Notice of KEY Executive Decision

Subject Heading:	ASC Yearly Uplift 2026-27 – Supported Living
Decision Maker:	Barbara Nicholls, Strategic Director of People
Cabinet Member:	Councillor Gillian Ford, Cabinet Member for Health and Adult Care Services
ELT Lead:	Barbara Nicholls, Strategic Director of People
Report Author and contact details:	Laura Wheatley **Laura.wheatley@havering.gov.uk**
Policy context:	The Council, under Section 5 of the Care Act 2014, must strategically ensure the care market is diverse, sustainable, and able to deliver high-quality services for adults in need and carers. This involves maintaining the efficient operation and sustainability of the market, ensuring a range of providers and services, promoting choice and independence, supporting a capable and appropriately rewarded workforce, fostering innovation and community-based care, and setting fee levels that enable safe, good quality care and compliance with statutory requirements.
Financial summary:	Increasing the rates for Supported Living is estimated to cost £121,901.00. This cost is based on a snapshot of placements from the 27th February 2026. 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 2026/27 financial year. A significant change in demand or in the need of those requiring support would affect the projection.
Reason decision is Key	(c) Significant effect on two or more Wards
Date notice given of intended decision:	09/01/2026
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 - Supporting our residents to stay safe and well	**X**
Place - A great place to live, work and enjoy	
Resources - Enabling a resident-focused and resilient Council	

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 Supported Living rates for adults with needs for care and support as part of the annual uplift project as follows:

SUPPORTED LIVING	UPLIFT %	UPLIFT CAP	NEW SET RATE POST-UPLIFT	PROJECTED ANNUAL COST OF UPLIFT
Standard Core	2.0%	£22.00	£22.00	£40,813
Complex Core	2.0%	£24.00	£24.00	£22,675
Additional 1:1	2.0%	£22.00	£22.00	£2,357
Sleeping Nights	2.0%	£20.80	£20.80	£47,923
Waking Nights	2.0%	£22.00	£22.00	£40,813

This equates to a forecast uplift cost of £121,901.00.

AUTHORITY UNDER WHICH DECISION IS MADE

At the Budget Setting Cabinet meeting of 18th February 2026, 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 2026/2027.

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. The 2025/26 Uplift Project gave uplifts to 240 Provisions across all provider types, based on detailed research on business demands and pressures.

The services that providers deliver within Havering play an important role in helping to meet the needs of vulnerable adults and supporting the social care and health economies in the borough. The Care Act (2014) places a duty on local authorities to promote the efficient and effective operation of the market for adult care and support as a whole and to ensure that there is sufficient capacity within the social care market to meet its current and future commissioning requirements.

For 2026/27, the Council will continue its efforts towards achieving the median cost of care, with careful attention paid to inflationary pressures. Larger uplifts will be directed towards those areas of the social care market where fee rates require a higher percentage increase, owing to their greater distance from the median cost of care as at October 2022. Conversely, smaller or no uplifts will be applied to care types already at or close to the median cost, supporting the sustainability of rates and ensuring a balanced approach across all care types. We also acknowledge that inflation has likely caused the median cost of care to change significantly since that period

Government Funding

The government has released its provisional Local Government Finance Settlement, outlining funding allocations for English councils over the next three years. This settlement is significant as it introduces major reforms to local government funding, with changes being phased in from 2026–27 to 2028–29.

Core funding for councils will see a substantial increase rising by £3.9 billion (5.8%) in 2026–27, translating to a real-terms increase of 3.5% after inflation. By 2028–29, core funding will be 15.6% higher in cash terms and 8.8% higher in real terms compared to 2025–26, with a 7.4% real-terms increase per resident after accounting for population growth. This growth outpaces both overall public service spending and funding increases for the Department of Health and Social Care.

The majority of the increase in council funding will come from assumed rises in council tax revenue, expected to provide about three-quarters of the total increase by 2028–29. The government will adjust grant allocations to offset differences in councils' capacity to raise funds through council tax.

Key reforms include a new formula for assessing councils' spending needs, reallocating government grants and business rates to ensure 'full equalisation' and redistributing business rates growth. These changes will be phased in over three years, with protections to limit funding losses for councils adversely affected by the new system.

The reforms will have varied impacts: 43% of councils, notably shire districts and inner London boroughs, will see real-terms funding reductions, while others, especially in outer London, will experience significant increases. The most deprived areas will see core funding rise by 15.4% on average, compared to just 0.8% in the least deprived areas, further widening the funding gap in favour of more deprived councils. Despite these changes, over a third of councils will still rely on transitional protections by 2028–29, raising questions about the future structure of the funding system after this period.

Havering's Position

Havering Council continues to face significant financial pressures as a result of rising demand and escalating costs for essential services, most notably in social care and temporary accommodation. The budget is finalised at a Full Council meeting, currently scheduled for 4th March. While the Government's £40 million core grant increase over the next three years, resulting from last year's Funding Reform, is welcomed and will provide £40 million in additional government grant by 2028/29, it nonetheless falls short of the funding required to meet both current needs and future obligations, particularly when factoring in inflation. The Government has signalled that councils should work towards being financially sustainable position by 2028/29, so as a council we continue to have to take some really difficult decisions across all services.

We continue to need Exceptional Financial Support (EFS) from government, £180 million in 2026/27, with the accumulative effect reaching £358 million by 2028/29 as it stands. Through income such as council tax and government grants, in 2025/26 we had available to spend £205 million however, we are forecasting to spend £261 million this financial year, with the gap being filled by EFS. The borrowing costs of EFS are projected to reach £25.1 million by 2028/29.

