United Kingdom Homecare Association
The professional association for homecare providers

UKHCA
UNITED KINGDOM HOME CARE ASSOCIATION

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Sent by e-mail to: lpc@lowpay.gov.uk

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Dear Fatima

Low Pay Commission Consultation 2021

Thank you for your invitation to submit evidence for the above consultation, which I am happy to do on behalf of United Kingdom Homecare Association (UKHCA).

UKHCA is the national professional association for organisations that provide social care, including nursing care, to people in their own homes. Our mission is to promote high quality sustainable care services so that people can continue to live at home and in their local community. The vast majority of our members in England provide services that are regulated by the Care Quality Commission.

Yours sincerely

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United Kingdom Homecare Association's (UKHCA's) Response to Consultation Questions

About you

1 Please provide information about yourself or your organisation. If possible, include details about your location, the occupation or sector you are involved in, your workforce if you are an employer (including number of minimum wage workers), and anything else you think is relevant.

United Kingdom Homecare Association (UKHCA) is the professional representative organisation for independent, voluntary, and statutory sector providers of homecare services, covering a total of 2,309 locations across all four UK administrations.

In England, there are over 10,000 registered locations, regulated by the Care Quality Commission, providing care.[1]

UKHCA provides thought leadership and advice to member organisations of all sizes, from small and medium-sized enterprises in the independent and voluntary sectors, to large multi-branch providers offering many hundreds of thousands of hours of homecare each week. The majority of their front-line workforce are employees and likely to undertake 'time work' for the purposes of the National Minimum Wage (NMW) Regulations.

We also represent providers of 'live-in' homecare whose workforce are likely to be engaged in 'unmeasured work' for the purposes of the National Minimum Wage Regulations. Although numerically smaller in number, these companies provide specialist care services. A small proportion of those organisations act as Employment Agencies, introducing workers to be employed by private individuals.

UKHCA contributes to a wide range of policy fora and working groups, convened by Government regulators and arms-length bodies at a national level, whilst taking an active role in responding to consultations that promote and highlight the benefits of a stable and viable social care market to all levels of Government and statutory agencies.

UKHCA presents written and oral evidence to the Low Pay Commission annually. We also provide evidence to Parliamentary Committees.

The Association is happy to be contacted for further information, if required and for our contribution to be made public.

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[1] Skills for Care (2020): **The Size and structure of the adult social care workforce** https://www.skillsforcare.org.uk/adult-social-care-workforce-data/Workforce-intelligence/documents/Size-of-the-adult-social-care-sector/Size-and-Structure-2020.pdf

United Kingdom Homecare Association's (UKHCA's) Response to Consultation Questions

About the Homecare Sector

The homecare sector employs an estimated 560,000 people, of whom, around 48% are on zero-hours contracts. This proportion has decreased by 6% since 2012/13. Across all adult social care services, 24% of the workforce were employed on zero-hours contracts.[2] The majority of homecare roles are within the independent and voluntary sectors with just 18,700 employed by local government.

Around 84% of the workforce is female and the average age of workers was 44 years. This is broadly in line with other parts of the adult social care workforce. The majority of the homecare workforce (84%) is British, 7% are EU (non-British) and 9% non-EU. The proportion of workers identifying as of an EU nationality increased from 4% in 2012/13 to 7% in 2019/20. The proportion identifying as of a non-EU nationality decreased over the same period from 11% in 2012/13 to 9% in 2019/20.

Approximately 80 per cent of the UK's homecare sector comprises small businesses, with fewer than 50 employees. Some large homecare companies operate as franchise models, which are also made up of small companies.
In its report '**The Economic Value of the Adult Social Care Sector – UK'**, published in June 2018, Skills for Care estimated that, in 2016, adult social care sector Gross Value Added (GVA) was £24.3 billion. A significant proportion was estimated to be in domiciliary care (£7.6 billion, 31%).[3]
This represented 1.4% of total GVA in the UK.

Further, it was estimated that the average level of productivity (GVA generated per full-time-equivalent (FTE)) in the adult social care sector was £19,700 per annum.

