



# Homecare Association

## A Minimum Price for *Homecare*

April 2023 to March 2024

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## Executive summary

The Homecare Association's new calculation for the Minimum Price for Homecare in England is **£25.95 per hour**, effective from April 2023, when the UK's statutory National Living Wage increases.

Our Minimum Price is the amount required to ensure the minimum legally compliant pay rate for careworkers (excluding any enhancements for unsocial hours working), their travel time, mileage, and wage-related on-costs. The rate also includes the minimum contribution towards the costs of running a care business which complies with quality requirements at a financially sustainable level.

High inflation rates are having an impact on all households and businesses. Indeed, the CPI inflation rate was calculated at [11.1% for October 2022](#). Homecare providers are no different from other businesses in experiencing inflationary increases in costs, from higher wage bills to the sky-high price of fuel to rising rent, rates and utilities – all impacting on this year's Minimum Price for Homecare.

Staffing costs are by far the most significant driver of the cost of delivery of homecare, typically representing c. 70% of the total. Increases in wage rates do not just impact on the rate for careworkers' contact time, but also result in rises to associated on-costs such as statutory pensions, National Insurance, holiday and sick pay. Moreover, there is a knock-on impact on salary differentials and wages rates for roles above the lowest paid.

[The National Living Wage is set to increase by 9.7%](#) to £10.42 in April 2023, the largest ever rise since its introduction.

Many homecare providers are paying headline rates above the National Living Wage to attract and retain careworkers in a tight and competitive labour market. We strongly believe that care work is highly skilled and should be fairly recognised and rewarded. In this briefing, we report the equivalent fee rates required in England based on the Real Living Wage, NHS Band 3 with 2+ years' experience, the London Living Wage and a competitive labour market wage rate needed in parts of the South of England.

The UK Government has been funding the additional costs of personal protective equipment (PPE) required to prevent the spread of COVID-19. This may cease in March 2023, with providers expected to cover the additional costs.

## Headline figures

	Wage rate per hour	Minimum Price per hour
<b>National Living Wage</b>	£10.42	£25.95
<b>Real Living Wage</b>	£10.90	£26.79
<b>NHS Band 3 (2+ years' experience)</b>	£11.85	£28.44
<b>London Living Wage</b>	£11.95	£28.78
<b>Competitive labour market rate</b>	£13.64	£31.56

The Homecare Association's Minimum Price is widely recognised within the social care and health sectors in all four UK administrations. Indeed, councils in England are directed to the Homecare Association's methodology in [paragraph 4.31 of the Care and Support Statutory Guidance](#), published by the Department of Health and Social Care.

For the first time this year, we have produced separate reports and prices for each UK nation.

Some councils and NHS commissioners will state that local conditions influence the costs of care in their area. Local conditions are likely to mean that the costs are higher than the Homecare Association's Minimum Price for Homecare.

This is because our rate is calculated on the minimum legal pay rate. This does not vary geographically. In many areas, employers are unable to recruit sufficient careworkers from their local labour market at the National Living Wage, particularly as competing employers, including in retail and hospitality, typically pay more than the statutory minimum.

In addition, the costs of running a care service are heavily influenced by the requirement on registered providers to meet legal obligations to ensure the safety and wellbeing of the people they support. We, therefore, strongly caution state commissioners against underestimating costs in a bid to reduce the total hourly price paid for care.

A cost-saving approach which effectively 'salami-slices' the different elements of providers' operating costs is taking risks with the quality and safety of a regulated service. It also risks undermining the ability of providers to improve the working experience of careworkers, thereby further destabilising the workforce.

In some areas, there is evidence that tendering contracts at unsustainable fee rates from the outset can lead to greater cost to commissioning bodies over the lifetime of

a contract – particularly if this results in heavy reliance on spot-purchasing at higher fee rates, handing back work or entire contracts, and provider failure.

The Homecare Association will continue to challenge central government on the overall funding of social care. It is, however, councils, the NHS and Health and Social Care Trusts (in Northern Ireland) that are responsible for determining the prices they pay for homecare services at a local level.

## **Calls for action**

### **Central government**

To provide adequate funding to local authorities to enable them to pay a fair price for care, which enables careworkers to receive wages equivalent to Band 3 healthcare assistants in the NHS with 2+ years' experience.

To publish the results of the [Fair Cost of Care exercises and Market Sustainability reports](#) and use these to understand the cost of care delivery.

### **Local authorities**

To move without delay to discussing and agreeing fee rates for 2023-24 with providers, understanding costs and taking fair account of wage and other inflation of at least 9.7%.

### **Providers**

To avoid signing contracts with commissioning bodies, unless confident that prices are sustainable and enable the right quality of care to be delivered.

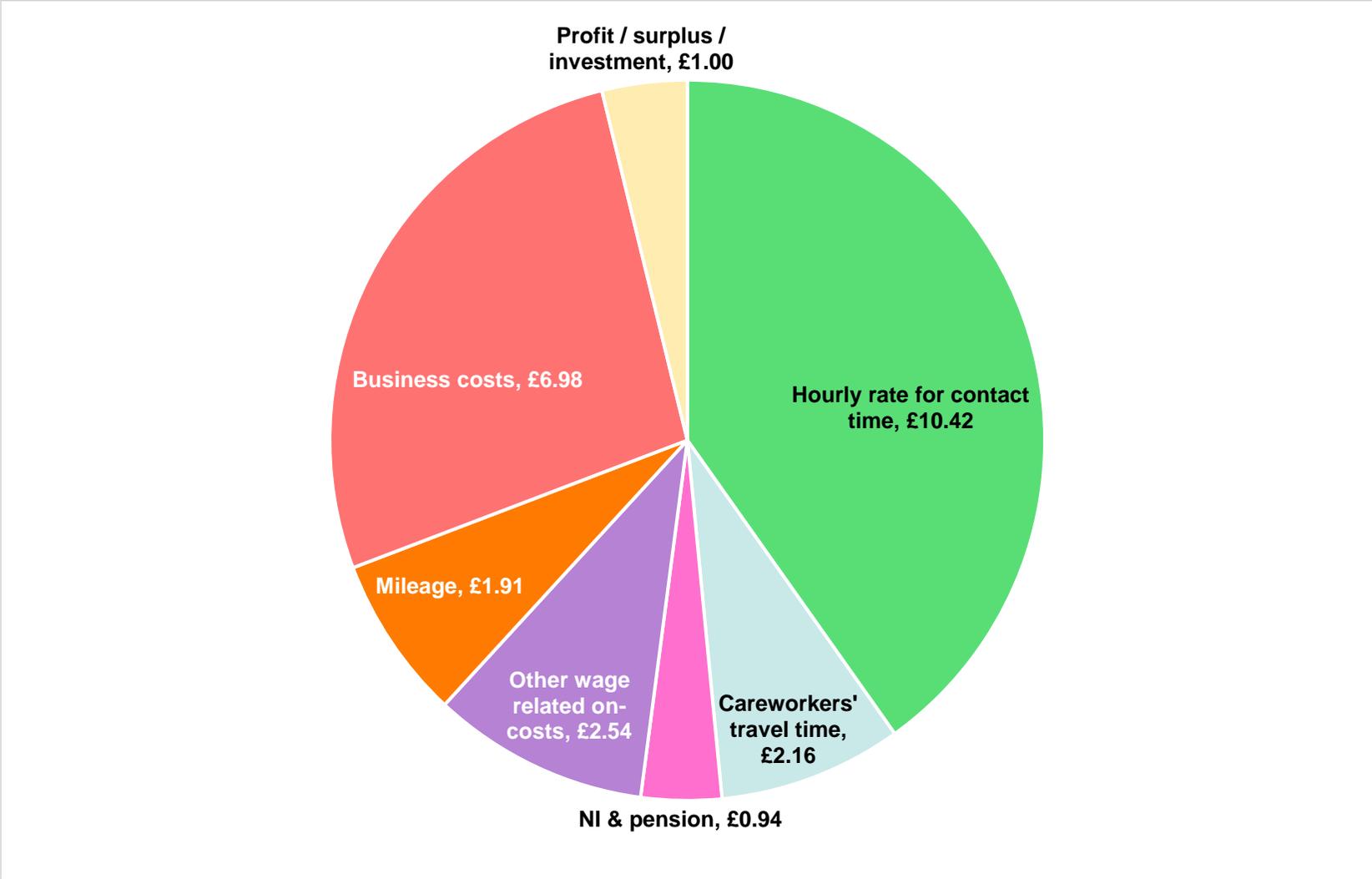
The results of our analysis are shown in the graphs and tables which follow.