Havering's financial outlook for the coming years is further shaped by increasing borrowing costs, demographic pressures, and the ongoing need to align local spending with national benchmarks. The council anticipates a significant rise in borrowing costs related to EFS, with total financing costs projected to grow from £3 million in 2025/26 to £34 million by 2029/30, amounting to a cumulative £87.3 million over this period. The share of the financial gap covered by borrowing is expected to reach 28% by 2028/29, highlighting the growing reliance on borrowing to manage budgetary constraints and underscoring the need for careful financial planning.

Increasing demographic pressures, particularly in ageing and living well, continue to drive up social care costs. These pressures are compounded by factors such as the National Living Wage (NLW), inflation (CPI/CPIH), legislative changes, workforce challenges, and funding uncertainties. Although the weighted average estimated increase in care fees is projected to fall from 7.64% in 2022/23 to 3.62% in 2026/27, providers continue to face considerable risks. Nationally, of the £4 billion set aside for Adult Social Care by 2028/29, only £500 million is specifically allocated for improvements in pay, terms, conditions, and training, with the majority of funding expected to be raised through council tax.

Adult Social Care unit costs have moved from being slightly below average to now above average when comparing to our statistical neighbours. Benchmarking shows that Havering's costs currently sit above the 20th percentile of the lowest cost councils nationwide. In 2023/24, achieving this benchmark could potentially save £6.1 million, compared to an EFS request of £22.5 million. These potential savings increase to £22 million in 2024/25 and £64 million in 2025/26, while the corresponding EFS requests are £32 million and £88 million, respectively. This demonstrates substantial opportunities for efficiency and cost reduction if local costs can be brought in line with national best practice.

In summary, Havering faces a challenging and complex financial environment, marked by continued cost pressures, rising borrowing, and demographic demands. Proactive alignment with national benchmarks, careful management of structural risks, and a strategic approach to efficiency will all be essential to ensure financial sustainability in the years ahead.

Inflation Variables

The projected increases in the National Living Wage (NLW), Real Living Wage (RLW), and London Living Wage (LLW) will have a considerable impact on the care sector, especially for providers operating in London and regions with higher living costs. As staff costs make up a significant proportion of overall expenditure in care homes and domiciliary care services, these wage rises will directly lead to higher payroll expenses. The removal of the lower earnings limit and the new provision for Statutory Sick Pay (SSP) to be paid from day one will further increase the financial burden on employers, as more staff absences will trigger immediate sick pay liabilities. Additionally, the Consumer Price Index (CPI) is expected to spike to 4.0% before falling to 2.0% by early 2027. This volatility in inflation will affect non-staff costs, such as food, medical supplies, and maintenance, making budgeting and cost control more challenging for care providers. The combined effect of rising wages and inflationary pressures will strain provider margins and may necessitate fee increases or cost-saving measures to maintain financial viability.

National Minimum Living Wage

The NLW increase from £12.21 to £12.71 per hour and the 7% rise in RLW and LLW, with the LLW reaching £14.80 per hour, will significantly raise staffing costs for care providers. This is particularly relevant in the care sector, where a large proportion of the workforce is paid at or near the minimum wage. Providers in London will be especially affected due to the higher LLW, potentially widening the gap between funding received from local authorities and the actual cost of care delivery. As the sector is already grappling with workforce shortages and recruitment challenges, higher wages may help attract and retain staff but could also force providers to reconsider staffing levels, shift patterns, or service offerings. If local authority fee uplifts do not keep pace with wage increases, there is a risk that some providers may be unable to sustain operations, leading to further instability in the care market.

Employers National Insurance

The rise in the employer national insurance rate from 13.8% to 15.0%, coupled with the reduction in the Secondary Threshold from £9,100 to £5,000 per year, will increase employment costs across the care sector. While the Employment Allowance has been increased to £10,500 per year, its benefit is limited for many social care providers, particularly those with larger payrolls. The freezing of the Secondary Threshold until April 2028 means that these increased costs will persist and grow faster than wage increases, due to fiscal drag. This situation will further squeeze provider finances, especially for organisations already operating on tight margins. Smaller providers, who may benefit more from the Employment Allowance, could still find the changes insufficient to offset overall cost increases. The cumulative effect may be a reduction in recruitment, increased reliance on agency staff, or greater pressure on local authorities to raise care fees.

Energy Costs

Energy costs are a major overhead for care homes, particularly those catering to older adults who require a comfortable and safe living environment. The recent volatility in energy prices, with electricity costs falling by 8.7% and gas by 14.8% in the past year, provides some relief, but future projections remain uncertain. For the 2026–27 forecast, a 10% reduction in both gas and electricity costs has been assumed, which would help moderate overall inflation for care providers. However, fluctuating energy prices can make long-term financial planning difficult and may impact decisions around investment in energy efficiency or upgrading facilities. If gas prices rise as suggested, providers could face renewed cost pressures. This uncertainty underscores the importance of effective energy procurement strategies and may encourage providers to invest in renewable energy or energy-saving measures to mitigate future risks.

