

Section 1: Revised assessment of the current sustainability of local care markets

Devon Context

Devon County Council is the largest local authority area in the South-West of England with a population of 811,640 in 2021.

It has eight districts. These are East Devon, Exeter, Mid Devon, North Devon, South Hams, Teignbridge, Torridge and West Devon. It is a predominately rural county, albeit with a number of significant urban settlements, the largest of which is Exeter. Devon also includes Dartmoor and Exmoor National Parks, as well as five Areas of Outstanding Natural Beauty.

- The population of Devon is growing, but the working age population is declining as a share. By 2031 the proportion of over 65s is expected to increase from 26% to 29.7%. Nationally, the proportion of over 65s isn't expected to reach 25% until 2048.
- The growth in the Devon population is attributable to longer life expectancy, migration into the county and increases in planned development.

The workforce

- Devon has proportionately fewer working age people compared to the rest of England, particularly those aged 16 to 49 years.
- The employment rate in Devon is slightly above the national average
- Given its aged age profile, Devon has a lower proportion of adults being economically active than is typical nationally.
- Also given its age profile, there is greater demand for adult social care, whether local authority or privately funded. This makes the adult social care workforce challenge even greater in Devon than nationally.
- Adult social care is a growing sector. Across England it has increased by 12% since 2012, and in the Southwest region it increased by 6% over the same period.
- If the workforce were to grow in proportion with the projected number of people aged 65 and over, the Southwest adult social care workforce would need to increase by 35%
- Adult Social Care is one of the biggest employers in Devon, directly employing 35,000 people. Whilst recruitment of Adult Social Care staff improved during 2020, it has now become very difficult, with heightened competition for labour across the wider economy. Brexit has also impacted with some staff returning to their native countries.
- It is estimated 2,000 staff are needed across the Integrated Care System to meet current demand and vacancies.
- Skills for Care estimates that the staff turnover rate in Devon was 39.9%, which was higher than the region average of 32.0% and higher than England, at 29.5%.
- Average earnings for Devon residents have been rising slightly faster than for the UK as a whole, but remain well below the national average.
- Lower than average wages and lack of access to affordable housing, public transport and digital connectivity has a major impact on rural communities.
- Housing is expensive: the housing affordability ratio in Devon is 10.4, which means that the average house price is almost 10 times higher than average earnings. This is higher than the England average of 8.5. This makes it difficult to attract a workforce to Devon and care wages do not support people to remain in Devon; the younger population migrate to live in other counties where housing is more affordable.

a) **Assessment of current sustainability of the 65+ care home market**

There are 314 CQC registered residential and nursing care settings with a total of 7,900 beds, making the care home sector in Devon one of the largest in the country. The Council and NHS commission approximately 40% of all beds.

88.6% of residential/nursing services achieve a Good or Outstanding rating which exceeds all comparator averages. Many care homes are single owner companies with a small number of regional groups, this local presence may support the high-quality ratings.

Occupancy within the homes is c.86.5% which is typical to the south west but above national average, this would suggest a potential oversupply of the beds. As the Council is seeking to reduce reliance on bed-based care it is likely that not all the market will be sustainable.

In March 2022, the Council commissioned Carterwood to undertake a bespoke care home review, which highlighted the following;

- 56% of care homes in Devon were built before 1980, compared to 31% as the UK average. A number have low bed numbers (20 to 30 beds) which is less cost effective.
- Only 4% have been built since 2016. Devon has not seen the same level of investment from national groups in this sector.
- 18% of the beds in the market do not have an ensuite bathroom, and only 17% of older person beds have a wet room
- By 2030 the market will be undersupplied for dementia needs
- Many homes are in rural locations which impacts access to utilities, services, transport and ultimately workforce.
- Care needs cannot always be met due to limitations of the buildings, making it more difficult to find suitable placements for people.
- Homes are less cost efficient in terms of utilities and energy saving.