**NB. In this report, where numbers have been, for example, added or subtracted, exact figures have been used – hence, there may be occasional rounding differences in the text and tables.**

# Minimum Price for Homecare at different wage rates, 2023-24 (England)

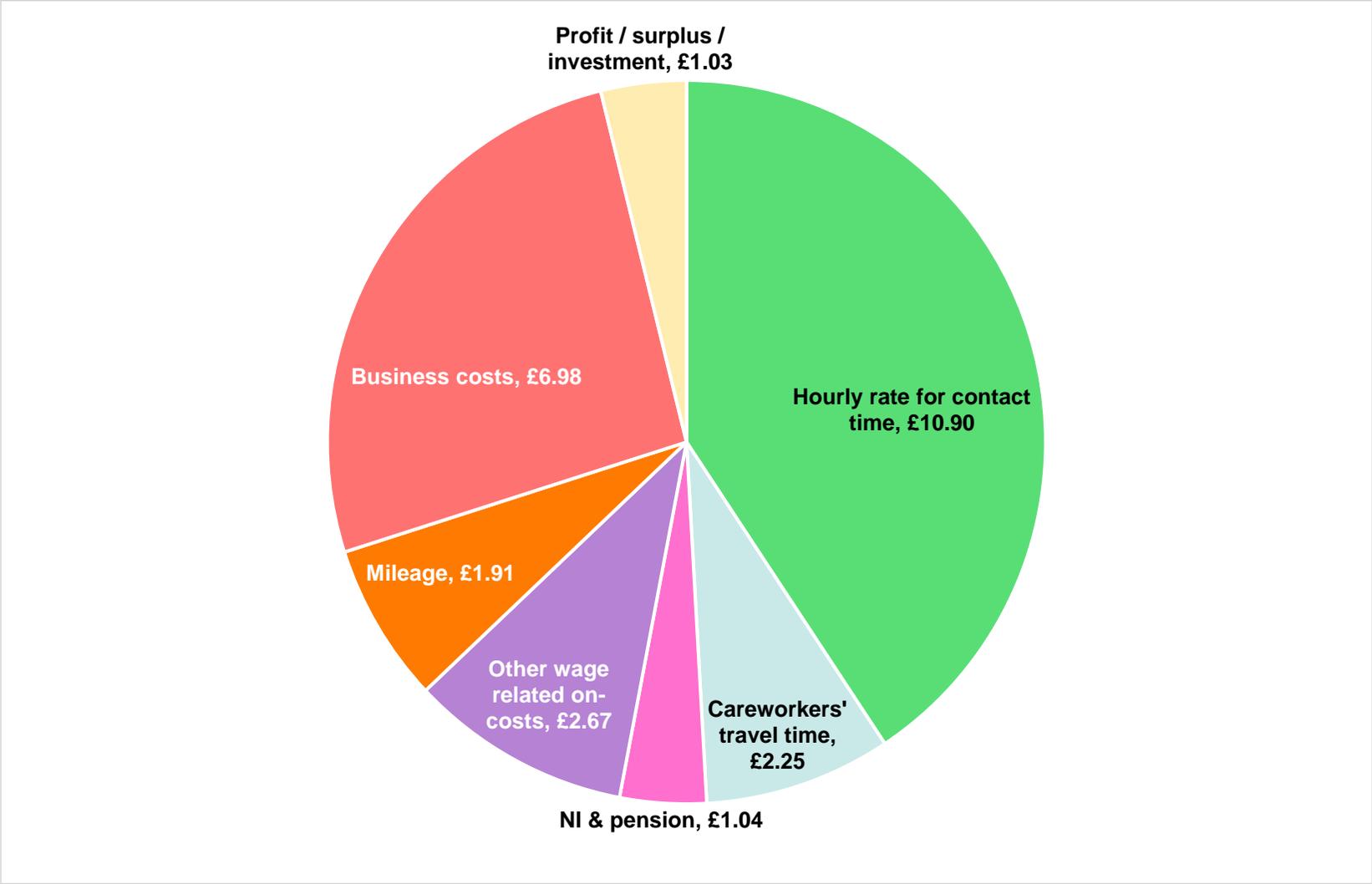


# Minimum Price for Homecare at the National Living Wage (England)



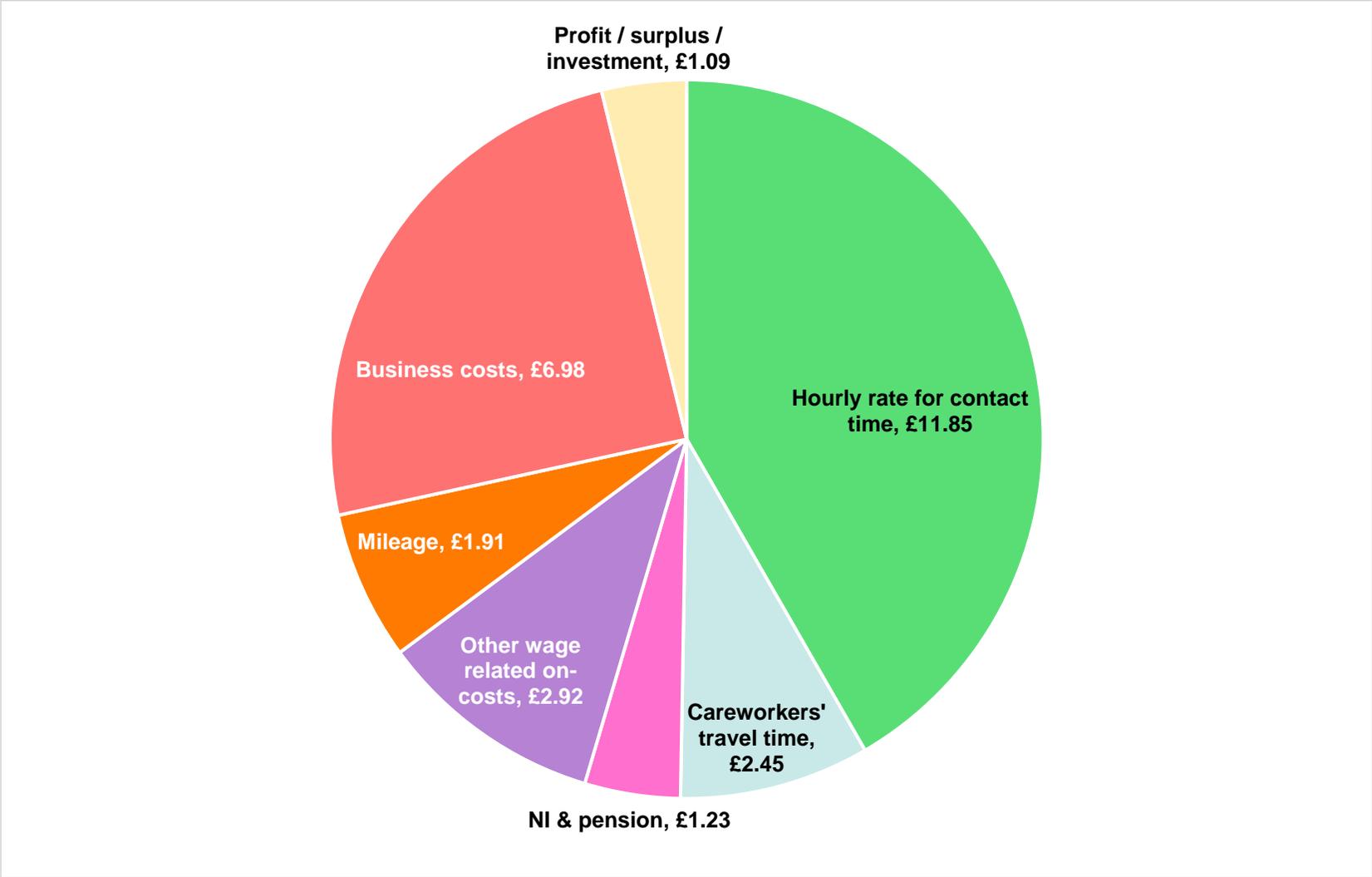
Minimum Price for Homecare in England at the National Living Wage (2023-24)					Costs		
Careworker costs	Gross pay	Hourly rate for contact time	National Living Wage		£10.42	£12.58	£17.97
		Careworkers' travel time	20.68%	of hourly rate for contact time	£2.16		
	NI & pension	Employers' National Insurance	4.51%	of gross pay	£0.57	£0.94	
		Pension contribution	3.00%	of gross pay	£0.38		
	Other wage related on-costs	Holiday pay	11.25%	of gross pay, NI & pension	£1.52	£2.54	
		Training time	3.45%	of gross pay, NI & pension	£0.47		
		Sickness pay	3.80%	of gross pay, NI & pension	£0.51		
Notice & suspension pay		0.30%	of gross pay, NI & pension	£0.04			
Mileage	Travel reimbursement	£0.45 per mile for 4.25 miles per hour of contact time		£1.91	£1.91		
Gross margin	Business costs	Management & supervisors		Estimated fixed cost	£2.45	£6.98	£7.98
		Back-office staff		Estimated fixed cost	£1.22		
		Staff recruitment		Estimated fixed cost	£0.36		
		Training costs		Estimated fixed cost	£0.48		
		Regulatory fees		Estimated fixed cost for average-sized provider	£0.09		
		Rent, rates and utilities		Estimated fixed cost	£0.37		
		IT & telephony		Estimated fixed cost	£0.47		
		PPE and consumables		Estimated fixed cost	£0.59		
		Finance, legal & professional		Estimated fixed cost	£0.31		
		Insurance		Estimated fixed cost	£0.31		
	Other business overheads		Estimated fixed cost	£0.34			
Profit	Profit/surplus/investment	4.00%	of careworker costs & business costs	£1.00	£1.00		
