Homecare Association

Homecare Association Representation Autumn Budget 2026

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Executive summary

Homecare is economic and health infrastructure. It supports almost 1.5 million older and disabled people, enables unpaid carers and family members to remain in work, creates jobs in every community and helps the NHS move care out of hospitals. Adult social care contributed £77.8 billion in gross value added to the English economy in 2024-25, and the wider sector employs more than 1.7 million people across the United Kingdom[1].

Yet the way publicly funded homecare is purchased is undermining these benefits. Public bodies fund around 80% of homecare, but many buy isolated contact minutes from a highly fragmented market, guarantee providers no work and pay rates below the cost of lawful delivery. This transfers financial risk from commissioners to providers and, ultimately, to a predominantly female and increasingly international workforce. It also acts against the Government's objectives for fair pay, guaranteed hours, immigration compliance, prevention and neighbourhood health.

The amounts below must be treated as overlapping pathways, not added together. In particular, the £2.64 billion England estimate for sustainable homecare at NHS Band 3-equivalent pay includes the lower National Living Wage compliance gap[2].

Table 1 shows our five priority policy asks and decisions required of HM Treasury.

[1] Skills for Care (2026) The state of the adult social care sector and workforce in England, 2025
[2] Homecare Association (2025). The Homecare Deficit 2025.

Table 1: Five priority policy asks and decisions required of HM Treasury

Priority	Budget decision	Evidence and scale
1. Stabilise care	Provide £2.64 billion for England in 2026-27 to support NHS Band 3-equivalent pay and sustainable provision, with corresponding provision for residential care and the devolved administrations. If HM Treasury phases the settlement, the irreducible first step is at least £1.98 billion for England, updated for 2026-27 costs, to close the National Living Wage compliance gap.	The 2026-27 Minimum Price for Homecare is £34.42 per hour at the National Living Wage[3]. The 2025 Homecare Deficit analysis estimated gaps of £1.98 billion in England at the National Living Wage and £2.64 billion at NHS Band 3-equivalent pay; the newer Minimum Price report estimates £3 billion is needed in England in 2026-27 at Band 3-equivalent pay[4]. **Fiscal and economic return:** Each additional £1 billion invested in social care supports around 50,000 jobs.[5] Sustainable homecare also helps unpaid carers remain in paid work.
2. National contract	Fund DHSC to introduce a National Contract for Care Services, with a transparent fee-rate floor, statutory-cost adjustment and model payment terms. Attach assurance to social care funding so commissioners cannot purchase below the lawful cost of the service required.	In 2025-26, 29% of councils and Health and Social Care Trusts paid average rates below the direct employment cost of a careworker at the National Living Wage; only one council paid at or above the relevant Minimum Price. **Fiscal and economic return:** An NHS bed-day costs £562, compared with £137.68 for four hours of homecare.[6] IFS found that each £100 cut in social care spending adds £1.50 to A&E spending.[7]

[3] Homecare Association (2025). Minimum Price for Homecare for 2026-2027 (England).
[4] Homecare Association (2025). The Homecare Deficit 2025.
[5] Fabian Society (2023). Support Guaranteed.
[6] Kings Fund (2026). New Research From The King's Fund Finds That Delayed Discharges Cost NHS £2,7bn, Up 7.5% On Previous Year.
[7] Institute for Fiscal Studies (2020). Long-term care spending and hospital use among the older population in England.

Priority	Budget decision	Evidence and scale
3. Employment rights	Fully fund the Fair Pay Agreement and the homecare costs of the Employment Rights Act 2025. Commission a comprehensive sector impact assessment and provide an automatic, ring-fenced route into council and NHS contract prices.	The £500 million announced for the whole adult social care sector cannot deliver a competitive wage on its own. Partial Homecare Association scenarios for Statutory Sick Pay, guaranteed hours and cancellation payments indicate annual homecare costs of roughly £160 million to £527 million, before any non-statutory good-practice costs for union meetings and before residential care. **Fiscal and economic return:** Funding duties through contract prices supports compliance and can reduce annual homecare turnover of 24.1%, along with associated recruitment, training and productivity losses.[8]
4. Commissioning	Resource DHSC, MHCLG and the Cabinet Office to publish a national commissioning framework and model clauses, and fund council and Integrated Care Board demonstrators of neighbourhood, capacity-based and outcomes-focused homecare.	Sixty-one per cent of councils and Health and Social Care Trusts purchase no more than 500 hours per provider per week, while only 1% rely solely on block contracts that guarantee provider income[9]. Modelling shows geographic consolidation could reduce mileage by up to 65% and deliver the same calls with 35% fewer careworkers[10]. **Fiscal and economic return:** Geographic consolidation makes the same public expenditure go further, releasing scarce workforce capacity and reducing travel costs without cutting care.

[8] Skills for Care (2026) The state of the adult social care sector and workforce in England, 2025.
[9] Homecare Association (2025). The Homecare Deficit 2025.
[10] Health Innovation Network SW (2023). Trial of AI-based optimisation in domiciliary care.

Priority	Budget decision	Evidence and scale
5. Assurance	Provide time-limited CQC surge funding and sufficient recurrent capacity for community social care; require funded plans for employment enforcement and tribunal backlogs; and examine targeted tax relief, including zero-rating regulated homecare and widening access to Employment Allowance.	At 5 May 2026, 83.5% of community social care locations had never been assessed or had a rating at least four years old[11]. Independent modelling indicates £15.6 million to £21.6 million, with a central estimate of £17.8 million, to clear the defined community backlog, subject to validation by CQC[12]. **Fiscal and economic return:** Clearing the backlog reduces the downstream costs of poor care; faster enforcement reduces legal costs; and tax relief helps households buy preventative care before costlier crisis intervention.

These five decisions are parts of one system. Additional funding without reform can continue to buy fragmented minutes. Employment legislation without funded contracts can increase non-compliance. Consumer choice without timely regulation cannot be informed. HM Treasury is uniquely placed to align the settlement, the policy-costing framework and the conditions attached to public expenditure.

[11] Homecare Association (2026). Unseen & Unrated – the widening assurance gap in CQC-regulated community social care.
[12] Independent analysis by SDWH Limited (2026). Health and Social Care: inspections data monitor.

The fiscal case for homecare

The Government's ambition for good growth in every postcode depends on sectors that create local employment and allow people to participate in the economy. Every community has people who need care; every local economy benefits when older and disabled people remain independent and when care enables families to stay in work.

Economic contribution and labour supply

Social care contributed £77.8 billion in gross value added to the English economy in 2024-25[13]. More than 85% of the homecare market comprises small and medium-sized enterprises rooted in local labour markets; only 1.8% of non-residential CQC-registered organisations employ more than 250 staff. Fabian Society modelling suggests that each additional £1 billion invested in social care supports around 50,000 jobs, with the largest concentrations in the North East and North West[14].

