



Homecare Association

A Minimum Price for *Homecare*

April 2022 to March 2023

Homecare Association

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Homecare Association Minimum Price for Homecare for April 2022 to March 2023

Version 9.0

17 DECEMBER 2021

Summary

The Homecare Association (formerly United Kingdom Homecare Association, UKHCA) announces its new calculation for the Minimum Price for Homecare of **£23.20 per hour**, effective from April 2022, when the UK's statutory National Minimum Wage and National Living Wage increase.

The Homecare Association's 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.

Equivalent rates based on the (voluntary) UK and Scottish Living Wages and the London Living Wage are also provided in this briefing.

This year, we have also calculated the Minimum Price for Homecare at other relevant wage rates:

1. Scottish government minimum wage for careworkers of £10.02 per hour (equivalent to NHS Band 2), announced on 5 October 2021;
2. NHS Band 3 with 2+ years' experience - £11.14 per hour;
3. A competitive labour market wage rate in parts of the south and southeast of England of £12.50 per hour, which providers in some areas are finding it necessary to offer to attract any applicants.

These new rates exclude costs of additional personal protective equipment (PPE) which is specifically required during the coronavirus pandemic.

These costs largely cover Type II and IIR facemasks and eye protection (and FFP3 facemasks, eye protection and gowns where aerosol generating procedures are undertaken). These items have been excluded because either: (a) governments in the four UK administrations currently have arrangements for supplying some or all of these items; or (b) the costs from wholesalers have been highly variable during the pandemic; or (c) the use of these items may change during 2022-23, subject to

unknown external factors, including emergence of new variants of COVID-19 or effectiveness of vaccines. While excluded from our calculations, these costs must still be recognised by the purchaser, where they are required (but not funded) by any of the four UK administrations.

Headline figures

	Wage rate per hour	Minimum Price per hour
National Minimum Wage	£9.50	£23.20
Living Wage	£9.90	£24.08
London Living Wage	£11.05	£26.66
Scottish careworkers	£10.02	£24.35
NHS Band 3	£11.14	£26.86
Competitive labour market	£12.50	£29.90

Calls for action

Central government

To provide adequate financial support for 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 (£11.14 per hour).

Local authorities

To move without delay to discussing and agreeing fee rates for 2022 to 2023 with providers, understanding costs and taking fair account of wage and other inflation of at least 8%.

Providers

To avoid entering into contracts with authorities unless confident that prices are sustainable and enable the right quality to be delivered.

Regional variation

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.

A number of councils and NHS commissioners will state that local conditions influence the costs of care in their area.

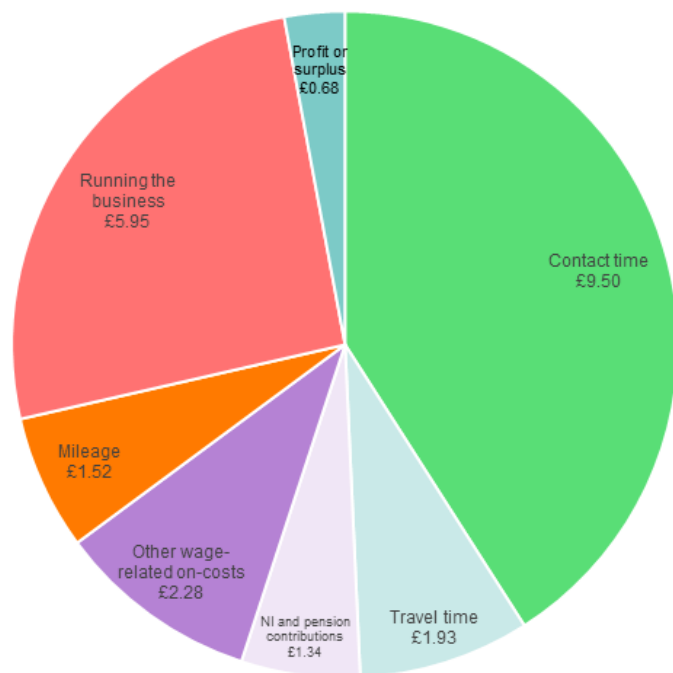
Although this is true, local conditions are likely to mean that the costs are *higher* (rather than lower) than the Homecare Association's Minimum Price for Homecare at the rate needed to comply with the National Living Wage.

This is because our rate is calculated on the *minimum legal pay rate*. This does not vary geographically and is unlikely to enable employers to recruit sufficient careworkers from their local labour market, particularly as competing employers, including in retail and hospitality, typically pay much more than the statutory minimum.

The breakdown of the costs included in the new minimum **£23.20** hourly rate for the statutory National Living Wage is shown in the chart below.

Minimum Price for Homecare at National Living Wage

2022-2023



Careworkers' contact time	£9.50
Careworkers' travel time	£1.93
NI and pension contributions	£1.34
Other wage-related on-costs	£2.28
Mileage	£1.52
Running the business	£5.95
Profit or surplus	£0.68
Minimum hourly price	£23.20

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Price at statutory National Living Wage 2022-23, **excluding** costs of COVID19-specific PPE.

Assumptions and changes made to our calculations in version 9.0

Data sources and assumptions

The Homecare Association regularly reviews the assumptions used to create our Minimum Price.

We use a range of data to inform the assumptions used in our calculations and we keep them regularly under review. We generally adopt conservative assumptions, consistent with the calculation of a minimum price.

Where cost assumptions are determined by legislation, we adopt them. For example, the rate of the statutory National Living Wage, employers' national insurance and pension contributions and statutory holiday entitlement.

Where suitable data are available from the public domain, we use them. We employ our professional judgement to determine which dataset most accurately represents the circumstances of homecare providers, for example we select sickness and absence levels from a range of data published by the Office of National Statistics.

Where there are no publicly available data, we consult knowledgeable parties whom we believe have reliable datasets which they are willing to share in an anonymised format. For example, our assumptions for careworkers' average travel time and mileage are based on data from a significant provider of electronic call monitoring data.

We use our professional judgement, informed by detailed data collection from selected member organisations, to apportion the indicative costs of running the business between different cost headings. We use the same judgement to inform our assumption for providers' net profit or surplus expectations for delivering state-funded homecare.

Changes from version 8.0

For the rate which applies between April 2022 and March 2023 we have made the following changes from version 8.0:

- We have calculated the price based on [the new rate of the National Living Wage](#), which increases by 6.6% from £8.91 to £9.50 per hour at the start of April 2022.
- In previous versions, we have also calculated the minimum price based on the voluntary Living Wage and the London Living Wage. We have done so again and added calculations for the minimum price at the Scottish minimum pay rate of £10.02 per hour, NHS Band 3 (£11.14 per hour) and a competitive labour market pay rate of £12.50 per hour.

