



Notice of KEY Executive Decision - wholly exempt information

This Executive Decision is not available for public inspection as it contains or relates to exempt information within the meaning of paragraph 3 of Schedule 12A to the Local Government Act 1972. It is exempt because it refers to Information relating to the financial or business affairs of any particular person (including the authority holding that information), and the public interest in maintaining the exemption outweighs the public interest in disclosing the information

Subject Heading:	CSC Yearly Uplift 2024-25 – CSC Contracts
Decision Maker:	Tara Geere, Director of Start Well
Cabinet Member:	Councillor Oscar Ford, Cabinet Member for Children’s Services.
SLT Lead:	Tara Geere, Director of Start Well
Report Author and contact details:	Laura Wheatley Laura.wheatley@havering.gov.uk 01708 434019
Policy context:	<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</p>

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	care market. This includes the responsibility to ensure: <ul style="list-style-type: none">• Services are of good quality, operate with a valued and well trained workforce and are appropriately resourced.• Service provisions are sustainable.
Financial summary:	Increasing the rates for CSC Contracts will cost £27,421.00.
Reason decision is Key	(a) Expenditure or saving (including anticipated income) of £500,000 or more (c) Significant effect on two or more Wards
Date notice given of intended decision:	17/11/2023
Relevant OSC:	People's Overview and Scrutiny Sub Committee
Is it an urgent decision?	No
Is this decision exempt from being called-in?	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.

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 CSC Contract rates as part of the annual uplift project. This equates to a forecast spend of £27,421.00.

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 14th 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

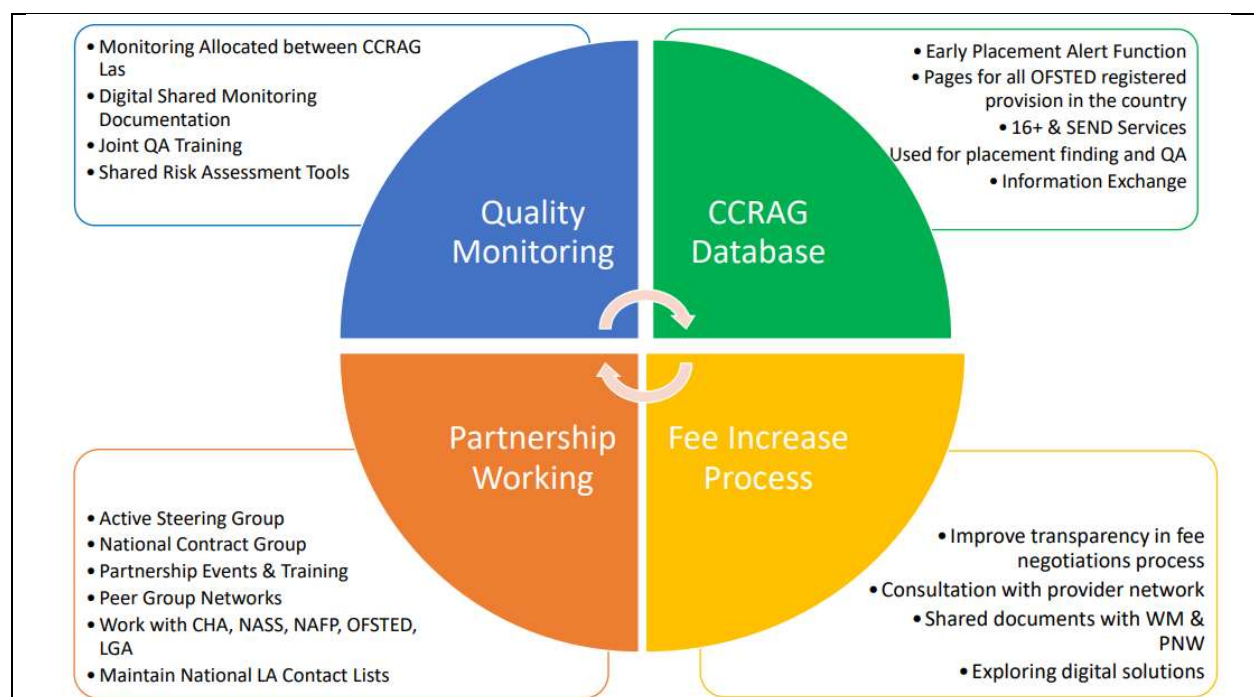
The Joint Commissioning Unit (now the Havering Place Integrated Team) undertakes an Annual Uplift Project as part of the strategy to support and sustain the Provider Market. The 2023/24 Uplift Project gave uplifts to 240 Provisions, based on detailed research on business demands and pressures.