In terms of the indirect and induced value of the sector (using the income approach), Skills for Care estimated that the indirect effect of the adult social care sector (resulting from the purchase of intermediate goods and services by the adult social care sector in delivering its services) was estimated to contribute a further 603,500 jobs (424,800 FTEs) and £10.8 billion of GVA to the UK economy.

The induced effect of the social care sector (resulting from purchases made by those directly and indirectly employed in the adult social care sector) was

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[2]Skills for care (2020): Workforce Intelligence Summary **Domiciliary care services in the adult social care sector 2019/20**. https://www.skillsforcare.org.uk/adult-social-care-workforce-data/Workforce-intelligence/documents/State-of-the-adult-social-care-sector/Summary-of-domiciliary-care-services-2020-pdf.pdf

[3] Skills for Care (2018): **The economic value of the adult social care sector – UK.** https://www.skillsforcare.org.uk/About/Skills-for-Care-and-Development/The-economic-value-of-the-adult-social-care-sector-UK.aspx#:~:text=The%20adult%20social%20care%20sector%20in%20the%20UK%20contributes%20%C2%A3,of%20value%20towards%20the%20economy

estimated to contribute a further 251,300 jobs (176,100 FTEs) and £11.1 billion of GVA to the UK economy.

The total direct, indirect and induced value of the adult social care sector was estimated to be 2.6 million jobs (1.8 million FTEs) and £46.2 billion in 2016.

Homecare in the context of the Health and Social Care Sector

The majority of public and private funding, as well as media attention, is focused on hospitals and care homes, which, between them, support only 0.5 million people at a time.

In contrast, over 10 million people at any one time receive or need support and care in their own homes, either from unpaid informal carers or paid-for homecare workers.[4]

Over £152 billion of public funding is directed at the NHS, with only £6.2 billion to homecare, across the UK. Government spend on homecare is only 4% that of the NHS, despite the sector's contribution to the UK economy, described above.[5]

UKHCA estimates that around 70% of homecare is purchased by the State. However, there are no central Government data that provide an accurate figure and indeed we believe that national regulators have neither an accurate estimation, nor an accurate figure for the total number of people receiving home-based care in England, Scotland, Wales and Northern Ireland.

Careworkers employed by the public sector (local government and NHS) tend not be on zero-hours contracts and benefit from higher pay and access to structured training and progression opportunities.[6],[7]

The use of zero hours contracts in the independent and voluntary sectors is largely driven by the way the public sector funds social care, with councils offering relatively short-term contacts (generally for three years with an optional two-year extension) to a large number of local providers, and with no contractual guarantee to purchase care under the contract.

In previous evidence to the Commission, UKHCA highlighted a number of perverse commissioning practices. These include councils paying for care by the

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[4] Carers UK (2019): **Facts and Figures: Facts about Carers** Published August 2019 https://www.carersuk.org/news-and-campaigns/press-releases/facts-and-figures?gclid=CjwKCAjw4pT1BRBUEiwAm5QuR3aP8e4rHkKBaz167ELkmwbGRgPvg9XHwyfntSPc5m1wOSdPYb4fpxoCcrMQAvD_BwE

[5] House of Commons Library (2020): Research Briefing **NHS Expenditure** Published January 2020

[6] NHS: **Working in Health** https://www.healthcareers.nhs.uk/explore-roles

[7] Skills for Care (2020): **The State of the adult social care workforce in England** Published October 2020 https://www.skillsforcare.org.uk/adult-social-care-workforce-data/Workforce-intelligence/publications/national-information/The-state-of-the-adult-social-care-sector-and-workforce-in-England.aspx

minute and low fee rates from both councils and NHS commissioning bodies. These have a significant impact on providers of homecare and their ability not only to deliver care, meet the costs of running a regulated care service, but also to offer staff training and development opportunities. Such opportunities to progress tend not to be equivalent to those available to workers who carry out similar tasks in public sector settings.

For homecare providers in both the public and privately funded sectors of the market, COVID-19 has increased costs and reduced income for providers who were already operating with low margins.