- National Insurance Contributions (NIC) are set to increase by 1.25% for employers and 1.25% for employees from April 2022. The impact of NIC varies according to hours worked and wage rate. We examined the influence of these variables on likely increases in NIC per hour of homecare delivered and have used an average figure. It is worth noting that some employers are seeking to cover the increase in employee as well as employer NICs, which we have not taken into account.
- Data on average travel time was taken from a large real-time dataset, supplied by a significant provider of electronic call monitoring data in homecare. Over 92.5 million homecare visits were included in this dataset, representing a total invoice value of over £1.9 billion. Average travel time had increased from 11.73 minutes per hour in 2020 to 12.22 minutes in 2021. Staff shortages have led to increased travel for those remaining in the workforce.
- Data on average mileage between visits was taken from the same database used for travel time. This had increased from 3.89 miles in 2020 to 4.33 miles in 2021.
- Cost of holiday pay was increased slightly from 2021/22 to account for an additional Bank Holiday in 2022.
- Data on average sickness absence rate was taken from Office of National Statistics reports. In 2020, ONS recorded a sickness absence rate of 2.9% for employee types relevant to the homecare workforce. In 2021, this had increased to 3.3%. This is likely to be an under-estimate in the homecare sector due to the amount of staff absence due to self-isolation as well as illness.
- Costs of governance and insurance were broadly similar to the previous version. Whilst insurance costs increased substantially in the first year of the COVID-19 pandemic, and were reflected in the previous version, members are reporting that premiums have stabilised, though exclusions continue to apply.
- We have left the surplus at 3%. It should be noted, however, that a margin of 3% is an absolute minimum and makes it difficult to ensure financial resilience or to enable investment in the workforce, innovation or technology.

Other assumptions not mentioned above remain unchanged since version 8.0.

Wage inflation and increased cost of delivery of homecare

By far the most significant driver of increased cost of delivery of homecare is careworker and other staff pay, plus associated on-costs.

The national legal minimum wage will increase by 6.6% from April 2022. Already, though, many providers are experiencing wage inflation in excess of this as a result of a highly competitive labour market.

Large national retailers are offering starting wages of up to [£11.30 per hour](#), some with [£3000 joining bonuses](#), without the need for detailed training or the risks and responsibility of care work.

[Careworkers are leaving in droves](#) to jobs in retail and hospitality, for higher pay and no requirement for vaccination.

As a consequence, many homecare providers, particularly in the south and southeast, are having to increase wages to try to retain existing staff and attract new ones.

Wages of £12.50 per hour are becoming more common and we have heard reports of homecare jobs advertised at £16 and £23 per hour.

Given that dog walkers and cleaners typically charge £15 per hour, this is unsurprising.

As a result of these shifts in the labour market, we have done some additional calculations this year on the effect of higher pay rates on hourly fee rates required for homecare. The aim is to offer a guide to commissioners and providers on the impact of wage inflation on fee rates required.

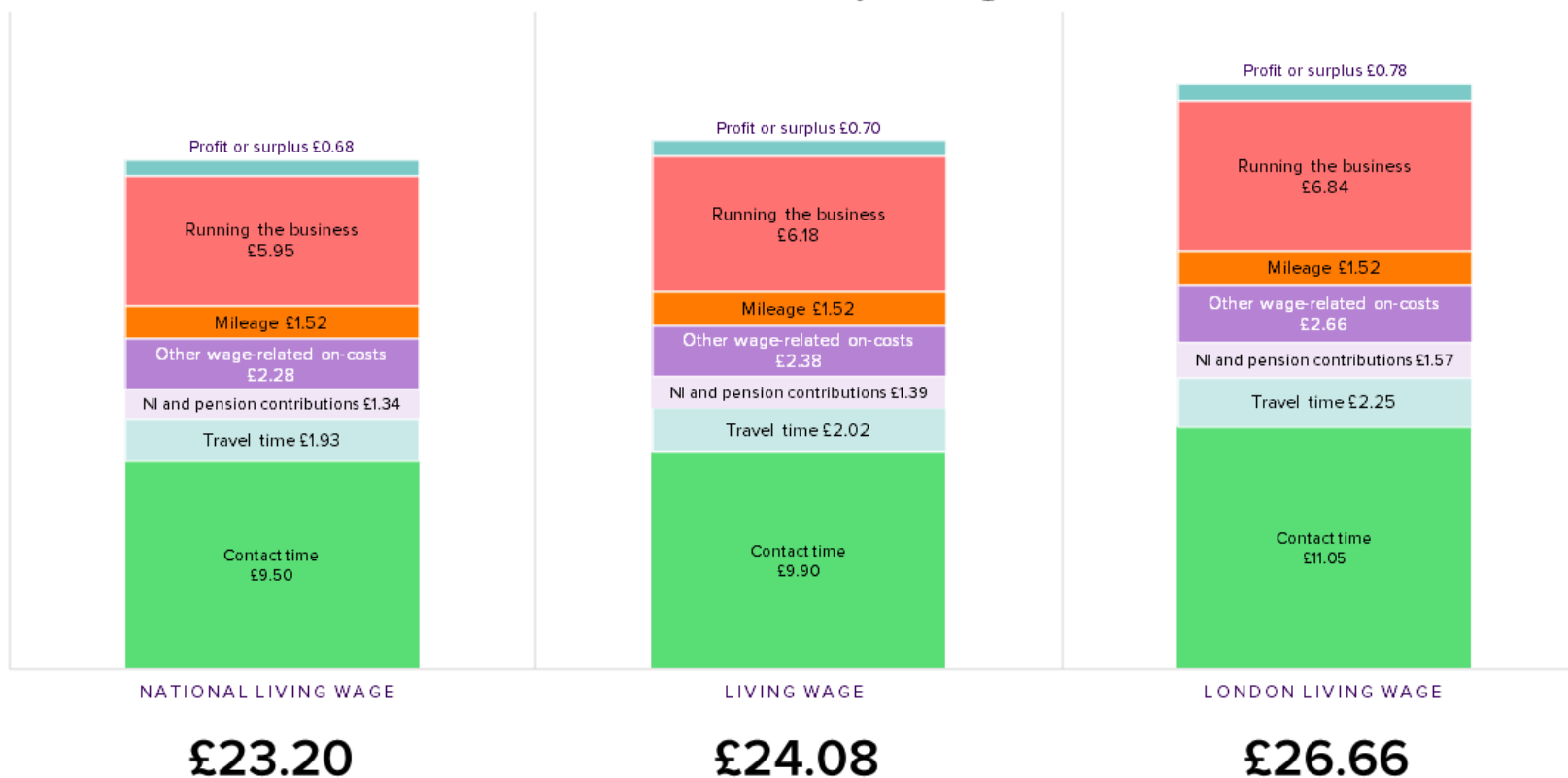
In addition to the statutory National Minimum Wage, and voluntary Living Wage and London Living Wage, we have also considered:

- Scotland's announced pay rate for careworkers of [£10.02 per hour](#);
- [NHS Band 3 with 2+ years' experience](#), equivalent to £11.14 per hour; and
- A pay rate of £12.50 per hour in competitive labour markets.

It is important to note that wider NHS terms and conditions of employment are superior to those typically found in social care, for example, payment for every hour in a shift, holiday and sick pay, and pension entitlements. The value of the total NHS Band 3 package is likely to be much higher than that for a careworker paid the same nominal hourly rate.

