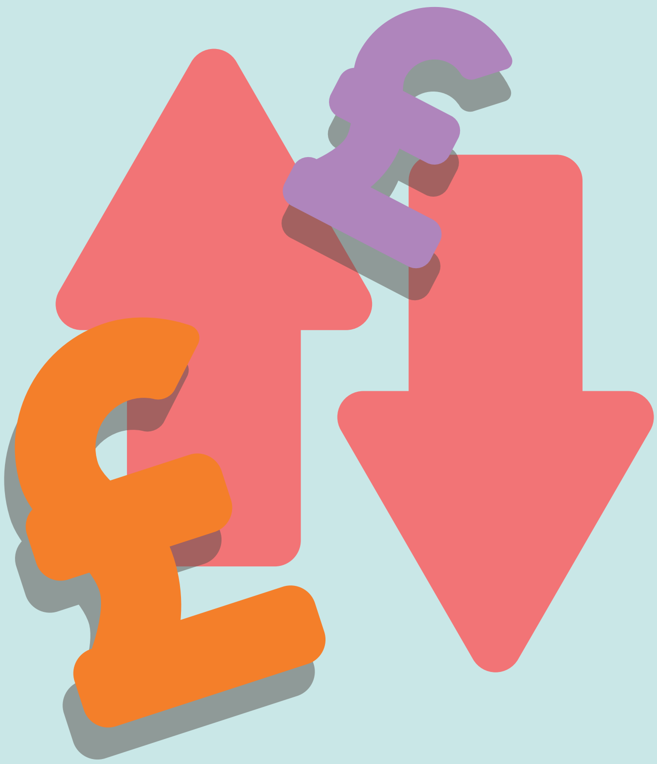
Homecare Association



Fee Rates
for State-Funded Homecare in 2025-26

June 2025

Daisy Cooney & Adrian Houghton
Policy, Practice and Innovation Team, Homecare Association

Homecare Association

Contents

Homecare Association

Executive Summary

Many local authorities are commissioning and purchasing homecare at rates that prevent compliance with employment and care regulations.

The Homecare Association routinely conducts research on fee rates for homecare purchased by public bodies from independent providers across the United Kingdom. In this report, we share new data collected since April 2025, when the National Living Wage rose to £12.21 per hour.

Each year, the Homecare Association looks at the costs of homecare delivery to calculate a Minimum Price for Homecare[1]. This is the minimum rate a homecare provider needs to deliver safe, quality services, meet employment regulations, and operate sustainably. This, in turn, helps build capacity in the sector and reduces the flow of talent to lower-skilled but better-paid jobs in retail and hospitality. Staff costs include the National Living Wage (NLW) for all work hours (including travel), and statutory employment on-costs. The latter include statutory pension; national insurance; sick pay; holiday pay; and training time. The hourly rate also includes a contribution to other running costs. These include wages for the registered manager and office staff; recruitment; training; digital systems; telephony; insurance; regulatory fees; PPE and consumables; office rent, rates and utilities; finance, legal and professional fees; general business overheads; and a small surplus for investment.

This year's data show, once again, that local authorities are consistently failing to fund homecare at sustainable levels.

The average fee rate increase is **5.6%** against cost increases of **10-12%**; giving an average fee rate of **£24.10 per hour**, compared to our Homecare Association Minimum Price of **£32.14 per hour**.

Almost one-third (27%) of local authorities are paying fee rates below £22.71, which is the amount needed to cover statutory employment costs of care workers at the minimum wage. This leaves less than nothing to cover other operating costs, which relate to meeting care regulations.

[1] https://www.homecareassociation.org.uk/resource/minimum-price-for-homecare-2025-2026.html

Fees which fall short of the increases in minimum wages, inflation, and the actual costs of delivering regulated care place at risk the people who rely on high-quality care to live independently at home. Shortfalls also put immense pressure on providers, careworkers, and NHS services.

Despite a £3.7 billion allocation for local authorities commissioning adult social care, most contracts fail to meet the basic cost of providing care, legal minimum wage increases, changes to employers' National Insurance Contributions and rising inflation. In 2025–26:

Only 1% of contracts for which we received details met the Minimum Price for Homecare, our benchmark for the legal and operational cost of safe, regulated care.