There are significant opportunities to increase labour supply, reduce unemployment and improve sector skills retention by investing in the homecare sector:

- Working-age unpaid carers leave employment. Carers UK estimates that 600 people abandon work every day to provide unpaid care[15]. Research shows that working-age carers providing over 10 hours of care weekly are 1.6 times more likely to remain employed (women) and 1.7 times (men) if the person they support receives funded care. London School of Economics (LSE) modelling indicates that providing paid social care services increases employment participation for this group by 8.7%, with each additional job requiring approximately £30,000 in care spending[16].
- Social care can also play a direct role in supporting disabled people to work. Leonard Cheshire estimated that this could boost the economy by between £6-20bn[17].
- Social care can support disabled and older people to go out and spend money in their local economies (the 'Purple Pound' – consumer spending by households including a disabled person was worth £446bn p.a. in 2025[18]).
- There are significant employment growth opportunities in the social care sector. In 2025/26 there were 96,000 vacant posts in adult social care[19]. Skills

[13] Skills for Care (2025). The state of the adult social care sector and workforce in England, 2025.
[14] Fabian Society (2023). Support Guaranteed.
[15] Carers UK (2019). More than 600 people quit work to look after older and disabled relatives every day.
[16] London School of Economics. Unpaid care.
[17] Leonard Cheshire (2021). Invest in social care and it could pay for itself.
[18] Money Advice Trust (2025). Podcast. Episode 53 - Is the Purple Pound really worth £446bn? With Mike Adams and Jamie Evans.
[19] Skills for Care (2026). The size and structure of the adult social care sector and workforce in England.

for Care estimates that by 2040 the social care sector will need to increase staffing by 24% from its 2025/26 if it is to meet demand - this would be 410,000 additional jobs. For perspective, the Office of National Statistics (ONS) estimate there are currently 1.77m people unemployed in the UK[20]. Social care could be a major key to addressing unemployment issues and stands ready to work with Government on youth unemployment.

- Skilled careworkers drift from care to other sectors. Homecare staff turnover runs at 24.1% annually[21]. Each replacement costs providers £3,000-£5,000 in recruitment, training, and lost productivity. At sectoral scale, this level of turnover reduces productive capacity. Addressing the factors, such as low pay (which we discuss below), that impact retention rates could improve skills retention in the sector and enable growth and increased efficiency.

NHS productivity and prevention

The homecare sector could also play a role in improving hospital efficiency and reducing demand for treatment in A&E and hospital beds.

Insufficient homecare capacity directly impacts hospital efficiency. Delayed discharges affected an average of 13,750 patients per day in January 2026[22]. In 2025, capacity issues were the leading cause of hospital delays across all lengths of stay, affecting nearly 3,700 patients a week who stayed in hospital for 7 days or more. Patients with longer hospital stays (21 days or more) account for over half (around 56%) of those with at least a week hospital stay, in cases related to capacity constraints, interface processes, and wellbeing concerns. Previous research by the Nuffield Trust showed that 25% of delays were related to waits for homecare[23]. It is significantly cheaper to keep someone at home - an NHS bed-day costs £562[24], meanwhile 4 hours of homecare visits a day at our minimum price of £34.42 would cost £137.68. At present, homecare providers report that they have capacity but that the NHS discharge processes and procurement are ineffective at securing placements when needed[25]. Getting procurement policies right could generate significant efficiencies for the health sector.

Similarly, the Institute for Fiscal Studies has found that a 31% fall in social care spending led to an 18% increase in A&E admissions for over-65s and a 12.5% increase in A&E readmissions within 7 days. Each £100 reduction in social care spending

[20] Office for National Statistics, Census 2021. LFS: Unemployed: UK: All: Aged 16+: 000s: SA: Annual = 4 quarter average.
[21] Skills for Care (2026) The state of the adult social care sector and workforce in England, 2025.
[22] Nuffield Trust Quality Watch (2026). Delayed discharges from hospital.
[23] Nuffield Trust (2023). Understanding delays in hospital discharge.
[24] Kings Fund (2026). New Research From The King's Fund Finds That Delayed Discharges Cost NHS £2,7bn, Up 7.5% On Previous Year.
[25] Homecare Association (2024). Expecting the Unexpected – homecare providers' perspectives on hospital discharge.

resulted in a £1.50 increase in A&E spending[26]. The government hasn't seriously explored the true preventative health capacity of homecare services if properly linked with community health services and public health services.

Four steps to a more productive homecare market

The relevant HM Treasury question is not simply what homecare costs. It is what well-designed homecare expenditure enables: higher labour-market participation, a larger and more stable care workforce, local spending and fewer costs elsewhere in the public sector.

The Government's commitment to social care reform, the Casey Commission's Big Conversation on Care, and the ambition to deliver better outcomes for citizens create an opportunity to do more than address the immediate pressures facing the sector. We can build a homecare market that is sustainable, productive, innovative and capable of delivering high-quality care and fair employment. The Homecare Association proposes four steps to achieve these aims (Figure 1):

Figure 1: Four steps to improve productivity, efficiency, employment and outcomes for people drawing on care services

1. Market shaping and commissioning must make better use of existing public expenditure and create the conditions for innovation.
2. Fair price must ensure that the money spent on homecare is sufficient and reaches the frontline.
3. Fair pay and secure income must ensure that government funds employment policy and that it is deliverable.
4. Fair regulation must protect quality and prevent the undercutting of ethical providers.

[26] Institute for Fiscal Studies (2020). Long-term care spending and hospital use among the older population in England.

We consider each of these steps in the following sections.

Market shaping and commissioning

Commissioning is the mechanism through which public funding becomes care - and the public sector funds around 80% of homecare[27]. Commissioning shapes everything that follows: the quality and continuity experienced by citizens; whether people have meaningful choice and control; the employment conditions of careworkers; whether providers can meet immigration and employment requirements; the viability of neighbourhood working; and effective regulation of services. Yet the current commissioning model is fundamentally broken, and no amount of additional funding or stronger legislation will fix it while that model remains in place.

While HM Treasury does not directly influence commissioning policy, it works with the Cabinet Office, which is responsible for public sector procurement policy and controls the flow of funding.

The challenges

The following issues are currently apparent in the homecare market directly because of purchasing/commissioning approaches:

- **Undervaluing of the outcomes of people being supported**. Current procurement approaches as applied by councils do not sufficiently prioritise outcomes for people using services. Tenders and contract management focus on time and task and in most parts of the country, purchasers have not developed systems to track the well-being and desired outcomes of people using services. Focusing on proxy measures such as call time and tasks completed doesn't deliver value for money for the people involved or the whole system. It also dis-incentivises innovation (see below).
- **Compliance – race to the bottom**. We are seeing widespread challenges to maintaining sector-wide compliance with existing employment legislation, and this risks responsible employers being undercut. Homecare Voices found that 72% of homecare workers' employers pay them contact time only. However, an average pay rate of £13.08 for contact-time is not sufficient to cover contact, travel and wait time at the national minimum wage[28]. UK Visas and Immigration (UKVI) has had record levels of sponsorship revocations this year – 1,545 revocations in Jan-March 2026 alone, with much of that to do with pay compliance in the care

[27] LaingBuisson (2024). Adult Social Care in the UK Scale, Structure, Funding and Financial Performance of the Independent Sector.
[28] Homecare Voices (2026). Behind closed doors. The realities of employment in domiciliary care.

sector[29]. In 2025/26 29% of councils and Health and Social Care (HSC) Trusts paid average rates below the direct employment costs of careworkers at the minimum wage[30]. This is partly because commissioners don't understand homecare cost structures and don't account for non-billable time.