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

Minimum Price for Homecare by wage rate 2022-2023



Minimum Price for Homecare by wage rate 2022-2023



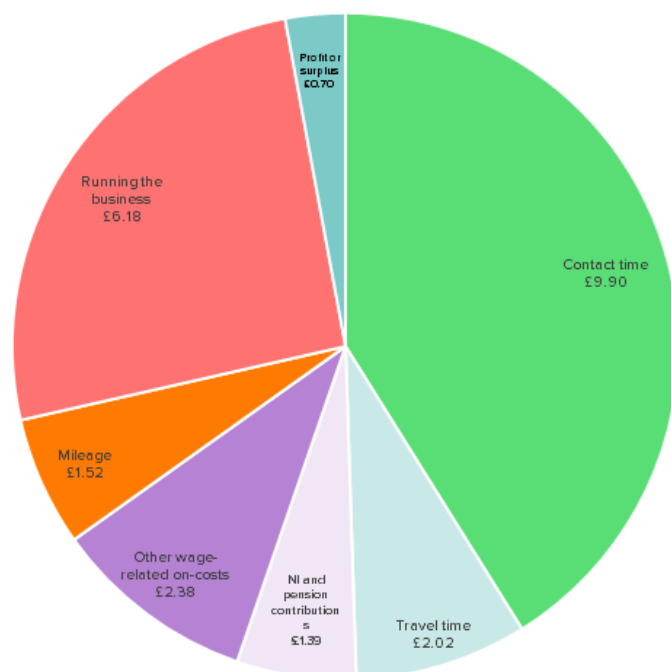
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Minimum price for homecare at statutory National Living Wage (Apr 2022-Mar 2023)				Costs		
Careworker costs	Gross pay	Hourly rate for contact time	National Living Wage (April 2021- March 2022)	£9.50	£11.43	£16.57
		Careworkers' travel time	20.37% of contact time	£1.93		
	NI & pension	Employer's National Insurance	8.70% of gross pay	£0.99	£1.34	
		Pension contribution	3.00% of gross pay	£0.34		
	Other wage related on-costs	Holiday pay	12.55% of gross pay, NI & pension	£1.60	£2.28	
		Training time	1.73% of gross pay, NI & pension	£0.22		
		Sickness pay	3.30% of gross pay, NI & pension	£0.42		
		Notice & suspension pay	0.30% of gross pay, NI & pension	£0.04		
	Travel costs	Mileage reimbursement	£0.35 per mile for 4.33 miles per hour of contact time	£1.52	£1.52	
	Gross margin	Business costs	Management & supervisors	18.20% of careworker costs	£3.02	
Staff recruitment			1.50% of careworker costs	£0.25		
Training and supervision			2.65% of careworker costs	£0.44		
Statutory registration fees			1.19% of careworker costs	£0.20		
Rent, rates and utilities			1.80% of careworker costs	£0.30		
IT & telephony			2.70% of careworker costs	£0.45		
PPE and consumables			2.00% of careworker costs	£0.33		
Stationery and postage			0.90% of careworker costs	£0.15		
Governance costs			3.50% of careworker costs	£0.58		
Other business overheads			1.40% of careworker costs	£0.24		
Profit		Profit / surplus	3.00% of careworker costs & business costs	£0.68	£0.68	
Total price based on the statutory National Living Wage for 2022-2023				£23.20	£23.20	£23.20

Minimum Price for Homecare at Living Wage

2022-2023

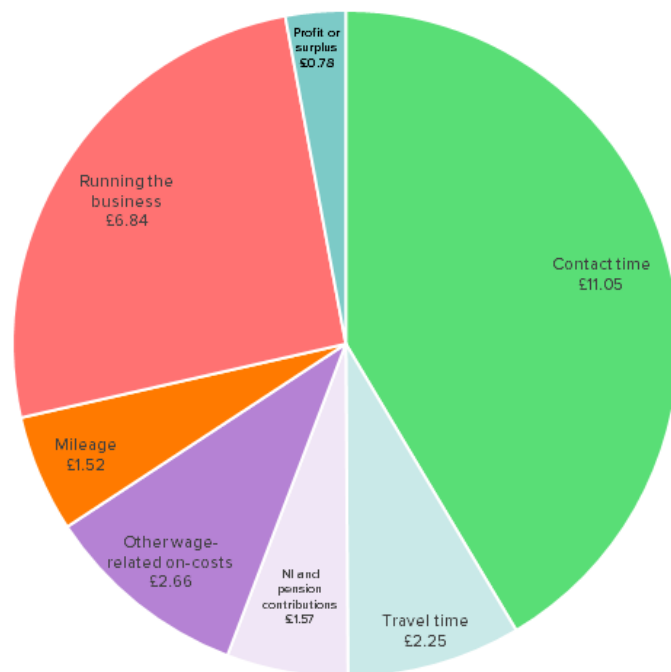


Careworkers' contact time	£9.90
Careworkers' travel time	£2.02
NI and pension contributions	£1.39
Other wage-related on-costs	£2.38
Mileage	£1.52
Running the business	£6.18
Profit or surplus	£0.70
Minimum hourly price	£24.08

Minimum price for homecare at Voluntary Living Wage (2022-2023)				Costs		
Careworker costs	Gross pay	Hourly rate for contact time	Living Wage (2022-2023)	£9.90	£11.92	£17.21
		Careworkers' travel time	20.37% of contact time	£2.02		
	NI & pension	Employer's National Insurance	8.70% of gross pay	£1.04	£1.39	
		Pension contribution	3.00% of gross pay	£0.36		
	Other wage related on-costs	Holiday pay	12.55% of gross pay, NI & pension	£1.67	£2.38	
		Training time	1.73% of gross pay, NI & pension	£0.23		
		Sickness pay	3.30% of gross pay, NI & pension	£0.44		
		Notice & suspension pay	0.30% of gross pay, NI & pension	£0.04		
	Travel costs	Mileage reimbursement	£0.35 per mile for 4.33 miles per hour of contact time	£1.52	£1.52	
Gross margin	Business costs	Management & supervisors	18.20% of careworker costs	£3.13	£6.18	£6.88
		Staff recruitment	1.50% of careworker costs	£0.26		
		Training and supervision	2.65% of careworker costs	£0.46		
		Statutory registration fees	1.19% of careworker costs	£0.20		
		Rent, rates and utilities	1.80% of careworker costs	£0.31		
		IT & telephony	2.70% of careworker costs	£0.46		
		PPE and consumables	2.00% of careworker costs	£0.34		
		Stationery and postage	0.90% of careworker costs	£0.15		
		Governance costs	3.50% of careworker costs	£0.60		
		Other business overheads	1.40% of careworker costs	£0.25		
	Profit	Profit / surplus	3.00% of careworker costs & business costs	£0.70	£0.70	
	Total price based on the Voluntary Living Wage for 2022-2023				£24.08	

