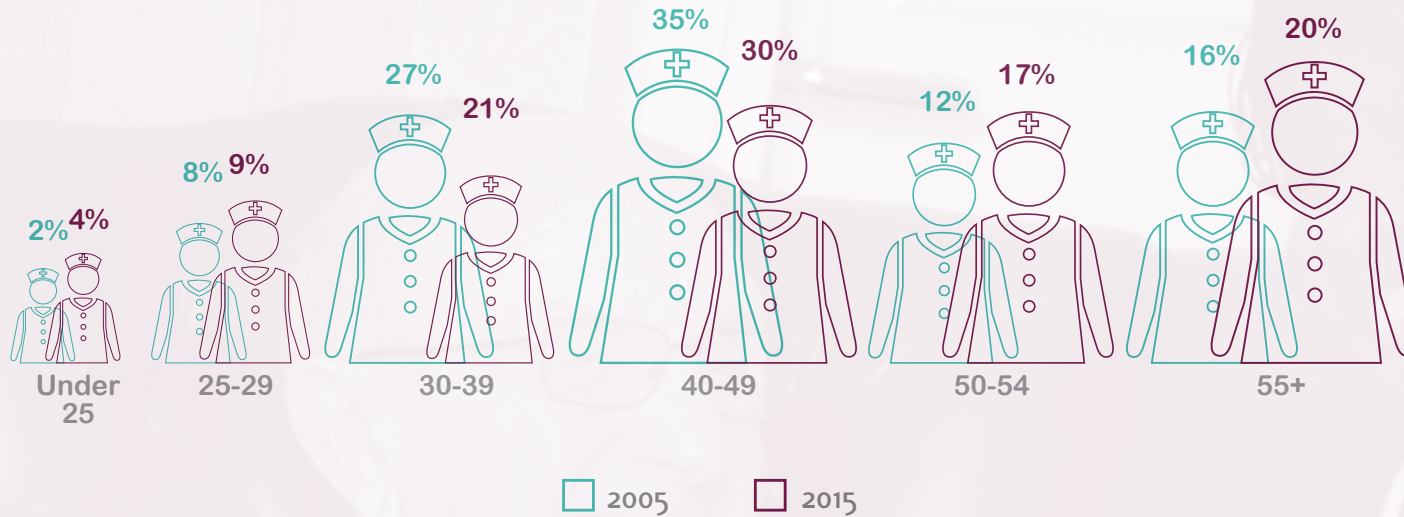
The profile of international nurses coming to the UK has changed significantly over the past 10 years:

- Overseas registrations have fallen dramatically due to the UK government's tightening of immigration law via its Points-Based System (PBS), announced in 2005 and introduced in 2008
- Overseas nurses now require pre-arranged sponsorship from an employer in the UK and have to leave the UK after a maximum of 6 years
- The continued recession in many Southern European countries has led to a large increase in nurses emigrating from Spain, Romania, Italy and Portugal to the UK
- Despite the strong increase in EU immigration, 7,000 fewer nurses came to the UK in 14/15 compared to 03/04

With the economies in Europe expected to further recover in 2015, a continued growth in EU immigration is less likely

7,000 fewer nurses are coming to the UK compared to 10 years ago

Age distribution of registered nurses



Source: NMC (2015)

Average retirement age reported to the NMC

59

04/05

61

14/15

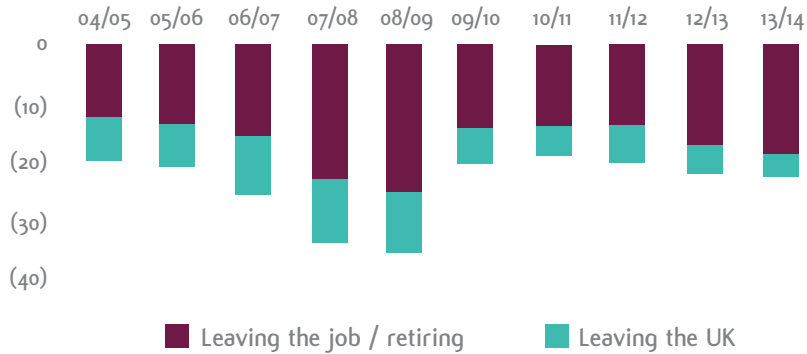
The number of nurses aged 30-49 has been substantially reduced

Source: NMC (2015)

Nurses leaving the register

Is a retirement bubble in nursing growing?

Nurses leaving the register (000's)



Source: RCN (2013)

Responses by nurses to RCN Employment Survey 2013

80%

Increased workload reported

73%

Increased stress

55%

Stress as reason for workplace sickness

60%

Nurses considering leaving their job

Source: RCN (2013)

Exits from the register are primarily driven by nurses leaving the profession or retiring:

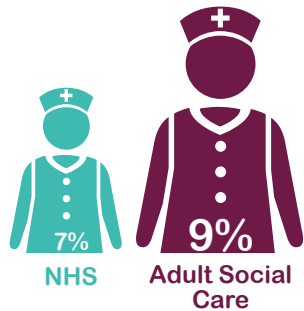
- Since 2004 the average retirement age of nurses has risen by 2 years, due to changes in the NHS pension scheme and overall government policy:
 - The normal NHS pension age increased from 60 to 65
 - The NHS early retirement age increased from 50 to 55
 - The UK government abolished the default retirement age of 65 years
- Although the number of nurses approaching retirement (55+) has greatly increased over the past 10 years, the number of actual retirements has been flat, suggesting an increasing number of nurses are delaying their retirement
- Other than fewer nurses retiring, the number of nurses leaving the profession or emigrating to another country has been substantially reduced. This trend can be partly attributed to the recession, as people sought job security and became more risk-averse
- According to the Royal College of Nursing, nurses report that their workload has substantially increased in recent years. This has led to an increase in stress-related sick-leave

As pressure on the ageing workforce continues, we see a risk of a significant number of nurses leaving their profession, the country or retiring early

15,000 full-time-equivalent positions are permanently vacant

2015 nurse vacancy rates (%)

Full time equivalent (FTE) nurse vacancies



Source: Christie + Co Analysis, NHS Employers (2014), Skills for Care (2015)

Vacancy rates across the NHS and adult social care provide an indication of the overall shortfall in nurses:

- Our research indicates that vacancy rates in the NHS and adult social care in 2015 are 7% and 9% respectively
- Overall, this accounts for around 24,000 FTE vacancies in the two sectors alone (no consistent data was available for the private acute and primary care sectors)
- Agency staff are estimated to cover only around 40% of these vacancies
- This leaves 15,000 FTE positions permanently unfilled
- When looking at the change in the number of nurses on a 'per population' basis, the trend has become distinctly negative since 2006
- The 15,000 permanent vacancies identified indicate a minimum demand of 10.5 nurses per 1,000 people in the UK population, a rate last achieved in 2008

With the population expected to significantly age in the future, the minimum demand of 10.5 nurses per 1,000 people is likely to increase

Estimated nurse shortage in UK in 2015 (FTE)



Source: Christie + Co Analysis, NMC (2015), NHS Employers (2014)

Number of new nurses registrants from the UK (ooo's)

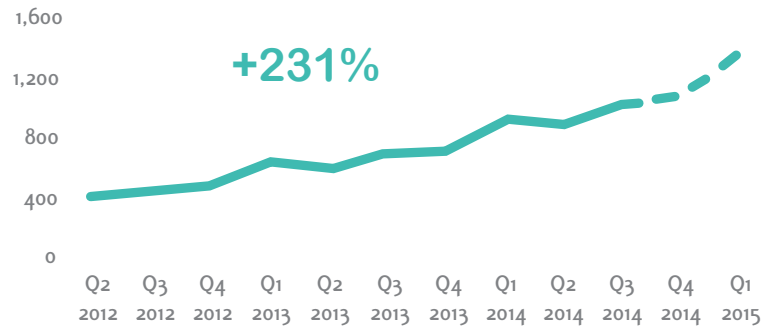


Source: NMC (2015), Office of National Statistics (2013)

The shortage has an impact on costs and quality

Dramatic increase in agency cost & care quality issues

Average NHS trust spending on agency nursing (£000's)



Source: RCN (2015)

The current shortage of nurses is having a material impact across the NHS and adult social care sectors:

- Average NHS trust expenditure on agency nursing is estimated to have increased by 231% over the past three years
- Within the adult social care sector, a number of major operators are reporting an increase in staff costs and margin erosion on the back of rising agency costs and increased regulatory pressure
- This trend is likely to continue with the CQC identifying staffing levels as being the greatest obstacle to delivering high quality care in the UK

The main winners from this have been the staffing agencies, with nurses attracted by more flexible working hours and enhanced earnings potential. Social care operators and the NHS therefore need to innovate to attract, train and retain new nurses. Although the cost of these efforts will be substantial in the short term, the long-term savings and improvement in the quality of care are likely to significantly outweigh these. By reducing agency spending to 2004-levels, for instance, the NHS would free up resources to train 9,000 nurses. A new focus on nurse training and personal development also presents opportunities to change working practices and improve the way care is delivered.

Performance against CQC quality standards 2013/2014



Source: CQC (2014)

Wages and agency rates for care staff

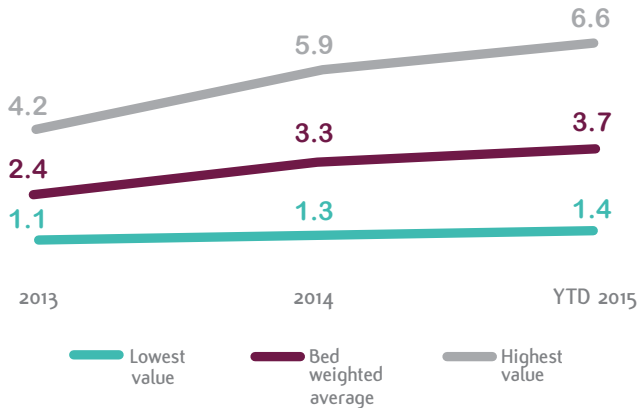
Average hourly rate (£)	04/05	14/15	CAGR
Adult social care (median)	10.00	13.60	3%
NHS (Band 5)	8.12-12.00	11.00-14.27	2-3%
Agency rate		c. 30	
Agency spending			
NHS spend on agency staff (£)	240m	980m	15%
% of total NHS nursing staff cost	3%	9%	

Source: Christie + Co Analysis, RCN (2013), HSCIC (2014), NAO (2006), Skills for Care (2015)

Christie + Co Survey 2015

In order to quantify the impact of the shortage of nurses on the care home sector, we have conducted a survey of 12 of the largest nursing home operators on their use of care agency staff and the effect on staff margins. With a total sample of over 74,000 nursing home beds, our survey represents 30% of the UK market. Our findings illustrate the significant impact the shortage of nurses has on the industry.