During 2021/22, 11 care homes closed (five within the older persons market), two nursing homes deregistered and four learning disability homes deregistered to supported living instead. This equated to a total loss of 285 beds (3.6% of CQC registered beds).

Based on recent history we expect to see a further shrinking of the care home market. Due to the risk factors of under 80% occupancy, high use of agency staff and small standalone providers, we could lose between 6-10 care homes equating to approx. 250 beds in the next two years.

In the next three years there are 1,490 additional beds planned through proposed new builds, and 230 additional beds through planned extensions - which could mean the net capacity will grow by approximately 1,470 beds (taking into account expected losses too). However, current build and labour costs as well as financing costs may prevent this growth.

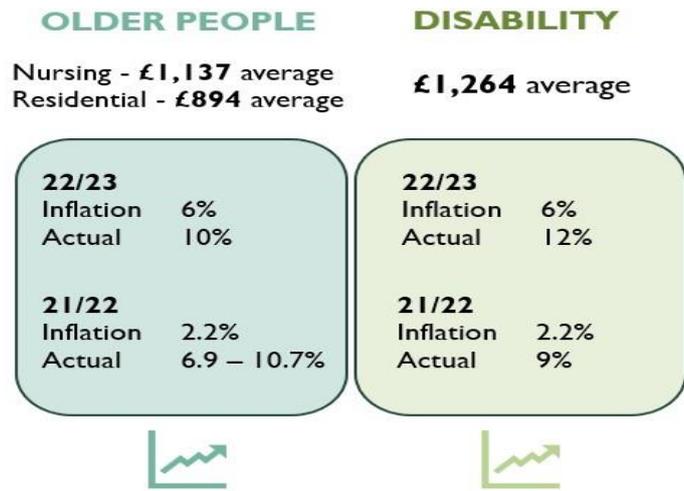
Providers have told us that workforce is the biggest challenge; there are high levels of agency staff usage and beds closed due to low staff numbers.

The image below shows a sharp decrease in the care home workforce and a sharp increase in agency usage between April 2021 and January 2023



For older people, we spend more than our comparators per head of population (65 and over) on residential/nursing care. Care home costs have increased above inflation over the past two years. For April 2023/24 the council has increased fees by approximately 10%. The Older Persons fee model allows staff to be paid at a composite rate of £11.05p/h, but providers feedback is the wage element is a concern as it is difficult to recruit and retain staff, with pay and recognition being a key area for improvement.

The image below shows the current average weekly bed costs. This also demonstrates the average cost has increased above inflation in 2021/22 and 2022/23.



In summary, the care home market needs to develop and diversify to ensure sustainability. There is an over provision of general residential homes, but if a number were to exit at the same time it would be challenging to find alternative placements due to the fabric and location of the current homes. There is a need for more bedded capacity to support people with complex needs including dementia.

Nursing homes are assessed as being high risk due a to a lack of nurses in social care, the number of nurses nearing retirement, the estate (buildings not fit for purpose) and some homes are in rural settings making it hard for staff, professionals and families to access the setting.

There has not been sufficient capital investment in the care home market in Devon. Older buildings are not fit for purpose and have high costs linked to the building not being energy efficient. Neither has Devon seen large investment from national companies buying or building new homes: feedback is the county is geographically too far away to ensure sound quality assurance and oversight from the parent company.

