

From: Sarah Hammond, Corporate Director Adult Social Care and Health

To: Diane Morton, Cabinet Member for Adult Social Care and Public Health

Subject: **Proposed Fee Uplifts for Adult Social Care Providers for 2026/2027**

Decision no: **25/00118**

Key Decision : It affects more than 2 Electoral Divisions
It involves expenditure or savings of maximum £1m – including if over several phases

Classification: Unrestricted Report – Exempt Appendix (Exempt from publication by S12A Paragraph 3 of the Local Government Act 1972 as it contains information relating to the financial and business affairs of providers)

Past Pathway of report: Adult Social Care and Public Health Cabinet Committee – 21 January 2026

Future Pathway of report: Cabinet Member Decision

Electoral Division: All

Is the decision eligible for call-in? Yes

Summary: This report sets out the proposed approach to any fee uplifts for Adult Social Care providers for 2026/2027, reflecting the requirement for the Council to meet its statutory duties.

The Cabinet Member for Adult Social Care and Public Health is asked to:

- a) **APPROVE** the fee uplifts for Adult Social Care Providers for 2026/2027; and
- b) **DELEGATE** authority to the Corporate Director, Adult Social Care and Health to take relevant actions, within the approved budget allocation, to implement the decision.

1. Introduction

- 1.1 This report sets out the proposed approach to fee uplifts for Adult Social Care providers for 2026/2027.
- 1.2 The Council has the following statutory duties under The Care Act 2014 (together defined as its “Care Act Duties”) which require local authorities to have regard to the sustainability of the social care market. Those duties underpin and must inform any decision of the Council in respect of uplifts applicable to its social care contracts.

1.2.1 Legal Duty

The duties described below outline the legal context relevant to the Council's consideration of fee setting for adult social care.

Statutory duties under the Care Act 2014

The Care Act 2014 provides the legal framework for adult social care in England. When considering fee uplifts and wider commissioning decisions, the Council must have regard to a number of statutory duties.

1. The wellbeing principle (section 1)

The Council must promote individual wellbeing when carrying out its functions under the Act. This includes matters such as personal dignity, health and emotional wellbeing, protection from abuse and neglect, family and personal relationships, suitability of accommodation and the individual's control over day to day life.

2. Duty to provide information and advice (section 4)

The Council must ensure that people can access clear, impartial information and advice about care and support. This includes information about available services, how to access them, and how the local care market operates.

3. Market shaping and sustainability duty (section 5)

Section 5 places a strategic duty on the Council to support a care market that is diverse, sustainable and able to offer high quality services. In meeting this duty, the Council must have regard to:

- the effective and efficient operation of the local care market
- the sustainability of the market as a whole
- the availability of a variety of providers and services
- the promotion of choice, control and independence
- the need for a capable, appropriately rewarded workforce
- the role of innovation and community based provision
- the need for fee levels that enable providers to meet statutory requirements and deliver safe, good quality care.

This duty applies to services for adults with care and support needs and for carers.

1.3

The Council has carried out market analysis in line with its mandatory duties (Chapter 4 of the Care and Support Statutory Guidance explains how local authorities must meet their duty under section 5 of the Care Act 2014 to promote the efficient and effective operation of the adult social care market). In order to comply with its Care Act duties. The Council had monthly meetings with the market throughout 2025 and the Council held roundtable meetings with the market in November 2025 and January 2026 specifically in relation to uplifts.

1.4

In setting its fees the Council must also have due regard to its Best Value duty to deliver statutory services within a balanced budget.