Just two local authorities offered uplifts aligned with the 10% rise in provider costs, though neither are meeting the Minimum Price for Homecare.

We estimate a **funding gap of at least £1.6 billion** in England alone.

Despite clear commitments from the Labour government to support home-based care and improve pay and conditions for care workers, the reality on the ground remains stark. Unlike other sectors in the economy, homecare providers cannot raise prices in response to increasing costs, as councils and NHS bodies buy almost 80% of services and fix prices. Of total costs, 70-75% are employment costs. Employment costs may be over 90% of total costs if fee rates are low. There is, thus, a direct relationship between the fee rates received by the provider and the wages they can pay their careworkers.

Without urgent intervention, the government's ambition for a Fair Pay Agreement in social care is undeliverable. This issue demands immediate action across three fronts: adequate funding, reformed commissioning, and long-term workforce planning.

Homecare Association

We call on the government and local authorities to:

A. Secure adequate funding

- Ring-fence social care budgets and invest at least **£1.6 billion in England** to meet historic funding deficits.
- Set and enforce a national contract for care with fee rates that cover direct costs and sustainable overheads.

B. Reform commissioning

- Local authorities must organise care delivery in geographical patches. Good-quality ethical providers need enough hours in a zone to optimise routes and create efficient rotas. This reduces fuel costs and contributes to net zero.
- Maximising client contact time and minimising travel also improves the utilisation of care workers. This enables payment for shifts instead of per minute for contact time only. This results in higher, more secure income for care workers. Sheffield City Council has focused on quality, outcomes, and workforce value. They report reduced workforce turnover; 86% of providers rated good or outstanding by the CQC; significant reduction in safeguarding referrals; no waiting times for hospital discharge; and evidence of improved outcomes and wellbeing for care recipients.
- Working in this way enables homecare to become part of multi-disciplinary neighbourhood health teams. This allows care workers and health professionals to collaborate in addressing increasingly complex needs.
- Local authorities and NHS bodies must publish fee rates for the coming year by the end of February, so providers can plan.

C. Build for the future

- Implement a 10-year workforce plan, including:
  - Pay parity with equivalent NHS roles.
  - Training, career development, and supervision.
  - Workforce strategy on a statutory footing.

Fee rates still falling short

Average rates and national shortfalls

We received information on 329 regular homecare contracts held by providers across England, Wales, and Scotland. Within England, we received data on at least 20 contracts in each government region, with a high of 47 in Yorkshire and The Humber. These covered 90% of all top-tier local authorities in England. The fee rates and uplifts for some of these 2025-26 contracts remain unknown.

As we only received details of 36 contracts in Scotland and Wales for this report, we have not calculated overall averages in these devolved nations.

Our analysis reveals three alarming trends. First, the national picture shows systematic underfunding:

- The average local authority fee rate for regular homecare in 2025–26 is £24.10/hour.
- In England, the Minimum Price for Homecare is £32.14/hour. In Wales it is £33.90/hour and in Scotland it is £32.88/hour and in Northern Ireland it is £32.84/hour. We calculate this amount is needed to meet legal pay, employer costs, and basic overheads.
- Just 1% (2 contracts) met or exceeded the relevant Minimum Price in each nation. Most contracts are still priced well below this. This underfunding is not confined to particular regions—it represents a systemic failure across the country.
- No nation overall reached its Minimum Price average.

