

## Notice of KEY Executive Decision

|   |   |
|---|---|
| <b>Subject Heading:</b>                   | CSC Yearly Uplift 2024-25 - Direct Payments   |
| <b>Decision Maker:</b>                    | Tara Geere, Director of Start Well  |
| <b>Cabinet Member:</b>                    | Councillor Oscar Ford, Cabinet Member for Children’s Services.  |
| <b>SLT Lead:</b>                          | Tara Geere, Director of Start Well  |
| <b>Report Author and contact details:</b> | Laura Wheatley<br>Laura.wheatley@havering.gov.uk<br>01708 434019  |
| <b>Policy context:</b>                    | <p>The Council has a duty under the Children’s Act 1989 to safeguard and promote the welfare of children in general within its area as well take steps ‘that secure, so far as reasonably practicable, sufficient accommodation within the authority’s area which meets the needs of children that the local authority are looking after, and whose circumstances are such that it would be consistent with their welfare for them to be provided with accommodation that is in the local authority’s area (‘the sufficiency duty’).</p> <p>The Council also has a duty under the Care Act 2014 to shape the adult social care market. This includes the responsibility to ensure:</p> <ul style="list-style-type: none"> <li>• Services are of good quality, operate with a valued and well trained workforce and are appropriately resourced.</li> <li>• Service provisions are sustainable.</li> </ul> |
| <b>Financial summary:</b>                 | Increasing the rates for Direct Payments is estimated to cost £127,429.00.  |

## Key Executive Decision

|  |  |
|--|--|
|  | <p>This is based on a snapshot of placements from the end of February 2024. The estimated costs and income assumes that current client numbers will continue at the same level.</p> <p>Since the actual financial impact is linked to the number of clients at the time of the uplift, the figure could increase or decrease, depending on actual client numbers during the 2024/25 financial year.</p> <p>A significant change in demand or in the need of those requiring support would affect the projection.</p> |
| <b>Reason decision is Key</b>                        | (a) Expenditure or saving (including anticipated income) of £500,000 or more<br>(c) Significant effect on two or more Wards  |
| <b>Date notice given of intended decision:</b>       | 17/11/2023   |
| <b>Relevant Overview &amp; Scrutiny Committee:</b>   | People's Overview and Scrutiny Sub Committee   |
| <b>Is it an urgent decision?</b>                     | No   |
| <b>Is this decision exempt from being called-in?</b> | No   |

### **The subject matter of this report deals with the following Council Objectives**

People - Things that matter for residents **X**

Place - A great place to live, work and enjoy

Resources - A well run Council that delivers for People and Place.

## Key Executive Decision

### Part A – Report seeking decision

#### DETAIL OF THE DECISION REQUESTED AND RECOMMENDED ACTION

For reasons detailed in this report, the Strategic Director of People agrees to approve an uplift to the Direct Payments rates as part of the annual uplift project. This equates to a forecast spend of £127,429.00.

#### AUTHORITY UNDER WHICH DECISION IS MADE

Part 3 [ Responsibility for Functions]

2.2. Corporate functions of Cabinet

Finance

(a) To take decisions on all matters relating to the Council's finances including but not exclusively:

(v) budget revisions

Part 3: Responsibility for Functions,

2 – Executive Functions

The Leader of the Council is responsible for arranging for the exercise of all executive functions and may by way of written notice delegate Executive functions to:

1. Cabinet
2. A committee of the Cabinet
3. Individual Cabinet Members
4. Staff
5. Joint Committees

At the Budget Setting Cabinet meeting of 14<sup>th</sup> February 2024, Cabinet delegated to the Strategic Director of People and Director of Start Well authority to agree inflation rates with social care providers for the financial year 2024/25.

#### STATEMENT OF THE REASONS FOR THE DECISION

##### **Background**

Annually the council receives requests from some care providers to increase the placement fees for children living in foster care, children's homes and supported accommodation. Not all companies do this and those that do have requested between 3% and 15%. However, there is no agreed process for managing uplifts and this presents a financial risk to the council.