- 1.5 Compliance with its Care Act and Local Government Act duties underpins and is integral to any decision of the Council regarding uplifts. Necessarily the recommendations that are made to the Cabinet Member for Adult Social Care and Public Health take into account its market analysis exercise and following agreement of the budget at County Council on 12 February 2026.
- 1.6 The Council has engaged in conducting market analysis and notes that adult social care providers continue to experience rising employment and operating costs, including increases to the National Living Wage, employer National Insurance contributions, and wider inflationary pressures. The Council recognises these pressures result from policy and funding changes announced in the 2024 Government budget and has engaged with providers to understand their impact on service sustainability.
- 1.7 The Council is experiencing continued growth in demand for care and support, alongside increasing complexity and cost of individual packages. Between 2021/2022 and 2025/2026 the adult social care (ASC) budget has increased by £250m, increasing from 40.6% of Kent County Council's total budget to 46.3%. Over the same period the specific funding for adult social care through the additional 2% ASC council tax precept and government grants for social care in the Local Government Finance Settlement have increased by £207m (of which £98m is through the Social Care Grant which is intended to support spending pressures in both Adults and Children's social care). Despite these substantial increases in funding allocated to adult social care the budget has overspent each year since 2022/2023 with the overspend increasing from £29m (5.7% of the ASC budget) to £50m forecast for 2025-26 (7.1% of ASC budget).
- 1.8 These overspends have had to be covered from the Council's reserves. The most significant increases to the ASC budget, and the majority of the overspends, have been required to support the rising cost of placements in Older Persons' Residential and Nursing (OPRN) Care.
- 1.9 The provisional local government finance settlement 2026/2027 to 2028/2029 settlement was published on 17 December 2025 and includes some significant changes following consultation on fundamental reforms to local authority funding (Fair funding 2.0) over the summer. In regard to adult social care, the reforms include consolidating the Social Care Grant and Market Sustainability and Improvement Fund into the Revenue Support Grant with funding allocated according to new and updated formulas for relative need and revised/updated adjustment for relative resources. The Local Authority Better Care Grant remains at the same level as 2025/2026 in cash terms and is paid as a separate Section 31 grant to be pooled with health. Reforms to Better Care Fund pooling will not be introduced until 2027/2028 alongside changes to the Better Care grant. These changes mean it will in future be no longer possible to separately identify the additional government funding for adult social care, although a "notional adult social allocation" will be published (to date this has not yet been provided for 2026/27) which should be used as a reference point for budget setting alongside local priorities

- 1.10 In light of these factors, it is not affordable to apply full inflationary uplifts across all service areas without materially impacting the Council's ability to meet its statutory duties. The proposed approach therefore represents a balanced and proportionate exercise of commissioning judgement, targeting limited resources where they deliver the greatest strategic benefit, while managing and mitigating risks to continuity of care and in accordance with the Council's Care Act and Local Government Act duties.
- 1.11 The proposed approach, reflects difficult but necessary choices to protect service continuity, meet statutory obligations, and support the long-term sustainability of the adult social care system.

2. Background

- 2.1 Over recent years, the Council has made sustained investment in adult social care fee rates, including above-inflation uplifts in some years and targeted interventions to support and improve market stability. As a result, fee levels in a number of service areas are comparatively high when benchmarked against other local authorities. The benchmarking data is attached as Appendix 1.
- 2.2 The Council has applied differentiated approaches across service areas in response to market conditions in accordance with its Care Act Duties and affordability when considering further market investment. In 2024/2025, the Council applied a flat 4% uplift for framework providers and made additional provision to manage exceptional sustainability and continuity risks within the market.
- 2.3 In 2025/2026, the Council applied a differentiated approach to fee uplifts across adult social care services, including variable uplift rates for OPRN provision, a 4% uplift across other commissioned services, and increases to sleep-night payments in line with the National Minimum Wage (NMW). While sleep-in arrangements are subject to complex employment law considerations and are not uniformly required to be paid at National Living Wage (NLW) rates, the Council chose to reflect NLW increases in sleep-night payments in recognition of workforce pressures and market stability considerations.
- 2.4 These decisions reflected the Council's ongoing commitment to market stability and investment in the market within the resources available at that time. The Department for Health and Social Care publishes comparative fee information. This shows that the provisional 2025 average fee Kent County Council (KCC) pays to external providers for residential care excluding nursing is £1,186.81 compared to a national average of £955.56. This represents an increase in Kent of 11.6% over the comparable figure for 2024 compared to a national average increase of 4.9%. This is on top of an increase in care fees in Kent of 20.2% between 2023 and 2024 compared to a national average of 8.5%. The fees for external providers including nursing care show similar increases with the provisional fee level for 2025 increasing in Kent by 11.2% on 2024 (compared to a national average of 4.9%), on top

of increases between 2023 and 2024 of 14.7% (compared to national average of 7.0%).

2.5 Consultation and engagement with provider representative organisations, including the Kent Integrated Care Alliance (KICA) and the National Care Association (NCA) in November 2025, highlighted significant concerns regarding the cumulative impact of rising employment and operating costs. Providers indicated that Consumer Price Index (CPI) level uplifts would, in their opinion, represent a minimum position to maintain financial sustainability, with higher uplifts required in some service areas.

2.6 A further meeting was held in January 2026 with a strong representation from KICA and the NCA. No additional evidence was provided beyond that previously shared, and the cost pressures identified in November were reiterated. These representations have been considered alongside wider market intelligence.

