Notice of KEY Executive Decision

Subject Heading:	ASC Yearly Uplift 2025-26 - Direct Payments
Decision Maker:	Barbara Nicholls, Strategic Director of People
Cabinet Member:	Councillor Gillian Ford, Cabinet Member for Health and Adult Care Services
SLT Lead:	Barbara Nicholls, Strategic Director of People
Report Author and contact details:	Laura Wheatley Laura.wheatley@havering.gov.uk
Policy context:	The Council has a duty under the Care Act 2014 to shape the 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. • Service provisions are sustainable.
Financial summary:	Increasing the rates for Direct Payments is estimated to cost £648,752.00. This is based on a snapshot of placements from the 1st April 2025. 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 2025/26 financial year.

Key Executive Decision

	A significant change in demand or in the need of those requiring support would affect the projection.
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:	10/12/2024
Relevant Overview & Scrutiny Committee:	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.	

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 as follows:

ADULTS DP TYPE	BAND	UPLIFT %
HOMECARE	STANDARD	5.78%
SOCIAL INCLUSION	STANDARD	6.90%
RESPITE	STANDARD	3.50%
NIGHT SERVICES	SITTER	3.49%
	WAKING	3.05%
PAYROLL	STANDARD	3.86%
	INVOICE	3.94%

This equates to a forecast spend of £648,752.00.

AUTHORITY UNDER WHICH DECISION IS MADE

At the Budget Setting Cabinet meeting of 6th February 2025, Cabinet Delegated to the Strategic Director of People and the Director of Starting Well authority to agree uplift / inflation increases with relevant social care providers for 2025/2026.

STATEMENT OF THE REASONS FOR THE DECISION

The Havering Place Integrated Team undertakes an Annual Uplift Project as part of the strategy to support and sustain the Provider Market. The 2024/25 Uplift Project gave uplifts to 240 Provisions across all provider types, based on detailed research on business demands and pressures.

Since the implementation of these uplifts in April 2024, 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.

The Council's 2025/26 uplift approach will continue the journey towards 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, because of the distance from the median cost of care as at October 2022. We recognise that the median cost of care as assessed at that time, will have moved on considerably because of the impacts of inflation since the work was done and to mitigate this our median cost of care has been increased in line with the uplifts given by the local authority since the rates were published.

Key Executive Decision

On July 29th, 2024, the new Chancellor announced the cancellation of the adult social care charging reforms, which had been delayed multiple times since their introduction under the Care Act 2014. Originally set to be implemented in 2016, the reforms were first delayed to 2020, then scrapped by Theresa May in 2017, revived by Boris Johnson in 2021, and postponed again from 2023 to 2025. The cancellation is projected to save the government £1.1 billion by the end of 2025-26, with the savings predominantly coming from the other parts of the reform rather than the 'care cap.'

The charging reforms encompassed three main aspects: the 'care cap,' extending means-test capital limits, and implementing section 18(3) to allow self-funding individuals to have councils broker their care home placements. The extension of the means test would have notably increased the upper capital limit from £23,250 to £100,000 and the lower limit from £14,250 to £20,000, making more people eligible for council-funded social care. However, given the financial constraints, it appears unlikely that the government will raise these capital limits in line with inflation. The House of Commons Health and Social Care Committee has since launched a new inquiry into the 'costs of not reforming adult social care,' with written evidence being accepted until December 11, 2024.

London Councils have expressed approval for the recent local government finance policy statement, particularly for its focus on funding services geared toward prevention and addressing deprivation. This early release of the policy statement aids boroughs in budget planning for the 2025-26 fiscal year. However, despite an estimated 5.4% increase in Core Spending Power, boroughs like Havering still face considerable financial challenges and will need exceptional support to balance their budgets, primarily due to escalating housing and homelessness costs.

The broader financial outlook remains grim, with social care costs driving a £300 million overspend. Although the new funding measures will reduce the anticipated £700 million funding gap for 2025-26, spiralling temporary accommodation costs and increased National Insurance contributions present new challenges. The funding per Londoner has fallen by 28% since 2010, despite an 11% population growth, highlighting a persistent imbalance. The Institute for Fiscal Studies reported that London's local government funding is 17% below its relative need, the largest gap in England. The detailed allocations will provide a clearer financial outlook for Havering and other boroughs.