<b>Total price based on the National Living Wage (2023-24)</b>					<b>£25.95</b>	<b>£25.95</b>	<b>£25.95</b>

# Minimum Price for Homecare at the Real Living Wage (England)



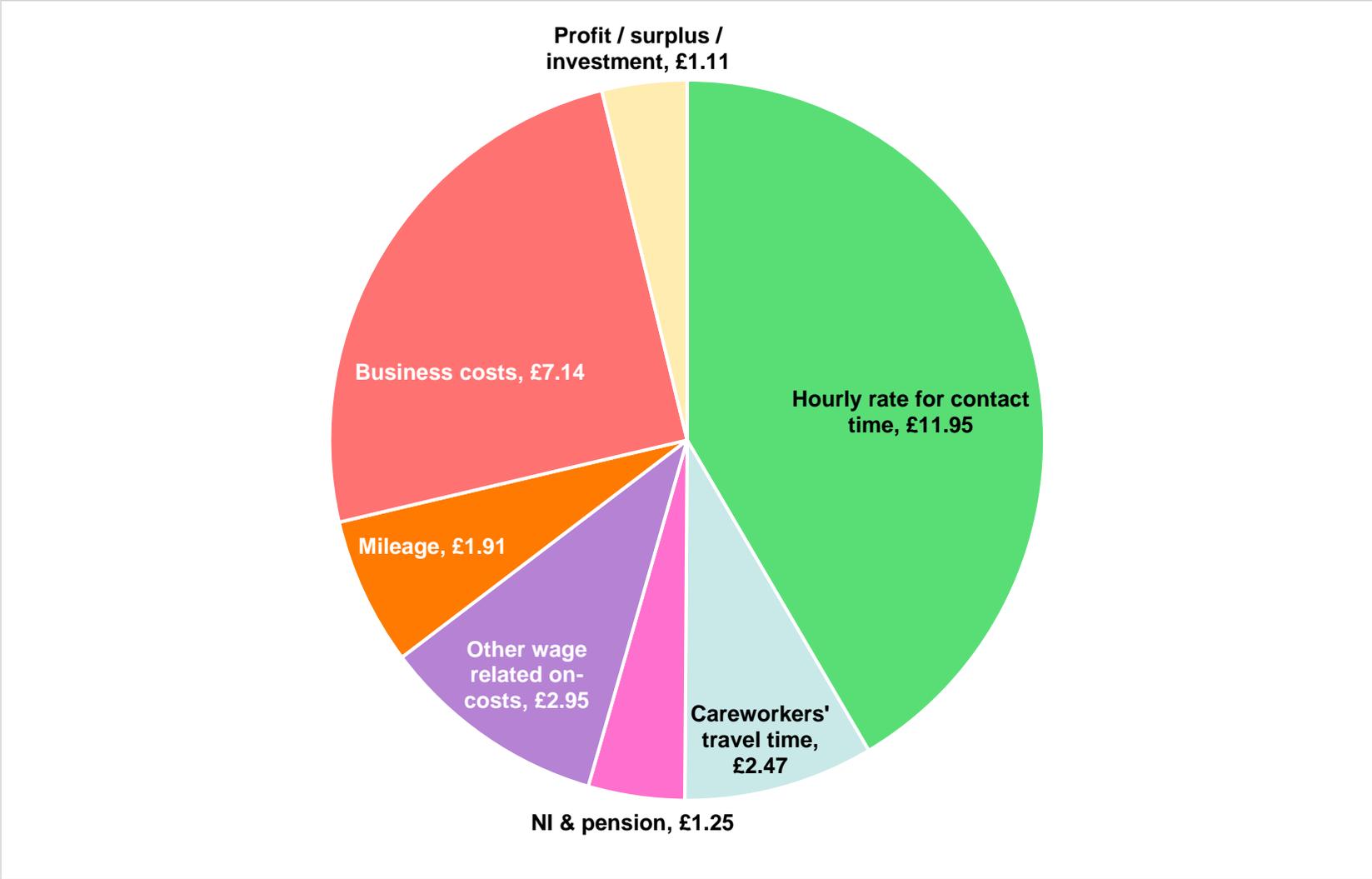
Minimum Price for Homecare in England at the Real Living Wage (announced in September 2022)					Costs			
Careworker costs	Gross pay	Hourly rate for contact time	Real Living Wage		£10.90	£13.15	£18.78	
		Careworkers' travel time	20.68%	of hourly rate for contact time	£2.25			
	NI & pension	Employers' National Insurance	4.92%	of gross pay		£0.65		£1.04
		Pension contribution	3.00%	of gross pay		£0.39		
	Other wage related on-costs	Holiday pay	11.25%	of gross pay, NI & pension		£1.60		£2.67
		Training time	3.45%	of gross pay, NI & pension		£0.49		
		Sickness pay	3.80%	of gross pay, NI & pension		£0.54		
Notice & suspension pay		0.30%	of gross pay, NI & pension		£0.04			
Mileage	Travel reimbursement	£0.45 per mile for 4.25 miles per hour of contact time			£1.91	£1.91		
Gross margin	Business costs	Management & supervisors		Estimated fixed cost	£2.45	£6.98	£8.01	
		Back-office staff		Estimated fixed cost	£1.22			
		Staff recruitment		Estimated fixed cost	£0.36			
		Training costs		Estimated fixed cost	£0.48			
		Regulatory fees		Estimated fixed cost for average-sized provider	£0.09			
		Rent, rates and utilities		Estimated fixed cost	£0.37			
		IT & telephony		Estimated fixed cost	£0.47			
		PPE and consumables		Estimated fixed cost	£0.59			
		Finance, legal & professional		Estimated fixed cost	£0.31			
		Insurance		Estimated fixed cost	£0.31			
	Other business overheads		Estimated fixed cost	£0.34				
Profit	Profit/surplus/investment	4.00%	of careworker costs & business costs		£1.03	£1.03		
<b>Total price based on the Real Living Wage (announced in September 2022)</b>					<b>£26.79</b>	<b>£26.79</b>	<b>£26.79</b>	