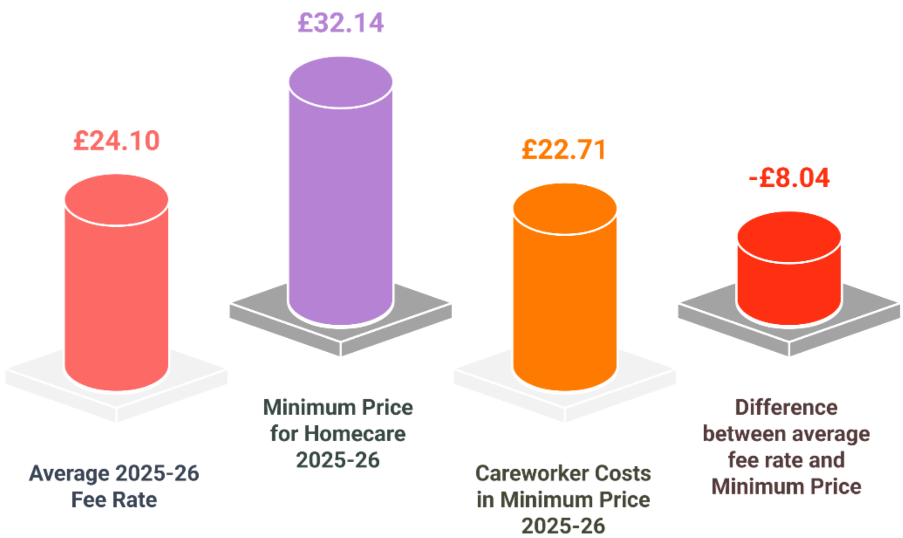


Figure 1: Comparison between Homecare Association's Minimum Price for Homecare 2025-26 and Average Fee Rates 2025-26

Second, this crisis affects every English region without exception, with fee rates consistently below the Homecare Association's Minimum Price of £32.14/hour.