Employment Rights Bill

These reforms are likely to have notable cost implications for providers. The removal of the lower earnings limit and waiting period for Statutory Sick Pay (SSP) will increase employer liability for sick pay, particularly given that SSP will now be payable from the first day of absence. The introduction of additional forms of leave, such as 'day one' paternity, unpaid parental, and bereavement leave, may result in increased staffing costs and the need for greater workforce flexibility. Furthermore, fair pay agreements and the phasing out of zero-hours contracts could lead to higher wage bills and a reduction in the flexibility to manage staff costs, while enhanced protections against unfair dismissal may increase the administrative burden and potential costs associated with employment disputes. Collectively, these changes may place further financial pressures on providers, particularly in the adult social care sector, at a time when they are already facing rising wage, insurance, and energy costs as outlined above.

Market Analysis

As part of its ongoing market analysis and in accordance with mandatory duties outlined in Chapter 4 of the Care and Support Statutory Guidance, the Council undertook several steps to fulfil its obligations under section 5 of the Care Act 2014, which require the promotion of an efficient and effective adult social care market. Specifically, the Council actively participated in provider forums organised by Care Providers Voice on the 30th November 2025 and the 5th February 2026. These forums brought together care providers operating within the Havering market, enabling direct engagement and discussion. During these sessions, the Council delivered a presentation that included details on the fee uplift process and estimated timescales for announcement of uplift position, ensuring transparency and collaborative dialogue with local providers. This approach forms a key part of the Council's strategy to gather market intelligence, understand provider perspectives, and inform its decisions regarding care market sustainability.

Benchmarking

As part of the annual uplift project, the Council carried out a benchmarking exercise with the other NEL boroughs and Essex. This enabled us to determine whether rates in particular boroughs or Essex could disproportionately affect the NEL provider market, and to work collaboratively towards more closely aligning rates across all areas to enhance market sustainability.

2025/26	Havering	Barking & Dagenham	Hackney	Newham	Redbridge	Tower Hamlets	Waltham Forest	Essex
Homecare	£24.65	£22.85	£22.14	£23.56	£23.10	£23.10	£20.42	£25.96
Extra Care	£17.87	£21.89	£18.55	£20.22	£24.12	£23.19	£19.68	Not Known
Supported Living	£22.00	£1,382.64	Not Known	Not Known	£1,198	£1,605	£22.47	£22.48
Elderly/Frail Residential	£1,000	£885	£1,098	£1,038	£1,159	£1,255	£1,306	£856
Elderly/Frail Nursing	£1,050	£899	£1,386	£1,344	£1,159	£1,255	£1,486	£1,160
LD/MH/PD Residential	£1,500	£885	Not Known	£1,690	£1,602	£1,767	£1,585	Not Known
LD/MH/PD Nursing	£1,500	£899	Not Known	£1,350	£1,602	£1,767	£1,645	Not Known
Day Services	£45-242	£346	£23.85	Not Known	£310	£35-180	£353	Not Known

All Councils are having to consider budget constraints when deciding uplifts for the 2026/27 financial year, with NEL boroughs ranging from between 0% and 4% uplifts for their care market, with the uplift being driven by their 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
2024/25	**£604.20**	£587.81	£721.55	£1,005.11

Whilst it was not specific to a provider market, the average spends per head in 2024/25, suggest that Havering has the 29th lowest spend out of all of the 32 London boroughs. Havering's spend is only £16.39 higher than that of Redbridge who have the lowest spend per head, £117.35 less than the mean spends per head and £400.91 less than that of Camden 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 12.5% 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	£587.81	12.2%
Havering	£604.20	12.5%
Newham	£653.72	13.5%
Waltham Forest	£667.19	13.8%
Tower Hamlets	£729.35	15.1%
Barking and Dagenham	£728.57	15.1%
Hackney	£866.56	17.9%

	£4,837.40	**100%**

Survey of the Provider Market

To ensure the survey was both comprehensive and meaningful, the Council undertook a structured approach to engage with the Adult Social Care (ASC) provider market. The survey was designed not only to gather feedback but also to actively encourage participation and ensure that providers had ample opportunity to share their perspectives on the financial and operational pressures they face.

The process began with the development of a tailored online survey, distributed via email to all 164 ASC providers and parent organisations operating in Havering. The survey was open for a substantial period, from 03/12/2025 to 16/01/2026, providing participants with over six weeks to respond. This extended timeframe was intended to maximise the opportunity for input, allowing providers to reflect on the questions and provide considered responses.

Recognising the diversity within the provider market, the survey was carefully structured to capture feedback from a range of service types including Homecare, Elderly/Frail Care Homes, LD/MH/PD Care Homes, Supported Living, and Day Services. This approach ensured that the voices of both large and small providers, as well as those delivering different types of care, were included.

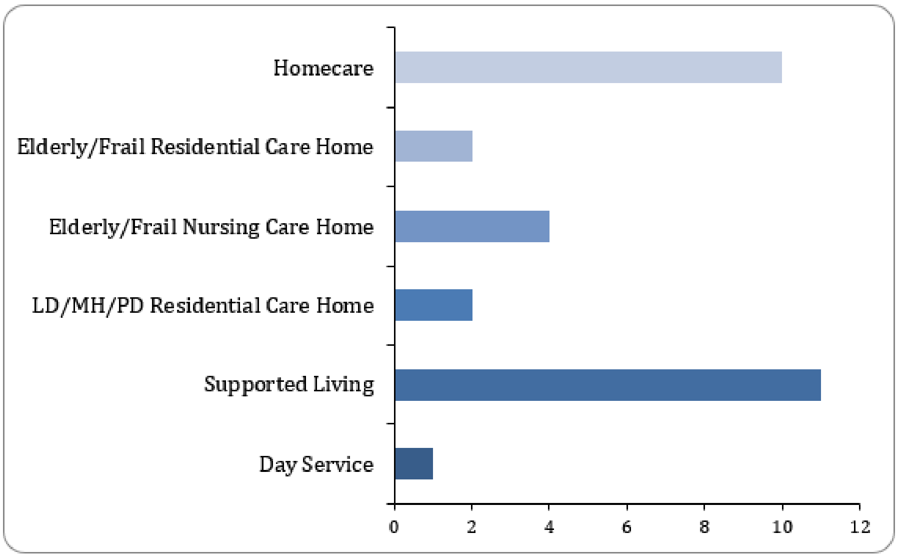
To promote transparency and encourage engagement, the Council communicated the purpose of the survey clearly emphasising that the feedback would directly inform the Council's approach to rate uplifts and broader financial planning. Providers were asked to comment on specific areas of concern, such as the impact of the national minimum wage increase, employer's national insurance changes, and challenges relating to staff recruitment and retention. By focusing on these real and immediate issues, the Council demonstrated a genuine interest in understanding the lived experience of providers.