More than £69 billion in funding for England's councils has been confirmed as the government delivers on its commitment to restore trust and stability in public services. The final Settlement provides a 6.8% in cash terms increase in councils' Core Spending Power compared to 2024-25. With increased demand and running costs rising, this money is a lifeline and will guarantee no council sees a decrease in their Core Spending Power.

Havering's Settlement Funding Assessment has increased by £0.574m. There is an additional £880m of funding for Adult Social Care. Disappointingly this continues to be distributed based on the 2013/14 Adult Relative Needs Formula. £240m nationally of the Adult Social Care precept will be equalised as part of the grant distribution. This is particularly disappointing for Havering who had made a strong case for using updated formulae to distribute the Social Care Grants rather than the chosen data which is now 10 years old.

Havering has received on average 0.36% of the National Funding pot for Social Care. 2022 DHSC Government exemplifications on a potential updated formula reflecting actual need of local residents would have increased Havering's share of the national pot to 0.48% and had this been applied to Havering's Social Care allocations Havering would have been over £11m better off. The Government have promised a full reform of the funding system in 2025 and it can only be hoped that the revised formula better represents relative need moving forward.

Key Executive Decision

Inflation Variables
The current headline rate of CPI inflation is 2.3% but is expected to rise to about 2.75% by the second half of next year before falling again. However, the cost base of most adult social care providers in Havering is dominated by staff wages close to the National Living Wage (NLW), Real Living Wage (RLW), or London Living Wage (LLW). The large increases in NLW (6.7%), RLW (5.0%), and LLW (5.3%) for 2025-26 mean that cost inflation in adult social care will be significantly higher than the general inflation rate, further exacerbated by the employer national insurance (NI) changes announced in the Autumn Budget, which disproportionately affect low-paid sectors like adult social care.

The cost inflation for adult social care providers in Havering will vary between 6%-12% in 2025-26, averaging at least 8.0%, which is at least 5.7% higher than the current headline CPI rate. Providers using part-time workers will face the highest inflation due to the NI changes. Additionally, planned changes in the Employment Rights Bill and the removal of the Lower Earning Limit on statutory pension contributions could drive inflation even higher. Despite the government's claim of a real terms increase in local government spending power, the additional £600m ring-fenced for social care in 2025-26 is insufficient to cover the extra costs from these changes. Consequently, Havering's care providers will need to make significant savings to remain sustainable once councils determine feasible fee uplifts.

The Consumer Price Index (CPI) measures the average change in prices over time for various goods and services, with the latest figures showing a 2.3% increase for the 12 months to October 2024, up from 1.7% in September 2024. Although inflation peaked at 11.1% in October 2022, it has been gradually decreasing but is expected to edge up to about 2.75% by the second half of next year before falling again. Lower inflation means prices are rising at a slower rate, not decreasing, unless a sub-index shows negative inflation.

National Minimum Living Wage
The planned increase in the National Living Wage (NLW) to £12.21 per hour in 2025-26 will have significant implications for businesses and care providers in Havering. This increase, driven by stronger-than-expected wage growth and changes to the ONS methodology, aims to ensure that the NLW meets the two-thirds of median earnings benchmark. For care providers in Havering, who often already pay above the minimum rates, the increased NLW will necessitate budget adjustments and could potentially lead to higher operational costs.

Alongside the rise in NLW, the phased narrowing of the gap between the National Minimum Wage (NMW) for younger workers and the NLW will also impact care providers. This change, which aims to eventually establish a single adult rate for all workers aged 18 and above, will mean that wages for younger employees will increase significantly. For instance, the NMW for 18 to 20-year-olds will rise from £8.60 to £10.00 per hour. These adjustments will require careful financial planning and could influence staffing decisions within the sector, particularly in managing wage expectations and ensuring compliance with the new wage rates.

Employers National Insurance
In the Autumn Budget of 30th October 2024, the Labour government announced significant changes to employer national insurance (NI) that will come into effect on 6th April 2025. The employer NI rate will increase from 13.8% to 15.0%, and the Secondary Threshold, the level at which employers become liable to pay NI, will decrease from £9,100 per year to £5,000 per year. Additionally, this threshold will remain frozen at the new lower level until April 2028, leading to increased employer NI costs over the next few years due to 'fiscal drag.'