Since the implementation of these uplifts in April 2023, there have been significant additional economic pressures nationally, and a number of providers have approached the Council raising concerns regarding their ability to sustain their provisions.

Benchmarking

The Children's Cross Regional Arrangements Group (CCRAG) 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.

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The key priorities of the group are:

- To improve overall quality standards and outcomes for young people in care
- To support local authorities and providers of children's services to work in partnership, reduce duplication, improve efficiencies, and share information securely in one place
- Allocation and sharing of quality assurance and fee negotiations between member Local Authorities
- Working with the market to provide quality up to date information on individual service providers/provisions and improve sufficiency
- Focus on relational commissioning and encouraging effective communication across the partnership

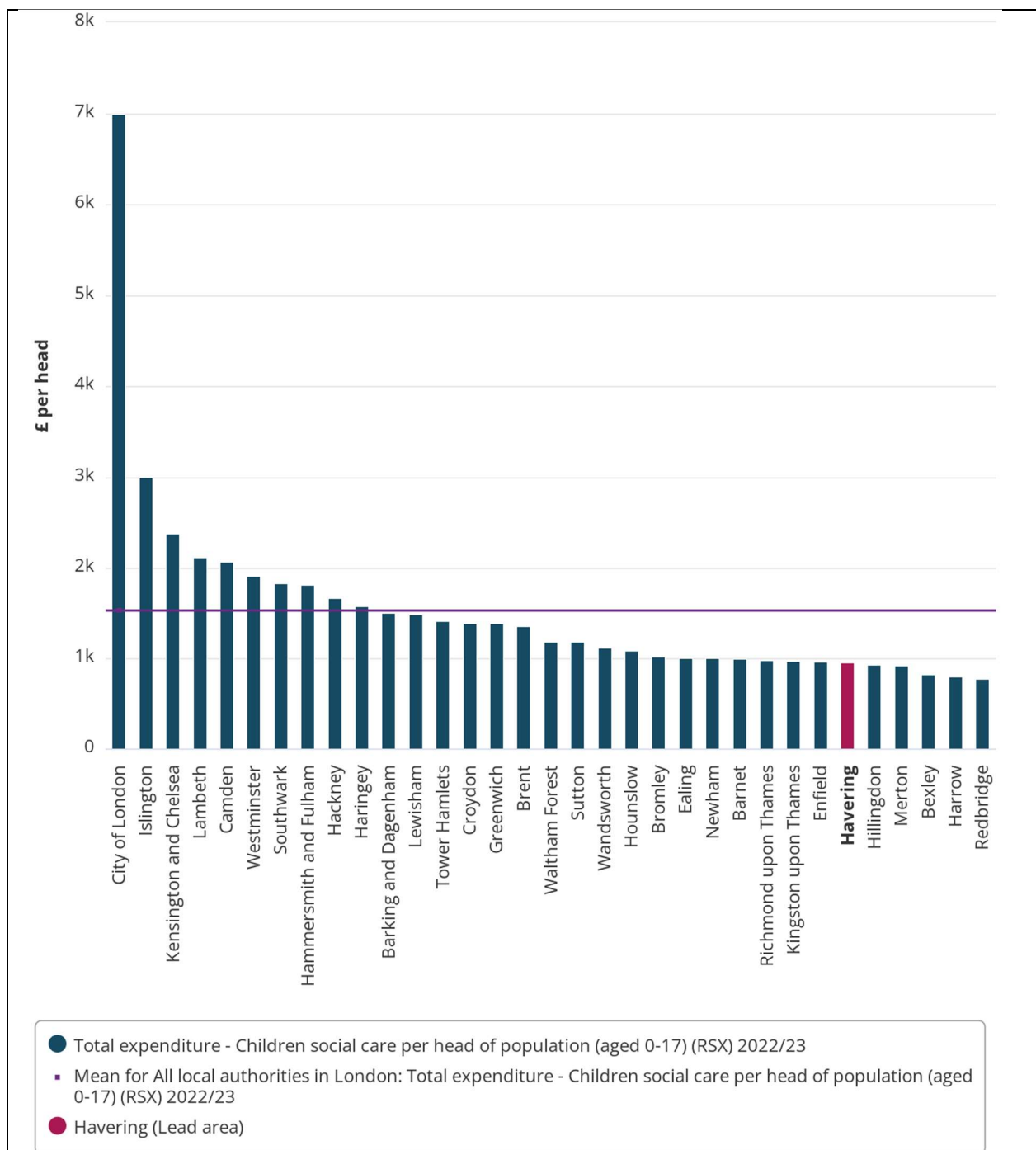
The group does this by coordinating procedures that monitor the quality and cost of placements. Information is shared via the CCRAG database.