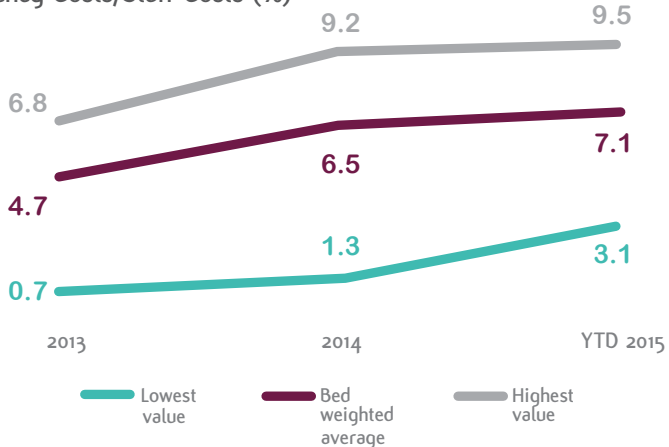
Agency Hours/Care Hours (%)



Average % change: **55%**
 Largest increase: **214%**
 Largest improvement: **-67%**

Source: Christie + Co Survey May 2015

Agency Costs/Staff Costs (%)



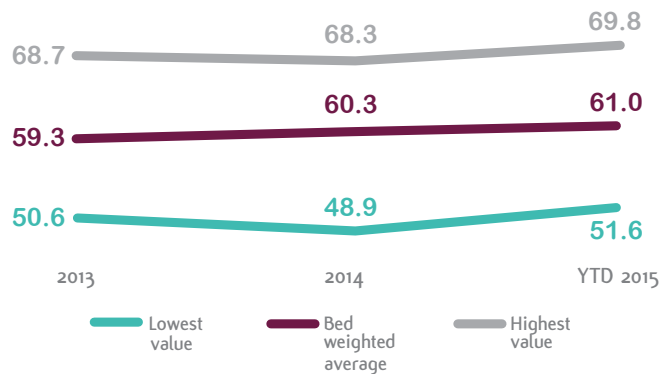
Average % change: **51%**
 Largest increase: **971%**
 Largest improvement: **-26%**

Source: Christie + Co Survey May 2015

Agency staff use in care homes

Agency use and wage increases raised staff cost ratio by 1.7 ppts

Staff Costs/Revenue (%)



Source: Christie + Co Survey May 2015

Average : **1.7 ppts**

Largest increase: **5.8 ppts**

Largest improvement: **-2.2 ppts**

Our findings:

1. The use of care agency staff has increased by 55% over the past 2 years. The cost of care agency staff typically exceeds the cost of regular staff by over 100% on a per hour basis
2. The total agency share of staff costs has increased at a slightly lower rate than the agency share of care hours (51% vs 55%). This indicates that wages for regular nursing staff have risen at a faster rate than hourly agency rates
3. This continued growth in agency usage, together with high wage increases have resulted in substantially increased staff cost ratios. On a bed weighted basis, staff cost ratios have increased by 1.7 ppts on average. Unless other cost savings are achieved, these 1.7 ppts will flow through directly to reduced EBITDAR margins
4. Although the average increase in agency hours is high, it is important to note that some operators have achieved a reduction in agency use recently. For one operator a reduction in agency reliance has resulted in an improvement in staff cost margins of 2.2 ppts. These are encouraging signs that the market might be at a tipping point as operators begin to have success in addressing the situation

The health of the nurse workforce has been under close scrutiny by the industry. Most notably, workforce interest groups and governing bodies including the Royal College of Nursing, the Nurse & Midwifery Council, Health Education England and Skills for Care have published substantial research on various issues in the nursing workforce. These organisations have undertaken numerous campaigns to spread awareness and promote the value of the nursing workforce as a whole.

Less notably, however, social care operators have adopted a range of strategies within their own operations to deal with the acute shortage of nurses and to build a sustainable and high-quality care workforce. Christie + Co has invited industry leaders to share their thoughts on the key issues relating to the nursing workforce and how individual care organisations can assist in reducing the shortage in nurses.

KEY CONTRIBUTORS TO THIS RESEARCH REPORT



Dr. Pete Calveley
CEO, Barchester
Healthcare

Pete joined Barchester Healthcare, the 3rd largest operator of care homes in the UK, as CEO in 2014. Prior to Barchester, he served for six years as CEO of Four Seasons Health Care, the largest care home operator in the UK. Pete has extensive experience as a Principal GP in a teaching practice which is involved in the training of Nurse Practitioners, Emergency Care Practitioners, First Contact Nurses and extended role pharmacists. He is also a member of the Forward Thinking Group, an NHS sponsored 'think-tank' that reports to the Department of Health Strategy Unit.