Minimum Price for Homecare at London Living Wage

2022-2023

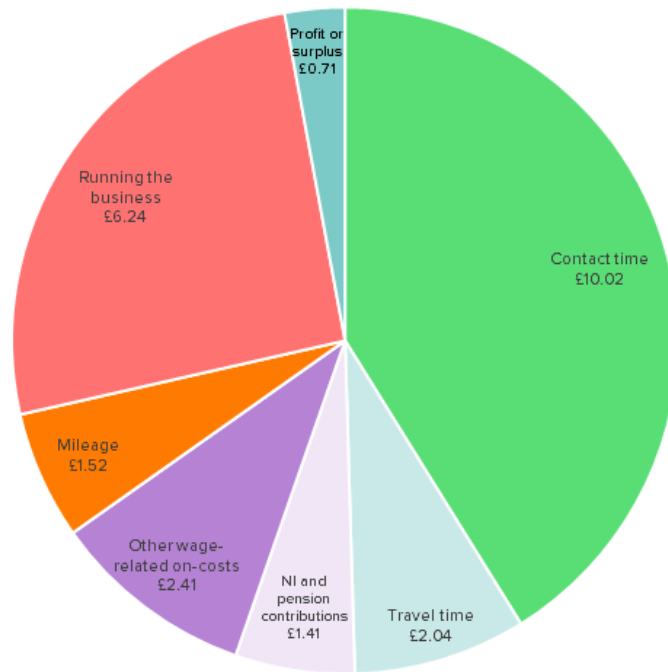


Careworkers' contact time	£11.05
Careworkers' travel time	£2.25
NI and pension contributions	£1.57
Other wage-related on-costs	£2.66
Mileage	£1.52
Running the business	£6.84
Profit or surplus	£0.78
Minimum hourly price	£26.66

Minimum price for homecare at the London Living Wage (2022-2023)				Costs		
Careworker costs	Gross pay	Hourly rate for contact time	Living Wage (2022-2023)	£11.05	£13.30	£19.04
		Careworkers' travel time	20.37% of contact time	£2.25		
	NI & pension	Employer's National Insurance	8.80% of gross pay	£1.17	£1.57	
		Pension contribution	3.00% of gross pay	£0.40		
	Other wage related on-costs	Holiday pay	12.55% of gross pay, NI & pension	£1.87	£2.66	
		Training time	1.73% of gross pay, NI & pension	£0.26		
		Sickness pay	3.30% of gross pay, NI & pension	£0.49		
		Notice & suspension pay	0.30% of gross pay, NI & pension	£0.04		
	Travel costs	Mileage reimbursement	£0.35 per mile for 4.33 miles per hour of contact time	£1.52	£1.52	
	Gross margin	Business costs	Management & supervisors	18.20% of careworker costs	£3.47	
Staff recruitment			1.50% of careworker costs	£0.29		
Training and supervision			2.65% of careworker costs	£0.50		
Statutory registration fees			1.19% of careworker costs	£0.23		
Rent, rates and utilities			1.80% of careworker costs	£0.34		
IT & telephony			2.70% of careworker costs	£0.51		
PPE and consumables			2.00% of careworker costs	£0.38		
Stationery and postage			0.90% of careworker costs	£0.17		
Governance costs			3.50% of careworker costs	£0.67		
Other business overheads			1.40% of careworker costs	£0.28		
Profit		Profit / surplus	3.00% of careworker costs & business costs	£0.78	£0.78	
Total price based on the London Living Wage for 2022-2023				£26.66	£26.66	£26.66

Minimum Price for Homecare at Scottish wage of £10.02 per hour

2022-2023

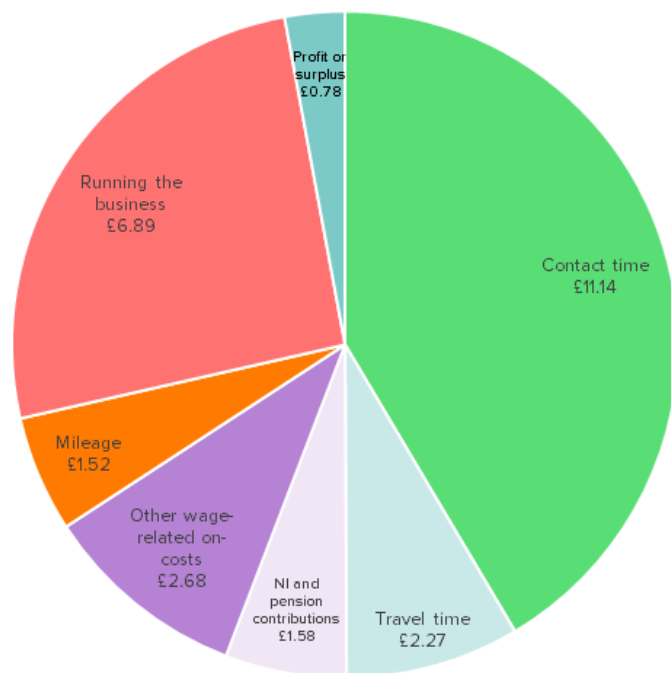


Careworkers' contact time	£10.02
Careworkers' travel time	£2.04
NI and pension contributions	£1.41
Other wage-related on-costs	£2.41
Mileage	£1.52
Running the business	£6.24
Profit or surplus	£0.71
Minimum hourly price	£24.35

Minimum price for homecare at Scotland’s minimum pay rate for careworkers of £10.02 per hour (2022-2023)				Costs		
Careworker costs	Gross pay	Hourly rate for contact time	Scotland careworkers’ minimum wage (2022-2023)	£10.02	£12.06	£17.40
		Careworkers' travel time	20.37% of contact time	£2.04		
	NI & pension	Employer's National Insurance	8.80% of gross pay	£1.05	£1.41	
		Pension contribution	3.00% of gross pay	£0.36		
	Other wage related on-costs	Holiday pay	12.55% of gross pay, NI & pension	£1.69	£2.41	
		Training time	1.73% of gross pay, NI & pension	£0.23		
		Sickness pay	3.30% of gross pay, NI & pension	£0.44		
		Notice & suspension pay	0.30% of gross pay, NI & pension	£0.04		
	Travel costs	Mileage reimbursement	£0.35 per mile for 4.33 miles per hour of contact time	£1.52	£1.52	
	Gross margin	Business costs	Management & supervisors	18.20% of careworker costs	£3.17	
Staff recruitment			1.50% of careworker costs	£0.26		
Training and supervision			2.65% of careworker costs	£0.46		
Statutory registration fees			1.19% of careworker costs	£0.21		
Rent, rates and utilities			1.80% of careworker costs	£0.31		
IT & telephony			2.70% of careworker costs	£0.47		
PPE and consumables			2.00% of careworker costs	£0.35		
Stationery and postage			0.90% of careworker costs	£0.16		
Governance costs			3.50% of careworker costs	£0.61		
Other business overheads			1.40% of careworker costs	£0.25		
Profit		Profit / surplus	3.00% of careworker costs & business costs	£0.71	£0.71	
Total price based on Scotland’s minimum pay rate for careworkers of £10.02 per hour (2022-2023)				£24.35	£24.35	£24.35

Minimum Price for Homecare at NHS Band 3

2022-2023

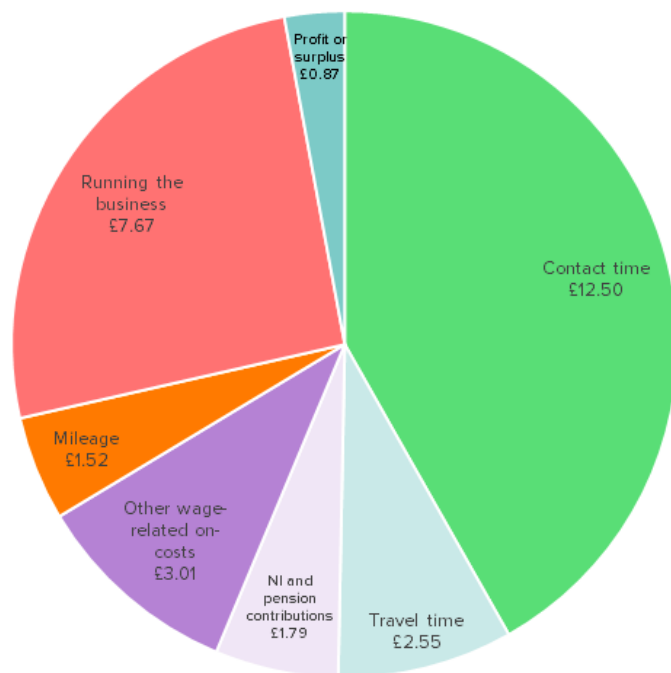


Careworkers' contact time	£11.14
Careworkers' travel time	£2.27
NI and pension contributions	£1.58
Other wage-related on-costs	£2.68
Mileage	£1.52
Running the business	£6.89
Profit or surplus	£0.78
Minimum hourly price	£26.86