# Minimum Price for Homecare at NHS Band 3 (2+ years' experience) (England)



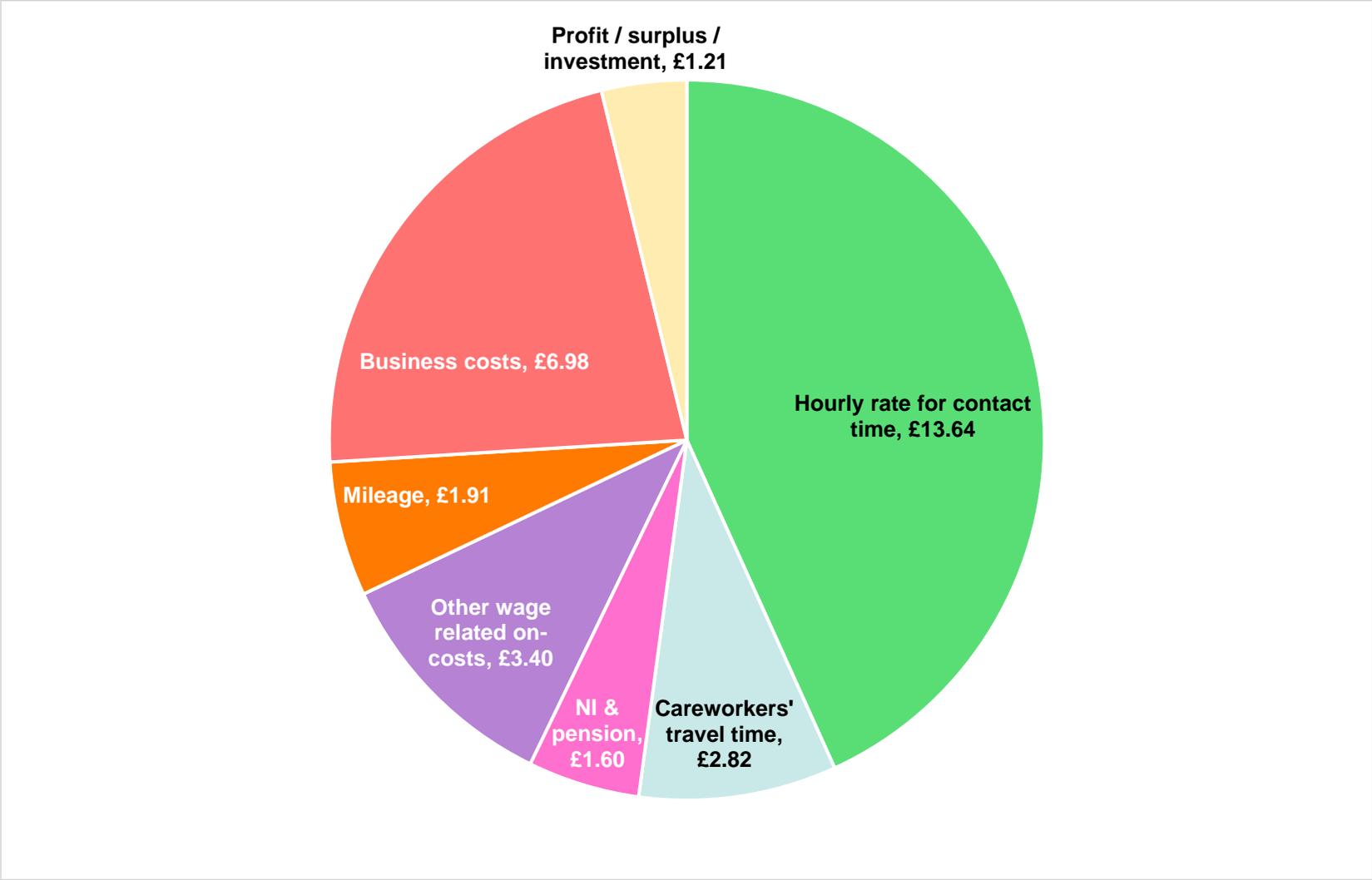
Minimum Price for Homecare in England at NHS Band 3 (2+ years' experience) (2022-23 rate)					Costs		
Careworker costs	Gross pay	Hourly rate for contact time	NHS Band 3 (2+ years' experience)		£11.85	£14.30	£20.37
		Careworkers' travel time	20.68%	of hourly rate for contact time	£2.45		
	NI & pension	Employers' National Insurance	5.63%	of gross pay	£0.81	£1.23	
		Pension contribution	3.00%	of gross pay	£0.43		
	Other wage related on-costs	Holiday pay	11.25%	of gross pay, NI & pension	£1.75	£2.92	
		Training time	3.45%	of gross pay, NI & pension	£0.54		
		Sickness pay	3.80%	of gross pay, NI & pension	£0.59		
Notice & suspension pay		0.30%	of gross pay, NI & pension	£0.05			
Mileage	Travel reimbursement	£0.45 per mile for 4.25 miles per hour of contact time		£1.91	£1.91		
Gross margin	Business costs	Management & supervisors		Estimated fixed cost	£2.45	£6.98	£8.08
		Back-office staff		Estimated fixed cost	£1.22		
		Staff recruitment		Estimated fixed cost	£0.36		
		Training costs		Estimated fixed cost	£0.48		
		Regulatory fees		Estimated fixed cost for average-sized provider	£0.09		
		Rent, rates and utilities		Estimated fixed cost	£0.37		
		IT & telephony		Estimated fixed cost	£0.47		
		PPE and consumables		Estimated fixed cost	£0.59		
		Finance, legal & professional		Estimated fixed cost	£0.31		
		Insurance		Estimated fixed cost	£0.31		
	Other business overheads		Estimated fixed cost	£0.34			
Profit	Profit/surplus/investment	4.00%	of careworker costs & business costs	£1.09	£1.09		
<b>Total price based on NHS Band 3 (2+ years' experience) (2022-23 rate)</b>					<b>£28.44</b>	<b>£28.44</b>	<b>£28.44</b>