Kevin Groombridge
Executive Chairman,
Health Care
Management Solutions

Kevin is the executive chair of Health Care Management Solutions, the leading consultancy, training and management organisation in the care home sector and the Chief Executive of Akari Care. He is an experienced care home operator with an extensive clinical and senior management background in the NHS, voluntary and private sectors in the UK and Australia. He is a qualified nurse and is currently engaged in Doctoral research at the University of Liverpool with current research projects that include: staffing and dependency; and how to learn from mistakes or omissions in care homes.



Dr. Chai Patel
Chairman & CEO,
HC One

Dr Chai Patel CBE is a leading figure in health and social care. Over a 30 year career, he has led some of the UK's leading providers, driving up standards in care and support. In 2011, Chai founded HC-One, saving the homes of over 10,000 residents and 14,000 jobs threatened by the collapse of Southern Cross. Chai is a fellow of the Royal College of Physicians and has sat on Government task forces for older people. In 2015, he was appointed a Vice President of the veterans' mental health charity, Combat Stress.

Skills & experience – nurses vs care assistants

Current Situation

	Registered nurses	Care assistants
Role in nursing homes	<p>A. Operational – E.g. disease & emergency management, medication & therapy management, clinical expertise in palliative and end-of-life care</p> <p>B. Managerial – Supporting, supervising and leading care assistants; administration and regulatory functions</p>	<p>Primarily operational: According to the Willis report, around 60% of hands-on-care is provided by care assistants</p>
Training & qualifications	<p>Minimum of undergraduate degree; Four fields of practice: adult, children, learning disability and mental health</p>	<p>Care assistants receive their training primarily on-the-ground in care homes. Since March 2015, a values-based Care Certificate has been rolled out across health and social care, but so far it is not compulsory</p>
Demand & supply	<p>Just under 60,000 registered nurses in social care Care homes typically employ 1-3 nurses during day time (depending on the size of the home) and 1 nurse at night</p>	<p>1.5m care assistants in social care The Royal College of Nursing recommends a ratio of 2 care assistants per nurse in nursing homes, a ratio rarely achieved today</p>
Key issues	<p>A. Career development - Absence of a well-defined career path for care home nurses</p>	<p>A. Career development – Starting off as a care assistant, it is currently impossible to be ‘promoted’ directly into nursing. Becoming a nurse always requires the completion of a full university programme</p>
	<p>B. Training - The degree requirements represent a costly barrier to nursing and are focused on acute care nursing with no opportunity to specialise in social care</p>	<p>B. Training – The Care Certificate is likely to improve standards and provide homogeneity in the quality of care. The barriers to nursing, however, remain</p>
	<p>C. Increasing case complexity – Care homes residents have an increasing number of comorbidities, requiring more advanced and ongoing training</p>	<p>C. Regulatory pressure – The Care Quality Commission is still critical of giving traditional nurse responsibilities to care assistants</p>

Industry Response

What we have at the moment is a very reactionary situation. Regulators are becoming more judgmentally biased and less forgiving, commissioners are reducing funding and requiring more from contracts, the NHS is under pressure and Registered Nurses (RN) are being attracted with packages that are difficult to match. Thinking needs to shift away from reacting to individual problems towards developing system-wide solutions.

Kevin Groombridge

Other than just increasing the number of training spaces, we need to make the job more attractive to people. A clearly articulated career pathway is key. We offer the nurses and carers the following career steps: carer – senior carer – care practitioner – junior nurse – regular nurse – senior nurse – nurse specialist and the option to move at some stage into a managerial role with the potential to become regional manager.

Pete Calveley

Planning for our nursing workforce is not effectively joined up between health and social care, but it absolutely needs to be, particularly as both sectors are going to be increasingly integrated and case complexity is likely to rise.

Chai Patel

Up-skilling nurses to take on a more specialist clinician role and up-skilling care assistants to take over some of the current operational duties of nurses would reduce the pressure on the number of nurses required permanently in a care home. We need to use nurses more judiciously and effectively rather than generically.

Chai Patel

Going to a nurse-clinician model, with social care as a new specialist field of practice, would provide an attractive career path for nurses in care homes. The transition to such a model will require technological solutions to efficiently deliver medical and care training to staff, to optimise communication between specialist nurses & carers and to optimise time-intensive medication delivery.

Chai Patel

We lobby Skills for Care, Skills Council, NHS and Department of Health to take account of the needs of the care sector.

Pete Calveley

Skills & experience – nurses vs care assistants

Industry Response

Evidence suggests that training care assistants to National Vocational Qualification (NVQ) Level 3 has led to care assistants assuming more responsibility within an accepted/standardised competency framework, thus freeing up nursing time, giving nurses more confidence to delegate and to engage meaningfully with patients.

Willis Report, March 2015

Other countries traditionally see RN's in a more specialist role. In France or the USA, for instance, it is normal to have the Registered Nurse supervising the work of care staff and other staff. In the US they have licensed practical nurses who work under RN supervision.

Kevin Groombridge

The training and continuous support through technology and mentorship programmes is expensive, but so is £30 per hour in agency costs. Of the three nurses on a day shift in a care home, we are hoping to substitute one of them with a care practitioner, as we are currently filling the role with agency staff. We expect a long term pay-off from our efforts.

