Birmingham City Council

Strategic Provider Forum
Fee Increase Update 26/27

Alison Malik, Head of Commissioning

13 April 2026

Background

- In 2025/26 ASC is forecast to spend £478m on the services in scope of the published fee increases 26/27.
- The Council has a Duty under the Care Act 2014 to ensure sustainability of our market as a whole.
- The Commissioning Strategies and contracts, commit to annual fee increase and annual cost of care exercise and were approved by Cabinet.
- The Market Position Statements makes clear some of the risks, challenges and actions need across the ASC market.
- Despite the Council's wider financial challenges, ASC have continued to make a robust business case for ongoing investment (over £120m in last 10 years)
- The Council has worked hard to balance the pressures in the market with the Council's financial position – remains a finely balanced market.

Outline Fee Setting Process

Medium Term Financial Plan (Feb)

- High level model based on estimates of NLW and latest inflation.
- NLW estimates – Low Pay Commission estimates as updated & historic data
- Inflation estimates – use latest ONS CPIH data/intel on inflation from ONS and Bank of England
- Ongoing review of assumptions as and when LPC revise their estimates and through monitoring of inflation

Cost of Care (July – Sept)

- The annual cost of care exercise varies in scope and depth, however is used to moderate and refine financial assumptions.
- Consideration of other intel or market capacity/demand/exits
- Fee benchmarking
- Review of provider credit risk assessments

Autumn Statement (Oct/Nov)

- Government confirms the new NLW rates and other changes that impact employers

Cost Modelling and Options (Nov – Dec)

- Commissioners review cost of care and other market intelligence and develop a series of options

Decision Making (Jan – Feb)

- Chief Officer decision report – subject to BCC Budget approval
- Budget approval – usually end Feb (but was 2 March 2026)

Implementation (Feb – May)

- Communication with providers/DP recipients and internal stakeholders
- Contract Notices
- New fee structure added to CMP
- Fee changes made in CF6

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Fee Setting Methodology

Methodology approved by Cabinet and in contracts:

"The Council is committed to ensuring the care sector remains sustainable, not only as it delivers care to some of our most vulnerable citizens, but also as a major employer across the region. We will therefore increase prices of care packages placed under the new contract on an annual basis having considered the following principles:

Changes in the rate of inflation including consideration of the Consumer Price Index (CPI) and the Consumer Price Index Housing (CPIH).	Changes in national minimum wage rates including the National Minimum Wage and National Living Wage.	Other relevant price pressures likely to significantly impact on the care sector e.g changes to employer pension contributions and National Insurance.	Regional price comparison data	Open book accounting/Fair Cost of Care returns from care providers	Sustainability of the care sector including the scale of providers existing the market locally	In accordance with our Market Sustainability Plan where relevant	Affordability to the Council within the context of the overall annual budget settlement

The Council will use the above principles each year to set a price increase applicable from April the following year. This will be set out transparently and shared with care providers as early as possible to assist with financial and business planning."