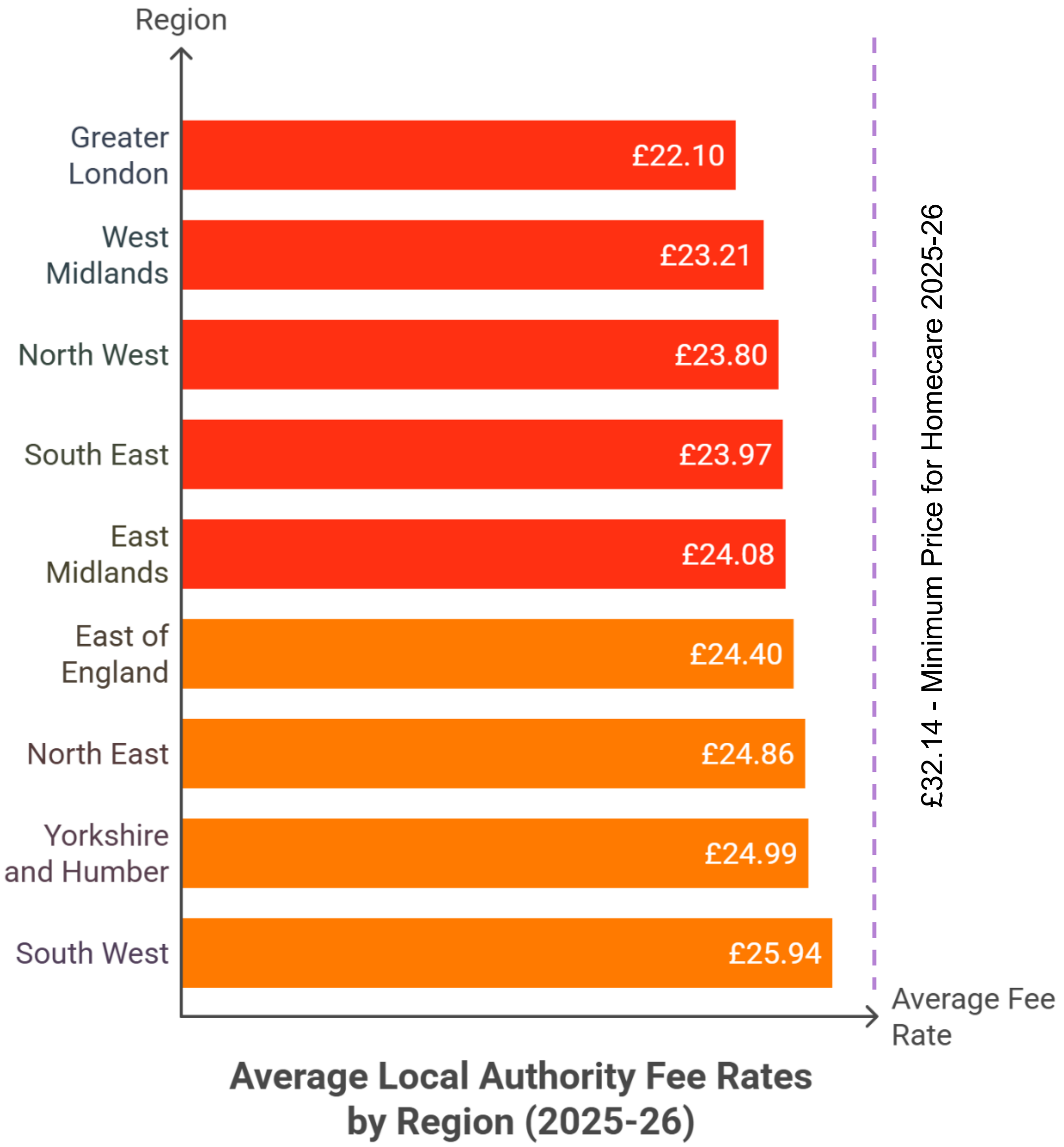


Figure 2: Average Local Authority Fee Rate by Region 2025-26 compared to Homecare Association Minimum Price for Homecare 2025-26

Most shocking of all, in 52 contracts in England, Wales and Scotland (27%), the fee rate was below the direct costs of employing and paying a careworker National Living Wage.

The graph below shows regional trends in England, from worst to best.

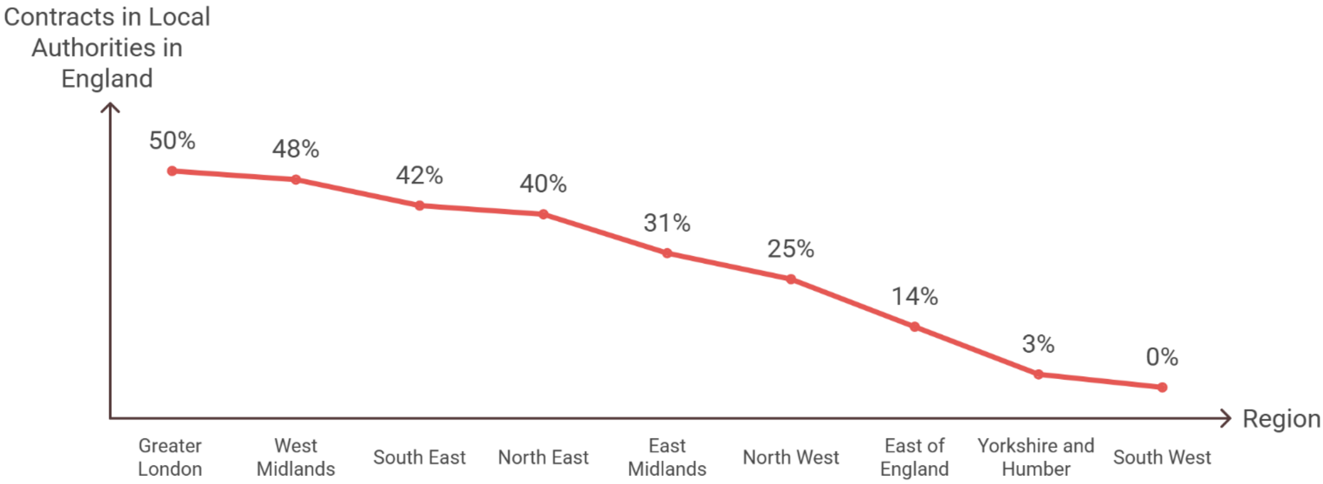


Figure 3: By region, % of Local Authorities with contracts where the fee rate was below direct careworker costs according to the Minimum Price for Homecare 2025-26

Fee uplifts fall short of cost increases

In England, most local authorities have not matched the National Living Wage, let alone wider cost increases in their contract uplifts.

The average fee rate increase is **5.6%** against cost increases of **10-12%**; giving an average fee rate of **£24.10 per hour**, compared to our Homecare Association Minimum Price of **£32.14 per hour**.

Where the data were available, **73% of local authorities** offered uplifts **below** the NLW increase.