For Havering and its care providers, these changes are expected to have a profound impact, particularly since staffing costs constitute a significant portion of expenses in the care sector. Low-paid and part-time workers, prevalent in adult social care, will be disproportionately affected. For instance, employer NI costs for a full-time employee earning the National Living Wage (NLW) will increase from 8.4% of wages to 12.0%. For a part-time employee, the increase is even more pronounced, from zero to 7.1%. While the Employment Allowance has been increased to £10,500 and extended to larger businesses, many social care providers in Havering will remain ineligible. Consequently, despite some minor relief for certain providers, the overall financial burden on care services is anticipated to rise significantly, with costs for commissioned care services in adult social care estimated to increase by at least 2.5% on average.

The upcoming changes to employer National Insurance (NI) in 2025-26 are expected to significantly impact Havering's care providers by increasing staffing costs, especially for higher-paid roles. Simple Consumer Price Index (CPI) adjustments will understate these cost increases. Care Analytics' models, which consider such changes, forecast minimum inflation rates that do not account for two potential cost pressures: changes to statutory sick pay (SSP) and statutory pension contributions. The Labour government's proposed SSP reforms, including removing the weekly qualifying threshold and making SSP payable from the first day of sickness, could increase staff costs by 0.5%-1.0%. Similarly, potential changes to pension contributions could also raise costs by 0.5%-1.0%.

These changes are likely to disproportionately affect providers that rely heavily on part-time workers, as both SSP and NI adjustments will increase part-time employment costs more significantly. Additionally, maintaining real-term costs for nurses in care homes will require a substantial increase in the Funded Nursing Contribution (FNC), estimated at around £15 per resident week. Any shortfall in FNC adjustments will further compound cost pressures on nursing homes. Overall, these developments necessitate careful monitoring and may disrupt budget planning for councils and providers in Havering.

Energy Costs

The Consumer Price Index (CPI) for energy costs is currently an unreliable measure for businesses as it reflects the government energy price cap, which only applies to domestic properties. Since 2022, energy prices have been highly volatile, causing significant fluctuations in inflation rates. For the decade leading up to 2021, gas prices for businesses remained stable, while electricity prices only saw a gradual increase of about 34% over eight years. However, energy prices for businesses have surged since the start of 2022 and show no signs of returning to baseline levels.

In Q2 2024, electricity prices for small businesses averaged 30.2p per kWh, a 10.6% increase from Q2 2023, and nearly double the prices from Q1 2020 and 2021. Industry data suggests new electricity tariffs are lower, indicating a potential drop in official statistics for Q3 2024. Gas prices also show a mixed trend: in Q2 2024, prices were 10.9% lower than in Q1 2023 but remained significantly higher than in 2021. Industry data points to much higher new gas tariffs, suggesting an increase in official statistics for Q3 2024, with a return to high inflation in gas prices expected.

Whilst all indices for gas and electricity prices should eventually have similar rates of inflation, the extreme volatility of energy prices in recent years means that annual rates of inflation can vary substantially depending on the specific index used and the months or quarters used to calculate inflation.

Benchmarking

It is difficult to get benchmarking information about rates paid for direct payments (unusually) as boroughs may have different rates for different levels of support provided.

All Councils are having to consider budget constraints when deciding uplifts for the 2025/26 financial year, with NEL boroughs ranging from between 2.5% and 7% uplifts for their care market, with the uplift being driven by their particular market conditions, commitments to London Living Wage, and their size of government grant. The higher the grant to boroughs, the better their ability to meet government objectives.

Total expenditure - Adult 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
2023/24	**£619.96**	£547.26	£676.72	£931.05

Whilst it was not specific to a provider market, the average spends per head in 2023/24, suggest that Havering has the 22nd lowest spend out of all of the 32 London boroughs. Havering's spend is only £72.70 higher than that of Redbridge who have the lowest spend per head, £56.76 less than the mean spends per head and £311.09 less than that of City of London who have the largest spend per head.

When you compare the average spend per head across the NEL Borough's Havering have the 2nd lowest spend which is only 13.3% of the total spend of the 7 boroughs.