It has long been recognised that social care needs urgent reform to ensure it can provide the care and support that millions of vulnerable people up and down the country need. After years of delays by successive governments of all parties, Prime Minister Boris Johnson pledged, in July 2019, to "fix social care once and for all"

In March 2021, Prime Minister told the House of Commons Liaison Committee that social care reforms were in preparation and that the "gulf" between the NHS and social care, into which "so many people fall into", is a "problem that needed to be fixed".[8]

"Do we need a plan to do it, a long-term plan, a 10-year plan? The answer is yes and the government will be bringing forward our proposals on social care reforms later this year," he said.

However, a discussion between the prime minister, the chancellor and the health secretary, described as a chance to set out broad policy objectives for social care, and scheduled for Tuesday 22 June 2021, was postponed. As yet no information concerning a rescheduled meeting or the content of the 'broad objectives' have been announced.

Economic outlook

2 What are your views on the economic outlook and business conditions in the UK for the period up to April 2022? We are particularly interested in:

- **the conditions in the specific sector(s) in which you operate.**
- **the prospects for economic recovery from the effects of the Covid-19 pandemic.**
- **the effects of Government interventions to support the economy and labour market.**
- **the current state of the labour market, recruitment and retention.**

[8] House of Commons Liaison Committee (2021): **Oral evidence from the Prime Minister** 24 March 2021 https://committees.parliament.uk/event/3928/formal-meeting-oral-evidence-session/

- **your experience of wage growth and inflation in the last year, and forecasts for the next couple of years.**

Since we last provided evidence, COVID-19 has had a major impact on all aspects of the UK economy. The homecare sector has seen increased costs and reduced income for providers within a sector already weakened by years of underfunding and low fee rates paid by local authorities and NHS commissioning bodies, who are thought to purchase over 70% of homecare provision.

Providers' costs have increased due to a number of factors, most notably personal protective equipment (PPE) costs in the early stages of the pandemic and increased insurance premiums. In addition, many packages of care were withdrawn due to clients' concerns over visitors to their homes as well as more care being provided by families unable to work due to movement restrictions imposed by the Government to reduce the spread of COVID-19.

During the pandemic, Governments in all for administations did step-in to provide free PPE, and in England, the Department of Health and Social Care has confirmed that this will continue until the end of March 2022. Access to PPE via this route has mitigated some of the impact of PPE costs and has been a lifeline for many in the sector. However, UKHCA and other professional associations are engaged in ongoing dialogue with the Government on our continued concerns as to whether the volume supplied through government-backed channels accurately meets the demand in the sector. Providers have seen some items of PPE increase five-fold in costs since the start of the pandemic.

Independent research, commissioned by UKHCA in 2020, estimated that the additional costs, related to COVID-19, were likely to be as high as £3.95 per hour of homecare delivered in April 2020. However, this figure was likely to have reduced as a result of PPE being made available through the Portal.

Annually, this association publishes **A Minimum Price for Homecare** that outlines an hourly rate which takes into account providers' costs, including the latest National Living Wage.[9]

UKHCA's Minimum Price for Homecare services of £21.43 per hour from April 2021 allows full compliance with flat-rate National Living Wage and the delivery of sustainable quality homecare services to local authorities and the NHS. We stress that this should be considered a minimum price, rather than a fair price.

UKHCA is committed to using the best available data to support our calculations. Pricing assumptions in this latest version have been updated for the National Living Wage, and increased costs of certain items of personal protective equipment (PPE) and insurance premiums as a result of the coronavirus pandemic.

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[9] Angel C (2020): **A Minimum Price for Homecare- Version 8 - April 2021 – March 2022** Published December 2020 https://www.ukhca.co.uk/downloads.aspx?ID=434#bk1

Equivalent calculations for the voluntary UK Living Wage, the Scottish Living Wage and the London Living Wage between November 2020 and October 2021 are also included.

However, from the ADASS Budget Survey Report, published in May 2020, the median rate for an hour of council-funded care was £17.65, well below the Minimum Price calculated by UKHCA, which at the time was £20.69.[10]

Figure 1, below, shows that almost three-quarters of a homecare provider's costs are related to staff wages on-costs and mileage reimbursement.