Total expenditure - Child social care per head of population

Period	Havering	Minimum for All local authorities in London	Mean for All local authorities in London	Maximum for All local authorities in London
2022/23	£948.31	£771.30	£1,526.69	£6,988.16

Whilst it was not specific to a provider market, the average spends per head in 2022/23, suggest that Havering has the 28th lowest spend out of all of the 33 London boroughs. Havering's spend is only £177.01 higher than that of Redbridge who have the smallest spend per head, £578.38 less than the mean spends per head and £6,039.85 less than that of City of London who have the largest spend per head.

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When you compare the average spend per head across the NEL Borough's Havering have the 2nd lowest spend which is only 6% of the total spend of the 8 boroughs.

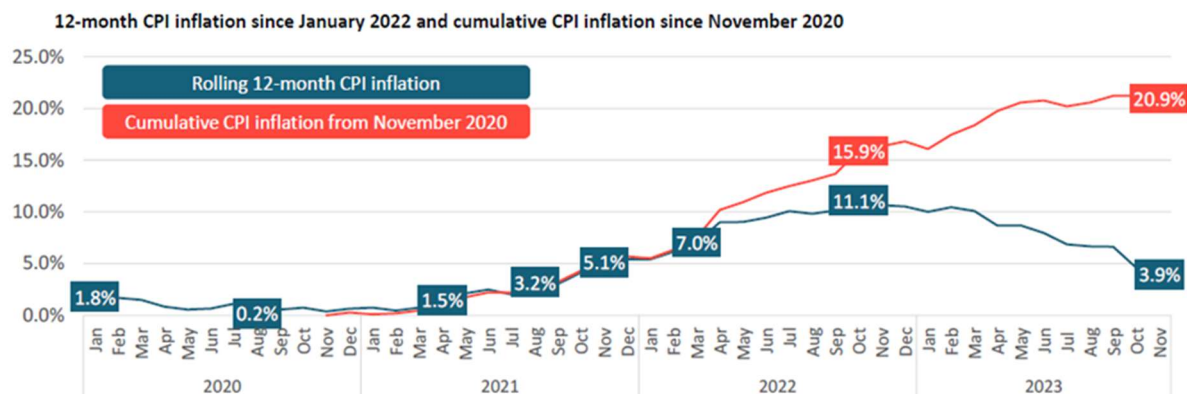
NEL	Total expenditure – Children's social care per head of population	% of Total expenditure – Children's social care per head of population
Redbridge	£771.30	5%
Havering	£948.31	6%
Newham	£992.33	6%
Waltham Forest	£1,179.21	8%
Tower Hamlets	£1,404.51	9%

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Barking and Dagenham	£1,492.61	10%
Hackney	£1,658.47	11%
City of London	£6,988.16	45%
	£15,434.90	100%

Inflation Variables

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.