# Minimum Price for Homecare at the London Living Wage (England)



Minimum Price for Homecare in England at the London Living Wage (announced in September 2022)						Costs	
Careworker costs	Gross pay	Hourly rate for contact time	London Living Wage		£11.95	£14.42	£20.53
		Careworkers' travel time	20.68%	of hourly rate for contact time	£2.47		
	NI & pension	Employers' National Insurance	5.70%	of gross pay	£0.82	£1.25	
		Pension contribution	3.00%	of gross pay	£0.43		
	Other wage related on-costs	Holiday pay	11.25%	of gross pay, NI & pension	£1.76	£2.95	
		Training time	3.45%	of gross pay, NI & pension	£0.54		
		Sickness pay	3.80%	of gross pay, NI & pension	£0.60		
Notice & suspension pay		0.30%	of gross pay, NI & pension	£0.05			
Mileage	Travel reimbursement	£0.45 per mile for 4.25 miles per hour of contact time		£1.91	£1.91		
Gross margin	Business costs	Management & supervisors		Estimated fixed cost	£2.45	£7.14	£8.25
		Back-office staff		Estimated fixed cost	£1.22		
		Staff recruitment		Estimated fixed cost	£0.36		
		Training costs		Estimated fixed cost	£0.48		
		Regulatory fees		Estimated fixed cost for average-sized provider	£0.09		
		Rent, rates and utilities		Estimated fixed cost	£0.37		
		IT & telephony		Estimated fixed cost	£0.47		
		PPE and consumables		Estimated fixed cost	£0.59		
		Finance, legal & professional		Estimated fixed cost	£0.31		
		Insurance		Estimated fixed cost	£0.31		
		Other business overheads		Estimated fixed cost	£0.34		
		Travel charges		Estimated fixed cost	£0.16		
Profit	Profit/surplus/investment	4.00%	of careworker costs & business costs	£1.11	£1.11		
<b>Total price based on the London Living Wage (announced in September 2022)</b>					<b>£28.78</b>	<b>£28.78</b>	<b>£28.78</b>

# Minimum Price for Homecare at a competitive labour market rate (England)



Minimum Price for Homecare in England at a competitive labour market rate (as of November 2022)					Costs		
Careworker costs	Gross pay	Hourly rate for contact time	Competitive labour market rate		£13.64	£16.46	£23.36
		Careworkers' travel time	20.68%	of hourly rate for contact time	£2.82		
	NI & pension	Employers' National Insurance	6.70%	of gross pay	£1.10	£1.60	
		Pension contribution	3.00%	of gross pay	£0.49		
	Other wage related on-costs	Holiday pay	11.25%	of gross pay, NI & pension	£2.03	£3.40	
		Training time	3.45%	of gross pay, NI & pension	£0.62		
		Sickness pay	3.80%	of gross pay, NI & pension	£0.69		
Notice & suspension pay		0.30%	of gross pay, NI & pension	£0.05			
Mileage	Travel reimbursement	£0.45 per mile for 4.25 miles per hour of contact time		£1.91	£1.91		
Gross margin	Business costs	Management & supervisors		Estimated fixed cost	£2.45	£6.98	£8.20
		Back-office staff		Estimated fixed cost	£1.22		
		Staff recruitment		Estimated fixed cost	£0.36		
		Training costs		Estimated fixed cost	£0.48		
		Regulatory fees		Estimated fixed cost for average-sized provider	£0.09		
		Rent, rates and utilities		Estimated fixed cost	£0.37		
		IT & telephony		Estimated fixed cost	£0.47		
		PPE and consumables		Estimated fixed cost	£0.59		
		Finance, legal & professional		Estimated fixed cost	£0.31		
		Insurance		Estimated fixed cost	£0.31		
	Other business overheads		Estimated fixed cost	£0.34			
Profit	Profit/surplus/investment	4.00%	of careworker costs & business costs	£1.21	£1.21		
<b>Total price based on a competitive labour market rate (as of November 2022)</b>					<b>£31.56</b>	<b>£31.56</b>	<b>£31.56</b>

## Costs of running a homecare business

The operating costs per hour in the new Minimum Price for Homecare in England (at the National Living Wage) are shown below.



Careworker costs  
**£17.97**



Management & supervisors  
**£2.45**



Back-office staff  
**£1.22**



Staff recruitment  
**£0.36**



Training costs  
**£0.48**



Regulatory fees  
**£0.09**



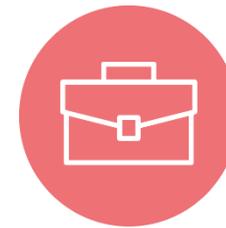
Rent, rates and utilities  
**£0.37**



IT & telephony  
**£0.47**



PPE and consumables  
**£0.59**



Finance, legal & professional  
**£0.31**



Insurance  
**£0.31**



Other business overheads  
**£0.34**



Profit/surplus/investment  
**£1.00**

## Data sources and assumptions

The Homecare Association publishes the Minimum Price annually, and for each version, we review both the assumptions upon which our calculations are based and the data that informs these assumptions.

Where appropriate, we adopt cost assumptions that are determined by legislation (for example, the rate of the statutory National Living Wage, employers' National Insurance, pension contributions and statutory holiday entitlement).

Moreover, we utilise publicly available data, employing our professional judgement to determine which dataset most accurately represents the circumstances of homecare providers.

If such data is not in the public domain, we use electronic call monitoring data from a leading provider of software for UK care organisations, [the Access Group](#). We consider this data to be reliable. It has been shared with us in an anonymised format.

