

What Is Shaping the Future of the Care Home Sector?

A UK-wide analysis with a focus on Scotland and England

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Introduction

The care home sector in the United Kingdom is at a crossroads. An ageing population is driving unprecedented demand for residential and nursing care, yet the sector is simultaneously contending with chronic underfunding, workforce instability, regulatory reform, estate obsolescence, and the accelerating pace of technological change. The forces shaping the future of care homes are not emerging in isolation — they are converging, and the providers, commissioners, and policymakers who fail to understand that convergence will be overtaken by it.

This analysis examines the major forces shaping the care home sector across the UK, with particular focus on Scotland and England, where divergent policy trajectories, regulatory frameworks, and market dynamics are producing markedly different landscapes for providers and the people they serve.

1. The Demographic Imperative

The fundamental driver of change in the care home sector is demographic. The over-85 population — the cohort most likely to require residential or nursing care — is projected to grow by approximately 35% by 2035 across the UK (G76 Global, 2025). In Scotland, the picture is particularly stark: 772 care homes provide approximately 36,000 beds, yet the sector is projected to face a deficit of around 30,000 beds by 2036 when measured against the wetroom standard now required by the Care Inspectorate for all new builds (Care Home Professional, 2026).

In England, the picture is similarly challenging. CQC-regulated care homes with nursing decreased to 4,186 in March 2025, and care homes without nursing to 10,301 — both figures representing a continued decline (Skills for Care, 2025). The UK added just 86 net new care-home beds in 2024 (G76 Global, 2025), a figure that exposes the catastrophic gap between supply-side investment and demand-side reality.

The question is no longer whether we have enough care home beds. It is whether we have any realistic plan to build the ones we will need.

2. The Funding Crisis

Scotland

The funding model for care homes in Scotland is broken. Scottish Care's February 2025 survey of 146 member organisations overseeing 403 homes revealed 1,463 placement vacancies — an average of four per home. Critically, 49% of respondents reported a decrease in local authority or health board placements (Scottish Care, 2025).

Of particular concern is the emergence of '2:1' placement policies in several localities, where local authorities or health boards will not fund a new placement until the equivalent financial value of two existing placements has been recovered (Scottish Care, 2025). Scotland has lost approximately 200 care homes since 2012, an 18% contraction in the sector over a decade (Scottish Housing News, 2023). Without ring-fenced funding for social care, this trend will not only continue but accelerate.

England

In England, the funding picture is no less precarious. Local authority fee rates remain below the cost of care in many areas, with self-funding residents effectively cross-subsidising publicly funded placements. The employer's National Insurance contribution increase has added further pressure to already thin margins, and smaller operators — many of whom lack the reserves to absorb cost shocks — are disproportionately affected (Nursing Times, 2024).

Over one in five care homes sold in 2025 were vacant at the point of sale, signalling a pattern of closures and consolidation. Trading performance among surviving homes has generally improved, supported by stronger occupancy and reduced reliance on agency staff — though this improvement is concentrated among larger, better-capitalised operators (Knight Frank, 2025). As of November 2025, 86.3% of care home beds in England were occupied (Department of Health and Social Care, 2025).

3. Regulatory Reform

Scotland: The Care Reform (Scotland) Act 2025

The original ambition of the National Care Service (Scotland) Bill was structural reform — the creation of a national body to oversee social care, potentially transferring responsibilities from local authorities. That ambition was abandoned in January 2025 when the Scottish Government acknowledged it lacked the parliamentary support to proceed with Part 1 of the Bill (Scottish Parliament, 2025). The Bill was renamed the Care Reform (Scotland) Bill and passed in June 2025 (Care Reform (Scotland) Act 2025).

What remains is significant but incremental: Anne’s Law, enshrining care home residents’ right to see their loved ones; a new legal right to breaks for unpaid carers; enhanced independent advocacy; a national chief social work adviser; a national social work agency; ethical procurement provisions; and information-sharing powers (Scottish Government, 2025a). Integration Joint Boards will continue to plan and oversee social care and community health, with a non-statutory National Care Service Advisory Board providing national oversight.

For care home providers, the practical implications include new visiting regulations — The Care Home Services (Visits to and by Care Home Residents) (Scotland) Regulations 2026 — greater scrutiny of advocacy access, and continued compliance with the Health and Social Care Standards 2017. The Care Inspectorate’s Design Guide now mandates full wetroom provision in all new-build care homes and has removed the previous 60-bed cap on new registrations, enabling developments of up to 100 beds (Care Inspectorate, 2026).