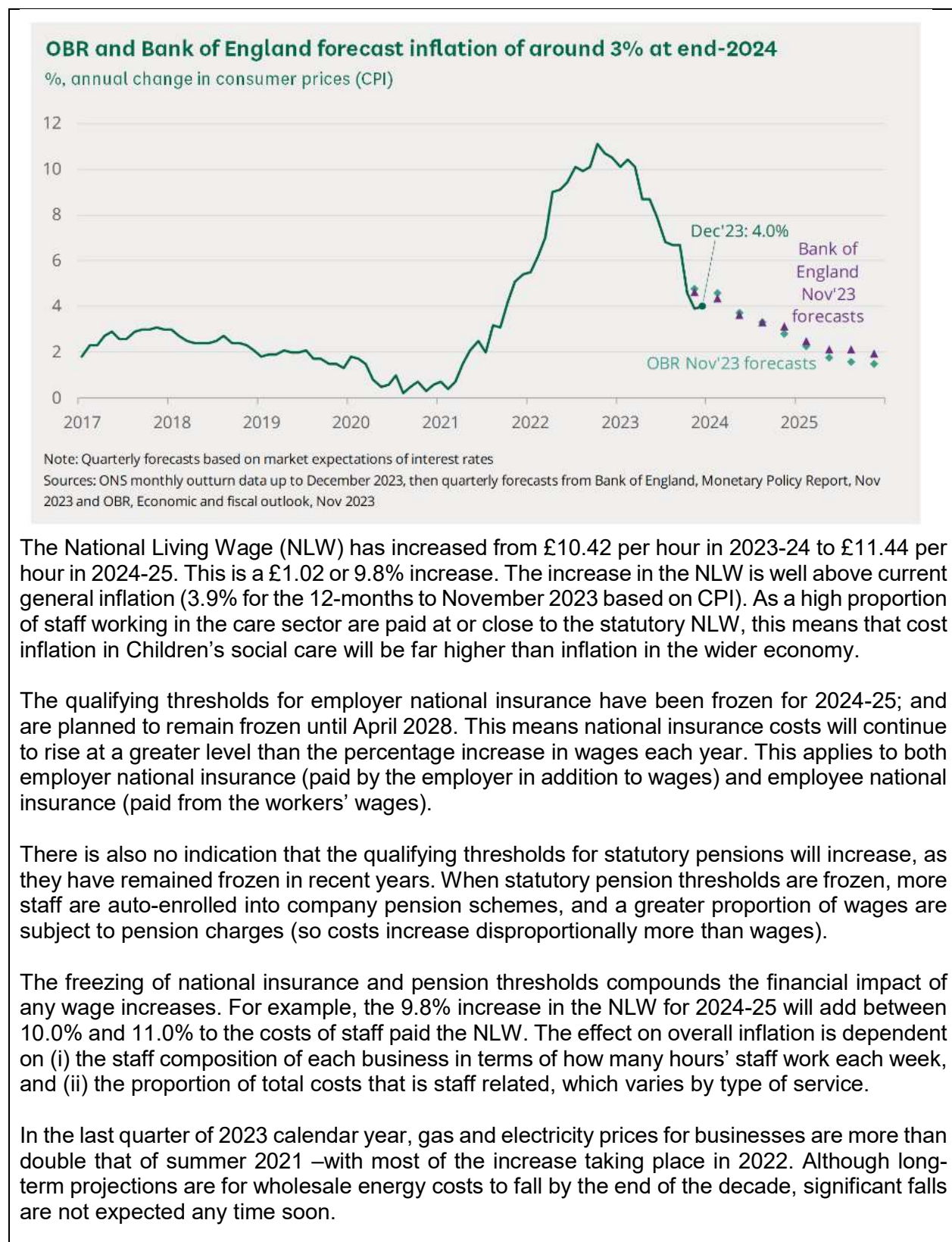
Recent data shows the UK Inflation Rate is at 3.40%, compared to 4.00% last month and 10.40% last year. This is higher than the long term average of 2.83%.

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 Bank of England expects inflation to continue to fall in 2024. In its latest set of forecasts published in early November 2023, it forecast the CPI inflation rate to average 3.1% in Q4 2024. In forecasts published alongside the Autumn Statement, the Office for Budget Responsibility (OBR) expects inflation to average 2.8% in Q4 2024.

The Bank of England expects inflation to continue to slow, before reaching their 2.0% target by the end of 2025.

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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.