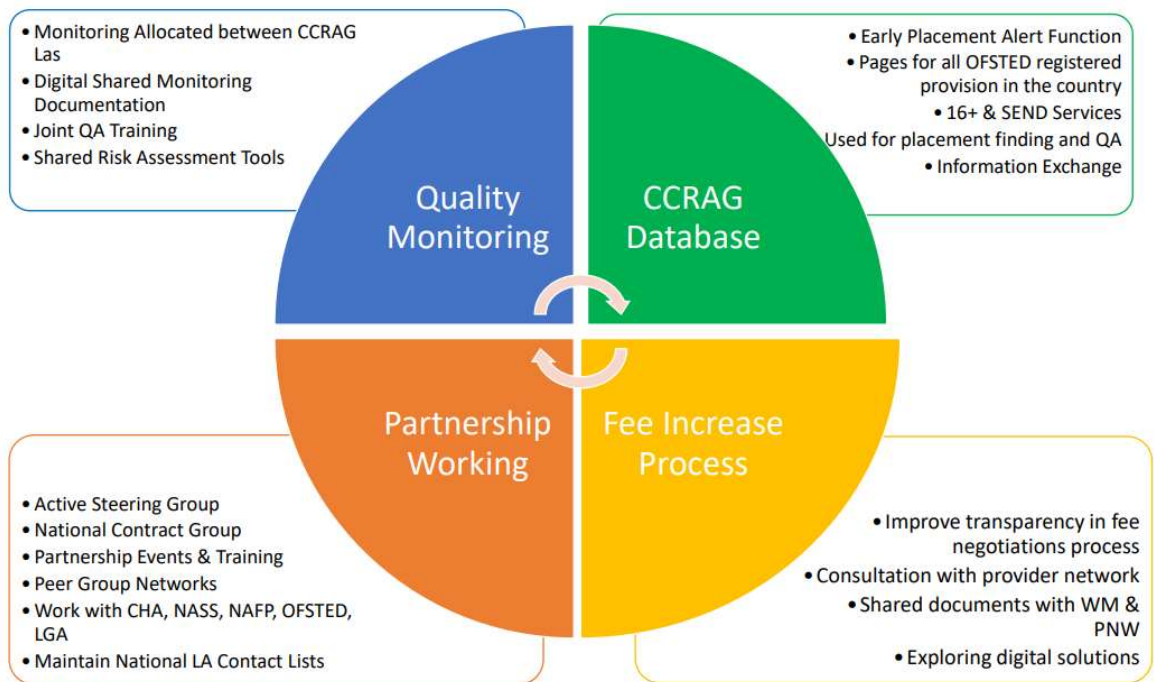
Alongside these care providers set their fees for new placements in isolation, as there is no contractual relationship between the provider and the council. In effect the provider will increase fees in line with their costs, which in some situations covers the lack of annual uplifts for existing placements, so new placements subsidise the cost of existing placements.

##### **Benchmarking**

The Council has joined the Children's Cross Regional Arrangements Group (CCRAG), which is a partnership of local authorities working together to support the sourcing, contracting, monitoring and annual fee negotiations for children's placements and to improve the outcomes for all children and young people.

## Key Executive Decision

The diagram below shows the functions of CCRAAG, including the fee negotiation process.



The fee negotiation process is only used with children's home providers and is led by the allocated council. Councils are allocated providers based upon the number of children each council has with the provider, basically the council with the most developed commercial relationship. If the provider requests an uplift the allocated council undertakes the negotiation on behalf of all councils. This process is not replicated for fostering and supported accommodation providers.