Otherwise, we have consulted with some of our members operating in the state-funded part of the market, whose expertise in the homecare sector we recognise and who kindly estimated the remaining costs in percentage form.

Each element of the Minimum Price model is now described.

## Careworker costs

### Hourly rate for contact time

We assume that state commissioners pay for homecare by reference to 'contact time' – that is, the time spent delivering care in a person's home.

As noted above, careworker pay, and associated on-costs, has the greatest influence on the increasing cost to deliver homecare, with the national legal minimum wage set to rise by 9.7%.

This news is welcome – it has been found that [80% of jobs in England are paying more than the median rate for careworkers](#). Indeed, careworkers receive, on average, £1 per hour less than new NHS healthcare assistants.

However, care providers operate in a very competitive labour market. For instance, [one large national retailer](#), whose entry-level hourly pay was already comfortably above the legal minimum, has announced new rates that represent a 10-14.5% growth from the previous year. Elsewhere, [dog walking rates](#) typically range from £12 to £25 per hour, while [cleaners can receive hourly pay in the United Kingdom](#) of up to £23.

Care work is a highly skilled and regulated profession that requires comprehensive training, and yet, employees are leaving the sector in pursuit of better pay.

This has contributed to a sharp rise in the vacancy rate, as the estimated number of filled posts in homecare [fell by 3.2% in 2021-22](#) – the only such drop since records began. Consequently, providers, particularly in the South of England, have been required to offer higher wages to aid the recruitment and retention of their staff.

In this report, we compute the prices needed to deliver an hour of homecare at various careworker pay rates, thus demonstrating the effect of wage inflation to commissioners and providers.

It is important to note that the costs of delivering homecare are sensitive to the volume of hours delivered. The higher the volume of hours delivered per registered location, the greater the economies of scale and lower the operational costs per hour.

Similarly, unit operational costs are also sensitive to length of visit, with short visits resulting in proportionately higher operating costs. This is due to the relative influence of travel time, which counts as working time for National Minimum Wage purposes and must thus be covered. State-commissioned homecare visits are typically 30 minutes in length. In some areas, the proportion of 15-minute calls are increasing, adding to costs.

## How short visits affect careworkers' wage costs



NB. We assume that careworkers do not receive an enhanced hourly rate for working during weekends or on bank holidays.

The following hourly rates for contact time are for calculations in England:

## National Living Wage

In the Government's Autumn Statement 2022, it was announced that this rate will be [£10.42 per hour from April 2023](#).

## Real Living Wage

Computed by the Resolution Foundation and endorsed by the Living Wage Foundation, this is a rate which is 'independently calculated based on what people need to live on'. It now stands at [£10.90 per hour across the United Kingdom](#).

## NHS Band 3 (2+ years' experience)

The Homecare Association has consistently highlighted the discrepancy in pay between a careworker and their equivalent in the NHS, a healthcare assistant at Band 3. With 2+ years' experience, the [hourly rate for healthcare assistants has risen to £11.85](#).

NB. Even if a careworker was paid at the healthcare assistant hourly rate, the NHS Band 3 package would still likely have a much greater value due to the [more generous benefits offered by the NHS](#) compared with social care.

## London Living Wage

Similar to the Real Living Wage but is specific to the London region. This [increased in September 2022 to £11.95 per hour](#).

## Competitive labour market rate

There are some areas, particularly in the South of England, where careworker wages are notably higher than average due to competitive labour markets. We analysed the pay rates for careworker jobs (excluding team leader/senior careworker roles) in Oxfordshire advertised on [homecare.co.uk](https://www.homecare.co.uk) on a given date. Only roles with specified hourly rates were used, while repeated jobs with the same provider were also included. By taking the midpoint of the wage range for each job and averaging, our competitive labour market rate is set at £13.64 per hour (after rounding to the nearest penny).

## Careworkers' travel time

Commissioning of services based on 'contact time' does not include careworkers' travel time, which counts as 'working time' and so must be factored in to ensure provider compliance with National Minimum Wage Regulations. Further explanation of

this issue is available in the Homecare Association's [National Minimum Wage Toolkit](#). We assume that travel time is paid at the same hourly rate as contact time.

The time that careworkers spend travelling between the homes of people in receipt of care can vary significantly. Calculated based on contact time, it is dependent on whether the majority of visits are in rural or urban locations, as well as the ability of a provider to allocate multiple visits to a careworker in a relatively small area.

Unfortunately, there is no publicly available dataset that records travel time. However, Access Group data for 2022 indicates an average travel time pay per hour of 12.41 minutes, or 20.68% as an hourly percentage.

## **Employers' National Insurance**

For each contact time wage rate above, we combine this with the associated travel time payment (giving the 'gross pay'), before multiplying by the average hours worked by a careworker per week (according to the Access Group, 20.67 hours) and the number of weeks in a year to determine a figure for the employee's annual pay.

The secondary threshold for employers' National Insurance is currently set at £9,100 per year ([a figure that is now fixed until April 2028](#)), while the contribution rate is 13.8%.

We compute the annual earnings that are subject to employers' National Insurance (i.e. those above the secondary threshold) and, consequently, the employer costs of National Insurance for a careworker using the contribution rate. Finally, we determine a percentage by dividing this figure by the careworker's annual pay.

NB. These calculations are based on a careworker who has National Insurance category letter A (as is the case for most employees).

Furthermore, in the Autumn Statement 2022, Chancellor of the Exchequer, Rt Hon. Jeremy Hunt MP, opted to retain Employment Allowance at £5,000 – up to which eligible employers can reduce their annual National Insurance liability. This means that 'businesses will be able to employ [four full-time employees on the NLW \[National Living Wage\] without paying employer NICs \[National Insurance contributions\]](#)'. In this piece of work, we assume an 'average-sized provider' (described below), which would be much larger than four full-time employees. Therefore, Employment Allowance is not introduced into our model.

## **Pension contribution**

Assuming a careworker is automatically enrolled in a workforce pension scheme, we use a [pension contribution of 3%](#) as a proportion of gross pay – the statutory minimum percentage that an employer can pay.

## Holiday pay

Assuming an average of 20.67 hours worked per week per employee (according to the Access Group) over four days, the [statutory holiday entitlement](#) for a full leave year is calculated to be 115.8 hours.

For 2023, we add to this the average hours worked a day (5.17 hours, using the above assumptions) to account for the [extra bank holiday marking the coronation of King Charles III](#).

By dividing this figure by the average hours worked per year per employee, the percentage of holiday entitlement is found to be 11.25%.

## Training time

This determines the cost when a careworker attends training (as opposed to delivering care). Other training-related costs are included in the 'business costs' section below.

Careworker training can be broken down into three main items: induction, studying for qualifications and continuing professional development (CPD).

In England, the induction consists of various elements, namely:

- Organisational induction.
- Additional training (for example, on a condition such as Parkinson's disease).
- Specific training (includes medication and manual handling).
- [Care Certificate](#).
- [The Oliver McGowan Mandatory Training on Learning Disability and Autism](#).

We estimate the annual number of training hours for each item per careworker, based on the assumption of six hours of training per day.