NEL	Total expenditure - Adult social care per head of population	% of Total expenditure - Adult social care per head of population
Redbridge	£547.26	11.8%
Havering	£619.96	13.3%
Newham	£621.90	13.4%
Waltham Forest	£640.22	13.8%
Tower Hamlets	£694.31	14.9%
Barking and Dagenham	£733.39	15.9%
Hackney	£779.72	17.0%
	£4,636.76	**100%**

Survey of the Provider Market

The goal of the survey was to understand how the changes to national minimum wage and employer's national insurance, alongside other financial pressures, will impact our providers delivering services to our residents.

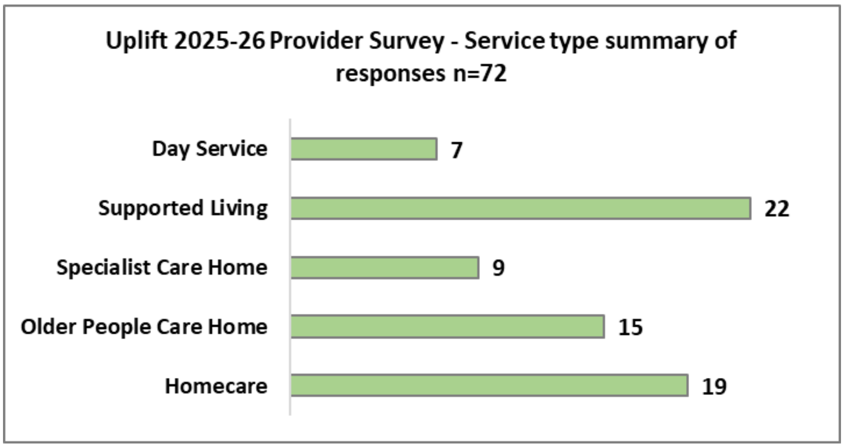
The Council opened a survey with the market and asked for feedback based on the areas below:

1. Top pressures in service delivery
2. Staff recruitment and retention challenges
3. Other additional pressures and challenges
4. Impact of national minimum wage increase
5. Impact of employer's national insurance changes

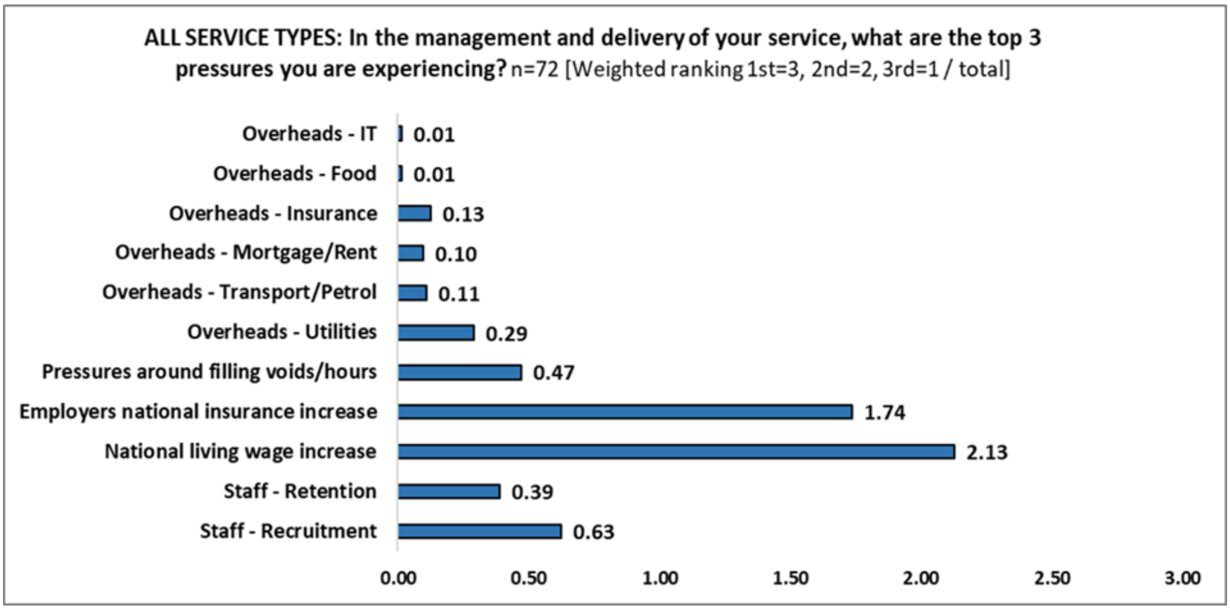
An Online Survey was emailed to 164 Havering based ASC Providers/Parent Organisations, of which 72 responses (43.9%) were received via Citizen Space in the period 17/12/2024 to 31/01/2025.

