

## Notice of KEY Executive Decision

<b>Subject Heading:</b>	CSC Yearly Uplift 2025-26 - 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 Laura.wheatley@havering.gov.uk
<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 £91,914.00.

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	<p>This is based on a snapshot of direct payments from the end of March 2025. 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 2025/26 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 (c) Significant effect on two or more Wards
<b>Date notice given of intended decision:</b>	10/12/2024
<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.

## **Part A – Report seeking decision**

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

For reasons detailed in this report, the Director of Start Well agrees to approve an uplift to the Direct Payments rates as part of the annual uplift project as follows:

<b>ADULTS DP TYPE</b>	<b>BAND</b>	<b>UPLIFT %</b>
<b>HEMOCARE</b>	<b>STANDARD</b>	<b>5.78%</b>
<b>SOCIAL INCLUSION</b>	<b>STANDARD</b>	<b>6.90%</b>
<b>RESPITE</b>	<b>STANDARD</b>	<b>3.50%</b>
<b>NIGHT SERVICES</b>	<b>SITTER</b>	<b>3.49%</b>
<b>PAYROLL</b>	<b>STANDARD</b>	<b>3.86%</b>
	<b>INVOICE</b>	<b>3.94%</b>

This equates to a forecast spend of £91,914.00.

### **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**

#### **Background**

The Havering Place Integrated Team undertakes an Annual Uplift Project as part of the strategy to support and sustain the Provider Market.

Since the implementation of the 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.

#### **Inflation Variables**

This year the cost of children's care provision is affected by the following factors;

- Cost of Living
- National and London Living Wage
- Employers' National Insurance Increase

Over the last 12 months' inflation has increased prices by 3%, based upon statistics from Bank of England<sup>1</sup>.

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In the Autumn Budget the Government announced an increase in the National Living Wage (NLW) from April 2025. The new rate will be £12.21 for people aged 21 and over, which is an increase of 6.7% from the 2024-25. The NLW for young people has increased at a higher percentage rate, which is a plan to equalise minimum wage for all over 18 year olds in the near future. In London there is an additional living wage calculation which is an attempt to mitigate against the higher costs of living in the capital city. The London Living Wage (LLW) £13.85. The majority of care staff working in children's services are paid at or close to the statutory NLW and the LLW for local employers, this means that cost inflation in Children's social care will be far higher than inflation in the wider economy.

A more significant impact on employers has been the changes in the Employers' National Insurance Rate (ENIR). There are two elements of change;

- An increase in the rate of employer National Insurance Contribution (NIC) from 13.8% to 15% and,
- A cut in the secondary threshold – which is the point at which employers become liable to pay NICs on employees' earnings – which reduces from £9,100 a year to £5,000 a year.

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

There has been significant analysis in adult services on the impact of the changes identified above. The average impact is estimated to be in the region of 8% for all adult care types. However, there are significant differences in children's care provision.

Fostering- this primarily takes place in a family home, with foster carers receiving an allowance rather than pay. Using an average cost of £1,000 per week as a guide the foster care may receive £550. The remainder of the fee manages the costs within the fostering agency. The majority of staff within the agency will be on professional social work pay scales, with the only staff being on lower wages being support workers and administrators. The impact therefore is limited on the unit cost and is estimated at between 4% and 5%.

Children's Homes are primarily staffed by lower wage personnel but there is a growing requirement for qualified staff therefore only the starting salaries are at the national or London minimum levels. There may be a greater number of part-time staff working in these homes, which has a greater impact on ENIR. Staffing costs usually account for 80% of the weekly fee. Therefore, the estimated fee rise is in the region of 8%.

The Supported Accommodation model sits between fostering and children's home care, in that a major cost is the rental element of the property and utilities and there is a separate cost for support. Support is funded on an hourly basis and can be considered to be similar to home care in elderly care. 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. The Office of National Statistics (ONS) has calculated that rents in London increased 11.2% between 2023 and 2024.

The fees also include all utilities, water, electricity and heating. It is a requirement that all of these properties have fully inclusive heating and hot water. 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 significant pressures to meet the requirements of the increases in minimum wages, ENIR and general inflation. Smaller providers will be under significant risk if fee rates are not uplifted.
2. Risk of lack of capacity and choice in the market. A sustainable market promotes growth and encourages new business opportunities.

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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:

ADULTS DP TYPE	BAND	CURRENT BAND RATE	UPLIFTED BAND RATE 24/25	UPLIFT %	PROJECTED ANNUAL COST OF UPLIFT
HEMECARE	STANDARD	£17.30	£18.30	5.78%	£30,663
SOCIAL INCLUSION	STANDARD	£14.50	£15.50	6.90%	£56,830
RESPITE	STANDARD	£100.00	£103.50	3.50%	£1,551
NIGHT SERVICES	SITTER	£86.00	£89.00	3.49%	£914
PAYROLL	STANDARD	£5.70	£5.92	3.86%	£1,904
	INVOICE	£2.54	£2.64	3.94%	£52

### **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 direct payments in the market at a standard rate rather than negotiating direct payments 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.

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 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.

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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 £91,914.00.

This cost is based on a snapshot of direct payments from the end of March 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.


## **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: 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. 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 consulted with the provider market as set out in this Report. 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.

The cumulative values of the contracts are above the relevant threshold for Light Touch Regime procurements as set out in Regulation 5 (1)(d) 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 current direct payments rates by the below %'s for financial year 2025/26.

<b>ADULTS DP TYPE</b>	<b>BAND</b>	<b>UPLIFT %</b>
<b>HEMOCARE</b>	<b>STANDARD</b>	<b>5.78%</b>

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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 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. The actual cost of employment does vary depending on the number of hours worked and the minimum wage applicable. However, in some circumstances the increase in direct payments will be lower than the increase in the cost of employment This will therefore need to be absorbed by the client by reducing the number of hours for which they pay. It should be noted that a number of clients do not in fact spend their full direct payments which suggests there is some flexibility in the system.

The estimated net impact of this proposal is an increase of £91,914.00 per annum. This is based on a snapshot of direct payments from the end of March 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.

Funding for this uplift has been provided as part of the 25-26 budget setting for Starting Well. However, it should be noted that this funding is in large part financed by capitalisation/borrowing and so it is important to keep spending increases as low as possible.

### **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:



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- 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.

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

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

## **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.

## **BACKGROUND PAPERS**

None

## **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: Tara Geere

CMT Member title: Director of Start Well

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 \_\_\_\_\_