Pete Calveley

The CQC is aware that we [providers] are working together as a sector on developing alternative roles for care assistants. They are sympathetic to providers and acknowledge that if there is sufficient training and the job specification, titles & development prospects are clear, they would support such a development. At Barchester we have created the role of 'care practitioner' whereby a senior carer (NVQ level 3) is given an enhanced level of training so they can fulfill part of the nurse's role. By the end of the year we will have 150 care practitioners on the floor and we hope that they will be part of the dialogue with our colleagues & peer providers, but also the CQC, local authorities and policy makers. We hope they will accept 'care practitioner' as a valid role given the shortage of nurses and the fact that we will undertake what it takes to ensure these people are sufficiently trained and have the right support.

Pete Calveley

The question of letting carers take on more responsibility and advanced tasks like medication rounds is a question of familiarity with technology. With the right support technology in place and the appropriate validated training, carers will have the necessary skills and support, and will feel more comfortable in taking on these responsibilities.

Chai Patel

An extended training programme with the potential to move into leadership roles provides care assistants with new and important career prospects. We consider that these better career prospects will lead to improved staff retention. However, this leads to the risk that providers who haven't invested in such extensive training and development will hire our newly trained staff by offering a higher wage. We would rather offer our training methods at a reasonable cost to other providers, than see staff leaving after we have invested so much in them.

Chai Patel

There are significant challenges when hiring from abroad

ENTRY RESTRICTIONS

- Since 2008, overseas nurses require sponsorship from an employer in the UK to practice here
- Overseas nurses have three months to pass a computer-based exam (OSCE) before they are allowed to practice as a fully-registered nurse. Prior to this they can only practice as care assistants

COSTLY & TIME INTENSIVE

- Recruitment trips
- Use of local recruitment agencies
- Sponsorship costs
- Sign-up costs and additional benefits

QUALITY RISKS

- Language and cultural differences
- Variance in training and qualifications
- Quality often cannot be observed prior to hiring from abroad

RETENTION

- NHS is the preferred employer due to its international reputation and more generous benefit packages
- Under the 'leave to remain' clause, non-EU immigrants who entered the UK since 2011 can only stay for a maximum of six years. From 2017 onwards, an average of 1,000 nurses are expected to have to leave the UK every year

Industry Response

The newly-elected government should add care home nurses to the Shortage Occupation List
Care England Manifesto 2015

We want to recruit from India, South Africa and the Philippines as these nurses are very high caliber generally. But we can't. We hope that with the completion of the election, the political climate will be a better one to discuss immigration policy regarding nurses. It is critical.

Pete Calveley

The only benchmark for the Shortage Occupation List is the shortage of nurses in the NHS. They don't take the shortage in social care into account.

Pete Calveley

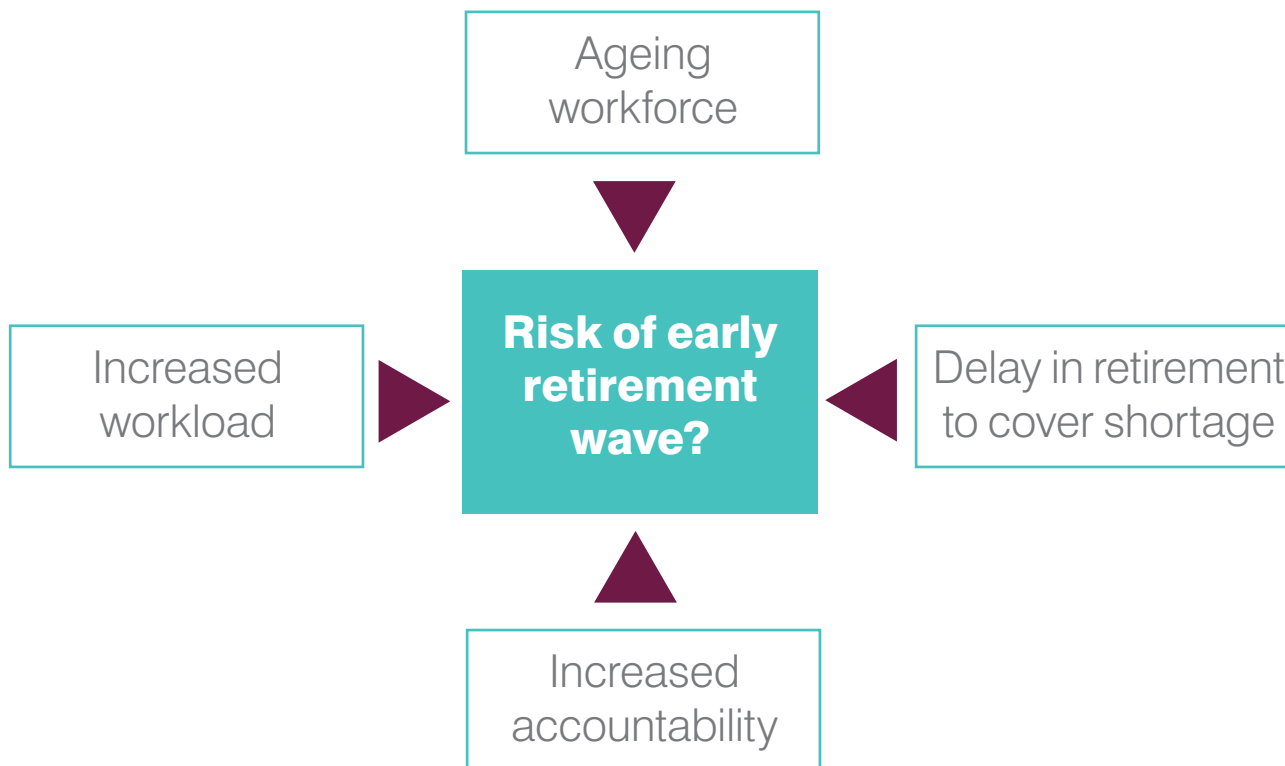
Registered Nurses recruited from outside the UK are a valuable addition to the workforce, with high skill levels, and by providing excellent standards of professional care. Language and cultural differences, however, can provide challenges for the RN's and for integration into UK working practice.