Low fee rates from commissioning authorities compromise providers' ability to meet their statutory responsibilities and further increases in NLW, without a major injection of funds from central and local Government, will increase the risk of providers experiencing insolvency or withdrawing from the homecare market. In our response to question 3 of this call for evidence, we shall discuss the potential impact of market failure in the homecare sector.

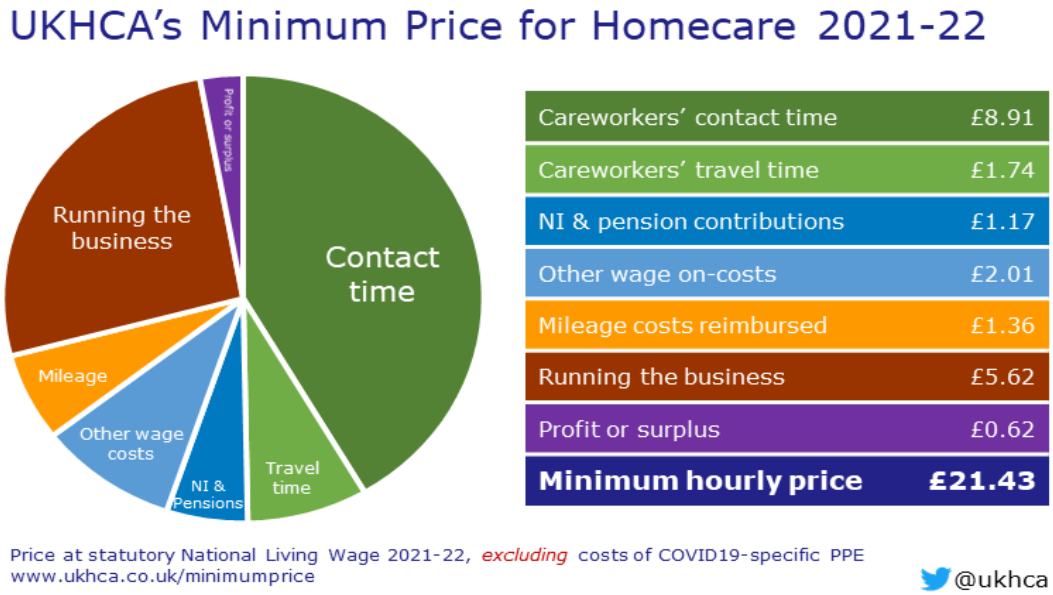

Figure 1: Calculation of UKHCA's Minimum Price for Homecare

Proposed UKHCA Fee Rate Uplifts 2021/22

Two days before the start of the 2021/22 financial year, UKHCA conducted an on-line poll of the fee rates proposed by public sector homecare commissioners. of 142 providers who responded, 52% reported that they had not been notified of any intended increase in the fees that would be awarded by their local authority or NHS commissioner and 7% of providers reported an average increase of 0% (a real-terms cut). No provider in the sample reported an increase of 4% or more. The data are summarised in Figure 2, below.

[10] Association of Directors of Adult Social Care (2020): **ADASS Budget Survey 2020** Published June 2020 https://www.adass.org.uk/adass-budget-survey-2020-coronavirus-budgets