2.7 The Council recognises that ongoing cost pressures may increase financial strain for some providers and could, if unmanaged, affect capacity and choice within parts of the market. The Council has well-established arrangements to manage provider failure and ensure continuity of care and will continue to actively monitor market conditions and intervene where there is demonstrable risk to service continuity, subject to affordability and available resources.

2.8 The Council will operate a Sustainability Fund to support the discharge of the Council's market shaping and sustainability duties under section 5 of the Care Act 2014, through targeted, proportionate and time-limited interventions where there is clear evidence of risk to the sustainability of the adult social care market or continuity of care. This will be considered alongside alternative commissioning and operational mitigations to ensure the needs of people who draw on care and support continue to be met.

2.9 ASC remains a priority for the Council. Notwithstanding National funding has not kept pace with the scale of demand and cost pressures facing local authorities, limiting the Council's ability to fully absorb inflationary increases, the Council must nevertheless continue to comply with its Care Act duties. The Cabinet Member for Adult Social Care and Public Health will continue to work with provider representatives in lobbying the Government to address these risks.

2.10 Alongside the Council's Care Act Duties, the Council's contracts contain terms related to uplifts which also need to be applied. Contract terms vary across service areas. Any uplifts necessary to comply with the Council's statutory duties will be applied to contracts but would not be in addition to an uplift that may be applied as part of the contract terms.

2.11 Fee uplifts need to be finalised by 1 March 2026 to enable implementation within the Council's Adult Social Care case management system in time for providers to submit invoices for revised rates from April 2026. The proposals

set out in this report are subject to approval of the budget by the County Council on 12 February 2026.

3. Options Considered

3.1 The Council must comply with its Care Act Duties before considering applying (or not applying as the case may be) any uplifts.

3.2 Apply no fee uplifts across all adult social care services

3.2.1 This option was considered but discounted. This approach would not align with the Council's Care Act Duties to have regard to market sustainability, nor with its commissioning intention to prioritise prevention, independence, and demand management.

3.3 Apply a single standard percentage uplift across all services

3.3.1 This option was also considered but rejected on the basis of the conclusions of the market analysis.

3.4 Apply differentiated uplifts (if any) aligned to Care Act Duties (Recommended)

3.4.1 Under this option, fee uplifts (if any) are applied in accordance with the Council's Care Act Duties. This could result in differentiated uplifts across contract types, reflecting the fact that cost pressures, market conditions, and strategic importance are not uniform across the adult social care market.

3.4.2 A Key Findings Report drawing together the emerging outputs of the Council's market analysis and provider engagement activity has informed the development of the approach for the proposed fee uplifts for 2026/2027.

3.4.3 The Key Findings Report is attached as exempt appendix 1 (Exempt from publication by S12A Paragraph 3 of the Local Government Act 1972 as it contains information relating to the financial and business affairs of providers). The report will be available in full to support the Cabinet Member for Adult Social Care and Public Health in considering the proposed decision.

3.4.4 In particular, the proposed approach:

- prioritises investment in care at home services, reflecting their role in supporting people to remain independent and in managing demand for higher-cost care;
- proposes to apply more modest uplifts in residential and supported living services for working age adults, recognising the significant existing investment in these services, the bespoke nature of provision, and the need to balance market sustainability and continuity of care; and
- retains targeted, proportionate and time-limited mitigations to manage clear and evidenced risks to continuity of care.

3.4.5 This approach enables the Council to meet its statutory duties and acknowledges that it is not affordable to fully meet provider expectations for inflationary uplift across all services beyond consideration of its Care Act duties.

3.5 Proposed Approach and Rationale by Contract Type

3.5.1 Care and Support in the Home Services

Proposed uplift: CPI as of December 2025 (framework providers only) subject to contract terms and statutory duties, as applicable.

Care and Support in the Home is a central component of the Council's commissioning strategy and plays a critical role in supporting people to remain independent, preventing escalation of need, and managing demand for higher-cost residential and nursing care. Investment in this service supports hospital discharge, reablement, and early intervention, and is therefore prioritised within the available resources.

Applying a proposed uplift through the framework reflects both the strategic importance of care at home services and the need to maintain capacity and workforce stability in a highly competitive labour market. Targeting investment through the framework supports agreed standards of quality, availability, and performance, and reinforces the integrity and effectiveness of the Council's commissioning arrangements.