Minimum price for homecare at NHS Band 3 (2+ years' experience) £11.14 per hour (2022-2023)				Costs		
Careworker costs	Gross pay	Hourly rate for contact time	NHS Band 3 (2022-2023)	£11.14	£13.41	£19.19
		Careworkers' travel time	20.37% of contact time	£2.27		
	NI & pension	Employer's National Insurance	8.80% of gross pay	£1.18	£1.58	
		Pension contribution	3.00% of gross pay	£0.40		
	Other wage related on-costs	Holiday pay	12.55% of gross pay, NI & pension	£1.88	£2.68	
		Training time	1.73% of gross pay, NI & pension	£0.26		
		Sickness pay	3.30% of gross pay, NI & pension	£0.49		
		Notice & suspension pay	0.30% of gross pay, NI & pension	£0.04		
	Travel costs	Mileage reimbursement	£0.35 per mile for 4.33 miles per hour of contact time	£1.52	£1.52	
	Gross margin	Business costs	Management & supervisors	18.20% of careworker costs	£3.49	
Staff recruitment			1.50% of careworker costs	£0.29		
Training and supervision			2.65% of careworker costs	£0.51		
Statutory registration fees			1.19% of careworker costs	£0.23		
Rent, rates and utilities			1.80% of careworker costs	£0.35		
IT & telephony			2.70% of careworker costs	£0.52		
PPE and consumables			2.00% of careworker costs	£0.38		
Stationery and postage			0.90% of careworker costs	£0.17		
Governance costs			3.50% of careworker costs	£0.67		
Other business overheads			1.40% of careworker costs	£0.28		
Profit		Profit / surplus	3.00% of careworker costs & business costs	£0.78	£0.78	
Total price based on NHS Band 3 (2+ years' experience) £11.14 per hour (2022-2023)				£26.86	£26.86	£26.86

Minimum Price for Homecare at wage of £12.50 per hour

2022-2023



Careworkers' contact time	£12.50
Careworkers' travel time	£2.55
NI and pension contributions	£1.79
Other wage-related on-costs	£3.01
Mileage	£1.52
Running the business	£7.67
Profit or surplus	£0.87
Minimum hourly price	£29.90

Minimum price for homecare at competitive labour market rate of £12.50 per hour (2022-2023)				Costs		
Careworker costs	Gross pay	Hourly rate for contact time	Competitive labour market rate (2022-2023)	£12.50	£15.05	£21.36
		Careworkers' travel time	20.37% of contact time	£2.55		
	NI & pension	Employer's National Insurance	8.80% of gross pay	£1.34	£1.79	
		Pension contribution	3.00% of gross pay	£0.45		
	Other wage related on-costs	Holiday pay	12.55% of gross pay, NI & pension	£2.11	£3.01	
		Training time	1.73% of gross pay, NI & pension	£0.29		
		Sickness pay	3.30% of gross pay, NI & pension	£0.56		
		Notice & suspension pay	0.30% of gross pay, NI & pension	£0.05		
	Travel costs	Mileage reimbursement	£0.35 per mile for 4.33 miles per hour of contact time	£1.52	£1.52	
	Gross margin	Business costs	Management & supervisors	18.20% of careworker costs	£3.89	
Staff recruitment			1.50% of careworker costs	£0.32		
Training and supervision			2.65% of careworker costs	£0.57		
Statutory registration fees			1.19% of careworker costs	£0.25		
Rent, rates and utilities			1.80% of careworker costs	£0.38		
IT & telephony			2.70% of careworker costs	£0.58		
PPE and consumables			2.00% of careworker costs	£0.43		
Stationery and postage			0.90% of careworker costs	£0.19		
Governance costs			3.50% of careworker costs	£0.75		
Other business overheads			1.40% of careworker costs	£0.31		
Profit		Profit / surplus	3.00% of careworker costs & business costs	£0.87	£0.87	
Total price based on competitive labour market rate of £12.50 per hour (2022-2023)				£29.90	£29.90	£29.90

Costs of running a homecare business

The Homecare Association's Minimum Price for Homecare is aimed primarily at providers and commissioners of state-funded social care purchased by local councils and the NHS in England, Wales and Scotland and by the health and social care trusts in Northern Ireland. The price calculations therefore exclude additional costs for providing homecare services to private individuals, for example, the cost of customer acquisition.

The costs of running a care service are strongly influenced by the requirement on providers to meet legal obligations to ensure the safety and wellbeing of the people they support.

When undertaking cost of care exercises, we strongly caution local authority and NHS commissioners against under-estimating 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 local authorities over the lifetime of a contract, particularly if this results in heavy reliance on spot-purchase at high fee rates, hand-back of work or entire contracts, and provider failure.

The operating costs which individual providers experience varies, but typical costs of a sustainable homecare service, using the national minimum wage as an example, are summarised in the diagram, below.