b) Assessment of current sustainability of the 18+ domiciliary care market

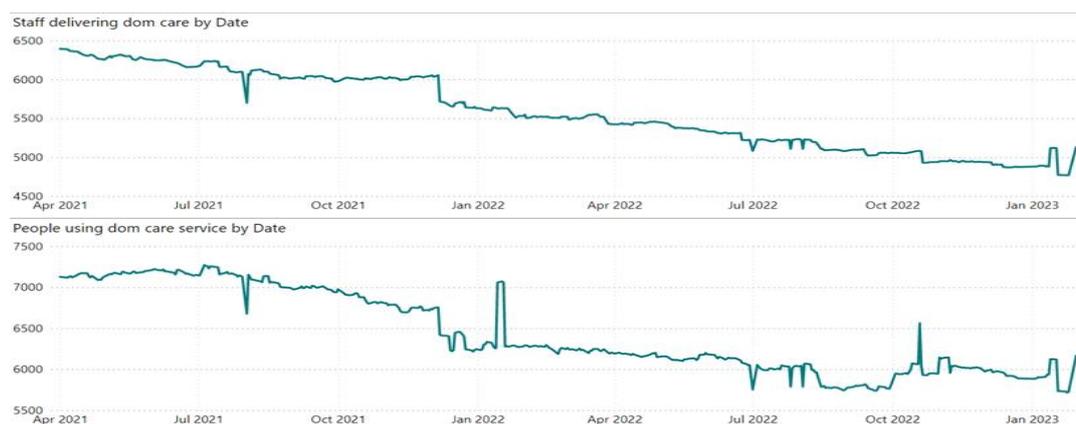
There are 181 personal care providers registered in Devon. The Council purchases 36,420 personal care hours delivered per week from 153 providers with a spot contract, of which two thirds have less than 1% of the market share, with a third having between 1% and 9%. The local authority has an annual spend of circa £34m, with self-funders equating to a third of the market (ONS).

There have been a number of new entrants to the provider market. 2022 has seen eight new providers establishing contracts with DCC, but alongside this, six existing providers have ceased to trade (or amalgamated) and four have indicated that no new council referrals will be accepted. The overall impact of this is a minimal increase in capacity with the workforce moving between providers as opposed to a net growth. Issues around workforce retention are linked to an increasing pattern of hand backs (35% increase on the preceding 12-month period) where providers are unable to continue to support packages of care. Two national providers have exited the domiciliary care market to concentrate business on housing with support models, citing recruitment and retention as influencing their decision to change business model.

80% of providers in Devon are good or outstanding. The Council does not have significant concerns with quality but has plans to introduce the Provider Assessment and Market Management Solution PAMMS to support quality monitoring and improvement.

Market sufficiency is a challenge. The council was short of circa 5,000 hours per week in January 2023, mainly due to providers being unable to recruit and retain staff in a competitive labour market. This has improved throughout February and March 2023, reducing by a third to 3,300 hours, with a significant increase in international recruitment deemed to be contributing towards this.

Capacity Tracker information indicates that the overall staff delivering home care and hours delivered has reduced proportionately, as has the level of care commissioned by the local authority.



Having a sufficient and stable workforce that is trained and skilled is the biggest concern for personal care. Due to Devon being a tourist destination there is significant seasonal impact on labour and travel time/costs

Recognising the workforce challenges facing the Devon homecare providers, in 2020 the Council invested additional funding and encouraged providers to pay their workforce a minimum of £10.00 per hour and this enhanced rate has been further increased through inflationary uplifts. The Council also recognised that its rural geography (among other factors) further challenged provision of homecare in some areas of the county, so introduced

two banded rates to provide additional contribution to provider overheads to account for rurality and other factors affecting market sufficiency.

Devon is above all comparator averages for the hourly rate for personal care, and has one of the highest and most rapidly rising rates in the country, despite continuing sufficiency challenges. The Councils average hourly fees are now at £24.92 per hour

Over 50% of the 2,100 Direct Payment recipients use funding to purchase the support of personal assistants. Devon has seen a growth in this market and as part of a specific programme. 28 micro-providers have joined and are currently engaging with the programme which is supporting new entrants to increase capacity.

In summary, the biggest anticipated risk to maintaining a sustainable home care market in Devon is workforce, a challenge shared across the wider health and social care system. Staffing is the primary asset for providers of home care, and contracting with more provider organisations does not equate to more capacity with many staff migrating across agencies.

Current spot contracting is diluting the ability to maximise economies of scale and work on a strategic level in partnership with the market.