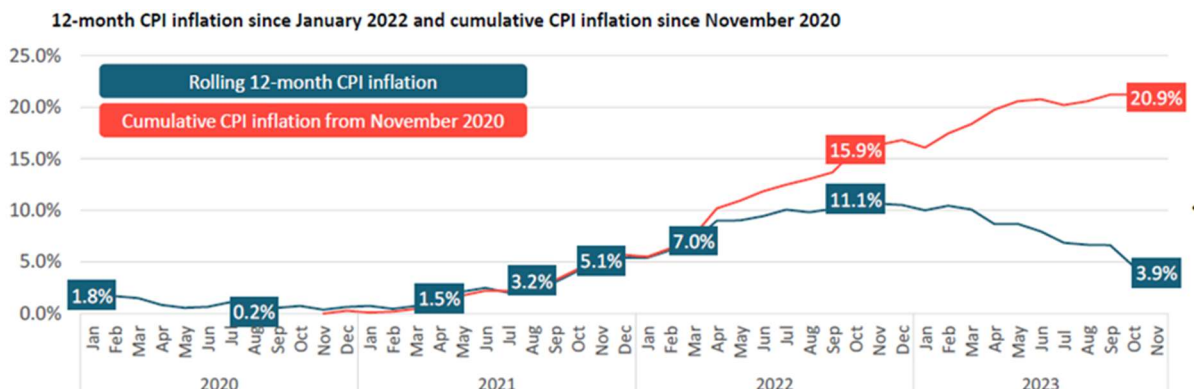
Councils do not share unit costs relating to individual children.

### Inflation Variables

The cost of children's care provision is variably affected by the following factors;

- Cost of Living
- National and London Living Wage

The cost of living increased sharply across the UK during 2021 and 2022. The annual rate of inflation reached 11.1% in October 2022, a 41-year high, before subsequently easing. High inflation affected the affordability of goods and services for households and businesses.



## Key Executive Decision

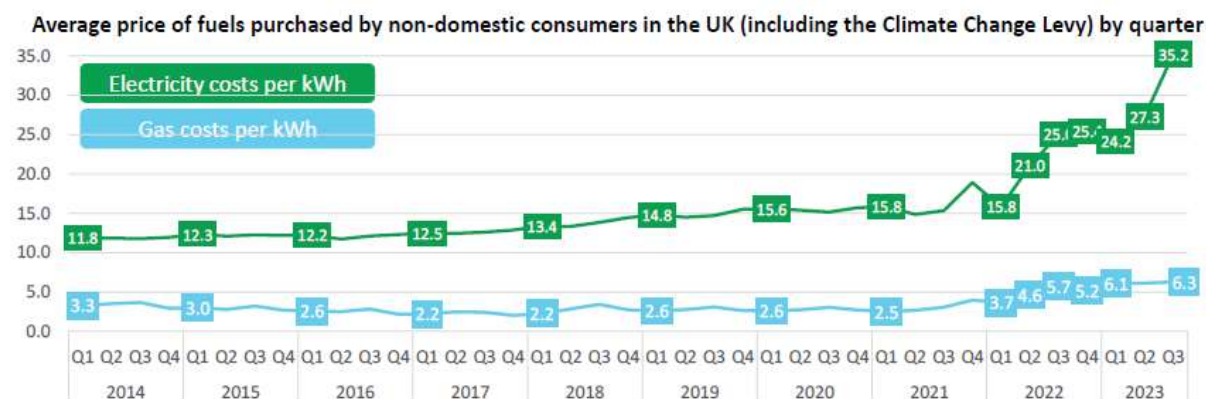
Recent data shows the annual inflation rate was 4.0% in December 2023, up slightly from 3.9% in November (the lowest rate of annual increase since October 2021) but down from 4.6% in October.

The UK's annual inflation rate is expected to continue falling in 2024, though more gradually than in 2023, due to lower energy prices and reduced inflation in consumer goods and food. The average forecast among economists surveyed by the Treasury in the first half of January 2024 was for inflation to average 2.2% in the fourth quarter (Q4) of 2024.

The National Living Wage (NLW) has increased from £10.42 per hour in 2023-24 to £11.44 per hour in 2024-25. This is a £1.02 or 9.8% increase. The increase in the NLW is well above current general inflation (3.9% for the 12-months to November 2023 based on CPI). As a high proportion of staff working in the care sector are paid at or close to the statutory NLW, this means that cost inflation in Children's social care will be far higher than inflation in the wider economy.