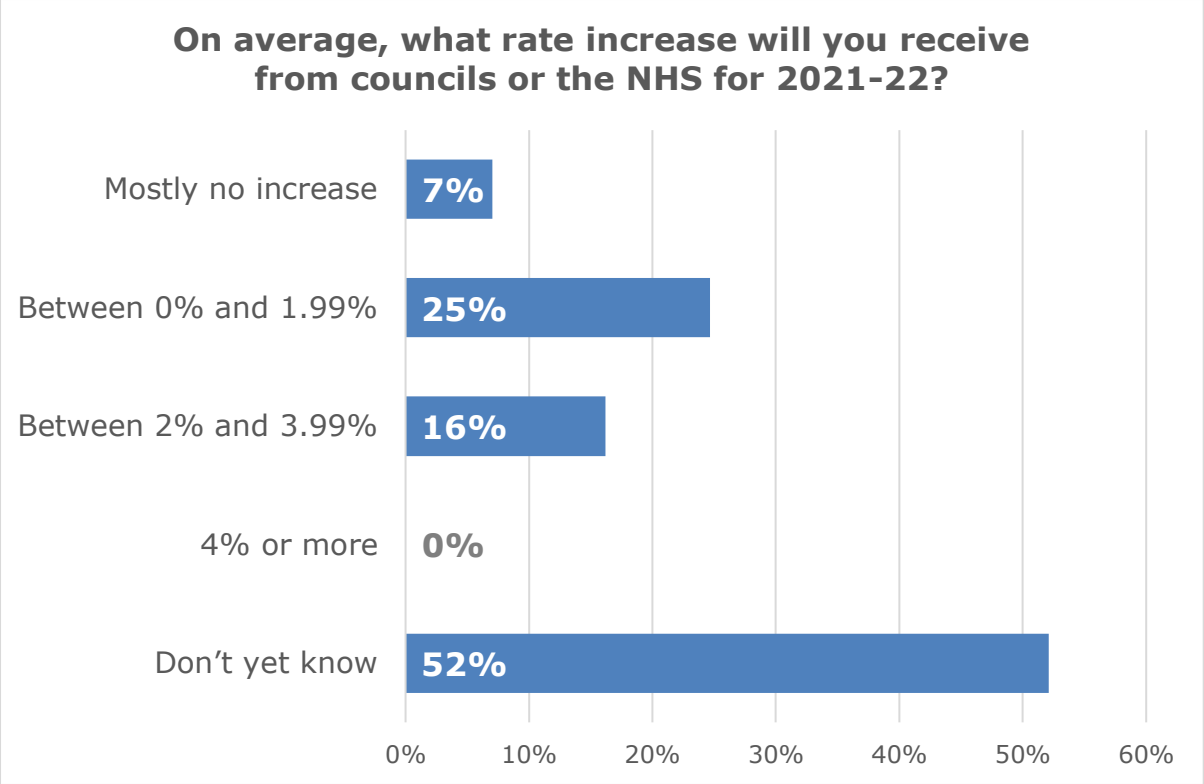

Figure 2: Proposed fee rates for financial year 2021/22 (Source: UKHCA Poll 30 March 2021)

In further work undertaken in May and June 2021, UKHCA sought data from a number of providers about the rates which councils had confirmed at that point. This was a self-reported survey, where data was received about 86 (of 151) councils in England. The data suggested that some councils were still slow in agreeing rate increases for the year 2021-22. Where rates where known, the median increase was 2.2% (barely the May CPI index of 2.1%), with a wide variation in rate increases between zero percent to 8%. The average price for regulated homecare purchased by councils in this sample was £17.95 per hour (compared to UKHCA's Minimum Price for 2021-22 of £21.43).

ADASS Guidance and Budget Surveys 2020

The Local Government Association (LGA) and the Association of Directors of Adult Social Services (ADASS) issued guidance to Local Authorities on 13 March 2020 and 9 April 2020. This guidance, issued at the start of the pandemic, was aimed at ensuring care provider resilience during the coronavirus (COVID-19) pandemic.

They recommended the following:

- Increase in fee rates of 5% to account for the rise in National Living Wage (NLW, which increased by 6.25%, plus on-costs);
- Extra funds to assist with increased costs during COVID-19, of up to 10 per cent, to be reviewed after one month; and

- Advance payment on planned care, rather than payment in arrears, on actual delivery, to assist with cash flow.

Although councils were not required to follow these recommendations we believe that most councils took some form of action in line with them saving the sector from significant damage.

The 2020 ADASS budget report, as published in June 2020 and referenced earlier in this paper, demonstrated fragility of council funds. ADASS reported that councils would need £520 million of additional funding to meet the same level of needs in 2020/21, compared with 2019/20 and that 43% of Directors of Adult Social Care reported that providers in their area had closed, ceased trading or handed back existing contracts to the authority.[11]

In a second report, also published in June 2020, ADASS considered the impact of Coronavirus on local authorities and observed that "…the actual costs to local authorities and adult social care providers of the pandemic will far outstrip the Emergency Funding made available by the Government to-date..."