- **(Bogus) self-employment.** It is questionable whether a careworker can correctly categorise themselves as self-employed from a tax or employment law perspective. In August, the Office of National Statistics (ONS) reported an increase of 51,000 self-employment jobs in human health and social work activities in the last quarter[31]. We have seen NHS trusts contracting hospital discharge services from platforms using self-employed careworker models[32]. This undermines care and employment legislation.
- **Inefficiency and staff retention issues due to work fragmentation** - Homecare is a fragmented market, with more than 14,500 registered providers[33]. 61% of councils and Health and Social Care Trusts purchased no more than 500 hours per provider each week[34]. While this might be necessary for specialist services, work fragmentation makes it harder to organise careworker rotas into time-efficient runs of calls. We are not advocating a large provider model or a monopoly situation, but open framework agreements can go too far in fragmenting work so no provider has enough to offer secure working conditions.
- **Unintended incentives to keep hours up – a barrier to innovation.** The current focus in homecare purchasing and contract management on the number of minutes of care delivered, and the tasks completed means that, once awarded a contract, providers have an incentive to maintain whatever hours that they have rather than support people via enablement and technological solutions to increase their independence. The focus on time rather than outcomes therefore dis-incentivises providers from investing in efficiency, enablement and new technologies and could result in the nation paying for far more care hours than would be required if there were opportunities to innovate and results in people being disempowered. Capitated or block purchasing models for services, or models that reward providers based on outcomes and enablement of the people they support rather than minutes worked, could transform the market.
- **Lack of integration**. Integration of health and social care models requires building trusted relationships with providers in local areas. Highly fragmented areas that purchase care by the minute based on low price are less likely to establish the trust needed to work together on health outcomes.

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[29] Home Office (2026). Monthly entry clearance visa applications, July 2026.
[30] Homecare Association (2025). The Homecare Deficit 2025.
[31] Office for National Statistics (2026). Vacancies and jobs in the UK. Jobs for March 2026.
[32] LaingBuisson News (2026). https://www.laingbuissonnews.com/care-markets-content/ilarna-supports-nhs-trusts-on-hospital-discharge/.
[33] Care Quality Commission data (2026). https://www.cqc.org.uk/about-us/transparency/using-cqc-data.
[34] Homecare Association (2025). The Homecare Deficit 2025.

- **Cost control undermining viability.** Use of electronic call monitoring for quality monitoring is standard within the homecare sector – it is helpful to know where a dispersed workforce are and to address issues where visit patterns differ from what's expected. However, using electronic call monitoring for cost control causes significant issues (particularly when the price paid per minute is so low). Public bodies would not track the minutes that a refuse collector was at a house or a district nurse was on a visit and cut their pay if they weren't as long as expected. The time worked for a homecare visit includes time writing up notes, time travelling, time waiting, and non-billable time like time for supervision and training. By-the-minute purchasing fails to recognise this. All financial systems need to be designed to optimise outcomes and public value, not solely to limit expenditure.
- **Lack of assurance.** Neither the CQC's local authority assessments nor UNSION's ethical care charter[35] take into account whether the fee rates the local authority pays are sufficient to cover legal employment costs. This encourages local authorities to make decisions in their organisational interests without sufficient safeguards for employment standards or care quality.

Existing social value guidance, published by the Cabinet Office, is not effective in homecare. Some of the social value legislation only applies to central government purchasing. Legislation and guidance for local authorities that is in place is not leading to local authorities paying enough attention to employment conditions or outcomes for individuals when contracting.

The possibilities

In the near term, commissioners could organise work into geographical neighbourhoods, with sufficient and reasonably predictable volumes for providers to build compact rounds and stable teams. When work is geographically dense and reasonably predictable, travel falls, mileage reduces by up to 65%, rota gaps reduce, and employers can pay careworkers for a whole working round rather than a collection of contact minutes (Figure 2). In these conditions, providers can offer more dependable hours. Sponsorship becomes more workable because employers have greater confidence in the volume of work available. Continuity improves for people receiving care, and stable providers can become genuine partners in neighbourhood health teams. In Sheffield City Council, a homecare commissioning model which includes geographic zoning has enabled homecare providers to work as members of multi-disciplinary neighbourhood teams, improving coordination between health and social care services[36].

[35] UNISON (2025). Ethical Care Charter.
[36] Skills for Care (2026). Blueprint for neighbourhood-based block pay.

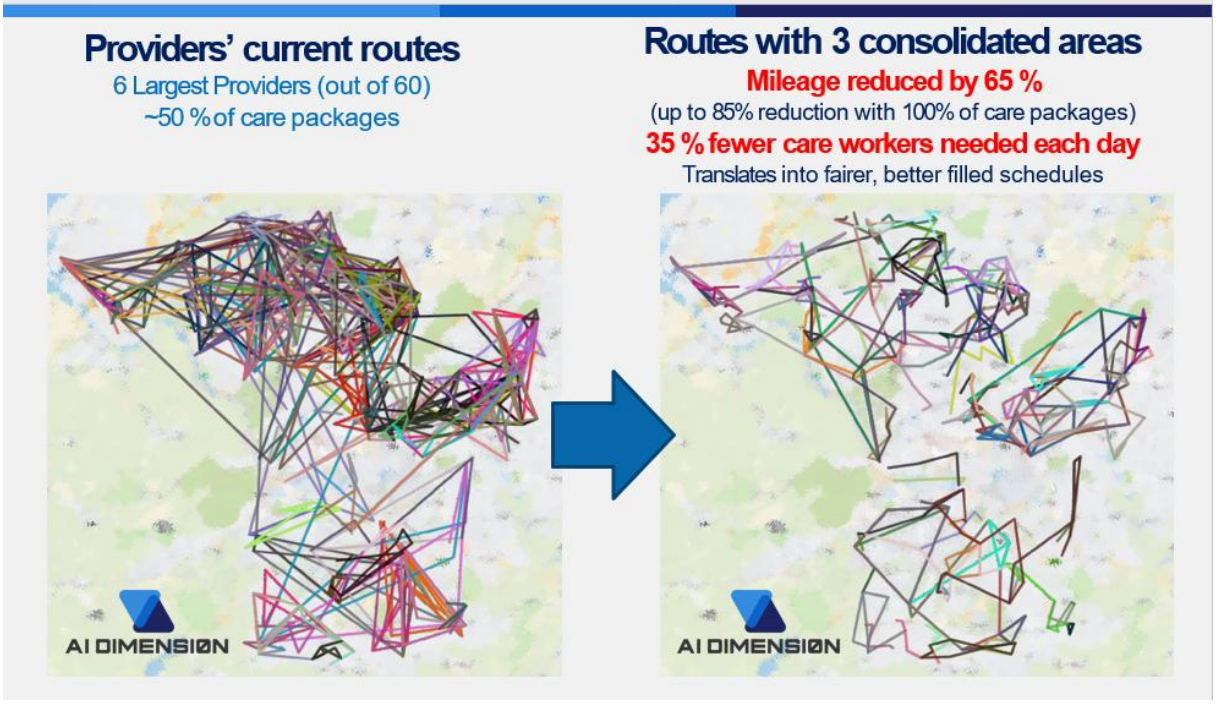

Figure 2: Health Innovation Network and AI Dimension research illustrating reduced travel time from geographic zoning[37]

Longer-term, the ambition should be consumer-directed care with funding following the person. A consistent needs assessment could determine a fair per capita budget which a person could use to buy care and support from a curated, quality-assured local network of providers. Per capita funding is standard in residential care, and could significantly alter the homecare market if applied in homecare also. This would give people genuine choice and control while giving providers greater certainty about income and enabling a much more flexible, preventative service. Countries such as Australia and US Medicare have increasingly moved towards needs-based per capita budgets rather than per-minute purchasing for precisely these reasons.

This kind of funding structure is also vital to unlocking innovation and could encourage providers to integrate AI and technology-based support solutions that deliver better outcomes for individuals and invest in other technologies to improve the outcomes for the people they support. Commissioning structures should encourage innovation and the sharing of learning between local authority areas in a systematic way.