[Regarding qualifications](#), our attention is focused on the Level 2 Diploma in Care (total qualification time of 460 hours) and Level 3 Diploma in Adult Care (total qualification time of 580 hours). Higher qualifications are not considered ([only 2%](#) of those providing direct care in the CQC non-residential, independent sector hold a Level 4 or above).

Moreover, we estimate 18 hours each year are dedicated to CPD for a relevant careworker.

[According to Skills for Care](#), an average-sized homecare providing location in England has around 41 careworkers (filled posts). Using this figure, we estimate the number of careworkers completing each training item per year.

Consequently, when multiplying the number of training hours by the number of careworkers for each training item and summing, we estimate an annual total of 1,578 training hours in an average-sized provider, or 38 hours per careworker.

Using Access Group data on the average number of hours worked per employee per year, we finally find that a careworker in England spends 3.45% of their working time on training.

[The Workforce Development Fund \(WDF\)](#) enables providers in England to claim money back on the costs of a worker completing a care qualification (as well as learning programmes and digital learning modules). [Up to £2,000 can be claimed](#) per learner per funding year, with £600 available for completion of the Level 2 Diploma in Care and £800 for the Level 3 Diploma in Adult Care. However, given [WDF statistics for 2020-21](#), only a minority percentage of careworkers in the CQC non-residential, independent sector studying for a Level 2 or Level 3 would likely receive funding each year. Therefore, we make no deduction from the cost of training time as a result of the WDF.

NB. This calculation is for England. Details of training time computations for the other UK nations are illustrated in their respective Minimum Price reports.

## **Sickness pay**

According to [Office for National Statistics \(ONS\) data](#), the sickness absence rate in 2021 for 'Caring, Leisure and Other Service Occupations' was 3.8%. We assume a 1-1 relationship between this statistic and the percentage hourly cost to a provider.

NB. As the 'Caring, Leisure and Other Service Occupations' category in the ONS data is rather broad, it is thought that the absence rate is likely to be an underestimate for the homecare sector due to the level of illness and COVID-19 self-isolation requirements.

## **Notice and suspension pay**

This covers payment to a careworker who is either suspended on full pay or must be paid in lieu of working their notice due to an employment dispute.

As data on notice and suspension pay is not readily available, we sought the input from some of our members. The average of their estimated percentages was 0.30%.

NB. Holiday pay, training time, sickness pay, and notice and suspension pay are each calculated in the Minimum Price model as a percentage of the sum of gross pay, employers' National Insurance and pension, as employers will make National Insurance and pension contributions on them.

## Travel reimbursement

We have used a mileage rate of 45p per mile in the model, which correlates with [HMRC's approved mileage rate for cars](#).

Given the average travel distance per hour is around 4.25 miles (according to the Access Group), this means that mileage reimbursement is fixed at £1.91 per hour.

NB. This assumes a worker uses a car to travel for work – indeed, Homecare Association research determined that [82% of careworkers use their own vehicles](#) to carry out their work.

## Business costs

In previous editions of our Minimum Price for Homecare, every item within the 'business costs' section was calculated as a percentage of careworker costs for each careworker wage rate.

However, since we regularly test our assumptions behind our Minimum Price calculations, we have concluded that these items will not depend on the hourly rate for contact time. Therefore, we have opted to change our approach.

Other than regulatory fees, PPE and consumables, and travel charges (which are each treated separately), we have taken an average of the estimated percentages as provided by a selection of our members and calculated a fixed cost for every business item.

When contrasted with the business cost items from last year, some changes have been made, which should be noted:

- A new 'back-office staff' element has been added (this previously formed part of 'Management and supervisors').
- 'Stationery and postage' have been incorporated into 'Other business overheads'.
- 'Governance costs' have been split into two categories: 'Finance, legal and professional' and 'Insurance'.

Consequently, running a homecare business consists of (but is not limited to) the following:

- Management and supervisors: employing the registered manager, as well as care coordinators and care supervisors.
- Back-office staff: includes staff in finance, administration, marketing, etc.

- Staff recruitment: job advertising and undertaking Disclosure and Barring Service (DBS) checks.
- Training costs: payment of external or internal trainers, licences for online training, venue hire and costs of courses/course materials.
- Regulatory fees: annual fees for providers and careworkers (see below).
- Rent, rates and utilities: includes office rents, business rates, office maintenance (such as cleaning) and the cost of gas/water/electricity.
- IT and telephony: IT equipment, software/licenses (including care rostering and electronic call monitoring systems), outsourced IT support, line rental, broadband and mobile phones (supplied to careworkers to log visits).
- PPE and consumables: PPE/hand hygiene items and staff uniform costs (see below).
- Finance, legal and professional: includes accountancy, auditing, and legal costs, as well as bank charges and interest.
- Insurance: premiums to cover buildings, employers' liability, public liability and professional indemnity.
- Other business overheads: includes stationery and postage, marketing (such as advertising materials), business travel (such as tax, insurance, car rentals and repairs), general costs (such as subscriptions and translation services) and equipment hire (including moving and handling equipment, such as hoists and wheelchairs).
- Travel charges (in Greater London only): Ultra Low Emission Zone and Congestion Charge (see below).

NB. These definitions also correspond, to a large extent, to those for the [Local Government Association's Homecare Cost of Care Toolkit](#).

In England, the estimated average fixed costs per hour of homecare delivered for these items (excluding regulatory fees, PPE and consumables, and travel charges) are presented in the table below.

Business item	Estimated fixed cost per hour
Management and supervisors	£2.45
Back-office staff	£1.22
Staff recruitment	£0.36
Training costs	£0.48
Rent, rates and utilities	£0.37
IT and telephony	£0.47
Finance, legal and professional	£0.31
Insurance	£0.31
Other business overheads	£0.34

## Regulatory fees

This business cost is calculated separately for England. Different costs for the devolved nations are indicated in their respective reports.

Regulatory fees are split between annual fees for the business (assuming a provider has previously registered) and the careworker (in Scotland, Wales and Northern Ireland, where individual careworkers must join a professional register).

According to [CQC guidance on the fees scheme introduced for 2019-20](#) (which remains valid), the annual fee for community social care services is dependent on how many people are receiving services.

Using data on the [number of adults in England receiving services](#) and the [number of filled posts in adult homecare providing direct care](#), we calculate a ratio of 1.66 clients for every one careworker.

This means that, given the quantity of careworkers in an average-sized provider in England (as elucidated in the 'Training time' section above), we estimate that care would be delivered to around 69 adults by such a provider.

Therefore, the annual fee for an average-sized provider is estimated at £3,969.

(NB. This fee will be slightly different from that suggested by the [CQC fees calculator](#), since we have used exact figures.)

By dividing this cost by an estimate of the average total hours of care per year for an average-sized provider in England (using Access Group data), the provider fee per hour is computed as approximately £0.09.

## PPE and consumables

In England, [free PPE for frontline health and care workers](#) is available until the end of March 2023. However, at the time of writing, it is thought likely that this offer will no longer exist subsequent to this. As a result, we base our calculation on this assumption.

Following government guidance on both [infection prevention and control in adult social care](#) and the [supplement related to COVID-19](#), the table below outlines the PPE and hand hygiene items that would be required for a careworker, as well as the estimated quantity needed per homecare visit.