Service type	Providers surveyed	Survey responses
Homecare	56	19
Older People Care Home	38	15

Specialist Care Home	13	9
Supported Living	36	22
Day Service	21	7
Total	**164**	**72 (43.9%)**

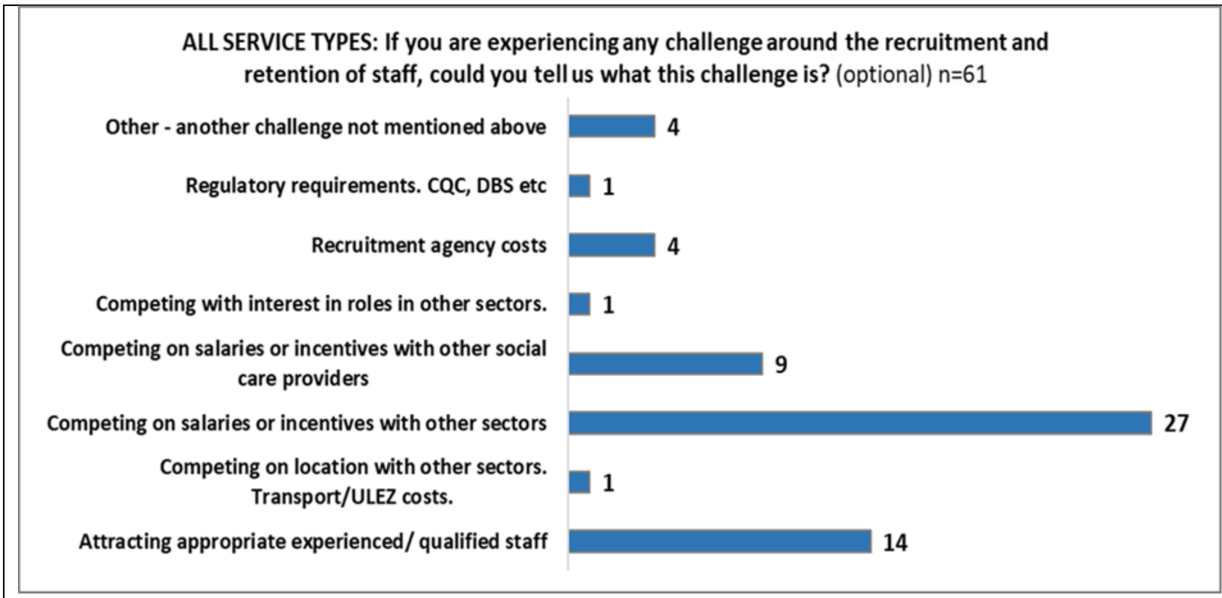


In the management and delivery of your service, what are the TOP 3 pressures you are experiencing?



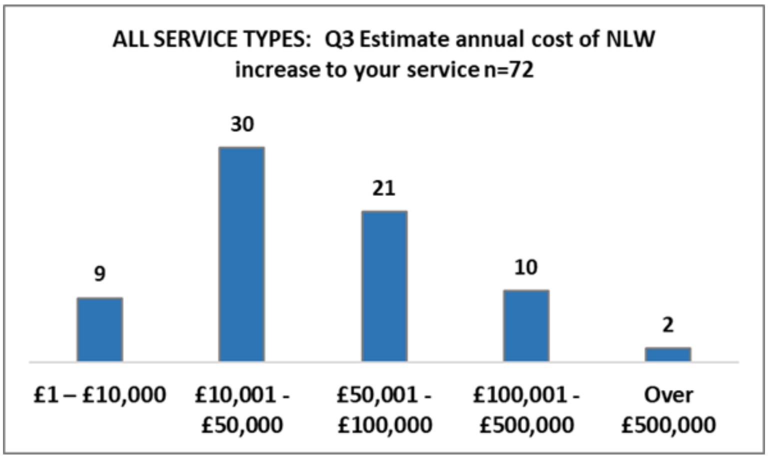
The top 3 pressures for all provider types are Employers National Insurance Increase, National Living Wage Increase and Staff Recruitment. Pressures around Filling Voids/Hours, Staff Recruitment and Retention also feature with specific provider groups.