Much of this relates to commissioning policy, which may sit outside of Treasury's remit. However, effective guidance on public value in social care procurement would be key to supporting the possibility of this kind of progression. Experience in the social care sector suggests that price-focus continues.

[37] Health Innovation Network SW (2023). Trial of AI-based optimisation in domiciliary care.

What HM Treasury can do

- Work with the Cabinet Office to ensure procurement legislation and guidance for local authorities does not pursue low price at the expense of value to manage risks of purchasing-related emergent issues in social care.
- Ensure that the Ministry of Housing, Communities and Local Government and the Department of Health and Social Care have sufficient resources to develop commissioning policy for social care at a national level.

Fair price

When commissioners purchase below cost, providers absorb losses, shed staff, slip into non-compliant employment practices, abandon investment, or close. This drives hospital bed usage and inflates acute spending while incentivising non-compliance with regulatory and legal standards; driving responsible providers out of the market. It is false economy. The Government is legislating for fair pay, guaranteed hours, and delegated healthcare tasks, without allocating funding. This creates legal exposure and market instability. A stable future requires a clearer and stronger link between policy decisions, social care budgets, and fee rates.

The challenges

Inadequate fee rates

Our evidence suggests that:

- The Minimum Price for Homecare for 2026-27 is £34.42 per hour - this is the minimum cost to deliver care legally and safely (Figure 3)[38].
- Some councils pay as little as £18 per hour; the Association of Directors of Adult Social Services (ADASS) report that their average rate for 2026/27 stands at £25 per hour[39]. £25 is not enough to cover even direct careworker employment costs at the National Living Wage, which we calculate at an average of £26.17 per hour, made up as follows:
    - Hourly rate for contact time: £12.71
    - Travel time: £2.93
    - Wait time: £2.19
    - Travel reimbursement: £2.38
    - Training time: £0.45
    - Sick, maternity & paternity pay: £0.42
    - Notice & Suspension pay: £0.02

[38] Homecare Association (2025). Minimum Price for Homecare 2026-2027 (England).
[39] Association of Directors of Adult Social Services (ADASS). Spring Survey 2026.

- Holiday pay £2.30
- Employer's National Insurance: £2.34
- Pension contribution: £0.43
- **Total: £26.17**

This excludes other operating costs, including management and supervisors, other office staff, recruitment, training, insurance, CQC fees, PPE, telephony, IT, governance, rent, rates, utilities, and a small surplus for resilience and investment (Figure 3).

Figure 3: Operating costs per hour for regulated homecare - the 2026/27 Minimum Price for Homecare at the National Living Wage (England)

If realistic minimum compliant costs are £34.42 and providers receive on average only £25 - this is only 72% of actual delivery costs of a safe, compliant, sustainable service.

Across the UK, average fee rates paid differ between local authorities vary by more than £10 per hour[40] i.e. pay to providers can be 50% higher in some areas. However, even the higher rates barely cover costs at minimum wage.

Modern slavery and exploitation

Government guidance on modern slavery in the supply chain for businesses already suggests that procurement teams that find submissions quoting unfeasibly low rates should review and potentially exclude them from tender exercises: *"during the tender stage, businesses should factor labour costs into their procurement and consider*

[40] Homecare Association (2025). The Homecare Deficit 2025.

whether the price they are paying for goods and services are so low that the supplier (or their suppliers) are likely to be exploiting workers."[41]

Government rates of £18 per hour of contact time for homecare delivery make a mockery of this (as above – average contact, wait and travel time alone would cost £17.83 per hour of care delivered at National Living Wage without even considering employers National Insurance, pensions, holiday pay etc.).

Employers' National Insurance Contributions

The Government has made several policy decisions that remain unfunded. A past example of this is employers' National Insurance Contributions. The Government imposed a 1.2% increase in employers National Insurance and reduced the secondary threshold – meaning employers needed to pay for low earning and part-time staff where they didn't previously pay (of which there are many in the homecare sector – 44% of staff are part-time[42]). When making this decision, the government allocated no funding to the social care sector to cover these costs. This has meant that local authorities have expected employers to absorb them.

The Care Provider Alliance surveyed providers in October 2025[43] and found that as a result of the cost pressures emerging from this decision:

- 80% of care providers cut investment in innovation and digital transformation.
- 70% increased fees for self-funders to cover rising costs.
- More than 60% reduced staffing or training.
- 44% reported operating margin falls exceeding five percentage points.
- The pressure on workforce sustainability was severe, with 78% unable to increase staff pay to required levels.
- 67% faced greater recruitment and retention challenges.
- 30% stepped back from paying the Real Living Wage.
- 23% made redundancies.
- 61% saw pay differentials erode.
- 21% reduced staff hours.

With the cumulative effect of multiple unfunded policies affecting the sector today and more to come, we believe there is also a substantial risk that underpayment is leading

[41] Home Office (2025). https://www.gov.uk/government/publications/transparency-in-supply-chains-a-practical-guide/transparency-in-supply-chains-a-practical-guide-accessible (accessible).
[42] Skills for Care (2025). https://www.skillsforcare.org.uk/Adult-Social-Care-Workforce-Data/workforceintelligence/Reports-and-visualisations/National-information/The-State-of-report.aspx.
[43] Care Provider Alliance (2025). Care Provider Alliance responds to the Budget 2025.

more employers to call clipping and underpaying staff for travel time[44] and is progressively pushing responsible providers out the market.

It is worth noting that Value Added Tax (VAT) affects several of these cost elements. VAT costs in the care sector are effectively increasing the costs for public sector purchasers of homecare services (or increasing the deficit between what the public sector fee rates are and the cost of delivery). Where people purchase their own care, VAT is inflating the costs to individuals in need of care and support of vital and necessary services. HMRC currently rates "welfare services" provided by regulated social care providers as exempt. This means that the care provider does not charge VAT on the services that they provide. However, if these services were zero-rated, it would also mean that providers would not need to pay VAT on goods and services they need to operate – which could range from business services to disinfectant. Some other analogous goods and services, such as some mobility aids, are zero-rated already. Social care also provides an essential service to disabled and older people.

The possibilities

Fair fee rates for social care could transform the system in some of the following ways:

- Improved legal compliance and stronger rule of law, promoting trust in Government – fair fee rates enable providers to operate in fair and legally compliant ways.
- Protection for responsible employers and a level playing field – the market would start to foster providers that have the right values-led organisation models to thrive.
- Realistic policymaking that links actual costs to decisions made – if HM Treasury and the Cabinet Office embed the right policy structures, then government can make decisions about social care transparently, with an accurate understanding of the national implications.
- Market stability – the risk of sudden closures and handbacks reduces if price is fair, this will save social workers and local authority commissioning teams time and improve continuity of care for the people being supported.
- Investment in business development and innovation – providers that have a steady financial footing can start to think about how to invest in their business, making possible innovation that could improve care quality, outcomes and efficiency.

[44] Homecare Voices (2026). Behind closed doors. The realities of employment in domiciliary care. Homecare voices found that 72% of homecare workers' employers pay them contact time only. However, an average pay rate of £13.08 is not sufficient to cover contact, travel and wait time at the national minimum wage.