Why regulated care costs at least £23.20 per hour



Careworkers' costs
£16.57



Managers and
supervisors
£3.02



Staff recruitment
£0.25



Training and supervision
£0.44



IT & Telephony
£0.45



Rent, rates & utilities
£0.30



Statutory regulation
£0.20



Governance
£0.58



Stationery & postage
£0.15



PPE & consumables
£0.33



Business overheads
£0.24



Profit or surplus
£0.68

Price increases offered by local authority and NHS commissioners

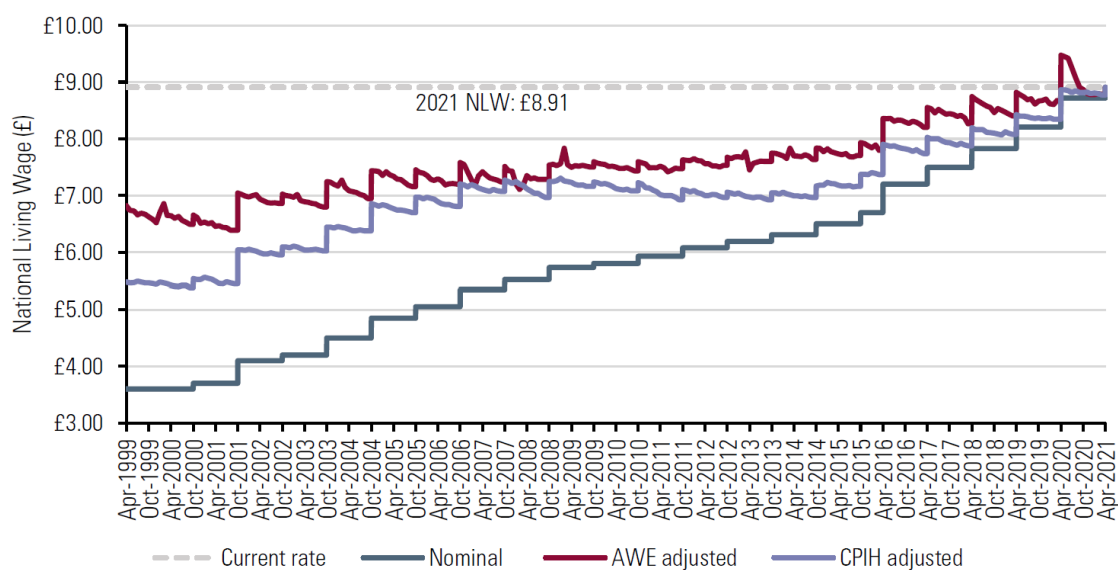
The Homecare Association's Minimum Price for 2022-2023 of £23.20 per hour is £1.77 or **8.2%** higher than our equivalent rate of £21.43 per hour for 2021-2022.

Wage inflation is the main driver of this increase in cost, though inflation in non-wage costs is also a factor.

When setting rates for 2022-2023, a number of commissioners, if they offer an increase at all, may attempt to offer either a rate equivalent to the increase in the National Living Wage, or an increase in line with the Consumer Price Index (CPI). Neither of these options comes close to covering the increased costs providers will experience from April 2022.

Data from the [Low Pay Commission](#) show that National Living Wage has tracked well above the CPI for many years, though the gap has narrowed in recent years.

Figure 5.2: The real and relative value of the National Living Wage/National Minimum Wage, UK, 1999-2021



Source: LPC analysis using ONS CPIH index, ONS Average Weekly Earnings (AWE) Seasonally Adjusted Total Pay, UK, 1999-2021

Note: For AWE adjustment and CPIH adjustment, figures are in 2021 prices.

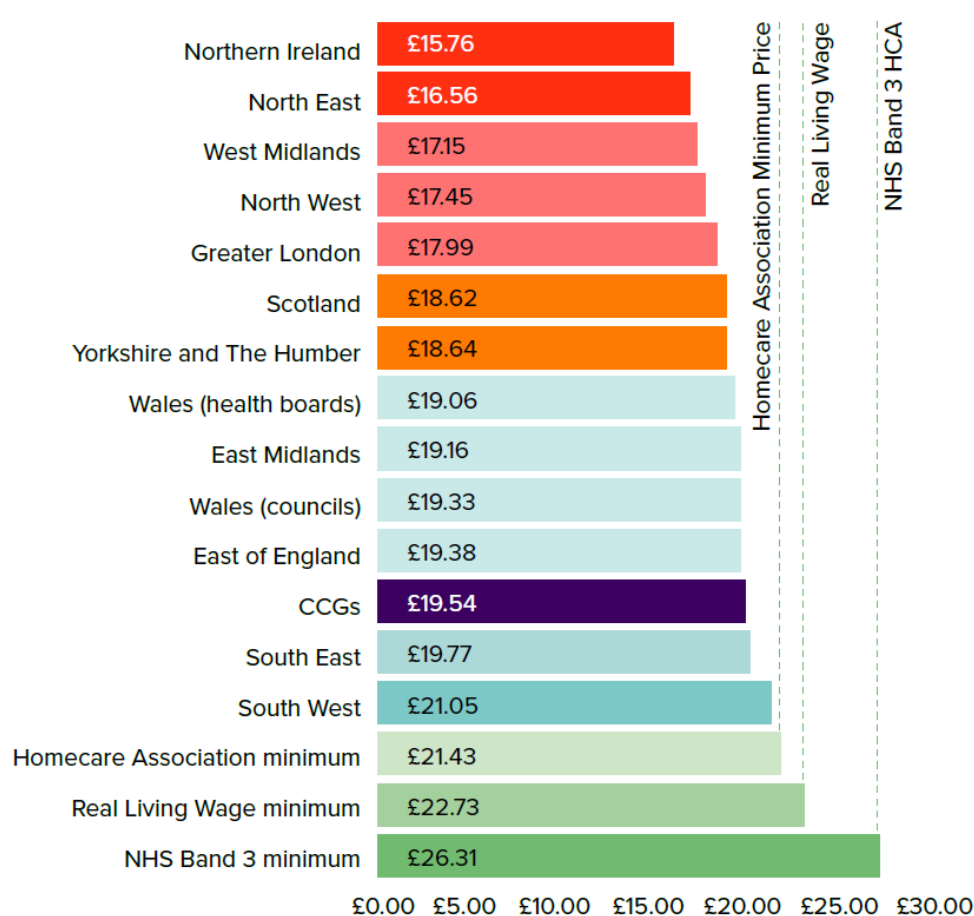
An award based solely on an inflationary index, such as CPI, does not reflect wage inflation experienced by employers. For example, CPI is a measure of how the prices of goods and services bought by households rise or fall. However, the cost of homecare is largely determined by: (a) wage levels and their resulting on-costs; (b) the costs of employing managers and supervisors, and (c) meeting other regulatory requirements.

The Office of National Statistics (ONS) reported that [CPI rose by 5.1%](#) in the 12 months to November 2021, up from 4.2% to October. This is the highest CPI 12-month inflation rate since September 2011, when it stood at 5.2%. General inflationary pressures add to the care inflationary pressures, which are typically substantially higher for the reasons stated above. Changes in operational practices due to COVID-19 have also added to costs.

An award equal to the 59 pence increase in the National Living Wage rates (£8.91 per hour to £9.50 per hour) between April 2022 and March 2023 would fail to recognise the additional wage-related on-costs providers incur, including careworkers' travel time, employers' contributions to National Insurance and pensions, holiday pay, training time and sickness. Nor does it cover inflationary pressures on non-wage costs.

As the Homecare Association's recent [Homecare Deficit Report 2021](#) revealed, many councils and NHS commissioners are already paying well-below the true costs of care, so rate increases required this year will need to be considerably higher to avoid causing further damage to the state-funded homecare sector.

Weighted average hourly prices paid for homecare in the UK in 2020/21



Market Sustainability and Fair Cost of Care

In September 2021 the Prime Minister confirmed the government will be providing funding to support local authorities move towards paying providers a fair rate for care.

In a statement announcing a new [Market Sustainability and Fair Cost of Care Fund](#), published on 16 December 2021, further detail is provided on the funding available, including expectations for fair cost of care and market sustainability, conditions of funding and distribution for 2022 to 2023.

In this document, central government acknowledges under-investment in care:

We know some local authorities are promoting efficient and effective operation of care markets, with sustainable rates of care and ambitious market position statements. **However, a significant number of local authorities are paying residential and domiciliary care providers less than it costs to deliver the care received.** This is undermining their markets, creating unfairness, affecting sustainability and, at times, leading to poorer quality outcomes.