If you are experiencing any challenge around the recruitment and retention of staff, could you tell us what this challenge is?



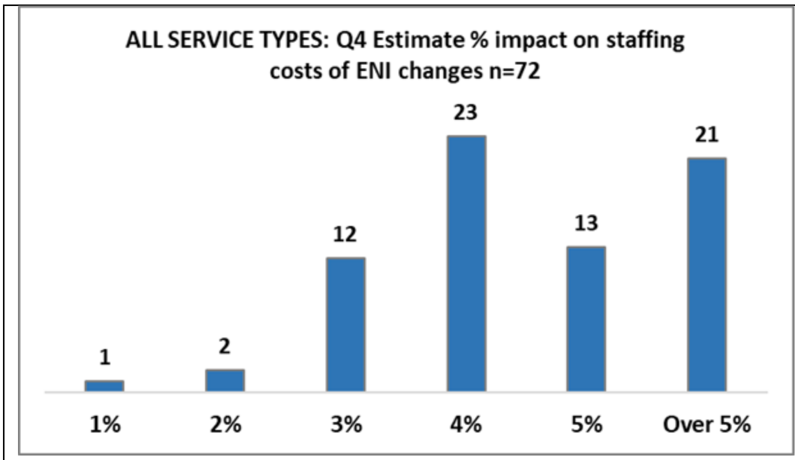
The data reveals key challenges in recruitment and retention within with the primary issues being competition on salaries or incentives with other sectors (44.3%) and within the social care sector (14.8%), along with the difficulty in attracting qualified staff (23.0%). Moderate concerns include recruitment agency costs (6.6%), while competing on location and transport costs, as well as interest in roles in other sectors, are minor issues (1.6% each).

What do you estimate the annual cost will be for the 6.73% national living wage increase to your service?



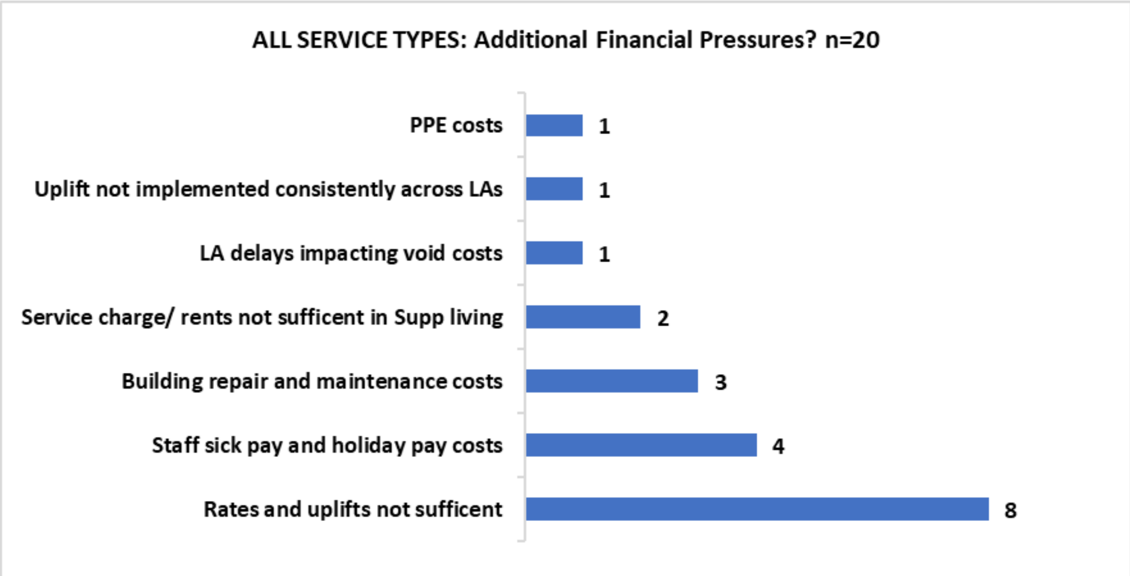
The data highlights that the impact of the national minimum wage increase for 41.7% of providers will be between £10,001 to £50,000 and for 29.2% of providers between £50,001 to £100,000. Moderate impacts are seen in the £100,001 to £500,000 range (13.9%) and the £1 – £10,000 range (12.5%), while the over £500,000 category experiences the least impact (2.8%).