- Foster more trusted relationships between commissioners and providers is key to integrated care delivery – at the moment there is significant distrust between providers and commissioners in some parts of the country because commissioners set rates unfeasibly low.
- Enable the Fair Pay Agreement negotiations to have a fair footing - it would be much easier to negotiate a fair pay agreement if there was an agreed way of understanding homecare costs and if providers knew they would get funding to cover increased wage costs associated with any agreement. Negotiations could then have a factual basis about what is possible, and people's expectations could match circumstances.

In summary, a Fair Price would foster trust between all parts of the system: policymakers, providers, health professionals, careworkers, people using care services, enforcement agencies, and trade union negotiators. This could transform relationships and care delivery.

What HM Treasury can do

Close the funding deficit

HM Treasury could play a role in addressing both the current funding deficit and the factors that led to it emerging. This could secure a stable future for the sector.

A fairer pay rate for non-specialist care staff would be more in line with NHS Band 3 pay than at minimum wage. We have therefore calculated costing figures for England for 2025/26 based on different wage rates (Table 2)[45]:

	Councils	NHS	Overall
National Living Wage	£1.64 billion	£344.7 million	£1.98 billion
Real Living Wage	£2.13 billion	£441.3 million	£2.57 billion
NHS Band 3 (2+ years experience)	£2.19 billion	£452.0 million	£2.64 billion

Table 2: Homecare deficit in England at different wage rates

The sector needs additional funding for the devolved administrations of around £600 million (see our report for further details[46]). This means that if all nations funded careworker wages at NHS Band 3 level the total would reach **£3.25 billion** for the UK.

[45] Homecare Association (2025). The Homecare Deficit 2025.
[46] Homecare Association (2025). The Homecare Deficit 2025.

The funding gap for 2026/27 is likely to be higher still as it will include increased costs related to Statutory Sick Pay. As many homecare workers are part-time (44%[47]) and low-earning, the removal of the lower earnings threshold for SSP is likely to add significant sick pay costs to the sector. We will provide further details on the cost of this soon and will email HM Treasury with our findings.

The policy mechanism leading to funding issues

There are opportunities for HM Treasury to exert influence to ensure that government incorporates costs to commissioned social care systematically in future funding settlements. This could include, for example:

- Asking the **Office for Budget Responsibility** (OBR) to systematically and more specifically include social care fiscal risks, including for cross-departmental policy such as national insurance, immigration and employment law changes.
- Ensure **HM Treasury guidance** – including the Green, Orange, Teal and Magenta books ensure that government appraisal documents always include impacts and costs for services purchased by the public sector – particularly for social care - as well as in-house delivery costs.

Current structures split social care policy across multiple departments (including the Department of Health and Social Care, the Department for Business, Innovation, Science and Trade, Home Office, the Ministry of Housing, Communities and Local Government and No.10). HM Treasury has a direct role in co-ordinating departmental spending, and it is vital that this cover social care costs adequately. Other departments, such as the Cabinet Office, also have a role in ensuring that policy decisions are co-ordinated and fundable.

Local authority underpayment of providers

It will be vital with the fair pay agreement coming forward to establish a mechanism to ensure that providers receive additional funding in order to deliver the pay agreement. There is no mechanism to ensure this at present. Policymakers have tried some mechanisms to create a stronger link, including:

- **Enhanced guidance for local authorities on fee setting** – guidance could require local authorities to take actual employer costs into account when setting fees. The Welsh Government has tried this via their National Commissioning Framework and has, so far, not been effective at system change (though it has had an effect at judicial review[48], many providers cannot afford to challenge via this route).

[47] Skills for Care (2025). Summary of domiciliary care services 2025.
[48] Local Government Lawyer (2026). Care homes in Swansea win dispute with council over level of fees.

- **A national costing methodology** – the Fair Cost of Care exercise of 2021/22 attempted to make actual care costs more transparent[49]. However, in homecare, fee rates have fallen further behind the cost of care in recent years despite these efforts.
- **Assurance mechanisms** – central government could implement assurance mechanisms to ensure that local authorities are not paying at rates that incentivise labour exploitation and fail to support sustainable services. The Government has made some efforts to improve assurance in social care commissioning by introducing CQC inspection of local authorities. However, the CQC have found in its national level analysis that: *"Inconsistent fee-setting, failure to account for workforce pressures and weak provider engagement directly constrains quality and sustainability"*[50]. Central Government must act on this information.

Given that none of these approaches has been effective in bringing about change yet, we urge the Government to take a stronger line and consider introducing a National Contract for social care that sets a fee rate floor for all publicly purchased care so that providers have a legal mechanism (and preferably not just by judicial review) to challenge fee rates set at unviable levels directly. This would need to be supported by a costing methodology and guidance that was developed with the sector. It would be vital that the guidance and practice around any fee rate floor would recognise that costs can vary based on factors such as rurality and complexity of need – so higher rates might often be required.

Redress employers' National Insurance Contribution costs

In June 2026, the Prime Minister, Rt Hon. Andy Burnham MP, pledged to review employers' National Insurance Contribution increases for small businesses[51].

From April 2025, independent and voluntary social care providers faced the full rise in employer National Insurance Contributions to 15% without public sector relief.

Options to address this include either exempting social care providers from the National Insurance increase or matching fee rate increases to National Insurance liability.

[49] Department of Health and Social Care (2024). Market Sustainability and Fair Cost of Care Fund 2022 to 2023: guidance.
[50] Care Quality Commission (2026). Local authority assessments 2023 to 2026: Emerging themes and findings.
[51] Walker, P. (2026). https://www.theguardian.com/politics/2026/jun/05/burnham-pledges-business-rate-cuts-for-pubs-cafes-and-other-small-businesses | Labour | The Guardian.

Provide relief via VAT

We recommend that homecare businesses providing "welfare services" should be able to recover input VAT costs on all goods and services that they purchase on an ongoing and permanent basis – moving them from "exempt" to "zero-rated". We estimate that this will cost £239m. This is based on the elements of our Minimum Price costing model that cover: recruitment; training; IT and telephony; PPE and consumables; finance, legal and professional; other overheads; and a portion of rent, rates and utilities. This amounts to 7.9% of the total cost. LaingBuisson[52] estimates the market value of homecare, complex homecare and supported living as £15.1bn[53]. 20% VAT on 7.9% of this would be around £239m.

In summary:

- **Fund the £3.25 billion homecare deficit across the UK (£2.64 billion for England)** to ensure careworkers receive pay equivalent to NHS Band 3 workers with 2+ years' experience. Or, if pay increases for workers are to be left for the Fair Pay Agreement, and Devolved Administration funding to be treated separately, that means £1.98 billion is required for England now to meet minimum statutory compliance with the National Minimum Wage.
- **Review guidance and work with the OBR** to ensure all departments include social care costs during budgeting and policy development.
- Support and fund the Department of Health and Social Care to develop a **National Contract for Care Services** with a fee rate floor as a mechanism for ensuring that funding intended for homecare reaches the frontline at a sustainable price.
- **Exempt social care** employers from the 2025 employers' National Insurance Contributions increase.
- **Zero-rate** homecare services for VAT purposes.

Fair pay and secure income

We welcome the Government's intention to ensure careworkers have fair pay, progression opportunities and good working conditions. Careworkers are highly skilled and responsible workers with excellent values, emotional intelligence, communication skills, and more. Homecare capacity and service quality absolutely depend on homecare workers. To attract and retain people who have the right kinds

[52] LaingBuisson (2026). https://go.laingbuisson.com/homecare-report-7.
[53] This is a lower proportion than last year when VAT was payable on 9.8% of expenses. Employment costs have risen faster than other costs in the last year and we have added waiting time into our costing calculation – further increasing employment related costs.

of skills, it is vital that their pay reflects their skill level and their working conditions are fair and reasonable.