While recognising that local authorities are responsible for facilitating the efficient and effective operation of local care markets, we want to support them, where necessary, to address issues affecting their markets, and move them to a more stable footing. Action now is important for 2 reasons. First, from October 2023 we will enable more people who fund their own care in care homes to ask their local authority to arrange care on their behalf to secure better value (those in domiciliary care can already do so), by further bringing into effect section 18(3) of the Care Act 2014. This will help to address the current differential in fee rates charged to some self-funders. The market effect of this change will be that some providers will over time need to reduce reliance on subsidising state-funded care from self-funders. Where this has an impact, local authorities will need to ensure their market can be sustained and fee rates are sustainable.

Second, uncertainty over future funding, combined with low fees by some local authorities, has resulted in under-investment in local care markets, buildings and innovation, and call-cramming (systematically cutting visits short to allow time for travel) in domiciliary care. This is leading to poorer quality outcomes and therefore needs to be addressed to enable local authorities to successfully deliver our system

reform ambitions, as set out in our recent white paper, [People at the Heart of Care](#).

The government has allocated funding for a fair cost of care as follows:

Year	Amount
2022-2023	£162m
2023-2024	£600m
2024-2025	£600m
TOTAL	£1.4 billion

Funding conditions

The 2022 to 2023 funding is designed to ensure local authorities can prepare their markets for reform (particularly the impact of section 18(3)) and move towards paying providers a fair cost of care, as appropriate to local circumstances. To prepare markets, government expects local authorities to carry out activities such as:

1. Conduct a cost of care exercise to determine the sustainable rates and identify how close they are to it.
2. Engage with local providers to improve data on operational costs and number of self-funders to better understand the impact of reform on the local market (particularly the 65+ residential care market, but also additional pressures to domiciliary care).
3. Strengthen capacity to plan for, and execute, greater market oversight (as a result of increased section 18(3) commissioning) and improved market management to ensure markets are well positioned to deliver on our reform ambitions.
4. Use this additional funding to genuinely increase fee rates, as appropriate to local circumstances. **To fund core pressures, local authorities can make use of over £1 billion of additional resource specifically for social care in 2022 to 2023. This includes the increase in Social Care Grant and the improved Better Care Fund, a 1% adult social care precept and deferred flexibilities from last year's settlement.**

Estimates of funding required

The Competition and Markets Authority identified that **£1 billion extra funding** per year would be needed across the UK for councils to pay fee rates which cover the costs that care homes incur.

In our Homecare Deficit Report 2021, we calculated that **£1.7 billion extra funding** per year would be needed across the UK for public organisations to purchase homecare at fee rates that allow careworkers to be paid between £9.50 and £11.14 per hour.

United Kingdom

£18.45

The weighted average price paid by councils in Great Britain and Health and Social Care Trusts in Northern Ireland for an hour of homecare for people aged 65 years or above in a sample week during April 2021.

£19.51

The weighted average price paid by NHS bodies in England and Wales for an hour of homecare for people aged 65 years or above in a sample week during April 2021.

£18.57

Overall, the weighted average for the United Kingdom (councils/HSC Trusts and NHS bodies combined) for an hour of homecare for people aged 65 years or above in a sample week during April 2021.

£1.72 billion

The additional money needed overall per year to ensure that homecare workers in the United Kingdom can be paid the same as NHS healthcare assistants at Band 3 with 2+ years' experience (NHS, 2021), and that homecare services are financially sustainable.

£1.01 billion

The additional money needed overall per year to ensure that homecare workers in the United Kingdom receive the real Living Wage/Scottish Living Wage of £9.50 per hour (2020-2021) or the London Living Wage of £10.85 per hour (2020-2021), approved by the Living Wage Commission, and that homecare services are financially sustainable.

£641.7 million

The additional money needed overall per year just to guarantee that homecare workers in the United Kingdom receive the Government's statutory National Living Wage of £8.91 per hour (2020-2021), while also enabling homecare services to meet their statutory obligations.

£26.31

The hourly rate that public organisations in the United Kingdom should pay for homecare to ensure careworkers are paid the same as NHS healthcare assistants at Band 3 with 2+ years' experience, and that homecare services are financially sustainable.

£25.70

The hourly rate that public organisations in London should pay for homecare to ensure careworkers are paid at the London Living Wage of £10.85 per hour, and that homecare services are financially sustainable.

£22.73

The hourly rate that public organisations in the United Kingdom should pay for homecare to ensure careworkers are paid at the real Living Wage/Scottish Living Wage of £9.50 per hour, and that homecare services are financially sustainable.

On this basis, we would need £2.7 billion extra per year to eliminate the need for cross-subsidy from self-funders in care homes and improve pay, terms and conditions of domiciliary careworkers as well as sustainability of domiciliary care services.

What we appear to have available is an average of £467m extra per year for three years, potentially supplemented by council income from council tax, the social care grant and the Better Care Fund. The government suggests this could amount to cover £1 billion in 2022 to 2023.

Potential benefits and risks of a Fair Cost of Care

The Homecare Association has provided evidence of under-investment in homecare for years through its Homecare Deficit Reports.

In our [Homecare Deficit Report in 2018](#), and again in 2021, we called for:

- Authorities and providers to enter into transparent, open-book costing exercises to assess the actual costs of care in the local area, taking into account wage expectations of the local labour market and actual business costs.
- Authorities to pay a rate which is *at least* consistent with the National Minimum Wage and the full costs of running a quality homecare service, including a level of profit or surplus that enables providers to remain viable within a diverse and sustainable local homecare market.
- Authorities which aspire to payment of one of the Voluntary Living Wages to factor these additional costs into the prices they pay their providers.
- Governments of all four UK administrations to take responsibility for holding commissioning bodies to account, preferably by requiring statutory regulators to undertake effective oversight of the commissioning functions of councils and Trusts.
- Providers not to enter into contracts with authorities unless they are confident that prices are sustainable and enable the right quality to be delivered.
- Governments in each UK administration must ensure that purchasing authorities have sufficient resources to pay the necessary fees to providers so that they can meet their legal and social responsibilities.

It is therefore very pleasing to see that our evidence and campaigning has had an influence, as most of these recommendations have been incorporated into the reform proposals, including a Fair Cost of Care.

Even though policies appear to be moving in the right direction, some key questions remain:

1. *Is there enough money to make this work in the current environment, without the unintended consequence of destabilising the market?*

Our concern is that the answer may be no. Creating a situation where providers lose self-funder income, by offering care to private-payers at inadequate local authority fee rates, could result in loss of financial viability. It is imperative that adequate additional funding is made available to prevent provider failure or continued requirement by consumers to pay top-ups.