Only 2 out of the 123 local authorities we received data for have approximate average uplifts above the 10% cost increase providers are facing. Both still have fee rates lower than £26.

North East Lincolnshire Council	10.1%
East Riding of Yorkshire Council	13.1%

6 local authorities (that we are aware of) confirmed a **0%** uplift for regular homecare. Half of these have adopted the UNISON Ethical Care Charter.

Local Authority	Political Party	Adopted Charter
Barnet (London Borough)	Labour	No
Hillingdon Council		No
Lewisham Council	Labour	Yes
Portsmouth City Council	Liberal Democrats	Yes
Southampton City Council	Labour	Yes
West Berkshire Council	Liberal Democrats	No

Figure 4: Table shows Local Authorities with 0% uplift, the political party in control and if they adopted the UNISON Ethical Care Charter

The fee rates for these local authorities range from £18.06 to £24.40 per hour. The careworker costs in the Minimum Price for Homecare in England in 2025-26 is £22.71. This is based on the National Living Wage of £12.21.

These councils are failing to pass on the cost of wage increases, directly undermining workforce sustainability and safety.

Why do fee rates matter?

Every year, the Homecare Association calculates the minimum fee rate for purchase of homecare by local authorities and the NHS. In 2025-26, we calculate this at £32.14 per hour in England. This rate allows for full compliance with the new National Living Wage of £12.21 per hour, the employers' National Insurance Contributions (eNICS) and threshold changes, and the delivery of sustainable, good quality, regulated homecare services.

This is a minimum price, not a fair price that truly recognises the essential work of careworkers. A fee rate of £33.87 per hour is required to pay careworkers an equivalent wage to an NHS Band 3 Healthcare Assistant with 2+ years' experience.

Understanding why fee rates matter requires grasping one crucial fact: employment costs represent 70-75% of overall homecare costs (rising to over 90% where rates are particularly low). This means there is a direct relationship between the fee rates councils pay and the wages careworkers receive—a relationship that underpins every issue described in this report. Unlike other businesses in the economy, providers cannot raise prices in response to increasing costs, as councils and NHS bodies buy almost 80% of homecare services and dictate fee rates. As a result, margins have shrunk, quality is at risk, and staff are leaving.

The low rates paid do not account for the other costs of running a homecare agency, which the hourly rate must also cover. These include wages for the registered manager and office staff; recruitment; training; regulatory fees; rent, rates and utilities; IT and telephony; PPE and consumables; finance, legal and professional fees; insurance; general business overheads; and a small surplus for investment.

Figure 5: Operating costs per hour of running a regulated homecare service, according to the Minimum Price for Homecare 2025-26 at the National Living Wage (England)

Homecare providers have an almost impossible task to comply with regulations and ensure financial sustainability. Commissioning and purchase below the value of careworker direct costs is unethical and should be unlawful. Without proper funding, the system incentivises labour abuse, unsafe care, and illegal employment practices. This must end.

It is notable that three of the six councils with 0% uplifts are Labour-led, and half have signed UNISON's Ethical Care Charter, which includes a pledge to support fair pay and conditions for careworkers. This raises serious questions about the disconnect between national commitments and local commissioning practice. Failure to uplift rates in line with wage legislation undermines both workforce sustainability and the principles of ethical care. Without funding that reflects the true cost of care, these commitments risk becoming symbolic rather than substantive.

Consequences for care providers and people who access our services

A workforce under immense strain

Recruitment and retention pressures in homecare remain significant.

Findings from our 2024 Workforce Survey[2] show:

- 25% of providers state current fee rates are too low to offer competitive pay rates for UK-based workers.
- 88% of providers offer pay of £12 per hour or more (the National Living Wage at the time of the survey was £11.44 per hour), with 6% offering £15 per hour or more.
- 25% find low fee rates affect recruitment and retention.

In addition, because of changes to Health and Care Visa policies, international recruitment has declined significantly, closing off a key pipeline that helped stabilise the workforce during 2022–2024.

In parallel, providers are reporting widespread financial strain because of cumulative pressures from the National Living Wage increase, changes to eNICs, and real-terms funding cuts.

According to the Care Provider Alliance's 2024 survey[3]:

- 64% of providers say they will need to reduce their workforce or working hours.