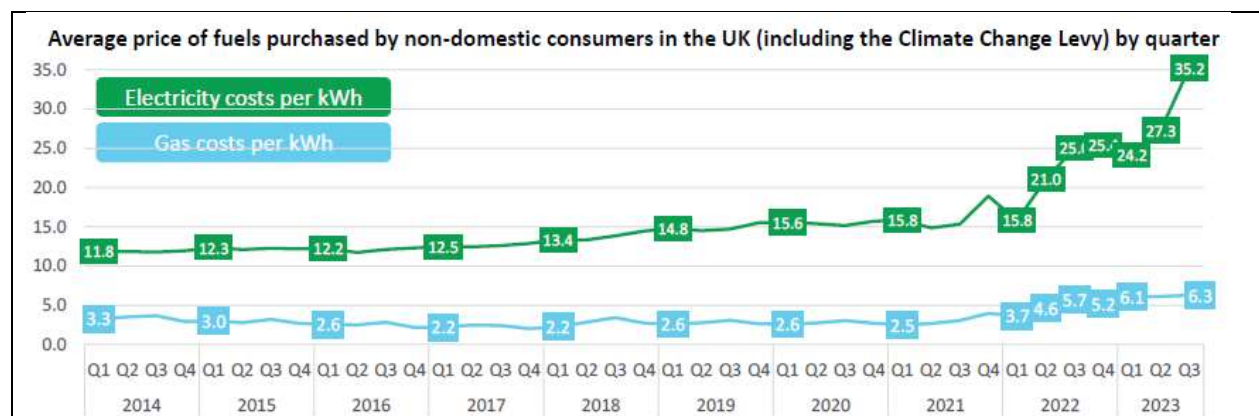
The qualifying thresholds for employer national insurance have been frozen for 2024-25; and are planned to remain frozen until April 2028. This means national insurance costs will continue to rise at a greater level than the percentage increase in wages each year. This applies to both employer national insurance (paid by the employer in addition to wages) and employee national insurance (paid from the workers' wages).

There is also no indication that the qualifying thresholds for statutory pensions will increase, as they have remained frozen in recent years. When statutory pension thresholds are frozen, more staff are auto-enrolled into company pension schemes, and a greater proportion of wages are subject to pension charges (so costs increase disproportionately more than wages).

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 calendar year, 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.

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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 PRW over roughly three years –with most of the increase taking place during 2022-23 (which would feed into 2023-24 fee uplifts).

Taking this information into account the Council needs to achieve a balanced budget and ensure the uplifts are in line with the budget for inflationary growth.

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.
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:

See Exempt Appendix A.

Rationale

The significant financial challenges faced by the Council mean that the Council may be in the position where its expenditure is more than the level of resources it has available, putting the Council at risk of not being able to set a legally balanced budget.

Havering is a well-run, cost-effective Council and it is in this position due to drastically reduced funding from central government, high inflation and increased demand for services. 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.

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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.

Financial Implications

The cost implications of the recommendation and the estimated gross impact of this proposal is an estimated cost of £27,421.00.

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.
- 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: 11/04/2024

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 requires the Council to have regard to the importance of ensuring the sustainability of the market in the performance of its duty.

The implementation of a cost rate increase supports local providers to meet the increased wages of staff as a result of the increase in the remit of the National Minimum Wage from April 2024 and the cost of living. This falls within the remit of the Care Act 2014.

The cumulative values of the contracts are above the relevant threshold for Light Touch Regime procurements as set out in Schedule 3 of the Public Contracts Regulations (as amended) 2015 (PCR). Therefore, the contracts and any modifications are subject to the PCR.

Officers have confirmed that the uplift is in line with the contractual provisions.

FINANCIAL IMPLICATIONS AND RISKS

The recommendation in this report is to uplift the CSC Contract rates on the Exempt Appendix A as part of the annual uplift.

CSC has not historically uplifted existing contracts whilst they are in time—the expectation being that providers have planned in operating the contract within the contract period they tendered for. However, the contracts included in this uplift have them built into the contract to ensure that they can continue to provide a service for our residents.

This 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 contract by the same amount as each has a very specific service specification which support clients and the detailed % each uplift are shown on the Exempt Appendix A.

The estimated impact of this proposal is an increase of £27,421.00 per annum.

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

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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

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

BACKGROUND PAPERS

None

APPENDICES

Appendix A	CSC Contracts	Exempt
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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: 09/05/2024

Lodging this notice

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

For use by Committee Administration

This notice was lodged with me on _____

Signed _____