England: CQC Reform and the Casey Commission

In England, CQC is undergoing its own transformation. Following significant criticism of its internal processes, CQC is testing a new Single Assessment Framework, expected to launch by the end of 2026, which will replace the current separate frameworks for different service types with one unified approach (CQC, 2025a). CQC is targeting 9,000 assessments by September 2026 and has recruited additional registration inspectors to address application backlogs (CQC, 2025b).

The UK Government has committed to establishing a National Care Service in England over the next decade, with Baroness Casey’s independent commission expected to report initial findings in 2026 and final recommendations by 2028 (CIPFA and LGIU, 2025). The Fair Pay Agreement, currently in development, is set to be one of the most consequential changes for the social care workforce in England, establishing a negotiating body to improve pay and conditions for care workers (Care England, 2026).

For providers operating across both jurisdictions — as Mac Research and Consultancy’s clients increasingly do — dual regulatory fluency is no longer a nice-to-have. It is a core operational requirement.

4. The Workforce Crisis

The care home sector’s workforce challenges are structural, not cyclical. Across the UK, care worker pay remains significantly below comparable roles in retail, hospitality, and the NHS. In England, vacancy rates in adult social care remain higher than in the wider job market, and more than a third of staff who leave the sector cite better pay elsewhere as the primary reason (Skills for Care, 2025). There are three times more vacancies in adult social care than in other sectors (CQC, 2025c).

The collapse of international recruitment routes has compounded the problem. The number of health and care worker visa applications fell from over 10,000 per month in 2023 to just 1,700 per month by March 2025, following Home Office restrictions on dependants, higher salary thresholds, and increased compliance scrutiny (CQC, 2025c). The cessation of new

care worker visa applications poses a significant risk to a sector that had become heavily reliant on overseas recruitment to fill gaps.

In Scotland, the picture is further complicated by the absence of a Fair Pay Agreement mechanism equivalent to the one being developed in England. The Scottish Government's commitment to the Living Wage is welcome but insufficient when the NCHC rate does not fully fund that commitment, leaving independent providers to absorb the gap.

We do not have a recruitment crisis. We have a pay crisis, a conditions crisis, and a value crisis. Until we fix those, we will keep losing good people to Aldi and Amazon.

Turnover remains highest among younger workers (38% for under-25s) and those on zero-hours contracts. Conversely, care workers over 50 show significantly lower turnover (around 20%), and the average worker in the sector has over nine years' experience (everyLIFE Technologies, 2026; Skills for Care, 2025). The sector does retain people — but only those who are willing to accept pay and conditions that most other sectors would not tolerate.

5. The Built Environment and Capital Investment

The physical estate of the UK's care home sector is ageing. In Scotland, only 55% of care homes are purpose-built, 87% have en suite facilities, and just 36% have wetrooms (Care Home Professional, 2026). The Care Inspectorate's 2026 Design Guide makes wetroom provision mandatory for all new developments, meaning much of the existing stock does not meet the standard now expected. There is a proposed current undersupply of nearly 20,000 wet room beds in Scotland alone, rising to over 27,000 by 2036.

Between 2021 and 2025, 47 new care home development schemes were approved in Scotland, representing a pipeline of 2,489 beds — heavily concentrated in the Central Belt. The removal of the 60-bed cap is expected to catalyse larger, more commercially viable developments (Care Inspectorate, 2026), but construction costs remain high and planning processes slow (Care England, 2025).

Although new development continues in England, supply is failing to keep pace with demand and domestic bed capacity is projected to reach saturation by the end of the decade (Knight Frank, cited in Property Week, 2026). US-based Real Estate Investment Trusts (REITs) continue to drive consolidation, with Welltower acquiring major operators including Care UK, Barchester, and HC-One under RIDEA management contract structures. This trend is reshaping ownership patterns across the sector, with implications for governance, accountability, and the relationship between capital and care.

6. Technology and Digital Transformation

The care home sector's relationship with technology has historically been characterised by underinvestment and resistance. That is changing — driven by workforce pressures, regulatory expectations, and the growing availability of care-specific digital tools.

In Scotland, the Scottish Government's *Care in the Digital Age* delivery plan for 2025–26 signals a transition towards a 'Digital First' mindset, with 24 local authorities now engaged in AI-supported social work documentation and several areas embedding the Care Technologist role piloted by Scottish Care (Scottish Government, 2025b). The first Care Tech Assembly was held in Glasgow in June 2025.