The challenges

Fair Pay Agreement

We welcome the £500 million funding for the Fair Pay Agreement that the Government has announced so far, however; it falls short of what's needed to make fair pay a reality.

The social care sector has a workforce that is larger than the NHS workforce. If the Agreement shared the £500 million funding evenly across every social care worker, this would amount to around £333 per person in the first year before tax. This is unlikely to increase pay to a competitive level (let alone fair). The Government has suggested that local authorities will raise additional funds to support implementation of the Fair Pay Agreement and other measures in the Employment Rights Act, but this feels unrealistic given the fragile financial state of local government. Providers are also struggling severely with cost pressures, so many do not have the margins to absorb a cost increase.

There is a substantial risk for homecare workers that raising the baseline pay level while providers are paying 72%[54] of the workforce contact time only will have little impact as it is quite likely that some employers will still not pay rates high enough to cover all hours worked. Moving to a system that remunerates workers for all hours worked will cost more.

Our Homecare Deficit research suggested that in 2025/26 to sustainably raise homecare worker's pay across the UK to NHS Band 3 level (with 2+ years of experience) for all of the hours worked would cost the sector £3.25 billion pounds from the current starting position – 6.5 times the amount the Government has allocated so far – and this does not include residential care[55]. Or, if the Government has already provided funding to meet national minimum wage compliance (or around £1.98 billion) and funded the devolved administrations, an additional £640 million.

Separately to the wage bill cost, there will be significant costs associated with the negotiation process itself, which are currently unfunded.

Employment Rights Act 2025

The Employment Rights Act 2025 has increased, and will significantly increase, costs for the homecare sector. This goes far beyond simple administration costs. The following highlight costs to the sector of some of the key measures – these are

[54] Homecare Voices (2026). Behind closed doors. The realities of employment in domiciliary care.
[55] Homecare Association (2025). The Homecare Deficit 2025.

indicative and partial in scope. It is vital that the Government undertake further research to understand actual costs:

- **Statutory Sick Pay reform (April 2026):** Removal of the waiting period and lower earnings limit means many part-time care workers became newly eligible. The Government expected that the behavioural impact of sick pay changes would be neutral – it remains to be seen if this is the case. If sickness absence has not increased disproportionately because of the SSP changes proposed, then the increased cost to homecare of the removal of waiting days (not including changes to the Lower Earnings Limit) will be £42 million in 2026/27. If sickness absence rises by one day per employee on average, that would rise to £53 million, or two days to £65 million. We are currently gathering evidence from members on how much sickness absence has changed and will update these figures when we have that information available.
- **Guaranteed Hours contracts (2027)**: Employers must offer contracts reflecting average hours in a 12-week reference period. Currently, employers offer guaranteed hours based on the amount of work the employer knows that they can commit to provide. If in future, instead, it is based on average hours worked in a previous period it is very likely that, due to fluctuating demand for work that providers cannot plan for, guaranteeing staff hours will mean that employers pay staff for time that does not generate any income. If employers found they had 10 hours per month, per worker that was guaranteed but work was not available, then this could cost (*and this is illustrative as there are a lot of assumptions involved in determining the level of take up of guaranteed hours contracts*) £430m across the sector per year[56]. If, through efficient rota management, this reduced to 2 hours per month, then this unused time would cost £86m. However, reducing the cost is likely to mean increasing the staffing of rota management teams.
- **Cancellation, movement and curtailment fees (2027)** – there are urgent questions to be answered about how movement and curtailment payments would work in the homecare sector as payment is often visit based not shift based and visits often move slightly according to traffic, changing needs and other factors beyond the employers control. However, even if you consider cancellation charges alone, this could easily cost the sector £32 million[57] if staff need to be paid in full for cancelled calls and at present only 43% of local authorities and 29% of NHS bodies pay cancellation fees[58].

[56] This is calculated by taking our minimum price of £34.42, multiplying it by 10 hours, multiplying that by 12 to reach an annual figure and then applying to a workforce of 595,000 workers, 35% of whom are on zero hours contracts – we have assumed half of these might take up a guaranteed hours contract.
[57] Homecare Association (2026). Response to government consultation on one-sided flexibility.
[58] Homecare Association (2025). https://www.homecareassociation.org.uk/resource/voices-of-homecare-workforce.html.

- **Trade Union Access (October 2026)** - The Code of Practice on Trade Union Access includes at paragraph 83 an expectation that providers should pay staff for their time spent attending Trade Union meetings. While the Minister for Employment Rights has advised us that this does not change the statutory requirements (which currently only require employers to pay union representatives); we are concerned that the Code of Practice will hold weight in an Employment Tribunal. If this Code of Practice suggests that homecare employers should pay staff for this time, then it could cost anywhere between £2.5 million and £1.06 billion to implement – see Appendix A. Commissioners must increase funding to meet this.

These four cost elements alone could cost the sector anywhere between £163 million and £1.6 billion. Government impact assessments have not clarified cost estimates for these factors; this must be done. Homecare cannot simply absorb these costs.

The preferred measure of underlying profitability for asset-light businesses like homecare and supported living is EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation of goodwill). LaingBuisson maintains information spanning over two decades from the statutory accounts of independent health and social care providers which are sufficiently large to post profit and loss at Companies House.

Homecare average EBITDA margins have fallen from a peak of 10.8% in 2012 to a low of 5.2% in 2019, with some recovery to 7.6% in 2024, followed by a fall to 6.3% in 2025 and an increase to 8.7% in 2026[59]. These figures reflect a small number of larger businesses which report profit and loss accounts. SME businesses deliver a significant proportion of homecare, and they do not benefit from volumes of commissioned hours or economies of scale, and therefore this figure does not represent the wider market. Following unfunded Employers National Insurance Contributions increases in April 2025, EBITDA has fallen by over 5% for half of respondents to a Care Provider Alliance survey in October 2025[60]. Some providers currently operate on tight margins of 0% to 4%. This is because between 70% to 90% of their cost relates to employment, and low fee rates from state purchasers can leave providers operating on very thin or negative margins.

The risk of leaving these provisions unfunded is that it will further incentivise non-compliance in order to win local authority work when bidding on price. This could mean that actual working conditions for care workers get worse rather than better as the Government implements the Act.

[59] LaingBuisson (2026). Homecare and Supported Living UK Market Report 7th Edition.
[60] Care Provider Alliance (2025). Care Provider Alliance responds to the Budget 2025.

Fiscal drag

Care workers earn near statutory minimum. Frozen income tax and National Insurance thresholds erode the benefit of pay rises and effectively reduce income.

Fiscal drag removes the equivalent of around 0.7% of pay in 2026/27, 1.5% in 2027/28, 2.3% in 2028/29 and 3.1% in 2029/30, before any application of a Fair Pay Agreement uplift[61].

Minimum wage increases only partially compensate for the extra tax being taken. Headline pay rises may look significant, but once higher tax and National Insurance deductions are applied, take-home pay rises much more slowly and, in real terms, may barely improve at all.

Even at the very lowest end of the pay scale, the impact is clear and measurable. Based on government-confirmed tax rates and inflation assumptions:

- In 2026/27, frozen thresholds cost a care worker around £134 in take-home pay.
- In 2027/28, the loss rises to around £227.
- In 2028/29, the annual loss reaches around £302.