Kevin Groombridge

From within the EU we hired 150 nurses last year and will hire 450 this year. However, with regards to EU nurses, the greatest problem we have is staff retention. The greatest shortage of nurses occurs in rural areas, for which we then hire from the EU. These areas, however, are not particularly attractive for foreign nurses, so in many cases we bring people over and they leave immediately to work for the NHS in urban areas. By offering them a clear career pathway and the opportunity to move to one of our urban locations after six months, we try to keep as many staff for as long as possible.

Pete Calveley

Is there a significant risk of an early retirement wave?



We don't really look at the age structure of our nurses. We focus on high-quality care, and the age profile of our nurses is not by itself a determinant of quality. What we do care about is the skill mix and experience, and we therefore try to offer staff bespoke positions and roles that match their capabilities and ambitions.

Pete Calveley

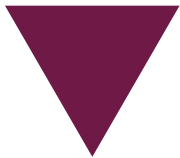
We welcome experience in the profession. It takes time to train new RN's and in the short term we should look to attract back nurses who have left the profession during their working lives. We have developed a recruiting initiative to hire former nurses that don't practice anymore back into their old roles and to enhance and improve terms and conditions for all RN's. We want to ensure that they are supported as valuable professional colleagues with a future in both our organisation, and the companies that we manage.

Kevin Groombridge

Ageing population

Funding pressures

Increasing costs



Innovation in health & care services
Preparation of workforce
Use of technology

Treating the health and social care sector as one is key to solving the nursing crisis.

Pete Calveley

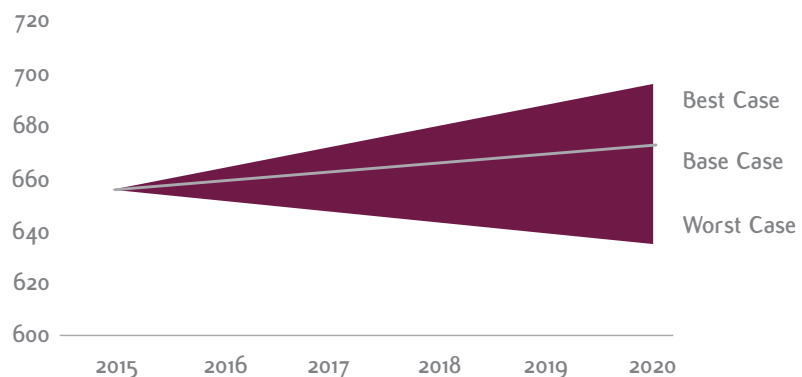
Going forward, greater case complexity will lead to an ever greater need for technology to support care delivery.

Chai Patel

Our senior nurses and nurse specialists are trained to provide care in a higher acuity setting.

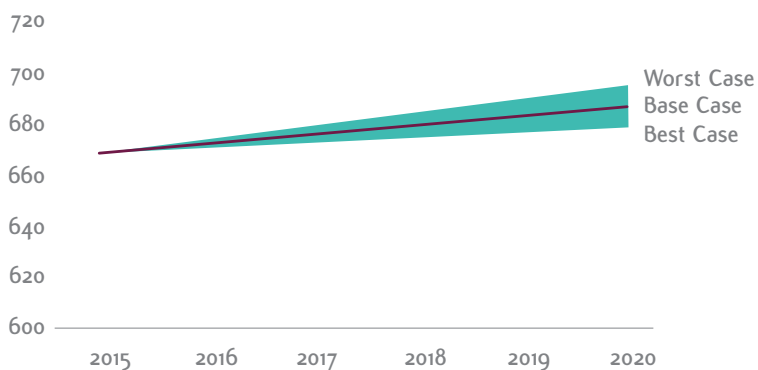
Pete Calveley

Supply sensitivity for the number of nurses in the UK (ooo's)



Source: Christie + Co Analysis

Demand scenarios for the number of nurses in the UK (ooo's)



Source: Christie + Co Analysis

Supply Assumptions

	Best Case	Base Case	Worst Case
UK graduates & nurses re-entering profession	5% increase	2% increase	In line with current university places
Immigration	Continued growth	10% reduction	Reversal of 5-year trend
Leaving the job / retiring	As per 2014/15	As per 2014/15	10% increase
Emigration	5 year average	5 year average	Pre-recession

Demand Assumptions

Worst Case:

Demand for nurses in healthcare will grow in line with ONS forecasts for overall population growth in the UK up to 2020 (annual growth of 0.53%). Demand for nurses in social care to grow in line with the growth in population over the age of 74 years (2.6%). Overall growth rate of 0.73% per annum.