Across the UK, the 2026 OneAdvanced Trends Report identifies a 'platform paradox': investment in digital tools is strong, but integration remains the principal stumbling block. Many providers are stuck in what the report describes as 'automation purgatory' — where disconnected systems create double data entry, increase error risk, and add to the administrative burden on frontline staff rather than reducing it (OneAdvanced, 2026).

For care home operators, the technology priorities for the next three to five years are clear: integrated care planning and medication management systems; remote monitoring and predictive analytics for early intervention; AI-assisted documentation to reduce the 'paperwork tax' on care staff; and robust cybersecurity as a board-level concern, not an afterthought.

The providers who will thrive are not those who adopt every new tool, but those who integrate technology into a coherent operating model that supports — rather than replaces — the human relationships at the heart of good care.

7. Market Dynamics and Consolidation

The UK care home market is consolidating at pace, with 2025 marking a record-breaking year for transaction activity across the sector (Care Home Professional, 2026; Caring Times, 2025).

In Scotland, notable deals included the acquisition of Thistle Healthcare — a portfolio of seven homes and 478 beds across Glasgow, East Kilbride and Dundee — by Enhance Healthcare in July 2025, expanding the buyer's portfolio to 21 services (Care Home Professional, 2025). The Central Belt remains the most sought-after location, but trade and professional commentary identifies growing interest from first-time buyers — particularly from south of the border — in smaller, mid-market homes in more remote locations (Caring Times, 2025; UHY Hacker Young, 2025)

The entry of US-based REITs into the UK market represents a structural shift. Welltower's acquisition of Barchester, HC-One, and Aria Care — among others — in multi-billion-pound deals has introduced a management-contract model (RIDEA) that separates property ownership from operational management.

This model is already established in the US and is now being applied to the UK market at scale. The implications for registered managers, staff, and residents are significant: operational decisions may increasingly be driven by investor return expectations rather than care quality imperatives.

Meanwhile, single-asset operators face mounting pressure from employer NI increases, staffing costs, and chronically underfunded local authority fees. Distressed sales, while down 22% in 2025, remain a feature of the market. The sector is splitting large, well-capitalised operators with modern estates and strong occupancy on one side; small, underfunded operators in older buildings with thinning margins on the other.

8. What Good Looks Like: The Provider Perspective

Against this backdrop of systemic challenge, what does a well-positioned care home provider look like in 2026?

First, it is clear about its purpose and its market. The days of accepting every referral regardless of fit are over. Good providers match residents to services, maintain occupancy through quality and reputation rather than desperation, and are willing to say no to placements they cannot safely deliver.

Second, it invests in its workforce. This means paying above the floor, providing genuine career development, supervising consistently, and creating a culture where staff feel valued and supported. The evidence is clear: lower staff turnover correlates with higher regulatory grades, better occupancy, and stronger financial performance (Skills for Care, 2025).

Third, it embraces technology as an enabler, not a threat. Digital care planning, integrated medication management, remote monitoring, and AI-assisted documentation are not luxuries — they are becoming baseline expectations of both regulators and families.

Fourth, it is inspection-ready, not inspection-reactive. The best providers conduct ongoing self-evaluation, use audit data to drive continuous improvement, and maintain the kind of evidence base that makes an inspection a validation exercise rather than a crisis.

Fifth, it understands the regulatory landscape it operates in — and, for providers operating across Scotland and England, it understands both. The Health and Social Care Standards, the Care Inspectorate's expectations, CQC's evolving Single Assessment Framework, the Care Reform (Scotland) Act 2025, the Fair Pay Agreement — these are not abstract policy developments. They are operational realities that require proactive preparation.

Conclusion

The care home sector is not at risk. It is being reshaped — by demographics, by funding realities, by regulatory ambition, by technological possibility, and by the expectations of the people who live and work in care homes. The providers who will succeed are those who see these forces not as threats to be survived, but as conditions to be navigated with clarity, purpose, and investment.

The sector needs more beds, better buildings, fairly paid staff, integrated technology, and commissioning models that fund the true cost of safe care. None of this will happen without political will, sustained investment, and a fundamental shift in how society values the care of its oldest and most vulnerable citizens.

The future of the care home sector will be defined by those who build it, not by those who wait for it.

Mac Research and Consultancy Limited works with care home providers across Scotland and England to prepare for what is coming: regulatory compliance, quality assurance, policy development, workforce strategy, and leadership consultancy. If you are planning for the future of your service, we would welcome the conversation.

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