That adds up to a cumulative loss of approximately £663 in take-home pay by 2028/29 for a care worker paid at the National Living Wage - purely because the government has frozen Income Tax and National Insurance thresholds, before any change in hours, role or responsibilities.

Care workers will enter pay reform in 2028/29 already worse off, having absorbed years of lost income that they cannot recover. Without action, there is a real risk that the Fair Pay Agreement delivers headline pay increases without delivering meaningful improvements in take-home pay and that care workers effectively pay for their own pay rises.

The possibilities

Investing in care workers is not just a cost, there are clear economic opportunities that provide a return on this investment:

- Increased retention – which reduces spend on recruitment and therefore service efficiency. Skills for Care found that local, better paid jobs with more contracted hours had lower turnover[62].
- Better continuity of care for people being supported – establishing relationships with people providing support is vital for many people receiving care services.

[61] Care England (2026). https://www.careengland.org.uk/leading-social-care-representative-warns-fiscal-drag-will-strip-billions-from-care-workers-and-undermine-fair-pay-agreement/.
[62] Skills for Care (2026) The state of the adult social care sector and workforce in England, 2025.

- Reduced acute admissions as care workers are more likely to spot deterioration when working with a person they know well and be better at communicating with people with communication impairments about how they are – so continuity improves health outcomes.
- Improved carer wellbeing – insecurity of hours – particularly short notice changes[63] - is associated with worse mental health outcomes, financial security and financial planning. Better mental health is better for the care worker and for NHS costs – good work has a role in preventative healthcare.
- Better continuity of care workers due to lower turnover improves the ability to work with other professionals in the health sector to support a person's needs, as it enables trusted relationships to develop.
- Improvements in local economies – lower paid earners are likely to spend their earnings in their local economies and boost job opportunities for other people in their communities.
- Care for someone you know can be more effective and efficient – you can anticipate needs and routines and understand preferences quickly.

Fair pay could enable a system that prioritises relationships and wellbeing – delivering better care and more respect for the service.

What HM Treasury can do

- Provide **at least £2.64 billion f**or the homecare section of the Fair Pay Agreement and a corresponding amount for residential care.
- Undertake **full impact assessments for the Employment Rights Act 2025** in relation to the social care sector.
- **Fund the cost of the Employment Rights Act changes** for publicly purchased social care. This could cost over £1bn.
- **Review frozen income tax** and National Insurance thresholds for lower paid workers.

Fair regulation

Consumer-directed care depends on people being able to distinguish safe, high-quality provision from poor provision. Regulation should follow the activity performed, not the employment or commercial model underpinning it. Someone receiving personal care should have safeguards whether the worker comes through a CQC-

[63] Albone, J. et al (2026). Experiences of workers in insecure work: research paper. IPSOS UK

registered provider, an introductory agency or an individual worker via social media. Immigration enforcement, employment costs, and inadequate commissioning must not create a commercial advantage for informal, self-employed, or unregulated models.

The challenges

There are challenges in the delivery of existing care regulation, challenges related to its scope, and challenges related to employment enforcement in the care sector.

Care Quality Commission capacity

By analysing CQC data downloaded on 5 May 2026, we found that 83.5 percent of community social care locations had either never been assessed or held a rating four or more years old. That figure has risen from 60 percent in 2024 and 70 percent in 2025[64]. Only 16.5 percent of services now hold a current rating, defined as one published within the past three years.

The CQC has cleared its registration backlog and raised the standards required of new applicants, in line with a recommendation the Homecare Association has made for several years.

However, the Government must take urgent action to address the assurance backlog. The number of community social care locations holding an up-to-date rating has more than halved in two years, falling from 5,118 in 2024 to 4,204 in 2025 and 2,413 in 2026, a reduction of 53 per cent. Community locations were rated at an average of about 78 per month across the year, down from 81 the previous year, but the rate rose to almost 96 per month in the four months to April 2026. Around 406 per month would be needed simply to maintain a three-year cycle.

Effective, timely regulation protects people with increasingly complex needs who rely on care in their own homes, and it underpins public confidence in the sector. CQC ratings should help people, families, councils and NHS commissioners understand whether care services are safe, effective, caring, responsive and well-led. Without current, accurate assessments of quality, people cannot make informed choices, commissioners cannot make sound procurement decisions, and poor-quality or unsafe services may continue to operate undetected. When the CQC has never assessed or not recently rated 83.5 percent of community social care locations, the rating system no longer provides reliable assurance for most of the market. The consequences extend beyond individual services. Quality providers lose the benefit of current independent recognition. Poor providers may operate for years without external scrutiny. People needing care and their families have too little meaningful

[64] Homecare Association (2026). Unseen & Unrated – the widening assurance gap in CQC-regulated community social care.

information when choosing care and support at home, eroding trust in the care system.

It is absolutely vital that homecare inspection capacity more than quadruple to keep pace with demand. Additional surge funding is also be required to clear the backlog. We have encouraged the CQC to undertake their own calculations as they are best placed to estimate this cost. Independent modelling indicates £15.6 million to £21.6 million, with a central estimate of £17.8 million, to clear the defined community backlog, subject to validation by CQC.[65]

Unregulated care

We support the use of Direct Payments and Personal Assistants. However, directly employing a personal assistant comes with liability risks and difficulties finding cover for sickness absence and holidays, so is not something all people feel confident in managing. Care delivered by personal assistants is often cheaper – this means that some councils have set targets with the aim of having more care (in some cases 45% of care) delivered by this route. We are concerned that this puts pressure on individuals to take on responsibilities they may not feel equipped to manage. To avoid the employment issues and reduce costs, some companies involved with finding and matching care workers are starting to classify care workers as self-employed.

HMRC and employment law definitions of self-employment (such as mutuality of obligation, right of control, provision of own equipment, right of substitution, financial risk, number of paymasters) are rarely met in homecare because continuity, supervision and direction are key and if a worker can be substituted for a different worker, this engages CQC's regulatory regime. This violates employment law and enables tax evasion. It also undercuts and destabilises the regulated part of the market.

Misclassification also creates serious risks for people drawing on homecare services: not only tax non-compliance but failures in right-to-work checks, lack of insurance and confusion over employer liability. For example, in the employment law case of Chatfield-Roberts v Phillips & Universal Aunts Limited, a judge deemed a live-in care worker to be an employee of the person who paid her to support a relative, even though they viewed her as self-employed, and she paid her own tax[66].

Care worker registration would help to ensure that fitness to practise standards supporting individuals hiring care workers, and would allow the Government to more closely monitor employment status in the sector at the same time.

[65] Independent analysis by SDWH Limited (2026). Health and Social Care: inspections data monitor.
[66] Employment Appeal Tribunal (2018). Chatfeild-Roberts v Phillips & Universal Aunts Ltd.

This issue directly impacts the UK Exchequer and regulatory standards. We ask HM Treasury to support DHSC with resources to develop a proposal for a registration system for care workers in the UK.

Employment rights enforcement

Existing National Minimum Wage enforcement levels are not keeping pace with growth in businesses and the economy.

The UK has 0.29 labour inspectors per 10,000 employees; the ILO median for upper-middle income countries is 0.42[67]. This under-resourcing risks a culture that sees compliance as voluntary. When commissioners force bidding on price alone, compliant providers offering fair wages lose to exploitative competitors. The Fair Work Agency lacks capacity to investigate or deter non-compliance and individuals are concerned about being victimised for raising issues. The government has increased the Fair Work Agency funding to £60.1m for 2026/27 (from £47.4m)[68] and this is welcome. However, this does not seem to be enough to match international standards or address widespread non-compliance. The Fair Work Agency will also take on responsibility for enforcing holiday pay, sick pay and the Fair Pay Agreement. We think that substantially more than this is required to effectively regulate the labour market and address widespread compliance issues.