Further, ADASS stated that "…The risk of already fragile care markets failing has significantly heightened as a result of the impacts of Covid-19…"

In the following section of this paper we shall review the most recent report issued by the National Audit Office into the state of local authorities' finances and the impact on service delivery resulting from the pandemic.

National Audit Office Reports 2021

On 10 March 2021, the National Audit Office (NAO) published a report '**Local government finance in the pandemic'**.[12]

The NAO reported that a decade of austerity for local government, which has reduced councils' spending power by a third at a time when demand for services has soared, had left local authorities more vulnerable to the impact of the pandemic than they otherwise would have been.

It went on to observe that a reduction in social care services for older and disabled adults, who were likely to be vulnerable to from April 2020.

The head of the NAO, Gareth Davies, stated "Authorities' finances have been scarred and won't simply bounce back quickly. Government needs a plan to help

[11] Association of Directors of Adult Social Services (2020): **ADASS Budget Survey 2020 and ADASS Coronavirus Survey Report** https://www.adass.org.uk/adass-budget-survey-2020-coronavirus-budgets

[12] Ministry of Housing, Communities & Local Government (2021): **National Audit Office Local Government finance in the pandemic**. Published 10 March 2021 https://www.nao.org.uk/report/local-government-finance-in-the-pandemic/

the sector recover from the pandemic and also to address the longstanding need for financial reform in the sector."

On 25 March 2021, the NAO published '**The adult social care market in England**' a value for money report on Government expenditure, which also contained recommendations on how to improve public services.[13]
The report highlighted a 57% projected forecast increase in adults aged 65 and over requiring care by 2038 compared with 2018 and a projected forecast increase of 106% in total costs of care for adults aged 65 and over by 2038 compared with 2018.

In 2019-20, local authorities spent a net £16.5 billion on care, according to the NAO. It observed that current demographic trends suggest a greater demand for care and increasingly complex care needs in the future, resulting in care forming an ever-increasing proportion of public expenditure. The NAO noted that future reforms, promised for several years, will need to tackle these growing challenges.

The report highlighted levels of unmet need and the growing complexity of the care being provided.

It highlighted the Department of Health and Social Care's awareness of underfunding by local authorities noting that the Department was aware that rates were unsustainable but criticised the model used by the Department to benchmark fee rates and its failure to challenge councils. For 2019-20, the Department assessed that the majority of local authorities paid below the sustainable rate for care home placements for adults aged 65 and over and below the sustainable rate for home care.

The lack of robust powers to compel change was also highlighted as was the Department's lack of a complete data set on social care provision, costs and performance. However, the NAO did recognise that the Department was collecting more data during the pandemic.

We believe that the analysis is correct and continue to be deeply troubled by the absence of robust powers and an apparent unwillingness on the part of Government to ensure that it has sufficient powers to direct actions and intervene, where necessary, in cases involving the mismanagement of the social care market.

We have noted the proposals contained within the White Paper **'Working together to improve health and social care for all'** published by Government in February 2021, particularly those related to greater oversight of local commissioners of care. However, whilst we welcome these proposals, we believe that the assurance process needs to provide a robust and independent

[13] National Audit Office (2021): **The adult social care market in England** Published March 2021 https://www.nao.org.uk/wp-content/uploads/2021/03/The-adult-social-care-market-in-England.pdf

assessment of whether a local authority has met its market-shaping responsibility under the Care Act 2014.[14]

Through the fees that State commissioners pay to providers and the management practices adopted by the councils and CCGs, such as payment for care by the minute, have a significant financial impact on the provision of care to elderly and vulnerable members of society.

In its review **Local government finance in the pandemic**, published on 10 March 2021, the National Audit Office highlighted significant pressures on local authority finances. Whilst recognising the £9.1 billion announced by the Government to provide support to local authorities to offset a forecast £9.7 billion in financial pressures, 46% of chief finance officers from single-tier and county councils had or were planning to use reserves to address COVID-19 pressures in 2021.[15]

Of more concern is that 94% of chief finance officers from single-tier or county councils were expecting to make cuts in service budgets in 2021-22. In the absence of a sustainable funding formula for adult social care, further cuts to council budgets could have serious implications for people who use homecare services.