The freezing of national insurance and pension thresholds compounds the financial impact of any wage increases. For example, the 9.8% increase in the NLW for 2024-25 will add between 10.0% and 11.0% to the costs of staff paid the NLW. The effect on overall inflation is dependent on (i) the staff composition of each business in terms of how many hours' staff work each week, and (ii) the proportion of total costs that is staff related, which varies by type of service.

In the last quarter of 2023, gas and electricity prices for businesses are more than double that of summer 2021 –with most of the increase taking place in 2022. Although long-term projections are for wholesale energy costs to fall by the end of the decade, significant falls are not expected any time soon.



The various schemes put in place by the government to support businesses with energy costs have effectively ended. For the time being, the evidence therefore suggests the new normal is a doubling of energy prices compared to 2021-22.

Patterns of energy consumption can vary significantly between care homes depending on factors such as the age and energy efficiency of the building, and the type of heating system in place. However, for a typical older Children's care home, a doubling of gas and electricity prices equates to a cost increase of between circa £20-25 per resident/week over roughly three years –with most of the increase taking place during 2022-23 (which would feed into 2023-24 fee uplifts).

### **Impact upon Children's Care Providers**

As identified above there is a variability of how these factors impact upon care.

## Key Executive Decision

Fostering primarily takes place within a family home, where inflation between 2022 and 2024 has had a significant impact upon household costs.

A fee of £900 per week for a fostering home is split between a fee for the foster carer and a fee for the agency, this split can be seen as 55% and 45%. Families have been hardest hit by inflation and exceptional increases in energy costs. A fostering agency will primarily have staff who are professionally qualified who will not be affected by the NLW/LLW, but will be impacted by the increase in household costs. There will be a smaller group of staff who are administrative and will benefit from the increase in these minimum wage structures.

Children's homes are primarily staffed by low wage personnel, and the staffing costs usually account for 80% of the weekly fee. Therefore, staffing costs alone will have increased by 10%, and as identified above the energy inflation has accounted for 1% fee rise per week. On top of these increases children's homes have also been impacted upon by raw material costs, and delays in the supply chain. There has been a significant increase in costs for items such as windows, doors, plaster board and other raw materials. This is of concern as children's homes do require continual updating and maintenance due to the complex histories of the children who live in these homes.

The final type of purchased care is through Supported Accommodation. The fees for this service are split between accommodation and support. The support element is based upon a specified number of hours, approximately 10 hours per week. These staff are usually at the lower end of the pay scales and staff are usually unqualified. Therefore, the impact of the NLW/LLW is significant. Properties are also rented on behalf of the young person, and are subject to above inflation annual uplifts. It is estimated by Savills, that rents in London increased 31% between 2021 and 2023, and it is expected they will rise another 5% in 2024.

The fees also include energy, and it is a requirement that all of these properties have fully inclusive heating and hot water, and young people in care have previously lived in neglectful family situations, where these attributes have not existed. Therefore, energy consumption is higher than a normal family home.

### **Risks and Mitigations**

1. Risk of service interruption due to financial failure. Services are facing increases in National Living Wage, National Minimum Wage and running costs as mentioned above. If rates are not uplifted businesses will find it difficult to remain sustainable.
2. Risk of lack of capacity and choice in the market. A sustainable market promotes growth and encourages new business opportunities.
3. Risk to recruitment and retention of staff. Service providers need to have a well-trained and motivated workforce and need to be able to compete with other sectors with rates that staff are paid. Care providers are in the same market as Supermarkets and other service industries.
4. Increasing gap between inflation increase to cost and Council rates. This will be mitigated by the uplift.