3.5.2 Residential Care (Learning Disability, Physical Disability and Mental Health)

Proposed uplift: 2% (framework providers only)

Residential provision for working age adults supports individuals with complex needs and typically involves intensive staffing models and long-term placements where stability and continuity of care are critical.

The proposed 2% uplift represents a proportionate response that recognises the need to balance market sustainability and continuity of care. It supports stability within the commissioned market and enables the Council to continue actively reviewing placements to ensure care remains outcomes-focused, proportionate, and aligned with individual need.

3.5.3 Supported Living Services

Proposed uplift: 2% and an additional element to fund the increase in NLW for sleep-night provision only (framework providers only) subject to contract terms and statutory duties, as applicable.

Under the terms of the framework contract KCC is required to pay an uplift in sleep-night payments in line with the National Living Wage. However, the courts have ruled that National Living Wage requirements do not apply to sleep nights and therefore KCC contractual uplifts have been more generous than statutory wage requirements for this element of provision.

Supported living services are designed to promote independence, flexibility and community inclusion, and are typically commissioned on a bespoke basis to reflect individual outcomes and support models. Pricing is influenced by individual support design staffing resulting in variation across packages. In recognition of specific employment cost pressures, sleep-night payments will be uplifted in line with the NLW. This ensures that providers are supported to meet statutory wage requirements for this element of provision.

3.5.4 Older Person's Residential and Nursing Care

Proposed uplift: No general uplift subject to contract terms and statutory duties, as applicable.

The Council is currently procuring a new Older Person's Residential and Nursing Care contract, with updated pricing informed by market analysis and commissioning intentions. The new contract is anticipated to be implemented from Summer 2026 and will apply to new placements.

Current market analysis indicates that there is a sustainable market to meet the care needs of individuals through the market as a whole.

3.5.5 Everyday Life Activities

Proposed uplift: No general uplift - subject to contract terms and statutory duties, as applicable.

Everyday Life Activities services are commissioned to provide flexible, short-term and preventative support, with pricing that reflects local delivery models and lower workforce intensity than other regulated care services. Current market analysis indicates that there is a sustainable market to meet the care needs of individuals through the market as a whole.

3.5.6 Other Adult Social Care Service Lines subject to contract terms and statutory duties, as applicable.

Proposed uplift: 2%, subject to contract terms and statutory duties, as applicable.

Other adult social care service lines not specifically referenced elsewhere in this report cover a range of lower-volume or specialist services, a 2% uplift is proposed for these services.

3.5.7 **Direct Payments**

Proposed approach: provision for individual increases (no general uplift) subject to statutory duties, as applicable.

Direct Payments are designed to provide individuals with flexibility and choice in arranging their own care and support. The proposed provision of £2.2 m enables the Council to respond to individual circumstances, including increases required to reflect NLW changes or changes in assessed need. Direct Payment rates will continue to be reviewed on an individual basis through care and support planning and review processes to ensure they remain sufficient to meet assessed needs, in line with the Care Act duties.

4. **Financial Implications**

4.1 Current Financial Context

4.1.1 The Council continues to face significant and sustained financial pressure, driven by increasing demand for adult social care and rising complexity of need. Within this context, the Council has identified £9.9m in the draft budget as the proposed amount for adult social care fee uplifts and Direct Payment increases for 2026/2027. This is subject to approval of the budget by the County Council on 12 February 2026

4.1.2 This reflects the application of the Council's statutory duties alongside its wider financial and governance responsibilities, ensuring that available resources are deployed in a way that prioritises the delivery of assessed needs and the sustainability of care provision.

4.2 Price Uplift Proposal

4.2.1 These proposals allow for differentiated uplifts across the main areas of adult social care provision, ascertained in accordance with the Council's Care Act duties.

4.2.2 The proposed uplifts across the main social care contract areas are as follows subject to contract terms and statutory duties, as applicable.

- Care and Support in the Home Service – CPI as of December 2025. (framework providers only)
- Supported Living Services – 2% and an additional element to fund the increase in NLW for sleep-night provision only (framework providers only)
- Residential Care (Learning Disability, Physical Disability and Mental Health) –2% (framework providers only)
- Older Person's Residential and Nursing Care – 0%
- Everyday Life Activities – 0%

4.2.3 Non framework placements are commissioned on an individual basis, with pricing agreed at the point of placement to reflect the assessed needs of the individual and the specific service requirement. Completion of the market

analysis and ensuring compliance with its statutory duties no general uplift is proposed for non framework provision.