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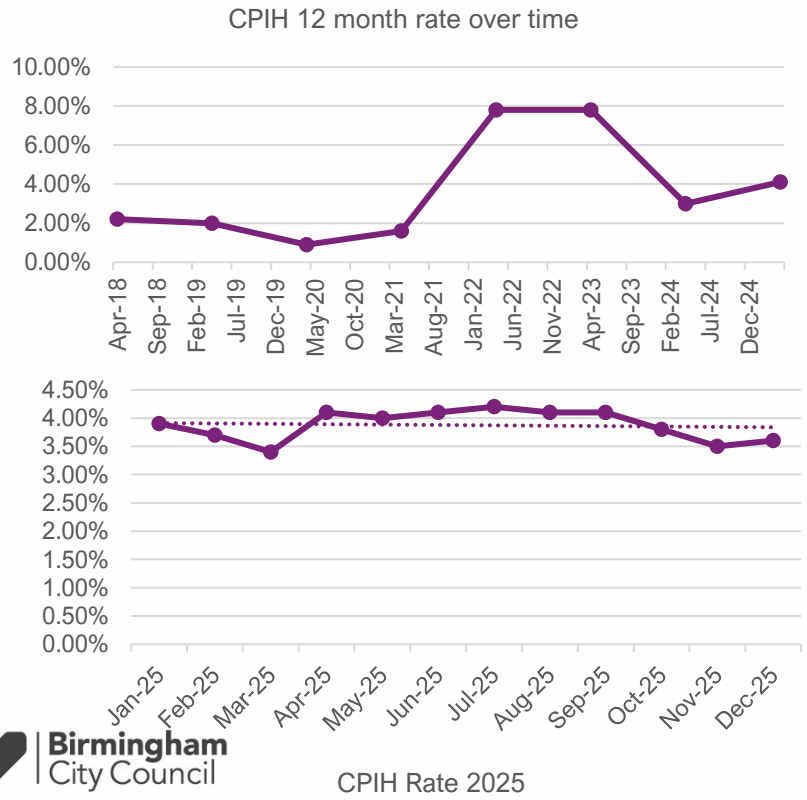
Changes in the rate of inflation



CPIH Rate 2025

- Rates of inflation remained low between 2018 – 2021
- Unprecedented levels of inflation between 2022 and 2023 saw inflation provision increase significantly.
- Since Autumn 2022 the CPIH inflation measure has been falling from its peak to more usual levels.
- Continuing this reduction remains a national political priority, however this remains volatile to wider global and economic factors.
- CPIH includes a range of housing-related costs - these are considered the closest match to the care market cost base. The largest increases in CPIH have been from housing and household services (principally from electricity, gas, and other fuels), food and non-alcoholic beverages, and transport (principally motor fuels) - all significant factors in the delivery of care homes and care in people's own homes.
- In September 2025 CPIH stood at 4.1% and has since fallen to 3.6% in December 2025.

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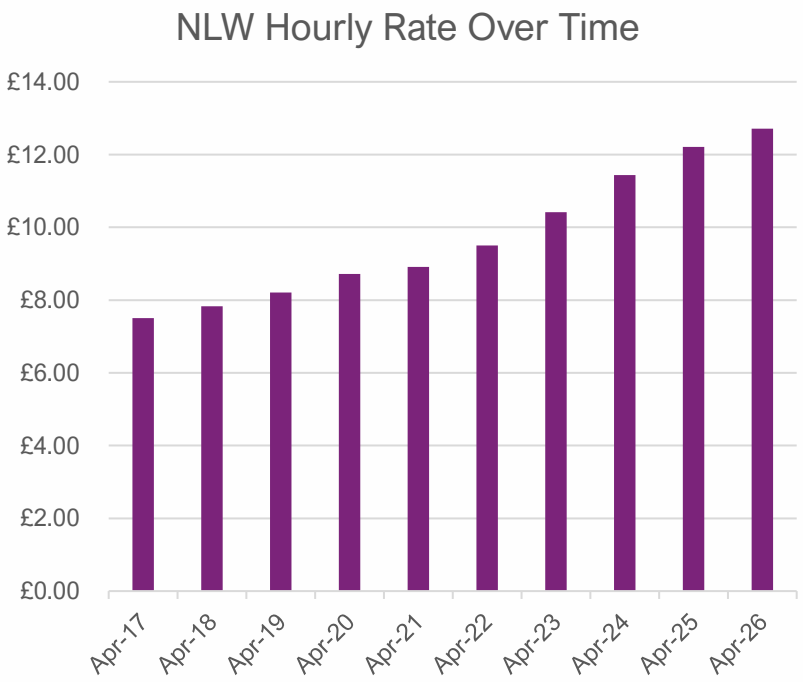
Changes in NMW rates



- Staff costs represent 60 - 65% of care home costs and 90% of all costs in home support.
- Carer pay in Birmingham estimated to be between 0% and 3% above the NLW.
- The NLW for April 2026 has been confirmed at £12.71 – a 4.1% increase.
- The Real Living Wage is a UK Wage rate calculated on the real cost of living and this rate will be £13.45 for 2026/27.
- Birmingham Care Wage - regardless of age, all staff must be paid the equivalent to the National Living Wage.