[2] Workforce Survey 2024
[3] Urgent call to address devastating impact of budget on care and support

- 76% are cutting back on training and professional development.
- 86% are unable to uplift pay for more experienced staff, eroding pay differentials and creating bottlenecks in progression.

In a competitive labour market, the sector is rapidly losing its ability to compete with other sectors, particularly retail and logistics. These employers can increase their prices to account for additional costs and therefore can often offer better pay, more predictable hours and less physically and demanding jobs. Homecare, despite its vital contribution to people's lives, cannot complete under current funding conditions.

Failure to take urgent action to increase pay, improve conditions, and stabilise funding will cause the homecare workforce to continue shrinking as demand rises.

People left waiting, families under strain

The commissioning and contracting decisions of public authorities have direct consequences for the people who rely on care and support and for their families.

As of March 2024, just over 418,000 people in England were waiting for a care assessment, care plan review, or service to begin[4]. This includes older people, people with learning disabilities, and those with long-term conditions whose needs escalate as support is delayed.

Delayed care risks:

- Increased avoidable hospital admissions.
- Longer stays in hospital for people who are medically fit for discharge.
- Deteriorating health and wellbeing for people waiting for help with the basics—washing, dressing, medication, nutrition.

As a result, families are stepping in to fill the gap. Many reduce their hours or exit the labour market entirely to provide unpaid care, exacerbating economic inactivity and financial insecurity.

Many homecare providers are now reaching a point where their businesses are no longer financially viable. The model is buckling under poor contracting arrangements, priced well below the cost of delivery, rising staff costs, and insufficient uplifts. Even larger providers, previously more resilient because of scale, are now facing financial stress. In many parts of the country, providers are being undercut by newer providers who underprice services, then withdraw when it becomes financially unviable.

This means people's care packages are at heightened risk of being handed back to public authorities. When one provider exits, there may be no viable alternative. When this happens:

[4] ADASS-Spring-Survey-2024-FINAL-1.pdf

- Continuity of care is disrupted and has a significant impact on an individual's health and wellbeing.
- Commissioners are often left scrambling to find alternative provision.
- People go without care or are institutionalised at greater public cost.

The threat of this happening is increasing. Recent analysis shows in 2025-26[5]:

- **57%** of care providers plan to hand back contracts to local authorities or NHS commissioners in the next financial year.
- **73%** say they will refuse to accept new publicly funded packages of care.
- **22%** are actively considering closing their business, and **32%** are planning to sell or restructure.

In one member's words:

"We had to walk away. The council offered a 2% uplift after three years with no increase. It didn't even cover fuel."

An NHS which cannot function without us

Homecare plays a vital role in preventing hospital admissions and enabling timely discharge. Yet NHS bodies are failing to treat homecare providers as equal and valued partners in the health and social care system.

Providers report working with the NHS is often unsustainable due to:

- Extremely low fee rates, often lower than those paid by local authorities[6], and far below the cost of delivering regulated care, especially for those with complex healthcare needs.
- Poor commissioning practice, including late payments, inconsistent terms, and a failure to confirm rates ahead of the financial year.
- Lack of professional respect, with providers excluded from planning discussions and treated as peripheral suppliers rather than core partners in care delivery.

The result is many providers actively choose not to contract with NHS commissioners. This is not because they lack capacity, but because the terms are untenable.

This is a strategic failure. Without trusted, well-funded homecare services, the NHS will struggle to reduce delayed discharges or shift care closer to home. Underpaying and undervaluing providers, however, prevents this.

[5] Urgent call to address devastating impact of budget on care and support
[6] Fee rates for state-funded homecare 2024-25

NHS leaders and ministers must now decide: if homecare is essential to NHS resilience, they must commission and purchase it on fair terms and with mutual respect. Anything less is a false economy and a missed opportunity to relieve pressure on hospitals.

What the government must do

A. Secure adequate funding

- Ring-fence social care budgets and invest at least **£1.6 billion in England** to meet historic funding deficits.
- Set and enforce a national contract for care with fee rates that cover direct costs and sustainable overheads.

