



Homecare Association

Homecare Association representation to the Senedd Finance Committee on the Draft Welsh Government Budget 2026/27

Submitted 24 September 2025

1. What, in your opinion, has been the impact of the Welsh Government's 2025-2026 Budget?

Since 1 April 2025, homecare providers in Wales have faced financial strain as a result of the UK Government's Autumn Budget, which increased employers National Insurance Contributions (eNICs) from 13.8% to 15% and reduced the secondary threshold from £9,100 to £5,000 per annum. While Welsh public services received £220m in additional funding to offset this, the support excluded commissioned homecare. Providers therefore had to absorb the increased costs with no compensatory uplift.

When we wrote to the Welsh Government to raise concerns about the lack of funding for eNICs, the Minister for Children and Social Care responded that "*The Welsh Government acknowledges the issue raised; however National Insurance is a non-devolved tax and the responsibility of the UK Government.*" Yet, the Welsh Government is the funder and purchaser of most care services in Wales. This position leaves providers absorbing rising national costs, while commissioners continue to set fee rates that do not reflect true delivery costs.

This decision compounded existing challenges. The Welsh Government has stated that its 2025-26 budget included funding to meet Real Living Wage (RLW) commitments, but without ring-fencing¹, most providers have not seen this funding flow through to front-line commissioned contracts. Fee uplifts have consistently fallen short of covering the combined impact of RLW and eNICs. Commissioners themselves acknowledge this gap, with several indicating that Welsh Government funding has been insufficient to meet the funding needed to meet these requirements.

¹ [draft-budget-narrative-2025-2026.pdf](#)

Evidence from our annual Minimum Price for Homecare² reinforces this point. Every year we calculate the minimum fee rate needed to deliver high-quality care sustainably. To do this in 2025-26 while paying RLW, providers require a minimum of £33.90 per hour. The table below shows how we calculate this figure.

Minimum Price for Homecare in Wales at the Real Living Wage (announced in October 2024)				Costs per hour		
Careworker costs	Gross pay	Hourly rate for contact time	Real Living Wage	£12.60	£15.43	£24.40
		Travel time	Average travel time of 8.09 minutes per visit	£2.83		
	Mileage	Travel reimbursement	Average travel distance of 2.70 miles per visit	£2.02	£2.02	
	Other wage related on-costs	Training time	Based on 7,351 training hours per year	£1.19	£4.14	
		Sick/Maternity & paternity pay	5.32% of contact & travel hours	£0.82		
		Notice & suspension pay	0.14% of contact & travel hours	£0.02		
		Holiday pay	12.07% of contact, travel & other non-contact related hours	£2.11		
	NI & pension	Employers' National Insurance	15% liability above the threshold of £5,000 per employee	£2.21	£2.80	
		Pension contribution	Minimum pension contribution of 3%	£0.59		
Gross margin	Business costs	Management & supervisors	Estimated fixed cost	£2.75	£7.28	£9.50
		Back-office staff	Estimated fixed cost	£0.93		
		Staff recruitment	Estimated fixed cost	£0.40		
		Training costs	Estimated fixed cost	£0.52		
		Regulatory fees	Estimated fixed cost	£0.03		
		Rent, rates & utilities	Estimated fixed cost	£0.52		
		IT & telephony	Estimated fixed cost	£0.51		
		PPE & consumables	Estimated fixed cost	£0.36		
		Finance, legal & professional	Estimated fixed cost	£0.36		
		Insurance	Estimated fixed cost	£0.20		
		Other business overheads	Estimated fixed cost	£0.70		
	Profit	Profit/surplus/investment	7% of careworker costs & business costs	£2.22	£2.22	
Total price based on the Real Living Wage (announced in October 2024)				£33.90	£33.90	£33.90

Evidence from our research earlier this year³ suggested that average fee rates in Wales are around £25.56 for 2025/26; however this was from an incomplete data set, and we will be publishing an updated figure later this year. This means providers needed an uplift of around a third just to cover costs and meet the deficit in 2025-26 – around £100m of additional funding (for homecare alone) compared to 2024-25. This does not include the increase to cover inflationary costs for 2026-27, which we will not calculate until the Living Wage Foundation publish the revised Real Living Wage. In 2023, only two local authorities in Wales, and none of the NHS boards, met our minimum price. We are currently assessing the situation for 2025 and will share our report with the Welsh Government when we publish it.