Throughout the survey period, the Council made itself available to providers for queries and clarifications, ensuring that any questions regarding the survey or the process could be promptly addressed. This open-door policy further reinforced the Council's commitment to a collaborative approach.

The survey achieved a response rate of 18.3% (30 responses), which, while reflective of typical engagement levels in the sector, nonetheless provided a representative sample across the different service types.

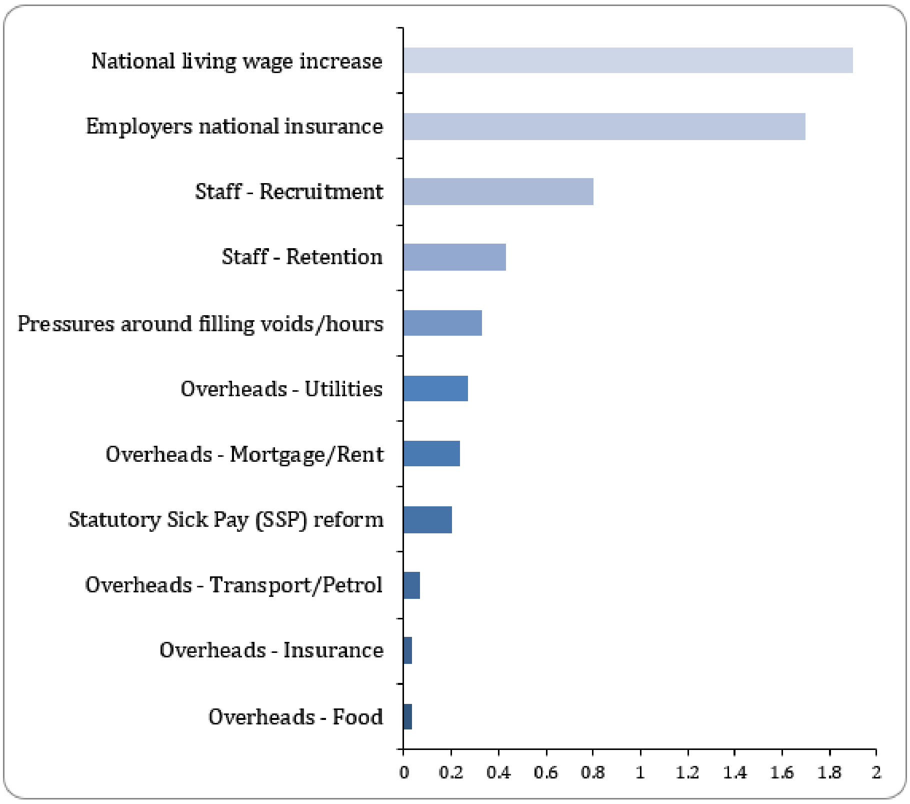
Service type	Providers surveyed	Survey responses
Homecare	56	10
Elderly/Frail Care Home	38	6
LD/MH/PD Care Home	13	2
Supported Living	36	11
Day Service	21	1
Total	**164**	**30**

Key Executive Decision



The responses were systematically analysed, with the Council paying close attention to the key themes and pressures identified by providers. These included the significant financial impact of national wage reforms, the challenges of staff recruitment and retention, and other cost pressures that threaten the sustainability of services.

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



The top three pressures currently faced by providers are the increase in the National Living Wage, the rise in Employers National Insurance contributions, and the ongoing challenges associated with staff recruitment.