The Fair Work Agency found that 70% of workers had experienced a harmful practice at work and around 1 in 7 a clear legal breach. This rose to 1 in 4 for precarious workers[69]. The FWA would need substantial investment to reduce the risk of this level of harm.

At the same time, Employment Tribunals are reporting extensive backlogs. Even ahead of controversial changes to unfair dismissal and guaranteed hours provisions, Employment Tribunal backlogs mean that some people are waiting 5 years to have a case heard with a backlog of 72,000 claims[70]. This can make witness examination harder (because of reduced memory of the events, people leaving their roles and moving on or dying) and mean that individuals facing difficult employment situations need to wait years for resolution. From an employer's perspective, this can mean an extended period of uncertainty about potential liabilities.

Increased claims going forward are a certainty, given the Employment Rights Act 2025. HM Treasury must provide funding to address Tribunal backlogs. The Ministry of Justice is best placed to estimate how much funding it needs.

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[67] International Labour Organization. Safety in numbers: what labour inspection data tells us.
[68] Fair Work Agency (2026) Strategic Steer to the Fair Work Agency for the Transitional Year of Operation
[69] Fair Work Agency (2026). Working Lives: the scale and nature of labour market non-compliance and other work-based harms in the UK – executive summary (web version).
[70] BBC News (2026) https://www.bbc.co.uk/news/articles/cp9pj2pk2j7o.

The possibilities

Fair regulation releases significant benefits to the market:

- Regulation could lay the groundwork for proper consumer-directed care where people have confidence in what they are purchasing. This enables choice and control over care received.
- The regulatory environment could support responsible employers to thrive and strengthen the quality of provision.
- People with negative experiences of care would have a clear route to have their concerns heard and acted upon.
- People and commissioners would have more confidence that they know the quality of what they are purchasing.
- Care workers can have greater confidence that employers will treat them fairly if the system upholds employment legislation.
- Employment Tribunals would be able to deliver quick decisions, reducing emotional distress and evidence difficulties.
- Proper regulation would protect HMRC revenue from false-self employment claims.
- Individuals with care needs would be able to avoid being put in situations where they are liable for employment issues without their knowledge.

People hiring personal assistants would have a route to raise fitness to practise concerns and confidence that the people they hire are safe to deliver care.

What HM Treasury can do

- **Address the CQC inspection backlog.** Increase the CQC's community social care inspection capacity so they can increase inspections by 4.2 times. Provide surge funding to address the backlog. This is likely to mean £15 million to £20 million surge funding in the short term.
- Provide funding to the Department of Health and Social Care to develop proposals for a **National Register for care workers.**
- **As a minimum, double the funding for the Fair Work Agency** to match international standards and address widespread non-compliance; review what funding would be required to maintain a realistic and effective employment regulation regime.
- Provide funding to the Ministry of Justice to **address the Employment Tribunal backlog**

Recommendations for HM Treasury

We are asking Government to create the conditions for a sustainable, productive and high-quality homecare market through four connected areas:

1. **Shape the market** - Reform commissioning and procurement to use existing expenditure more effectively and create the conditions for greater productivity, innovation and sustainable local markets.
2. **Ensure a fair price** - Establish a National Contract for Care Services and develop commissioning approaches that reflect complexity, need and the true cost of sustainable care.
3. **Fund fair pay** - Ensure that the costs of the Fair Pay Agreement, Employment Rights Act, statutory sick pay reform and other unavoidable employment costs are properly funded.
4. **Enforce fair regulation** - Give the CQC and Fair Work Agency the capacity to protect quality, workers and responsible providers.

Together, these measures would create the foundations for a sustainable, productive and ethical homecare market. Our specific recommendations for HM Treasury are:

The spending settlement

- **Close the homecare funding gap:** £3.25 billion across the UK to reach NHS Band 3-equivalent pay (£2.64 billion for England). If the settlement is phased, the irreducible first step is £1.98 billion for England now to meet National Minimum Wage compliance, with corresponding provision for residential care and the devolved administrations.
- **Fully fund the Fair Pay Agreement and the Employment Rights Act 2025:** meet the homecare costs of both, likely to exceed £1 billion for publicly purchased social care, and provide an automatic, ring-fenced route into council and NHS contract prices.
- **Fund assurance and enforcement together:** time-limited CQC surge funding of £15.6 million to £21.6 million[71] plus recurrent capacity, and funded plans for the Fair Work Agency, a national register for careworkers, and the Employment Tribunal backlog.

The fiscal framework

- **Make commissioned-care costs visible:** direct the Office for Budget Responsibility, and update the Green, Orange, Teal and Magenta Books, so that

[71] Independent analysis by SDWH Limited (2026). Health and Social Care: inspections data monitor.

the costs and fiscal risks of commissioned social care are captured in every relevant costing and appraisal.

- **Bind funding to lawful prices:** fund the Department of Health and Social Care to introduce a National Contract for Care Services, with a transparent fee-rate floor and assurance attached to social care funding, so that commissioners cannot purchase below the lawful cost of care.
- **Resource national commissioning reform:** enable the Department of Health and Social Care, the Ministry of Housing, Communities and Local Government and the Cabinet Office to publish a national commissioning framework and model clauses, and fund neighbourhood, capacity-based demonstrators.

Tax measures

- **Zero-rate regulated homecare for VAT,** so that providers of welfare services can recover input VAT.
- **Relieve employer's National Insurance for social care,** by exempting the sector from the 2025 increase or widening access to the Employment Allowance.
- **Review frozen income tax and National Insurance thresholds** for the lowest-paid careworkers.

Conclusion

Social care is conventionally treated as a cost item. This mis-frames the problem. Homecare is productive economic infrastructure. It enables labour market participation, prevents expensive acute treatment, and creates employment in every community.

The Government faces a choice. It can continue underfunding, allowing providers to exit, services to contract, hospital beds to block, workers to be exploited, and rising numbers of people to go without the care they need. This guarantees rising NHS costs and failure to achieve neighbourhood health integration.

Or it can recognise that the £3.25 billion homecare funding gap represents avoidable acute costs. Funding homecare adequately stems hospital admissions, clears discharge pathways, and enables the shift to preventative care that the NHS 10-Year Plan and the Prime Minister's preventative state vision require.

Appendix A – Employment Rights Act costs

Staff pay for Trade Union Access meetings

The following estimates costs to homecare employers if they are required to pay for staff attendance at union meetings in relation to Trade Union Access agreements.

Share of workforce attending	Weekly one-hour meetings (52/yr)	Monthly one-hour meetings (12/yr)
1%	£11 million	£2.5 million
5%	£53 million	£12 million
10%	£106 million	£25 million
25%	£266 million	£61 million
50%	£532 million	£123 million
100% (worst case)	£1.06 billion	£246 million

Estimated additional annual cost to homecare in England. Assumptions: 595,000 filled posts in CQC-regulated non-residential care services (domiciliary care, supported living and extra care), England, 2024/25 – the latest Skills for Care estimate; independent-sector filled posts in these services grew a further 2.1% in 2025/26, so this is conservative. One hour per attendee per meeting, costed at the Minimum Price for Homecare 2026-27 of £34.42 per hour. Excludes administration, staff cover and travel costs. Figures are illustrative of scale, not forecasts.