Section 2: Assessment of the impact of future market changes between now and October 2025, for each of the service markets

Continuing Current Trends

Items noted above, such as an oversupply of residential care and aging capital stock, will, if nothing changes, continue to have a worsening effect on the provision of care. There could be a “downward spiral”, as lack of investment leads to both lower efficiency and to homes being less able to attract residents. This in turn would increase costs, reduce competitiveness, and limit opportunities to invest further

Economic Pressures

Price inflation will continue to put pressure on all providers and will threaten the viability of some. For care homes, energy costs, especially heating, and food costs will be particularly important. For domiciliary care fuel costs are likely to be the most important price consideration. These goods are largely imported or dependent on international pricing, so if sterling continues to depreciate, prices will continue to rise, even if international prices are unchanged.

Wage pressures for the reasons noted in the previous section are very likely to remain critically important – partly due to existing inflation but also due to wage increases in other sectors, and a general shortage of labour. It is likely that wages in this sector will have to rise more than elsewhere in order to maintain a sufficient, stable and skilled workforce.

Many providers, especially providers of residential and nursing care, will be severely affected by higher interest rates, short term and long term. The extent of this will vary greatly depending on the extent of debt versus ownership. It is also possible that access to funds may be restricted when loans fall due.

The level of uncertainty engendered by the current economic outlook is itself very damaging to business confidence, and even without higher interest rates, this is likely to lead to hesitation and lower or at least delayed investment.

Section 3: Plans for each market to address sustainability issues

The Fair Cost of Care and Market Sustainability Fund 2022/23

The Fair Cost of Care Exercise was completed in October 2022 and the final report published in February 2023

[Cost of Care: Devon provider engagement - Provider Engagement Network](#)

The Cost of Care report sets out some of the challenges the council experienced in undertaking the Fair Cost of Care exercise, and the council is not confident the median rates are an accurate reflection. The Council recognises the importance of additional engagement with care providers to ensure both the Council and providers have a shared understanding of the cost of providing care in Devon.

The council was allocated £2.4m in 2022, and £1.8m was allocated to care home and personal care providers in recognition of workforce challenges. The funding was apportioned on a 70:30 care home / personal care split.

The Plan

The Council and NHS Devon developed a joint strategic approach to supporting people to live independently in Devon 2020 to 2025. The aim is to shift away from traditional residential care models and to increase the range of good quality homes across Devon, and make it easier for people to remain in their current home or to move between different housing options to develop their independence. We are working in partnership with NHS colleagues and providers to increase the range of housing and accommodation for older people to sustain and/or maximise their capacity for independent living.

To achieve the strategic aim the Council will:

- collaborate with partners to identify solutions to attract the right workforce into the sector.
- improve engagement networks to support provider co-production and collaboration in designing services for the future (Institute of Public Care, Oxford Brookes have been commissioned).
- work closely with district authorities to support the provision of accommodation for key workers
- commission alternatives to 'traditional care' models, reducing the reliance on bed based care.
- develop our community services offer: micro providers, Extra Care Housing, Supported Living
- enhance our use of technology, digital solutions and equipment to support better cost-effective outcomes for people.

65+ care homes market

Recognising the current risks in the care home market the council will:

- focus on all care homes, including learning disabilities and mental health
- complete the nursing assessment which will set out a full needs profile, workforce strategy by March 2024
- complete a holistic review for dementia care (contract, cost and wrap around support)
- investigate capital investment opportunities (including carbon net neutral) to make our homes fit for the future.
- work with ICB to ensure we have short term placements to meet people's needs and support wider system flow

18+ domiciliary care market

Recognising the current risks in the personal care market the council will:

- undertake a review of community-based services, to include learning from the pandemic and changes to national policy and strategy, by May 2023
- refresh our needs assessment for personal care to inform a workforce skills appraisal & strategy
- co-design and co-produce strength-based models of service delivery that will promote independence and maximise reablement / recovery and TECs
- seek growth of volume through strategic partnerships – stabilising the workforce
- support people who choose to purchase their support via a direct payment, or personal health budgets and continue to promote the growth of micro provision within Devon