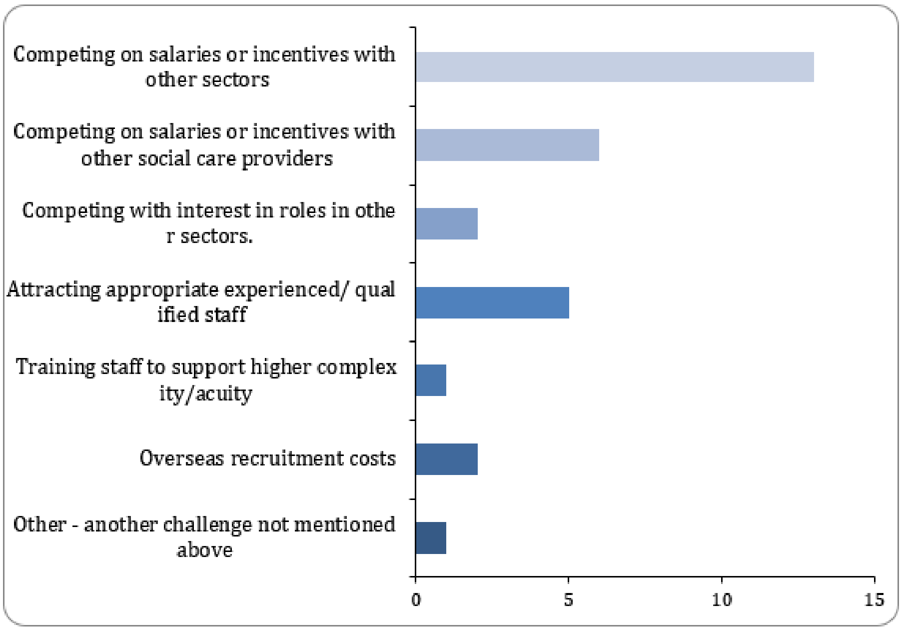
Key Executive Decision

The National Living Wage increase has placed a significant financial strain on service providers, as it directly raises the baseline cost of employing staff. This pressure is compounded by the simultaneous rise in Employers National Insurance contributions, further inflating overall staffing expenses and impacting operational budgets. These financial demands are particularly challenging for providers who are required to maintain high standards of care whilst managing limited resources.

Staff recruitment remains a persistent issue, with providers reporting difficulties in attracting and retaining qualified personnel. The sector faces stiff competition from other industries, which often offer more attractive salaries and benefits. Additionally, competition within the social care sector itself exacerbates recruitment problems, as providers vie for a limited pool of experienced and skilled staff. These recruitment challenges are further intensified by the need to comply with wage reforms, which, while beneficial for employees, add to the financial pressures on employers.

Together, these factors threaten the sustainability of services, as providers must balance increased costs with the imperative to deliver high-quality care. Without appropriate rate uplifts and strategic support, there is a risk that some services may struggle to remain viable, ultimately impacting service continuity and quality for those who rely on them.

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



Providers are primarily challenged by competing on salaries or incentives with other sectors, which accounts for 43.33% of the challenges. This is followed by competing on salaries or incentives with other social care providers at 20.00%. Additionally, attracting appropriate experienced/qualified staff contributes to 16.67% of the difficulties faced.

These figures highlight the intense competition within the labour market for qualified staff, particularly as providers must contend not only with other social care organisations but also with entirely different sectors that often offer more attractive remuneration packages and benefits. The challenge of competing on salaries or incentives with other industries is especially pronounced, as sectors outside social care may be able to provide higher pay, enhanced benefits, or more favourable working conditions, drawing potential candidates away from social care roles.

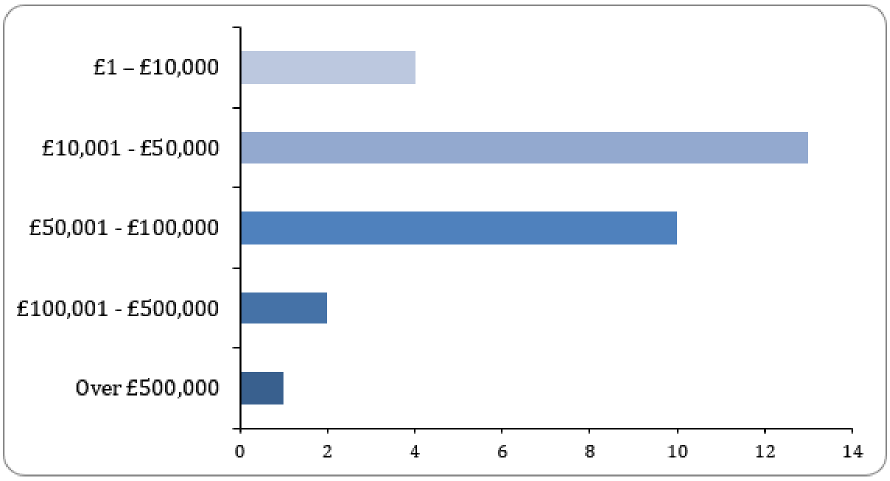
Key Executive Decision

Even within the social care sector itself, providers are in direct competition with one another to recruit and retain the best talent. This internal competition can lead to wage inflation and increased staff turnover, further straining already tight budgets and exacerbating difficulties in maintaining consistent levels of care. Providers must therefore balance the need to offer competitive salaries against the backdrop of rising costs, including the increase in National Living Wage and Employers National Insurance contributions, as well as the requirement to deliver high standards of care.

Attracting appropriately experienced and qualified staff remains a significant barrier. Providers often struggle to find candidates with the necessary skills and experience, particularly as the pool of qualified professionals is limited and in high demand. The challenge is further compounded by the need to comply with wage reforms, which, while beneficial to employees, increase financial pressures on employers. Consequently, providers must not only attract talent but also retain it, necessitating ongoing investment in training, professional development, and staff wellbeing initiatives.

Together, these recruitment and retention challenges threaten the sustainability of services, making it increasingly difficult for providers to maintain high-quality care without additional support or rate uplifts. If unaddressed, such pressures could lead to service interruptions, reduced capacity and choice in the market, and ultimately impact the quality of care delivered to those who rely on these essential services.

What do you estimate the annual cost will be for the 4.1% national living wage increase to your service?



Providers highlight that the impact of the national minimum wage increase for 43.33% of providers will be between £10,001 to £50,000 and for 33.33% of providers between £50,001 to £100,000. Moderate impacts are seen in the £100,001 to £500,000 range (6.67%) and the £1 – £10,000 range (13.33%), while the over £500,000 category experiences the least impact (3.33%).