B. Reform commissioning

- Local authorities must organise care delivery in geographical patches. Good-quality ethical providers need enough hours in a zone to optimise routes and create efficient rotas. This reduces fuel costs and contributes to net zero.
- Maximising client contact time and minimising travel also improves the utilisation of care workers. This enables payment for shifts instead of per minute for contact time only. This results in higher, more secure income for care workers. Sheffield City Council has focused on quality, outcomes, and workforce value. They report reduced workforce turnover; 86% of providers rated good or outstanding by the CQC; significant reduction in safeguarding referrals; no waiting times for hospital discharge; and evidence of improved outcomes and wellbeing for care recipients.
- Working in this way enables homecare to become part of multi-disciplinary neighbourhood health teams. This allows care workers and health professionals to collaborate in addressing increasingly complex needs.
- Local authorities and NHS bodies must publish fee rates for the coming year by the end of February, so providers can plan.

C. Build for the future

- Implement a 10-year workforce plan, including:
  - Pay parity with equivalent NHS roles.
  - Training, career development, and supervision.
  - Workforce strategy on a statutory footing.

Conclusion

The UK government has committed to reforming adult social care. But reform without funding is rhetoric.

Providers cannot pay careworkers fairly or deliver safe care unless the state pays a fair price for that care. Until that happens, the government risks making homecare look like a promise on paper, rather than a support people can rely on.

Investing in homecare is not just a moral imperative, but also a smart economic choice. It reduces NHS demand, supports families, and strengthens the workforce.

This is the moment to act.

Annex 1: Methodology

We received details from members operating across the United Kingdom since January 2025 of the contracts they hold with local authorities (in England, Wales, and Scotland). We then analysed the data to gain a picture of the status of fee rates in state-funded homecare for the 202-26 financial year and the uplift in rates from the previous year. We asked for the following information:

- Main contract held (e.g. regular homecare, extra care, complex care etc.)
- 2024-25 fee rate per hour.
- Whether they had heard about their fee rate for 2025-26.
- If so, the 2025-26 fee rate per hour.
- Fee rate uplift from 2024-25.
- Any additional comments.

For the purpose of this report, we focused on regular homecare contracts. While we received information from members on fee rates in England, Scotland and Wales, the vast majority of responses we received related to England.

In our Homecare Deficit 2023 report, we computed regional weighted averages based on each public organisation's average rate for all hours of homecare purchased during a reference period. This is not the case here and we do not attempt a direct comparison between this report and the Homecare Deficit 2023.

Please note that such contracts are commercially sensitive and members shared details with us on a strictly confidential basis. We thus do not identify the members who contributed to this exercise.

We greatly appreciate the willingness of our members to provide data about the contracts they hold.

Homecare Association

Annex 2: Full list of local authority uplifts

The table below outlines the approximate average uplift for regular homecare hours as provided to us by our members. At the time we received the uplifts, some may have been proposed and not confirmed.

Local authority	Approximate average uplift – regular homecare
Doncaster Council	9.5%
North Lincolnshire Council	9.5%
Redcar & Cleveland Borough Council	9.5%
Derbyshire County Council	9.3%
Tameside Metropolitan Borough Council	9.1%
Kensington and Chelsea (Royal Borough)	9.0%
Westminster (City) Council	9.0%
Walsall Council	8.8%
Durham County Council	8.7%
Essex County Council	8.7%
Cheshire East Council	8.1%
Sandwell Metropolitan Borough Council	8.1%
Bolton Council	8.0%
Herefordshire Council	8.0%
Medway Council	8.0%
Middlesbrough Council	8.0%
Nottinghamshire County Council	8.0%
Leicester City Council	7.8%
Stockport Metropolitan Borough Council	7.8%
Bradford (City) Metropolitan District Council	7.6%
Blackpool Council	7.5%
Northumberland County Council	7.5%
Hull City Council	7.3%
Staffordshire County Council	7.3%
Blackburn with Darwen Council	7.2%
Stockton-on-Tees Borough Council	7.1%
North Tyneside Council	6.8%
City of Wolverhampton Council	6.6%
Southwark Council	6.6%
Leicestershire County Council	6.5%
Wakefield Council	6.5%
Westmorland & Furness Council	6.5%
Birmingham City Council	6.4%