PPE/hand hygiene item	Estimated quantity per visit
Hand sanitiser gel (50ml)	6 squirts
Hand cream (50g)	1 squirt
Single-use vinyl gloves	2 pairs (i.e. 4)
Plastic disposable apron	1
Type IIR surgical mask	1
FFP3 respirator	0.023
Eye protection (e.g. visor)	0.05

The quantities are predominantly based on our judgement and previous research prepared for the Homecare Association from April 2020.

However, the FFP3 respirator quantity is an exception. These are required when a careworker is 'undertaking AGPs [aerosol-generating procedures] on a person with suspected or confirmed COVID-19 infection, or another infection spread by the airborne or droplet route'. The quantity is set at the estimated COVID-19 infection rate in the United Kingdom, which for the week ending 1 November 2022 using ONS data, was computed to be around 2.30% of the population.

We then compute a price per visit for every item, giving a total cost of £0.57 for each visit. Here, we assume that one visit lasts for one hour.

This figure is then combined with that for careworker uniform costs. Assuming a homecare provider purchases tunics and trousers for their staff, we recorded the quantity needed of each per year (based on similar requirements in the NHS).

After weighting by the [proportion of male and female careworkers in the CQC non-residential, independent sector in England](#) (noting that prices can vary according to gender), this amounts to £28.31 per year per careworker, or £0.03 on average per hour (using Access Group data on the average annual hours worked by a careworker).

Consequently, our estimated fixed cost for PPE, hand hygiene and uniform is set at £0.59 per hour (after rounding).

NB. We draw attention to this item for the devolved nations in their respective reports.

## Travel charges

NB. The travel charges relate to the delivery of homecare in Greater London only. Since [only 17% of staff in England delivering direct care](#) in the CQC, non-residential, independent sector are based in London, these charges have only been included in our calculations for the London Living Wage. **However, providers operating in London who do not pay the London Living Wage should also be aware of this additional cost.**

For the first time, we introduce travel charges into our Minimum Price model by considering the Ultra Low Emission Zone (ULEZ) and the Congestion Charge.

## ULEZ

In November 2022, it was announced by the Mayor of London, Sadiq Khan, that the [ULEZ would be expanded to all London boroughs](#) in August 2023.

[The ULEZ operates 24 hours a day, every day of the year](#) (except Christmas Day), and a daily charge of £12.50 is payable to drive within the zone, if a vehicle fails to meet the minimum emission standards. [This is a daily flat fee](#), i.e. someone would not be charged more for additional zone journeys in one day.

We use Access Group data on the average hours worked by a careworker per week. By computing the [statutory holiday entitlement](#) (for a full leave year) and adding on the hours worked per day for the [extra bank holiday](#), we can deduce that a careworker would work around 46.1 weeks in 2023.

This means that their 'unadjusted' annual ULEZ charge would be approximately £2,307, or £2.15, on average, per hour.

However, this assumes that no vehicles being driven by careworkers into the ULEZ are compliant, and that all London careworkers drive to conduct homecare visits.

Therefore, we estimate a non-compliance rate for vehicles ([close to 94% of vehicles driving in the ULEZ are currently compliant](#), 90% on the boundary roads and 85% in outer London).

Furthermore, according to a Homecare Association survey on fuel costs that was conducted in July and August 2022, around 71% of staff use either their own vehicle or a company vehicle (whether reliant on petrol, diesel or electric) among Greater London providers to carry out their duties.

By taking these two factors into consideration, our 'adjusted' average ULEZ charge per careworker per hour in 2023 is £0.16.

NB. A [scrappage scheme](#) is to be made available ahead of the ULEZ expansion, with applicants whose vehicle does not meet ULEZ emission standards eligible to claim £2,000 for scrapping their car. It is open to people living in Greater London, who receive a benefit payment (for example, [19.6% of the residential care sector workforce](#) were receiving Universal Credit or a legacy benefit).

However, it is unclear how many homecare workers would be successful in securing a pay-out (it is estimated that [25,000 people would receive funding](#), but many others may not due to high demand). In addition, for those that are successful, some employers may be obliged to pay a proportion of the difference between the grant and the cost of a new car for the careworker, based on the number of business miles travelled (as opposed to social usage). Yet, no data is available to suggest what an average proportion might be. As a result, we do not include the scrappage scheme in our modelling.

## **Congestion Charge**

To drive in the [Congestion Charge zone](#), there is a daily charge of £15. The zone operates between 7am and 6pm on Monday to Friday, and 12pm-6pm on weekends and bank holidays, with no charge between Christmas Day and New Year's Day inclusive.

However, homecare workers are included within the [Congestion Charge reimbursement scheme](#). To make a claim, a worker must either:

- "Work for a company that is contracted by a local authority within the Congestion Charge zone to care for residents."
- Or: "Care for someone that receives whole or partial funding from a local authority in the Congestion Charge zone."

If we assume that all such visits are refunded, then the only outstanding charge relates to people who wholly fund their own care.

However, as our model relates to the state-funded homecare sector, we do not account for self-funders in the Congestion Charge zone, leaving the travel charges (for the ULEZ alone) at £0.16 per hour.

## **Profit/surplus/investment**

Previous versions of the Minimum Price have consistently set the profit, surplus and investment element at 3% of careworker costs and business costs. However, this was considered an absolute minimum, which would make it difficult to ensure a financially sustainable business or to enable investment in the workforce, innovation or technology.

Given that many NHS trusts aim for a 4-5% surplus for reinvestment, we have increased the figure in this year's model to 4%.

## **Other assumptions**

### **Break time**

According to the Working Time Regulations 1998, 'where an adult worker's daily working time is more than six hours, he is entitled to a rest break' (which is an 'uninterrupted period of not less than 20 minutes').

However, we have made an assumption of around 5.17 hours worked per day on average (see 'Holiday pay' above), so break time is not included in our model.

### **Apprenticeship Levy**

[The Apprenticeship Levy](#) is paid each month by employers who have an annual wage bill of more than £3 million at a rate of 0.5% of this bill. The amount liable can be reduced by £15,000 across the year by using the Apprenticeship Levy allowance.

However, for an average-sized provider (as described previously), it is thought that this would not be applicable, as the organisation's annual wage bill would fall below the aforementioned level.

### **Parking**

It is unclear what proportion of homecare visits in England (and indeed, the United Kingdom) would require a parking permit, what the average cost might be and how many local authorities offer a discount for careworkers. Again, this is not taken into

consideration, though it is acknowledged that parking costs in some areas may be an issue.

## **Caution and disclaimer**

We do not suggest that the Minimum Price for Homecare in each administration recognises the value of homecare services to society by providing a fair reward for the essential workforce. This would constitute a 'fair price' – instead, we have calculated a 'minimum price', which covers basic legal requirements and so should not be treated as a national acceptable price capable of achieving a stable workforce.

Our Minimum Prices are intended to be indicative rates for information purposes. They should not be used by providers as an alternative to the accurate pricing of individual tender bids, nor by commissioners to set maximum prices in contracts. The Homecare Association accepts no responsibility for actions taken or refrained from solely by reference to the contents of this briefing, or that in the reports for the other UK nations.

We do, however, encourage homecare providers to share our briefings with the Directors of Adult Social Services (or their equivalents) in homecare commissioning bodies across the United Kingdom.