### **Recommendation**

It is recommended that the Council uplift the rates as outlined in the table below:

| <b>CHILDRENS DP TYPE</b> | <b>CURRENT BAND RATE</b> | <b>UPLIFTED BAND RATE 24/25</b> | <b>UPLIFT %</b> | <b>PROJECTED ANNUAL COST OF UPLIFT</b> |
|--------------------------|--------------------------|---------------------------------|-----------------|--|
| <b>HEMOCARE</b>          | <b>£16.00</b>            | <b>£17.30</b>                   | <b>8.13%</b>    | <b>£89,641.70</b>                      |
| <b>SOCIAL INCLUSION</b>  | <b>£13.50</b>            | <b>£14.50</b>                   | <b>7.41%</b>    | <b>£35,486.48</b>                      |

## Key Executive Decision

|                       |               |                |              |                  |
|-----------------------|---------------|----------------|--------------|------------------|
| <b>RESPITE</b>        | <b>£92.70</b> | <b>£100.00</b> | <b>7.87%</b> | <b>£1,518.40</b> |
| <b>NIGHT SERVICES</b> | <b>£80.00</b> | <b>£86.00</b>  | <b>7.50%</b> | <b>£782.10</b>   |

### **Rationale**

Havering is a well-run, cost-effective Council but has an increasing population of children, and children with greater needs. These challenges place a large amount of pressure on its finances and require us to take important and immediate action to manage its spending while keeping its commitment to residents.

A review of rates has taken place for all providers as it does each year as part of the Council annual uplift project. The market consists of both Council funded rates and private rates which are generally much higher than the Council's. The Council needs to be able to continue making placements in the market at a standard rate rather than negotiating placements on an individual basis most likely at a higher cost.

In shaping its uplift approach, the Council has considered other factors such as inflation and wage increases, and considered the best way to meet the needs of residents.

It is recommended that a proportional approach is applied to the 2024/25 yearly uplift with the intention of balancing the pressures on budgets against the risk of increased costs incurred due to provider failure.

It is not appropriate to uplift all of the types of direct payment by the same amount as each has a very specific service type which support clients by enabling them to purchase care of varying levels.

It should be noted that there is a risk to the sustainability of these packages if an uplift is not applied to reflect the increased cost of purchasing care services in these areas. There is a risk that people may choose to stop receiving direct payments as they will experience difficulties purchasing care within their funding envelope and will approach the Council to directly commission service instead. This could result in increased spend for the Council.

### **Financial Implications**

The cost implications of the recommendation and the estimated gross impact of this proposal is an estimated cost of £127,429.00.

This cost is based on a snapshot of placements from the end of February 2024. The estimated costs and income assumes that current client numbers will continue at the same level.

Since the actual financial impact is linked to the number of clients at the time of the uplift, the figure could increase or decrease, depending on actual client numbers during the 2024/25 financial year.

A significant change in demand or in the need of those requiring support would affect the projection

## **OTHER OPTIONS CONSIDERED AND REJECTED**

Offer no uplift to the usual rate the Council pays for services. This option was considered and rejected because:

- The Council wants to sustain its ability to be a key purchaser in the market.

**Key Executive Decision**

- The Council recognises additional pressures placed on services, including the National Minimum Wage and inflation increases.


**PRE-DECISION CONSULTATION**

The Annual Uplift Project 2024/25 consulted with Finance, Legal, Children's Social Care, Financial Assessment, Business Systems and Performance. Externally the Council consulted with providers who it commissions with in Havering and outside the borough.

**NAME AND JOB TITLE OF STAFF MEMBER ADVISING THE DECISION-MAKER**

Name: Laura Wheatley

Designation: Portfolio Manager – Live Well

Signature: 

Date: 22/04/2024



## **Part B - Assessment of implications and risks**

### **LEGAL IMPLICATIONS AND RISKS**

The Council has a duty under the Children's Act 1989 to safeguard and promote the welfare of children in general within its area as well take steps 'that secure, so far as reasonably practicable, sufficient accommodation within the authority's area which meets the needs of children that the local authority are looking after, and whose circumstances are such that it would be consistent with their welfare for them to be provided with accommodation that is in the local authority's area ('the sufficiency duty')'.

The Council also has a duty under the Care Act 2014 to shape the adult social care market. This includes the responsibility to ensure services are of good quality, operate with a valued and well trained workforce and are appropriately resourced.

Section 5(2) (d) of the Care Act 2014 places a duty on the Council to have regard to the importance of ensuring the sustainability of the market.