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Price pressures likely to impact the care sector

Current year cost pressures

- Variation between care homes and the rest of the market, but all providers cited pay and employee related costs as the most significant current pressure.
- Care homes identified additional pressures; utilities; food; repairs and maintenance; and insurance.
- Home support, supported living and extra care providers identified additional pressures; travel; general inflation; recruitment, retention and training; and digital care costs.

From engagement sessions & cost pressures survey with providers (Summer 2025)

Future or anticipated cost pressures

- Providers cited pay and employee costs as the most significant future pressure.
- Care homes identified the following additional future pressures; utilities; food; Employment Rights Bill measures; and repairs and maintenance.
- Home support, supported living and extra care providers identified the following additional future pressures; general inflation; Employment Rights Bill – changes to statutory sick pay; training; and fuel/travel.
- Providers also told us about future sustainability risks and support required:
  - Workforce – recruitment and retention, availability of quality staff, training, competition from other sectors
  - Changing regulatory compliance requirements, e.g. fire standards
  - Ability to invest in environment, equipment, digital
  - Inspections and quality assessments - not proportionate, inaccurate , CQC not timely
  - Lack of new work/insufficient clients (Home Support)
  - Late payment of invoices
  - Removal of zero hours contracts
  - Immigration policy and international recruitment
  - Increasing complexity of client need

Benchmarking data

Benchmarking data shows that Birmingham fees vary in terms of their comparability with regional and Core Cities benchmarks, including:

- Nursing Care - Birmingham's average fee rate paid (£889) is significantly below both the regional and the Core City median.
- Residential Care - Birmingham's average fee rate paid (£874) is below the regional median but above the Core City median. With the Council's contract rate (£728) equal to both the regional and the Core City median.
- Home Support - Birmingham's average fee rate paid (£22.55) is above the regional urban median but below the Core City median. With the contract rate (£23.35) being above the regional urban median. This is reflective of our previous strategies to invest in these areas (including Grants) and to close the previous gap in funding.

Open book/cost of care returns from care providers

The Council's annual cost of care exercise 2025, was focussed on three key areas:

Benchmarking – see "Benchmarking data" slide.	**Provider engagement on key cost drivers** – see "price pressures likely to impact on the care sector" slide for more detailed findings	**Cost of Care exercise for the Quick Discharge Service** – a full cost of care exercise was conducted with our Quick Discharge Service provider. This confirmed the Council's current fee rate is sufficient to cover the costs of care, albeit the provider did raise an increase in travel costs and the length of stay with the service as ongoing issues.

The information taken from the 2025 cost of care exercise has been carefully considered in the proposed fee structure.

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Sustainability of the care sector

- The Council remains committed to market sustainability as set out in our Commissioning Strategies and Market Position Statements.
- The Council's assessment of market sustainability (as set out in our Market Position Statements) highlight:
  - generally good market capacity across older adult care homes, home support and supported living services
  - a tightening of available supply across the younger adult care home market
  - high concentration of smaller providers in Birmingham
  - varying quality of care
  - workforce challenges and risks – including ongoing International Recruitment risks
- Annual cost of care exercise to ensure provider costs and challenges are understood - used this in the setting of a sustainable fee rate for providers.
- During the last 12 months, there have been 25 hand backs of contracts by care providers, which represents 3% market exits. This level of market exits is considered relatively low, with only 4 of these due to the providers financial viability.
- Routine independent financial risk ratings of providers has identified how finely balanced the care market is, with 80 of our 845 contracted care provider locations currently at the highest level of financial risk.
- However, the Council's assessment of the market is that there remains sufficient capacity to meet care and support needs.