What do you estimate the % impact on your staffing costs to be as a result of the Employers National Insurance changes?



The data highlights that the % impact on staffing costs of the ENI changes for 31.9% of providers will be 4% and for 29.2% of providers Over 5%. Moderate impacts are seen for 5% (18.1%) and 3% (16.7%), while 1% (1.4%) and 2% (2.8%) experience the least impact.

Are there any other additional financial pressures or challenges that have affected your services, which are NOT mentioned above?



The most significant challenge is the insufficiency of rates and uplifts, accounting for 40% of the total challenges. Other financial pressures include costs associated with staff sick pay and holiday pay (20%), building repair and maintenance (15%), inadequate service charges/rents in supported living (10%), local authority delays impacting void costs (5%), inconsistent uplift implementation across local authorities (5%), and PPE costs (5%). Overall, these challenges reflect a diverse range of financial pressures.

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:

ADULTS DP TYPE	BAND	CURRENT BAND RATE	UPLIFTED BAND RATE 24/25	UPLIFT %	PROJECTED ANNUAL COST OF UPLIFT
HOMECARE	STANDARD	£17.30	£18.30	5.78%	£351,127
SOCIAL INCLUSION	STANDARD	£14.50	£15.50	6.90%	£282,886
RESPITE	STANDARD	£100.00	£103.50	3.50%	£3,971
NIGHT SERVICES	SITTER	£86.00	£89.00	3.49%	£4,575
	WAKING	£131.00	£135.50	3.44%	£5,058
PAYROLL	STANDARD	£5.70	£5.92	3.86%	£780
	INVOICE	£2.54	£2.64	3.94%	£229

Rationale

The ongoing financial pressures Havering faces are driven by the rising demand for and cost of critical services for our most vulnerable residents and our funding allocation will not fully cover current spending levels or anticipated inflationary costs in the coming year. Our expenditure is more than the level of resources we have available, putting the Council at risk of not being able to set a legally balanced budget, therefore we have insufficient funding to fully offset increases in National Insurance (NI) contributions, the London Living Wage (LLW) and National Living wage (NLW).

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 the Council 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 the Council does each year as part of its 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. Alongside this, the implications of the 2025 budget announcement have been reviewed with a goal to understanding how these changes, alongside other financial pressures, will impact our providers delivering services to our residents.

The uplift approach for 2025-26 aims to continue to standardise rates across all service types with a view to moving closer to the Cost of Care rates within the financial constraints set. This approach will continue to support a sustainable market and allow the Council to be transparent with the rates that it pays for services.

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

In the opinion of officers, the proposed rate increases are sufficient to ensure that providers can run businesses at a profit albeit low margins and will not endanger the ability of the market to cope with the demand.

It is recommended that a proportional approach is applied to the 2025/26 yearly uplift with the intention of balancing the pressures on budgets against the risk of increased costs incurred due to possible 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 £648,752.00.

This cost is based on a snapshot of placements from the 1st April 2025. 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 2025/26 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.
- The Council recognises additional pressures placed on services, including the National Minimum Wage and inflation increases.

Key Executive Decision

PRE-DECISION CONSULTATION
The Annual Uplift Project 2025/26 consulted with Finance, Legal, Adult Social Care, Financial Assessment, Business Systems and Performance. Externally the Council conducted a survey 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 & Age Well
Signature: LWheatley Date:02/04/2025

Part B - Assessment of implications and risks

LEGAL IMPLICATIONS AND RISKS

The Care Act 2014 places a duty on the Council to assess and support adults with their eligible care needs.

Sections 31 -33 Care Act 2014 and The Care and Support (Direct Payments) Regulations 2014 set out the powers and duties of the Council in relation to the provision of direct payments to eligible adults so that they can purchase their own support.

The provision of a direct payment allows a Service User to choose how and when they receive services instead of Havering Council arranging services on their behalf.

Section 5 Care Act places a duty on Local Authorities as follows:

“5 Promoting diversity and quality in provision of services
(1) A local authority must promote the efficient and effective operation of a market in services for meeting care and support needs with a view to ensuring that any person in its area wishing to access services in the market—

(a) has a variety of providers to choose from who (taken together) provide a variety of services;

(b) has a variety of high quality services to choose from;

(c) has sufficient information to make an informed decision about how to meet the needs in question.”

