

Notice of KEY Executive Decision

Subject Heading:	CSC Yearly Uplift 2026-27 – Direct Payments
Decision Maker:	Tara Geere, Director of Starting Well
Cabinet Member:	Councillor Oscar Ford, Cabinet member for Children and Education
ELT Lead:	Tara Geere, Director of Starting Well
Report Author and contact details:	Laura Wheatley Laura.wheatley@havering.gov.uk
Policy context:	The Council has a duty under the Children's Act 1989 to safeguard and promote the welfare of "children in need" in their area. Authorities must assess these needs and provide appropriate services to support the child and family, such as short breaks, direct payments, equipment, or adaptations.
Financial summary:	<p>Increasing the rates for Direct Payments is estimated to cost £61,555.00.</p> <p>This cost is based on a snapshot of packages on the 27th February 2026. 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</p>

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	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

Part A – Report seeking decision

DETAIL OF THE DECISION REQUESTED AND RECOMMENDED ACTION

For reasons detailed in this report, the Director of Starting Well agrees to approve an uplift to the Direct Payments rates for adults with needs for care and support as part of the annual uplift project as follows:

DIRECT PAYMENT TYPE	UPLIFT %	NEW SET RATE POST-UPLIFT	PROJECTED ANNUAL COST OF UPLIFT
Homecare	1.09%	£18.50	£6,075.44
Social Inclusion	3.23%	£16.00	£30,682.08
Night Sitter	2.25%	£91.00	£23,942.10

This equates to a forecast uplift cost of £59,162.00.

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. Whilst there is no equivalent provision in relation to services for children the market shaping duties in relation to adults are a good guide for application to the private sector providing services to children. The content below has primary application to services for adults but it is proposed that the same principles be applied to the market in relation to children.

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

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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

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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.

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

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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.

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 social care sector, at a time when they are already facing rising wage, insurance, and energy costs as outlined above.

Impact upon Children's Care Providers

Recent developments for 2026/27, including projected increases in the National Living Wage (NLW), Real Living Wage (RLW), London Living Wage (LLW), and employer national insurance rates, will have a material effect on children's care providers. The removal of the lower earnings limit and the provision for Statutory Sick Pay (SSP) to be paid from day one, as well as energy cost fluctuations and above-inflation rent increases, all compound financial pressures across the sector.

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:

DIRECT PAYMENT TYPE	UPLIFT %	NEW SET RATE POST-UPLIFT	PROJECTED ANNUAL COST OF UPLIFT
Homecare	1.09%	£18.50	£6,075.44

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Social Inclusion	3.23%	£16.00	£30,682.08
Night Sitter	2.25%	£91.00	£23,942.10

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

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 £59,162.00.

This cost is based on a snapshot of packages from the 27th February 2026. The estimated costs and income assumes that current client numbers will continue at the same level.

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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 children's direct payments

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, using a direct payment to purchase from the care market could become unstable, potentially affecting service quality and availability.

Option 2: Apply a single standard percentage uplift across all direct payments

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 direct payments. 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, 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

Section 17 Children Act 1989 places a duty on Local Authorities:

- (a) to safeguard and promote the welfare of children within their area who are in need; and
- (b) so far as is consistent with that duty, to promote the upbringing of such children by their families,
by providing a range and level of services appropriate to those children's needs.

The Authority may fulfil that duty by providing direct payments to the parents or in the case of a disabled child aged 16 or 17 to the child him/herself. (Section 17A Children Act 1989).

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

When setting rates for recipients of direct payments these must be made at such a rate as the authority estimate to be equivalent to the reasonable cost of securing the provision of the service concerned. (section 57(4) Health and Social Care Act 2001), in other words the setting of rates for direct payments should ensure that recipients have sufficient funds to directly commission the services for the child in need.

The content of the Report sets out how the Authority have sought to balance all of the relevant factors in determining appropriate rates for recipients of direct payments and the recommendations are therefore lawful.

FINANCIAL IMPLICATIONS AND RISKS

The Council has a statutory duty to assess and meet the eligible care needs of adults and children.

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 £59,162.00 per annum, based on a snapshot of placements as at 27 February 2026. The actual cost may vary

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depending on the number of clients receiving care at the point the uplift is applied. The calculation includes only those direct payment care packages funded by Children Social Care.

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.

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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

None

APPENDICES

None

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Part C – Record of decision

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

Decision

Proposal agreed

Delete as applicable

Proposal NOT agreed because

Details of decision maker

Signed



Name: Tara Geere

ELT lead : Director of Starting Well

Date:8/4/2026

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 _____