4.3 Budget Impact

4.3.1 Table 1 below sets out the proposed allocation of the uplift budget and its financial impact.

Table 1 – Price Uplift: Budget Impact 2026/2027

Summary - Price Uplift Proposal	%
Care and Support in the Home Services	CPI
Supported Living Services	2% and an additional element for sleep nights
Residential Care (Learning Disability, Physical Disability and Mental Health)	2.0%
Older Person's Residential and Nursing	0.0%
Everyday Life Activities	0.0%
Other Service Lines	2.0%
Total	£7.7m
Provision for Direct Payments	£2.2m
Overall Total	£9.9m

5. Legal implications

5.1 The Courts have confirmed that decisions which engage the section 5 market shaping duty may be subject to public law challenge, and that fee setting decisions form part of this framework where they have a direct effect on the sustainability and functioning of the care market. Recent case law, *R (SARCP) v Stoke on Trent City Council [2025]*, has highlighted the importance of ensuring that decisions are supported by a clear and sufficiently complete evidential basis.

5.2 In making these decisions the Council must have regard to the Care and Support statutory guidance.

5.3 Additional confidential legal advice is attached as exempt Appendix 2

6. Equalities Implications

6.1 The Council has had due regard to its duties under section 149 of the Equality Act 2010 (Public Sector Equality Duty). An Equalities Impact Assessment (EQIA) has been completed and is attached as Appendix 2. The EQIA is a live document and will be reviewed and updated as the proposals are implemented and market conditions evolve.

6.2 The EQIA identifies a potential risk of disproportionate impact on some protected groups arising from market instability, reduced provider capacity,

and constrained choice. These risks are most likely to affect disabled adults and older people who rely on continuity and availability of adult social care services.

- 6.3 The Council recognises that, if unmanaged, these risks could adversely affect access to care, continuity of services, and outcomes for people with protected characteristics. The Council has therefore carefully considered these risks alongside affordability and wider statutory duties.
- 6.4 To mitigate the potential impacts identified, the Council has put in place a proportionate suite of measures aligned with its duties under the Care Act 2014. These include targeted uplifts for services supporting disabled adults, CPI-linked investment in homecare, proactive market oversight, and established arrangements for managing provider failure and ensuring continuity of care.
- 6.5 In addition, the Council will operate a Sustainability Fund as a specific equality mitigation. The fund will enable targeted, proportionate, and time-limited interventions where there is clear, evidenced risk that market instability or provider failure could disproportionately affect people with protected characteristics. The fund will be used alongside commissioning, contract management, and operational mitigations to safeguard continuity of care and maintain access to services.
- 6.6 The Council will continue to monitor equality impacts through contract management, market intelligence, and engagement with providers and people with lived experience. The EQIA will be updated where required to ensure ongoing compliance with the Public Sector Equality Duty.

7. Data Protection Implications

- 7.1 A Data Protection Impact Assessment is not required as there are no material changes to the way in which personal data is handled, nor the way in which it is used. Similarly, this work does not involve data profiling or changes to the way in which special category data is handled.

8. Conclusions

- 8.1 The Council recognises the very real pressures facing providers and has engaged, with the sector to understand the impact of rising employment and operating costs. Providers have been clear that full inflationary uplifts would be their preferred position. However, it is not affordable for the Council to make additional investment in the sector beyond compliance with its statutory duties without materially undermining its ability to meet its wider statutory duties as a Council and manage demand across the wider system.
- 8.2 The proposed approach to fee uplifts for 2026/2027, to apply any uplift determined in accordance with statutory duties (which includes market sustainability). In developing these proposals, the Council has considered its duties under the Care Act 2014, including responsibilities in relation to market sustainability and continuity of care. While the Council cannot guarantee the financial sustainability of individual providers, it will continue to monitor

market conditions and manage any risks to continuity of care and market stability through existing commissioning, contract management and operational arrangements, within the overall resources available.

8.3 Taken together, the proposals set out in this report provide a reasonable and evidence-based framework for managing any fee uplifts in 2026/2027.

9. Recommendations

The Cabinet Member for Adult Social Care and Public Health is asked to:

- a) **APPROVE** the fee uplifts for Adult Social Care Providers for 2026/2027; and
- b) **DELEGATE** authority to the Corporate Director, Adult Social Care and Health to take relevant actions, within the approved budget allocation, to implement the decision.

10. Background Documents

None

11. Appendices

Appendix 1 Benchmarking Data
Appendix 2 Equality Impact Assessment
Exempt Appendix 1 Key Findings Report
Exempt Appendix 2 Confidential Legal Advice

12. Contact details

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