Base Case:

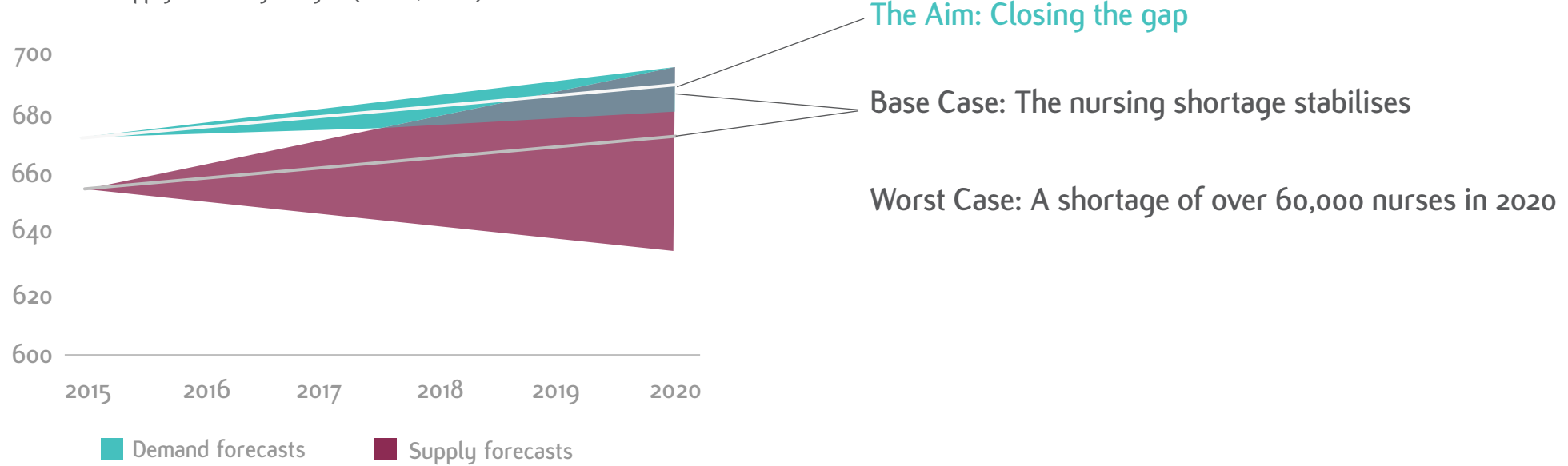
Innovation in medicine, improved usage of technology and some integration of health and social care will allow for more prudent use of nurses. Demand for nurses will grow at overall population growth rate of 0.53%.

Best Case:

Assumptions are as in Base Case, but nursing homes move to a 1-nurse-per-home model (1 nurse present 24/7) by 2020.

The base case scenarios imply a stabilisation of the crisis

Demand and supply sensitivity analysis (nurses, 000's)



Source: Christie + Co Analysis

What is the most likely scenario?

The shortage of nurses is most likely to stay at its current rate. This does, however, require some system-wide innovation in staff usage in order to cope with the ageing population.

How likely is it that the situation gets worse?

As long as there is not a very strong reversal in immigration rates, we consider the situation is stable.

What is the worst outcome and how likely is it?

The shortage could grow to over 60,000 nurses. We consider this outcome unlikely, as this will require a combination of negative outcomes. These include a lack of innovation, a substantial reduction in immigration and a high number of nurses leaving the register.

The Aim: Closing the gap

Base Case: The nursing shortage stabilises

Worst Case: A shortage of over 60,000 nurses in 2020

How can the shortage be reduced?

In order to close the gap, a combination of 4 things need to happen:

1. The industry needs to significantly optimise the use of nurses by up-skilling care assistants to take over some of the current operational duties of nurses and by using technology effectively
2. Every measure needs to be undertaken to entice nurses to (re-)enter the industry and keep nurses from leaving. These measures include attractive remuneration & benefit packages, career prospects, training opportunities and good workplace environments
3. The number of funded university places needs to be substantially increased today to show effect from 2019 onwards
4. Immigration needs to be encouraged and the barriers to overseas recruitment reduced

There is a shortage of 15,000 nurses in the UK. The effect is the evolution of an ‘agency culture’ in health and social care with increasing costs and risks to the quality of care. To create a sustainable nursing workforce, policy makers have to improve their workforce planning. Operators in social care have the opportunity to innovate and, by co-operating with each other and the regulators, to find a solution which addresses the specific needs of the sector.

Yes, the crisis is real. Short-sighted workforce planning has resulted in the evolution of an ‘agency culture’ in health and social care over the past three years. The effect has been an overall increase in the cost of care delivery and immense pressure on those people providing care on the floor. The risk that these pressures result in a deterioration in the quality of care is also real. Policy makers need to be aware of these issues and take action. Thinking about health and social care as one system is absolutely essential for this.

The key messages to policy makers are:

1. Take account of the social care sector in your workforce planning. Adapt training requirements & the supply of university places accordingly
2. Support immigration of qualified care staff

For care home operators the effect of the crisis is an overall increase in staff cost margins of 1.7 ppts. This has led providers in the sector to innovate and find solutions to their individual challenges. The solutions developed by some operators are already very advanced and have resulted in substantial cost savings.