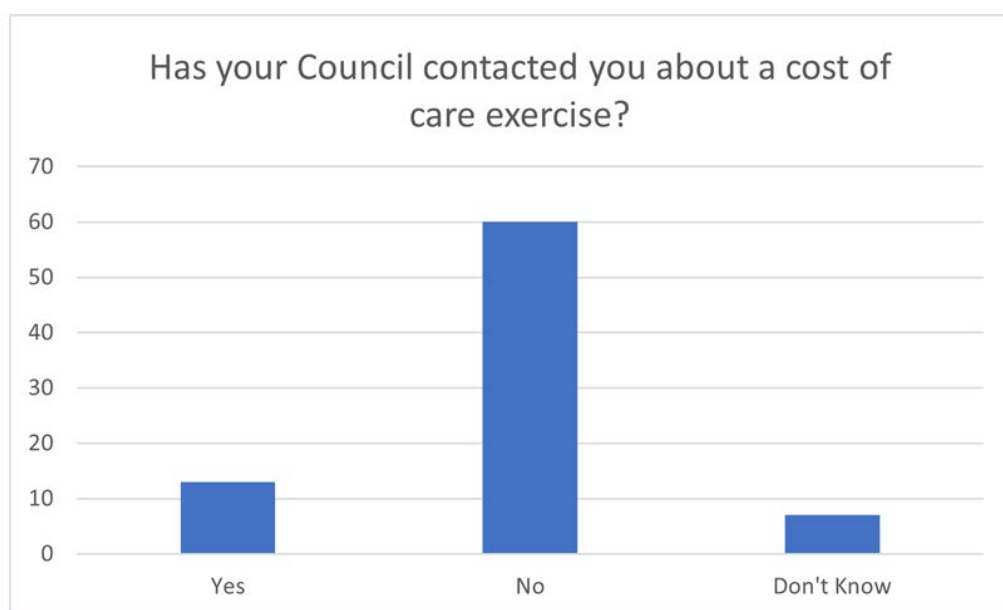
2. *Will local authorities conduct meaningful cost of care exercises?*

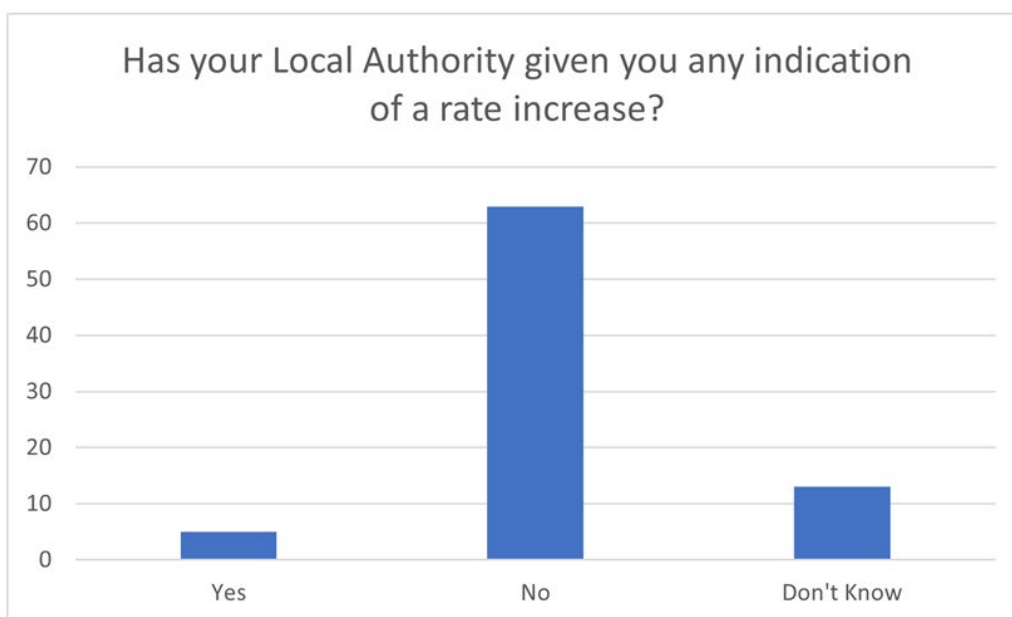
Responses to our recent FOI enquiries on this topic provided evidence that only 28% of public organisations purchasing homecare were able to produce a calculation or rationale for the fee rates they are paying, so there is substantial work to do.

3. *Will local authorities pass on the extra funding to homecare providers in a timely fashion?*

Few local authorities have opened discussions with providers about fee rates for 2022 to 2023. We understand they may have been waiting for news of the local government settlement, but time is short and conversations should have begun before now.

Responses to a Homecare Association poll of members on 8 December 2021 (n = 116)





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Calls for action

Central government

To provide adequate financial support for 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 (£11.14 per hour).

Local authorities

To move without delay to discussing and agreeing fee rates for 2022 to 2023 with providers, understanding costs and taking fair account of levels of wage and other inflation of at least 8%.

Providers

To avoid entering into contracts with authorities unless confident that prices are sustainable and enable the right quality to be delivered.

Why understanding the costs of homecare is important

Announcing the publication of the Homecare Association's Minimum Price for Homecare for 2022-2023, the Homecare Association's CEO, Dr Jane Townson said:

“Central government must ensure long-term sustainable investment in the care sector. Whilst funding announcements made to date are welcome, the amounts allocated fall far short of requirements. Government is providing £1.8 billion extra per year for three years, when we need an estimated £14 billion extra per year to meet future demand, improve access to care and pay more for care.

Councils and the NHS must recognise the true costs of homecare and pay sustainable rates. Our analysis indicates that fee rates of between £23.20 and £29.90 per hour, depending on wage rate, are needed.

Squeezing fee rates over many years has led to poor pay, terms and conditions for careworkers. At the same time that demand for homecare is rising, we are experiencing the worst shortage of careworkers in living memory. Careworkers are leaving in droves to jobs in retail and hospitality, which pay much higher wages and do not require vaccination as a condition of deployment.

In some cases, councils are paying fee rates that do not even cover careworkers' wages plus employment on-costs. It should be unlawful for public organisations to commission and purchase homecare at fee rates that do not enable compliance with employment or care regulations.

Providers are encouraged only to bid for contracts which enable high quality, sustainable service delivery and to avoid subsidising local authorities. We welcome government proposals for the Care Quality Commission to provide oversight of local authority commissioning.

We continue to call on central government to provide adequate financial support for local authorities to enable them to pay a fair price for care, allowing careworkers to receive wages equivalent to Band 3 healthcare assistants in the NHS with 2+ years' experience (£11.14 per hour).

We call on local authorities to move without delay to discussing and agreeing fee rates for homecare in 2022 to 2023 with providers, understanding costs and taking fair account of wage and other inflation of at least 8%.

Greater investment is needed in homecare and community support, so we can enable people to live well at home, extend healthy life expectancy, reduce inequalities, take pressure off the NHS and reduce costs for the health and care system.”

Clarifying notes

- The Homecare Association's Minimum Price for Homecare assumes that homecare providers receive payments from their commissioning bodies based solely by reference to "contact time" (the time spent delivering care), excluding careworkers' travel time which must also be factored into providers' costs, and which forms part of the assessment of compliance with the National Minimum Wage Regulations.
- Careworkers undertake extremely varied and valuable roles in society. Under no circumstances should the Homecare Association's Minimum Price for Homecare, calculated at the flat rate of National Living Wage without enhancements for unsocial hours working, be treated as a national acceptable price capable of achieving a stable workforce.
- There is a difference between a "**minimum price**" - which covers basic legal requirements - and a "**fair price**" - which recognises the value of homecare services to society and provides a fair reward for our essential workforce.
- The Homecare Association will continue to challenge central government on the overall funding of social care. It is, however, local authorities and the NHS which are responsible for determining the prices they pay for homecare services at a local level.

We encourage homecare providers to share this briefing with the directors of adult services (and their equivalents) in the authorities and NHS commissioning bodies to which they provide services.

This information is available on the Homecare Association blog and as a PDF version on the Homecare Association website. The latest version of the Homecare Association's Minimum Price for Homecare is available from this link:

www.homecareassociation.org.uk/minimumprice

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