Affordability to the Council

The Council faces ongoing financial challenges, incl. S114 notices & appointment of Commissioners to oversee the Council.

Council required to balance its budget over a two-year period (2024/25 and 2025/26) before resuming medium-term financial planning.

On 2 March 2026 the Council approved a balanced budget for 2026/27 alongside the Medium-Term Financial Plan.

Council's financial position is improving, but finely balanced.

Inflation provision for the year 2026/27 of £17.975m approved by Cabinet on 10 February 2026 and by Full Council on 2 March 2026.

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26/27 Market Segment Increases and Considerations

Market segment	Indicative % increase for 26/27	Key considerations
OA nursing	3.97%	Increasing complexity of need; no separate dementia rate; critical to hosp. discharges; quality issues; need to stimulate future growth in market; average actual rate rates paid are below W Mids median, although current supply good.
OA residential	3.91%	Increasing complexity of need; no separate dementia rate; quality issues; average actual rates paid below W Mids median average; significant environmental cost pressures reported.
YA residential & nursing	3.91%	Reflect high proportion pay costs and high environmental cost pressures; average actual rates paid slightly above W Mids median but tighter supply than OA; strategic direction to SL but coordinated market shaping needed over time.
Home support	3.0%	Current rate above W Mids median; excellent supply; all PoC's at contract rate; significant fee increases last 3 years
QDS	3.0%	Linked to home support increase; contract currently fully funded; need to drive out further efficiencies linked to economies of scale
Supported Living	3.03%	Want to grow and develop market next 5 years; no complex need rate; quality issues; rates above W Mids median; no cross subsidy from self-funders

- **Extra Care Sheltered Housing:**
- Spot purchased Extra Care hours will increase by 3.96%
- Block arrangement Extra Care hours – 0%
- **Day Opportunities Flexible Contracting Arrangement 2025** – 3.91%.
- **Direct Payments**:
- Use of a personal assistant will increase by 4.13%
- CQC provider will increase by 3.00% for home support; by 3.03% for supported living; and 3.96% for Extra Care Sheltered Housing.
- **Non-Contracted Providers** – 0%

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Previous Fee Increases

Market Segment (increases are contract specific)	23/24 Indicative % Increase	24/25 Indicative % Increase	25/26 Indicative % Increase	26/27 Indicative % Increase
Home Support	8.30%	23.38% (17.03% grants & 6.35% inflation)	6.36%	3.00%
Home Support - Sensory Loss	11.50%	23.38% (17.03% grants & 6.35% inflation)	6.36%	3.00%
Home Support – Prison Service	8.30%	23.38% (17.03% grants & 6.35% inflation)	6.36%	3.00%
Supported Living	8.30%	11.47% (5.12% grants & 6.35% inflation)	8.00%	3.03%
Older Adult Care Homes without nursing	8.74%	9.00% (4.82% grants & 4.18% inflation)	7.37%	3.91%
Older Adult Care Homes with nursing	8.66%	9.09% (4.76% grants & 4.34% inflation)	6.54%	3.97%
Younger Adult Care Homes	8.74%	6.08% (1.90% grants & 4.18% inflation)	7.37%	3.91%
Quick Discharge Service	8.30%	6.35% (0.00% grants & 6.35% inflation)	6.36%	3.00%

Conclusion

- Given all of the considerations set out above, it is clear there are ongoing increases in cost pressures to care providers in relation to staffing costs, the cost of accommodation and the purchasing of goods and services.
- However, the Council is not seeing significant market exits and is still able to meet its duties under the Care Act 2014 with regards meeting of care needs and market responsibilities.
- It is recognised providers are unable to meet the full cost pressures and that a level of fee increase from the Council is required.
- Any fee increases must be balanced with affordability to the Council.
- The detailed fee increases take into account all of these factors and will be implemented from 6 April 2026.