Care home operators need to focus on three main areas:

1. Job attractiveness - Remuneration & benefit packages, well-defined career prospects, training opportunities and good workplace environments
2. Training - Up-skilling care assistants to take on some operational roles of nurses and preparing nurses for the increasing case complexity of residents
3. Technology – For the purposes of staff training, improved communication & support, medication management and electronic care records

The next step now is for providers to get together with the regulators on a national scale to devise a system-wide solution to the crisis. This represents a great opportunity for the sector. Regulators need to decide whether they want to take the lead and guide operators to a system-wide solution or whether they want to take a reactionary role. The main risk is that there will be a variety of solutions subject to a wide range of different standards. Operators and investors have a similar choice: to lead or to react. Reacting allows operators to suspend the costly development of new staff structures in the hope that a system-wide solution will arise. However, there is a risk that operators adopting this approach will face substantial catch up costs and face being left behind. Leading implies significant investment in staff, technology and the work place environment (i.e. real estate).

The opportunity is there and those who fail to act now will feel the impact for years to come.

About Christie + Co

Christie + Co is part of Christie Group plc, which is listed on the AIM (Alternative Investment Market). Founded in 1935, Christie Group provides professional services covering surveying, valuation, agency, consultancy, finance, insurance, stock control and software solutions. Christie Group's activities are specifically focused on the healthcare, hospitality, leisure and retail sectors. Christie + Co has 15 international offices in Europe and 16 offices across the UK.

Within the healthcare sector, we have over 2,000 advisory mandates each year with 3,048 care homes inspected in 2014. We are responsible for over 50% of all individually transacted care home sales. Our client base includes most leading operators, banks, private equity companies, specialist investors and developers who are active in the health and social care sectors.



Michael Hodges
Director, Healthcare Consultancy
T: +44 (0)20 7 227 0766
M: +44 (0)7764 241 300
E: michael.hodges@christie.com

Michael was appointed a Director of Christie + Co in 2005 and is a qualified Chartered Surveyor with 17 years experience within the care sector, providing valuation, consultancy and landlord and tenant advice to substantial portfolios and single asset properties. His market knowledge spans elderly and specialist care, as well as children's homes, day nurseries and schools in the UK and Germany. Michael has developed particular expertise in business turnaround and recovery having spent 22 months as a seconded resource to the restructuring team in one of the major UK banks. Michael now leads Christie + Co's Healthcare Consultancy business with a client base which includes a number of leading private equity companies, hedge funds, operators and specialist investors.

Services provided by Christie + Co's Healthcare Consultancy business:

- Portfolio reviews
- Market analysis
- Strategic advice
- Performance monitoring
- Commercial due diligence
- Lease consultancy
- Feasibility analysis



Max Weidl
Senior Consultant, Healthcare Consultancy
T: +44 (0)20 7 227 0706
M: +44 (0)7974 265261
E: max.weidl@christie.com

Max has worked on most of Christie + Co's recent corporate agency and advisory mandates in the healthcare sector. His specialties are market research and data analytics. Prior to Christie + Co, Max has worked for the board of a major private equity backed operator of hospitals, clinics and care homes in Germany. His experience and market knowledge covers acute care, post-acute rehabilitation, elderly and specialist care in Germany and the UK. In previous roles he worked in business strategy & development, as well as operational and financial optimisation. Max's transactional experience includes bolt-on acquisitions, strategic divestures, debt refinancing and cross-border sale & leasebacks. As an economist he is trained in statistical analysis and is responsible for Christie + Co's data analytics projects.

Care England Manifesto (2015) – Meeting the Needs of a Twenty-First Century Society

Care Quality Commission (“CQC”) (2014) – The state of health care and adult social care in England 2013/14

Nurse & Midwifery Council (“NMC”) (2015) – All data from the NMC has been obtained via a Freedom of Information Request with data as of 31 March 2015

Health and Social Care Information Centre (“HSCIC”) (2014) – Provisional NHS Hospital & Community Health Service (HCHS) monthly workforce statistics

Health Education England - Lord Willis, Independent Chair (“Willis Report”) (2015) – Raising the Bar - Shape of Caring: A Review of the Future Education and Training of Registered Nurses and Care Assistants

National Audit Office (“NAO”) (2006) – Department of Health - Improving the use of temporary nursing staff in NHS acute and foundation trusts

NHS Employers (2014) – NHS qualified nurse supply and demand survey - findings

Office of National Statistics (“ONS”) (2013) – 2012-based National Population Projections

Royal College of Nursing (“RCN”) (2013) – Frontline First - Running the red light November 2013 special report

Royal College of Nursing (“RCN”) (2014) – An uncertain future - The UK nursing labour market review 2014

Royal College of Nursing (“RCN”) (2015) – Frontline First - Runaway agency spending

Skills for Care (2015) – National Minimum Data Set for Social Care (NMDS-SC)

The Mid Staffordshire NHS Foundation Trust - Public Enquiry, chaired by Robert Francis QC (“Francis Report”) (2013) – Report of the Mid Staffordshire NHS Foundation Trust Public Inquiry