In performing the above duty, the Council must have regard amongst other matters to:

- the importance of ensuring the sustainability of the market (in circumstances where it is operating effectively as well as in circumstances where it is not). (Section 5 (2) (d))
- the need to ensure that sufficient services are available for meeting the needs for care and support of adults in its area and the needs for support of carers in its area. (Section 5(3))

The Council has surveyed the provider market as set out in this Report. Whilst not a formal consultation it is useful to consider what requirements would apply if there had been a consultation.

The requirements of lawful consultation are that the consultees have sufficient time and information to comment meaningfully on the proposals and their comments are then taken conscientiously into account before a final decision is taken.

In the case of direct payments, the Local Authority does not have direct contracts with providers. The contracts for the provision of services are between the recipients of the direct payments and the care provider.

The Local Authority has an agreement with the recipient of the direct payment, which does not include any provisions about uplifts. However, the amount of the direct payments must be sufficient to cover the costs of purchasing the services.

Key Executive Decision

FINANCIAL IMPLICATIONS AND RISKS

The recommendation in this report is to uplift current provider rates direct payment rates by the below %'s for financial year 2025/26.

ADULTS DP TYPE	BAND	UPLIFT %
HOMECARE	STANDARD	5.78%
SOCIAL INCLUSION	STANDARD	6.90%
RESPITE	STANDARD	3.50%
NIGHT SERVICES	SITTER	3.49%
	WAKING	3.05%
PAYROLL	STANDARD	3.86%
	INVOICE	3.94%

The Care Act 2014 places a duty on the Council to assess and support adults with their eligible care needs. The Act also introduced duties on local authorities to facilitate a vibrant, diverse and sustainable market that provides high quality care and support in their area, for the benefit of their whole local population, regardless of how the services are funded.

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 6 other local authorities on their 2025/26 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.

This approach will continue to support a sustainable market and allow the council to be transparent with the rates that we pay for services.

The estimated net impact of this proposal is an increase of £648,752 per annum. This is based on a snapshot of placements from the 1st April 2025. 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 2025/26 financial year.

The council built into its Medium Term Financial Strategy an allocation of growth for Adult Social Care, with the total amount of growth allocated being £22.9m. This growth figure was modelled to take into consideration the 24/25 overspend pressure, the inflationary uplifts to providers, increases in demographics and increases in complexity that are anticipated in the 25/25 financial year.

The 24/25 financial year saw unprecedented pressure in Adult Social Care due to an ongoing increase in provider rates and an increase in the complexity of cases. The 25/26 rates have been modelled to try to reflect what Havering can afford and what the market can tolerate. They are the optimum outcome of that modelling.

There is a real risk that providers in the market may refuse the rates and the ceilings that Havering offer. This would lead to an overspend and there is a minimal contingency built into the budget to manage this pressure if it emerges.

An open book exercise is being offered to any provider that is challenging the rate. This should minimise the uplifts that are awarded but reflect the risk profile that needs to be managed of providing care.

If we choose to only enforce the rates stated there needs to be a clear commissioning strategy to deal with clients being handed back to the Council for replacement and we need to be confident that there is enough capacity in the market to pick up the placement levels, we require at the rate we are offering. This has not been demonstrated to date through any specific analysis so is a real risk to consider to the budget position.

The total estimated costs for all of the inflationary uplifts to providers (separate decision papers) across Adult Social care is £4,024,160. Modelling has been undertaken and the growth allocation is sufficient to meet this pressure along with the other anticipated increases across Adult Social Care, however there are risks which will be monitored closely throughout the 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 is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing for all Havering residents in respect of socio-economics and health determinants.

An EqHIA (Equality and Health Impact Assessment) is usually carried out and on this occasion this isn't required.

The Council seeks to ensure equality, inclusion, and dignity for all in all situations.

There are not equalities and social inclusion implications and risks associated with this decision.

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 the Council or its 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

https://www.gov.uk/government/publications/better-care-fund-policy-framework-2025-to-2026/better-care-fund-policy-framework-2025-to-2026#:~:text=Local%20authority%20discharge%20funding%20has,million%20in%202025%20to%202026.

APPENDICES

None

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: Barbara Nicholls

CMT Member title: Strategic Director People

Date: XX/XX/2025

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 ______________________________