The Community Care, Services for Carers and Children's Services (Direct Payments) (England) Regulations 2009 as amended require direct payments made by the Council to be set at such a rate as the authority estimate to be equivalent to the reasonable cost of securing the provision of the service concerned.

As set out in this report, officers have reviewed the existing rates and recommend the uplifts as reflecting a reasonable rate to secure each provision.

### **FINANCIAL IMPLICATIONS AND RISKS**

The recommendation in this report is to uplift current direct payments rates by the below %'s for financial year 2024/25.

| <b>CHILDRENS DP TYPE</b> | <b>UPLIFT %</b> |
|--------------------------|-----------------|
| <b>HEMOCARE</b>          | 8.13%           |
| <b>SOCIAL INCLUSION</b>  | 7.41%           |
| <b>RESPITE</b>           | 7.87%           |
| <b>NIGHT SERVICES</b>    | 7.50%           |

The proposal is to apply the uplift for in and out of borough provision. This is reflective of various factors which have been outlined earlier in this report, including National living/minimum wage considerations, high inflationary rates and to aid recruitment and retention. High level benchmarking has been carried out with 5 other local authorities on their 2024/25 rates and consultation with the market has also taken place, as outlined earlier in the report.

The uplift approach has also taken into consideration the median cost of care, taking into account inflationary pressures but also focussing on higher uplifts for those parts of the social care market where fee rates needed to be raised by a higher percentage as the margin to the median cost of care is greater for these areas.

## **Key Executive Decision**

The estimated net impact of this proposal is an increase of £161,316.00. per annum. This is based on a snapshot of placements from the end of February 2024. The estimated costs and income assumes that current client numbers will continue at the same level.

Since the actual financial impact is linked to the number of clients at the time of the uplift, the figure could increase or decrease, depending on actual client numbers during the 2024/25 financial year.

## **HUMAN RESOURCES IMPLICATIONS AND RISKS (AND ACCOMMODATION IMPLICATIONS WHERE RELEVANT)**

The recommendations made in this report do not give rise to any identifiable HR risks or implications that would affect either the Council or its workforce.

## **EQUALITIES AND SOCIAL INCLUSION IMPLICATIONS AND RISKS**

Havering has a diverse community made up of many different groups and individuals. The Council values diversity and believes it essential to understand and include the different contributions, perspectives and experience that people from different backgrounds bring.

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have due regard to:

- I. the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- II. the need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
- III. Foster good relations between those who have protected characteristics and those who do not.

Note: 'protected characteristics' are: age, gender, race and disability, sexual orientation, marriage and civil partnerships, religion or belief, pregnancy and maternity and gender reassignment.

The Council demonstrates its commitment to the Equality Act in its decision-making processes, the provision, procurement and commissioning of its services, and employment practices concerning its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing of all Havering residents in respect of socio-economics and health determinants.

## **HEALTH AND WELLBEING IMPLICATIONS AND RISKS**

The recommendations made in this report do not give rise to any identifiable Health and Wellbeing risks or implications that would affect either residents or Council workforce. Without the annual uplift to meet market prices, local care sector will face service disruption and will not be able to maintain safe and effective care because local providers will not be able to retain or recruit staff and maintain the structures to meet the care needs of the vulnerable residents.

## **ENVIRONMENTAL AND CLIMATE CHANGE IMPLICATIONS AND RISKS**

**Key Executive Decision**

The recommendations made in this report do not give rise to any identifiable environmental implications.

**BACKGROUND PAPERS**

None

**APPENDICES**

**Key Executive Decision**

**Part C – Record of decision**

I have made this executive decision in accordance with authority delegated to me by the Leader of the Council and in compliance with the requirements of the Constitution.

**Decision**

Proposal agreed

**Details of decision maker**

Signed

Name: Tara Geere

CMT Member title: Director of Start Well

Date:

**Lodging this notice**

The signed decision notice must be delivered to Committee Services, in the Town Hall.

**For use by Committee Administration**

This notice was lodged with me on \_\_\_\_\_

Signed \_\_\_\_\_