Government provided economic support via the furlough scheme but this was not generally accessed by homecare providers as services were maintained throughout the pandemic.

Support from the Infection Control Fund was welcome and eased pressures on some providers by allowing them to support workers who were shielding or self-isolating. However, from providers' perspectives the shortcomings of this system of emergency funding were:

- Funding was announced in time-limited amounts, with the next instalments announced at late notice, reducing providers' abilities to plan ahead;
- Money was not ringfenced, so could potentially displace funding already allocated by an authority for social care;
- The distribution of funds was the responsibility of local authorities and there was variation in the approach across the country;
- Reporting mechanisms required on how the money was spent were onerous for many small and medium enterprises, and in some instances, councils introduced additional reporting requirements not made by central government.

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[14] Department of Health and Social Care (2021): Policy Paper **Working together to improve health and social care for all** Published February 2021 https://www.gov.uk/government/publications/working-together-to-improve-health-and-social-care-for-all

[15] National Audit Office (March 2021): **Local government finance in the pandemic** https://www.nao.org.uk/report/local-government-finance-in-the-pandemic/

The House of Commons Health and Social Care Committee

The House of Commons Health and Social Care Committee considered the funding of adult social care in its report to Parliament in October 2020.[16]

The Committee concluded that the case for making a sustained investment in social care had never been stronger and the toll the pandemic has taken on this sector meant that social care is no longer a hidden problem but one that the country as a whole understands. The Committee urged the Government to address this as a matter of urgency.

From the evidence presented to the Committee, it was clear that funding shortfalls are having a serious negative impact on the lives of those who use the social care system, as well as impacting the pay levels of the workforce and threatening the sustainability of the care market. The Committee recommended an immediate funding increase to avoid the risk of market collapse caused by providers withdrawing from offering services to council-funded clients and focusing exclusively on the self-pay market.

Existing systemic weaknesses were brought into sharp focus by the COVID-19 pandemic and the Committee urged the Government to address social care funding "…as a matter of the utmost urgency..."

The Committee recognised that the funding increase it called for is significant at a time when public finances are likely to be stretched, "…but the pandemic has made it clear that doing nothing is no longer an option…"

An increase in annual funding of £3.9 billion by 2023–24 was proposed to meet demographic changes and planned increases in the National Living Wage. However, the Committee recognised that such an increase alone will not address shortfalls in the quality of care currently provided, reverse the decline in access or stop the market retreating to providing only for self-payers. Further funding to address these issues is, therefore, also required as a matter of urgency. Providing adequate funding for social care will also help the NHS, and may itself have positive economic and long-term social impacts, given that social care is an important part of the economy.

The Committee also strongly recommended that alongside such a long-term funding settlement, the Government should publish a 10-year plan for the social care sector as it has done for the NHS noting that the two systems are increasingly linked and it makes no sense to put in place long term plans for one without the other.

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[16] House of Commons (2020): **Social care: funding and workforce** Published October 2020 https://publications.parliament.uk/pa/cm5801/cmselect/cmhealth/206/20607.htm#_idTextAnchor059

The need for a 10-year Plan was also recommended by the NAO in its recent report on social care, published in March 2021 and referenced earlier in this paper.

The Committee observed that failure to do so was also likely to inhibit reform and lead to higher costs and recommended that Government must ensure that there is a sustainable funding settlement to provide for competitive pay for social care workers that ensures parity with NHS staff and is reflective of the skilled nature of social care work. It observed that parity could be achieved by linking social care pay to equivalent bands of the NHS Agenda for Change contract and introducing meaningful pay progression but stressed the need for any solution to provide a sustainable basis for continued rises in pay above and beyond increases to the National Minimum Wage and in line with increases given to NHS staff. It referenced evidence from the Health Foundation and others, which demonstrates that increased wages must be supported by investment: the Health Foundation estimated that to increase the average pay in social care to just 5% above the National Living Wage, while meeting future demand, would cost an extra £3.9bn per year by 2023–24.