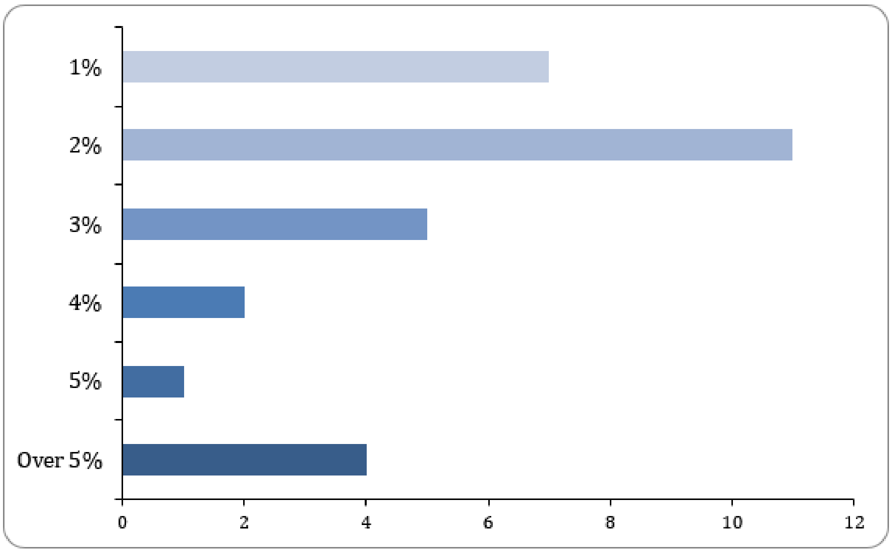
These figures indicate that most service providers are facing substantial additional costs due to the rise in the national minimum wage. Nearly half of providers (43.33%) anticipate an annual increase in staffing expenditure falling between £10,001 and £50,000, which represents a significant financial adjustment for most organisations operating within tight budgetary constraints. A further third (33.33%) expect even higher increases, between £50,001 and £100,000, signalling that for many, the wage uplift is not merely a marginal cost but a major operational factor requiring strategic financial planning.

The moderate segment, accounting for 6.67% of providers, projects their increased costs to be within the £100,001 to £500,000 bracket. This suggests that larger organisations, or those with higher staffing levels, are disproportionately affected, with wage increases potentially impacting other areas of service delivery, such as investment in facilities, training, or service expansion. The smallest impact group, at 13.33%, anticipate costs ranging from £1 to £10,000, likely corresponding to providers with fewer employees or those already paying above the minimum wage prior to the increase.

Only a small proportion (3.33%) report that their annual costs will exceed £500,000 as a result of the national minimum wage increase. While numerically limited, this group may encompass some of the largest service providers in the sector, for whom such substantial increases could have far-reaching implications for sustainability, investment, and long-term planning.

Overall, these cost increases place further pressure on providers already grappling with rising Employers National Insurance contributions and challenges in recruiting and retaining qualified staff. Without appropriate rate uplifts or targeted support, many organisations may struggle to absorb these additional costs, potentially leading to service reductions, decreased capacity, and a diminished ability to offer competitive salaries and benefits. This could, in turn, exacerbate existing recruitment and retention difficulties, further threatening service continuity and quality.

What do you estimate the % impact on your staffing costs to be as a result of the Statutory Sick Pay (SSP) Reform?



Providers highlight that the percentage impact on staffing costs resulting from the Statutory Sick Pay (SSP) reform varies significantly across the sector. For 36.67% of providers, the reform is expected to lead to a 2% increase in staffing costs, representing the largest affected group. This suggests that for more than a third of providers, the changes to SSP will be a notable addition to their annual expenditure, necessitating adjustments in financial planning and potentially influencing decisions around workforce management and service provision.

Meanwhile, 23.33% of providers anticipate a 1% rise in staffing costs due to the SSP reform. Although this is a lower percentage increase, it still constitutes a meaningful financial impact, particularly for organisations already operating within tight margins. These providers may need to explore strategies to absorb the additional costs, such as reallocating resources or seeking further efficiencies elsewhere.

The data also shows that 16.67% of providers expect a moderate impact of 3%, while 13.33% foresee the increase exceeding 5%. These higher percentages reflect the experiences of providers who are likely to be more exposed to SSP-related costs, perhaps due to larger workforce sizes or higher rates of staff absence. For these organisations, the financial pressure may be more acute, potentially affecting their ability to invest in other areas such as staff training, wellbeing initiatives, or service development.

Only a small proportion of providers fall into the lowest impact categories, with 3.33% reporting a 5% increase and none reporting no impact (0%). This indicates that virtually all providers are experiencing some degree of financial strain as a result of the SSP reform, further compounding the challenges already posed by other cost pressures such as national wage increases and rising Employers National Insurance contributions.

Overall, the widespread nature of these impacts underscores the importance of considering SSP reform in any discussions about rate uplifts and financial support for providers. Failure to address these additional costs could exacerbate recruitment and retention challenges, threaten service continuity, and ultimately affect the quality of care delivered to those who depend on these essential services.

In Summary, by incorporating the detailed feedback from providers into its financial planning and decision-making processes, the Council ensured that the Survey was not a mere formality but a meaningful exercise that shaped outcomes. The insights gathered have directly influenced the recommendations for rate uplifts and the broader risk mitigation strategies outlined in the subsequent sections of this document. This evidenced-based approach demonstrates the Council's commitment to supporting a sustainable and resilient provider market, informed by the real-world experiences and expertise of those delivering frontline services.