Homecare Association

Cumberland Council	6.4%
Rochdale Borough Council	6.4%
Bath & North East Somerset Council	6.3%
Lincolnshire County Council	6.3%
Manchester City Council	6.3%
Barnsley Metropolitan Borough Council	6.2%
Bournemouth, Christchurch and Poole Council	6.1%
Coventry City Council	6.1%
Calderdale Council	6.0%
Cheshire West and Chester Council	6.0%
Kirklees Council	6.0%
Newham Council	6.0%
Oldham Council	6.0%
Plymouth City Council	6.0%
Sheffield City Council	6.0%
South Tyneside Council	6.0%
Suffolk County Council	6.0%
Worcestershire County Council	6.0%
Bury Council	5.8%
Newcastle City Council	5.8%
Norfolk County Council	5.6%
Central Bedfordshire Council	5.5%
Havering (London Borough)	5.5%
Rotherham Metropolitan Borough Council	5.5%
Darlington Borough Council	5.4%
Lancashire County Council	5.4%
Liverpool City Council	5.4%
Tower Hamlets Council	5.4%
Wiltshire Council	5.4%
Merton (London Borough)	5.3%
Bedford Borough Council	5.2%
Buckinghamshire Council	5.0%
Dudley Metropolitan Borough Council	5.0%
Ealing Council	5.0%
Hampshire County Council	5.0%
Hertfordshire County Council	5.0%
Lambeth Council	5.0%
Redbridge (London Borough)	5.0%
Southend-on-Sea City Council	5.0%
Swindon Borough Council	5.0%
Cambridgeshire County Council	4.9%

Homecare Association

Peterborough City Council	4.9%
Sutton Council	4.9%
Gloucestershire County Council	4.3%
Derby City Council	4.1%
Haringey Council	4.1%
West Sussex County Council	4.1%
Devon County Council	4.0%
East Sussex County Council	4.0%
Kent County Council	4.0%
Somerset Council	4.0%
Stoke-on-Trent City Council	4.0%
Windsor & Maidenhead (Royal Borough)	4.0%
Milton Keynes City Council	3.9%
Hackney Council	3.6%
Bristol City Council	3.5%
Surrey County Council	3.5%
Brighton & Hove City Council	3.0%
Sefton Council	3.0%
Dorset Council	2.7%
Hammersmith & Fulham Council	2.5%
Brent Council	2.4%
City of York Council	2.4%
North Yorkshire Council	2.4%
Solihull Metropolitan Borough Council	2.1%
East Riding of Yorkshire Council	13.1%
North East Lincolnshire Council	10.1%
Leeds City Council	1.6%
Wirral Council	0.9%
Barnet (London Borough)	0.0%
Hillingdon Council	0.0%
Lewisham Council	0.0%
Portsmouth City Council	0.0%
Southampton City Council	0.0%
West Berkshire Council	0.0%
Barking & Dagenham (London Borough)	
Bexley (London Borough)	
Bracknell Forest Council	
Bromley (London Borough)	
Camden (London Borough)	
City of London Corporation	
Cornwall Council	
Council of the Isles of Scilly	

Croydon Council	
Enfield Council	
Gateshead Council	
Greenwich (Royal Borough)	
Halton Borough Council	
Harrow (London Borough)	
Hartlepool Borough Council	
Hounslow (London Borough)	
Isle of Wight Council	
Islington Council	
Kingston upon Thames (Royal Borough)	
Knowsley Council	
Luton Council	
North Northamptonshire Council	
North Somerset Council	
Nottingham City Council	
Oxfordshire County Council	
Reading Borough Council	
Richmond upon Thames (London Borough)	
Rutland County Council	
Salford City Council	
Shropshire Council	
Slough Borough Council	
South Gloucestershire Council	
St Helens Borough Council	
Sunderland City Council	
Telford & Wrekin Council	
Thurrock Council	
Torbay Council	
Trafford Council	
Waltham Forest (London Borough)	
Wandsworth Council	
Warrington Borough Council	
Warwickshire County Council	
West Northamptonshire Council	
Wigan Council	
Wokingham Borough Council	