The implications of this are serious for care providers, care workers and the people who rely on their services. Employment costs account for 70-75% of overall homecare expenditure (and up to 90% when fee rates are particularly low.) This means there is a direct relationship between what commissioners pay and what careworkers receive. Unlike other sectors, providers cannot raise their prices in response to rising costs, since councils and NHS bodies purchase around 80% of homecare. When fee rates

²Minimum Price for Homecare – Wales 2025 -2026

³ Fee Rates for State-Funded Homecare in 2025-26

fall short, margins shrink, quality is put at risk and the workforce leaves for other sectors.

We are already seeing the consequences in the market. Responsible employers, who prioritise fair pay and safe standards, are struggling to remain viable. Some providers have withdrawn from contracts or reduced capacity; others have been forced into restructuring or closure. At the same time, less scrupulous providers may continue to operate at unviable fee rates by cutting corners, exploiting staff, or compromising the quality of care for older and disabled people. This creates the dangerous illusion that the sector can absorb rising costs, when in reality it is destabilising the market and driving a race to the bottom.

In sum, the Welsh Government's 2025–26 Budget has not safeguarded the sustainability of the homecare sector. By failing to ring-fence RLW funding, by excluding commissioned homecare from the eNICs offset, and by not requiring commissioners to meet the Minimum Price for Homecare, the Budget has left providers financially exposed and service users at risk.

2. How financially prepared is your organisation for the 2026-27 financial year, how confident are you that you can deliver planned objectives, and how robust is your ability to plan for future years?

Homecare providers are entering 2026-27 with a significant budget deficit and face the reality that only a budget increase above inflation will allow them to meet rising costs and maintain service standards. The pressures of 2025-26, namely underfunded RLW commitments and the unfunded increase in eNICs, have left providers with little financial resilience to absorb new obligations.

From April 2026, the sector will face further cost pressures linked to the implementation of provisions in the UK Employment Rights Bill. For example, most homecare providers currently only offer Statutory Sick Pay (SSP). This is not out of choice, but because commissioners pay below the minimum price required for sustainable care, leaving no financial headroom to fund enhanced benefits. Because the homecare workforce is disproportionately part-time, the planned reforms to SSP will fall particularly heavily on providers, significantly raising employment costs. We have previously estimated that the changes could increase provider costs by around 10p per hour of care delivered, and this is only one element of the Bill.

The Homecare Association supports the principles of the Employment Rights Bill: stronger worker protections, improved pay, and greater security for care staff are all essential to making social care an attractive career. However, parallel reform in funding and commissioning is necessary to realise these goals. Unless the Welsh Government ensures resources flow through to providers, the costs of compliance will

further destabilise the sector and undermine its ability to deliver safe, high-quality care.

Looking ahead, there is also a strong likelihood of a Fair Pay Agreement for careworkers being introduced in Wales. While this could represent a vital step forward in valuing the workforce, the Welsh Government must learn from the RLW experience. Announcements of funding have not consistently translated into sufficient fee uplifts at the frontline. A Fair Pay Agreement would fail if the same problem is allowed to persist. To succeed, the Welsh Government must fully fund any new pay commitments regardless of UK Government funding and ensure the funding is ring-fenced to reach providers.

The risk of inaction is serious. Reduced or withdrawn services place additional pressure on unpaid carers and families, increase hospital admissions and discharge delays, and drive up unmet need across communities. Workforce shortages will intensify as staff leave for better-paid and more secure jobs in other sectors. Those providers that remain will be forced to cut corners or reduce quality, with damaging consequences for both workers and the people who rely on care.

We therefore urge the Welsh Government to:

- **Implement a National Contract for Care Services** – a compulsory minimum fee rate, calculated by a method agreed with those involved in the sector, to ensure commissioners do not purchase homecare below that rate.
- Provide ~£100m of **funding for homecare services to cover the historic deficit** in costs, including for eNICs .
- Provide **additional funding** in the 2026/27 budget to cover the increased costs of the Real Living Wage for commissioned social care services across Wales.
- **Ring-fence all funding** to ensure clarity and assurance for commissioners and providers that the Welsh Government has covered these costs.
- Work collaboratively with local government, the NHS, and provider representative bodies to guarantee that funding reaches providers **at the start** of the financial year. (Often fee negotiations are not finalised until well into the financial year; this means commissioners ask providers to operate under conditions of financial uncertainty).