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:

SUPPORTED LIVING	UPLIFT %	UPLIFT CAP	NEW SET RATE POST-UPLIFT	PROJECTED ANNUAL COST OF UPLIFT
Standard Core	**2.0%**	**£22.00**	**£22.00**	**£40,813**
Complex Core	**2.0%**	**£24.00**	**£24.00**	**£22,675**
Additional 1:1	**2.0%**	**£22.00**	**£22.00**	**£2,357**
Sleeping Nights	**2.0%**	**£20.80**	**£20.80**	**£47,923**
Waking Nights	**2.0%**	**£22.00**	**£22.00**	**£40,813**

Placements paid above the new standardised rates will remain on their current rates.

Key Executive Decision

Rationale

The rationale for the proposed uplifts is built upon the essential link between sustaining the care market and the council's financial position in a way that complements rather than compete with one another. The Council faces persistent financial pressures from growing demand and increased costs for vital services to the most vulnerable residents. Prudent financial management remains crucial, however, it must not undermine the Council's statutory duties to provide sufficient, high-quality care now and into the future. Meeting these statutory obligations requires a stable market, supported by uplifts that are more than just additional costs they are strategic investments to prevent market destabilisation, lessen reliance on costly spot purchasing, and help avoid rises in safeguarding or hospital admissions.

As part of its annual uplift review, the Council has evaluated rates for all care types, actively engaging providers and considering broader economic factors such as inflation and wage growth. The approach for 2026/27 seeks to further standardise rates across service types, moving towards the median Cost of Care, while carefully managing available resources. This proactive stance ensures providers are supported and the market remains resilient enough to meet statutory duties and evolving needs.

Benchmarking against comparable local authorities and market data has been incorporated to keep proposed rates competitive and consistent with sector norms. This process validates the Council's position and assures both providers and stakeholders that rates are set fairly and transparently. Ensuring consistency for care types delivered in different settings means providers offering identical services are paid equitably, supporting sustainability and transparency, and guaranteeing statutory responsibilities are met.

Recognising the diversity in service provision and cost pressures, the Council proposes a proportional uplift strategy where some care types may see higher increases than others, and in select cases, some may not receive an uplift at all. This targeted method balances immediate budget constraints with the risk of provider failure, prioritising areas where gaps between actual costs and funding are most pronounced. Such an approach reflects a rational and sustainable method that weighs short-term financial pressures against the overarching need and legal duty for a resilient, deliverable care market.

In the view of the council, the proposed rate increases are sufficient for providers to operate sustainably, even if margins remain modest, without compromising the market's ability to meet current or future demand. By moving towards the median Cost of Care, ensuring rate consistency, and tailoring uplifts to specific care needs, the Council demonstrates its commitment to responsible stewardship investing in a care market that continues to serve residents effectively while maintaining control over spend and meeting statutory obligations.

Financial Implications

The cost implications of the recommendation and the estimated gross impact of this proposal is an estimated cost of £121,901.00.

This cost is based on a snapshot of placements from the 27th February 2026. 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 2026/27 financial year.

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

OTHER OPTIONS CONSIDERED AND REJECTED

Option 1: Apply no fee uplifts across all adult social care services
This option was considered, however, it was ultimately rejected. The main reason for this is that applying no fee uplifts would not fulfil the Council's responsibilities under the Care Act, particularly regarding market sustainability. In addition, it conflicts with the Council's commissioning aims, which focus on prevention, supporting independence, and managing demand. Without appropriate fee uplifts, the adult social care market could become unstable, potentially affecting service quality and availability.

Option 2: Apply a single standard percentage uplift across all services
This option was also reviewed and subsequently declined. Implementing a uniform percentage uplift across all services does not account for the varied cost pressures and challenges faced by different segments within adult social care. Since market conditions and strategic priorities differ across service types, a standard uplift could unfairly benefit some areas while disadvantaging others.

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 within 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:  Date:19/03/2026

Part B - Assessment of implications and risks

LEGAL IMPLICATIONS AND RISKS

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

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

“(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.*

(2) In performing that duty, a local authority must have regard to the following matters in particular;

- *(a) the need to ensure that the authority has, and makes available, information about the providers of services for meeting care and support needs and the types of services they provide;*
- *(b) the need to ensure that it is aware of current and likely future demand for such services and to consider how providers might meet that demand;*
- *(c) the importance of enabling adults with needs for care and support, and carers with needs for support, who wish to do so to participate in work, education or training;*
- *(d) 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);*
- *(e) the importance of fostering continuous improvement in the quality of such services and the efficiency and effectiveness with which such services are provided and of encouraging innovation in their provision;*
- *(f) the importance of fostering a workforce whose members are able to ensure the delivery of high-quality services (because, for example, they have relevant skills and appropriate working conditions).*

(3) In having regard to the matters mentioned in subsection (2)(b), a local authority must also have regard to 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.

(4) In arranging for the provision by persons other than it of services for meeting care and support needs, a local authority must have regard to the importance of promoting the well-being of adults in its area with needs for care and support and the well-being of carers in its area.

The Council should also have regard to the Care and Support statutory guidance which states:

a. *When commissioning services, local authorities should assure themselves and have evidence that contract terms, conditions and fee levels for care and support services are appropriate to provide the delivery of the agreed care packages with agreed quality of care. This should support and promote the wellbeing of people who receive care and support and allow for the service provider ability to meet statutory obligations to pay at least the national minimum wage and provide effective training and development of staff. It should also allow retention of staff commensurate with delivering services to the agreed quality and encourage innovation and improvement. Local authorities should have regard to guidance on minimum fee levels necessary to provide this assurance, taking account of the local economic environment. This assurance should understand that reasonable fee levels allow for a reasonable rate of return by independent providers that is sufficient to allow the overall pool of efficient providers to remain sustainable in the long term.*

Supporting sustainability

4.33 Local authorities must work to develop markets for care and support that - whilst recognising that individual providers may exit the market from time to time - ensure the overall provision of services remains healthy in terms of the sufficiency of adequate provision of high-quality care and support needed to meet expected needs. This will ensure that there are a range of appropriate and high-quality providers and services for people to choose from.

4.34 Local authorities should understand the business environment of the providers offering services in their area and seek to work with providers facing challenges and understand their risks. Where needed, based on expected trends, local authorities should consider encouraging service providers to adjust the extent and types of service provision. This could include signalling to the market as a whole the likely need to extend or expand services, encourage new entrants to the market in their area, or if appropriate, signal likely decrease in needs – for example, drawing attention to a possible reduction in care home needs, and changes in demand resulting from increasing uptake of direct payments. The process of developing and articulating a Market Position Statement or equivalent should be central to this process.

4.35 Local authorities should consider the impact of their own activities on the market as a whole, in particular the potential impact of their commissioning and re-commissioning decisions, and how services are packaged or combined for tendering, and where they may also be a supplier of care and support. The local authority may be the most significant purchaser of care and support in an area, and therefore its approach to commissioning will have an impact beyond those services which it contracts. Local authorities must not undertake any actions which may threaten the sustainability of the market as a whole, that is, the pool of providers able to deliver services of an appropriate quality, for example, by setting fee levels below an amount which is not sustainable for providers in the long-term.

The setting of rates for care providers has often been the subject of legal challenge by way of judicial review.

One of the key issues in case law relates to the adequacy of consultation. However, there is no statutory duty to consult and it would only be necessary if the private care sector had a legitimate expectation that consultation would occur which appears not to be the case in Havering.

The Council has not carried out a formal legal consultation of the provider market but has carried out an extensive survey, as set out in this Report and the responses of the care providers should be considered carefully.

In one of the more recent cases (R. (on the application of SARCP) v Stoke-on-Trent City Council [2025] EWHC 18 (Admin)) the Court held that in setting standard fees, authorities should have regard to the actual cost of good quality care and avoid arbitrary ceilings, but there were other factors which might pull in different directions. It was for the authority to balance the factors, subject to irrationality, and remembering what the authority paid would rarely synchronise with the actual cost to the provider. This was also consistent with the market-shaping duty in section 5 Care Act.

The content of the Report sets out how the Authority has sought to balance the various relevant factors in a rational way and the recommendations are therefore lawful.

FINANCIAL IMPLICATIONS AND RISKS

The Council has a statutory duty under the Care Act 2014 to assess and meet the eligible care needs of adults. The proposal is to apply the annual uplift automatically for in-borough providers, while out-of-borough uplifts will be applied on request.

The uplifts have taken into consideration increases to the National Living/Minimum Wage, high inflationary pressures, and the need to support recruitment and retention within the care sector. High-level benchmarking has been undertaken with six other local authorities on their 2026/27 rates, and consultation with the market has also taken place, as previously described.

The uplift approach has taken into account the median cost of care, recognising inflationary pressures while focusing on higher uplifts for those parts of the social care market where current fee rates sit further below the median. This targeted approach supports those areas where the margin to the median cost of care is greatest, helping to stabilise the market. Maintaining a sustainable market is essential to prevent provider failure, which can lead to service disruption, emergency placements at higher cost, and increased pressure on both operational and financial resources.

This aim of this approach is to support a sustainable provider market in line with the Council's commissioning strategy approved in October 2025.

The estimated net financial impact of this proposal is an increase of £121,901.00 per annum, based on a snapshot of placements as at 27 February 2026. The actual cost may vary depending on the number of clients receiving care at the point the uplift is applied. The calculation includes only those care packages funded by Adult Social Care. The total forecast additional cost of £121,901.00 reflects both in-borough and out-of-borough providers; however, as out-of-borough uplifts will only be applied where requested, the total actual cost may be lower if out of borough provider do not request the uplift.

Packages currently funded by self-funders are not included in the costings, on the assumption that these individuals will continue to meet the full cost of their care. However, there is a financial risk associated with this assumption. If uplifted rates increase the overall cost of care, self-funders may deplete their assets more quickly and fall below the financial threshold sooner than anticipated. This would increase the number of clients requiring Council funding and increase overall social care costs. This risk will need to be monitored throughout the year as part of ongoing budget management.

The aim is for the current level of provider acceptance of LBH rates to be maintained as a result of these uplifts, and this will be monitored. As the actual financial impact is directly linked to client numbers at the time the uplift is applied, the total cost could increase or decrease during the 2026/27 financial year.

The total anticipated cost of the uplifts is £2.3m, and this amount was approved by Cabinet on 9 February 2026 as part of the 2026/27 budget. There are therefore sufficient funds available to meet the expected cost of the proposed uplifts.

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) has been carried out.

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

There are no 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.

Key Executive Decision

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 - EqHIA - Implementation of Adult Social Care Uplifts 2026-27

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

Cabinet Portfolio held:
CMT Member title:
Head of Service title: Strategic Director of People
Other manager title:

Date: 9 April 2026

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 ____________________