Obviously, for an effective system to operate, funding needs to be sufficient to cover the total cost of the ambition rather than solely relying on pay-propelling policies.

UKHCA continues to argue for a sustainable funding system for homecare as part of an overall strategy for the sector, which includes a workforce development strategy and a structure for calculating regulatory fees that is reflective of the actual costs of regulation.

3 To what extent have employees been affected by other major trends in the economy and labour market: for example Brexit, the shift to homeworking or any changes in the number of migrant workers in the UK.

Immigration Policy

The Government announced plans for a new immigration policy in February 2020. The new policy commenced when the EU Exit Transition Period ended on 31 December 2020.

Freedom of movement rights for EU/EEA citizens ended and a new Points-Based system was introduced.[17]

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[17] Home Office (2021): **UK's points-based immigration system: An introduction for employers** Published January 2021 https://www.gov.uk/government/publications/uk-points-based-immigration-system-employer-information/the-uks-points-based-immigration-system-an-introduction-for-employers

Although the existing workforce from the EU/EEA is likely to be able to continue working in the UK, after January 2021 the available pool of the workforce is likely to contract, increasing competition within the labour market.

Providers are reporting worsening recruitment and retention rates, which we believe are a combination of:

- The inevitable reduction in EU workers created by the end of Free Movement;
- The impact of covronavius on perceptions of the safety of social care work;
- The reopening of other business sectors (particularly retail and hospitality), offering higher wages to meet post-lockdown demand.

Salary and skills thresholds

The Migration Advisory Committee (MAC) published its report on salary thresholds and points-based systems on 28 January 2020 and has recently closed a consultation on the Shortage Occupations List.[18]

In its report ***EEA migration in the UK****,* published in September 2018, MAC stated that, whilst recognising that migrant workers, particularly non-EEA, but increasingly those from the EU, contributed significantly to the social care workforce, social care wages are low, which makes this an unattractive industry for UK-born workers to work in, leading to a dependence on migrant workers who may have fewer better work opportunities.[19]

The Committee also said that with an aging and expanding population, social care needs will grow in the UK. The sector's problems are not primarily migration-related according to the Committee.

The Committee further recommended that a sustainable funding model, paying competitive wages to UK residents, would alleviate many of the recruitment and retention issues.

The Committee concluded that unless working in social care becomes more desirable to UK workers, chiefly through higher wages, migrant workers will be necessary to continue delivering these services.

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[18] Migration Advisory Committee (MAC) Report: **Points-based system and salary thresholds** Published January 2020 https://www.gov.uk/government/publications/migration-advisory-committee-mac-report-points-based-system-and-salary-thresholds

[19] Migration Advisory Committee Report: **EEA Migration in the UK** Published September 2018 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/741926/Final_EEA_report.PDF

However, the Committee ruled out introducing a scheme to make it easier to hire migrant workers into social care, such as is the case for rural workers, employed on a seasonal basis, arguing that such a scheme would not necessarily make it easier to retain them in the sector.

The Committee said, "…We are seriously concerned about social care but this sector needs a policy wider than just migration policy to fix its many problems. This is one illustration of a more general point that the impacts of migration often depend on other government policies and should not be seen in isolation…"

Whilst initially set at £30,000, Government has agreed with the MAC's recommendation on salary thresholds and will lower the general salary threshold to £25,600. However, under the points-based system for skilled workers, applicants will be able to 'trade' characteristics such as their specific job offer and qualifications against a lower salary.

We – and colleagues from other social care and health employers – have made representations to the Migration Advisory Committee (MAC) for the inclusion of social care workers on the Shortage Occupation List. On 4 March 2021, the Government announced that senior careworkers had been added to the List.[20]

Non-British Nationals in Homecare

In 2019, UKHCA assessed the contribution of non-British nationals to England's homecare workforce. The results are shown in Figure 3, below.

We advised the Commission that the proportion of non-British nationals working in homecare varies across the UK but averages 7%.

[20] Home Office (2021): **Immigration Rules Appendix Shortage Occupation List** Published March 2021 https://www.gov.uk/guidance/immigration-rules/immigration-rules-appendix-shortage-occupation-list

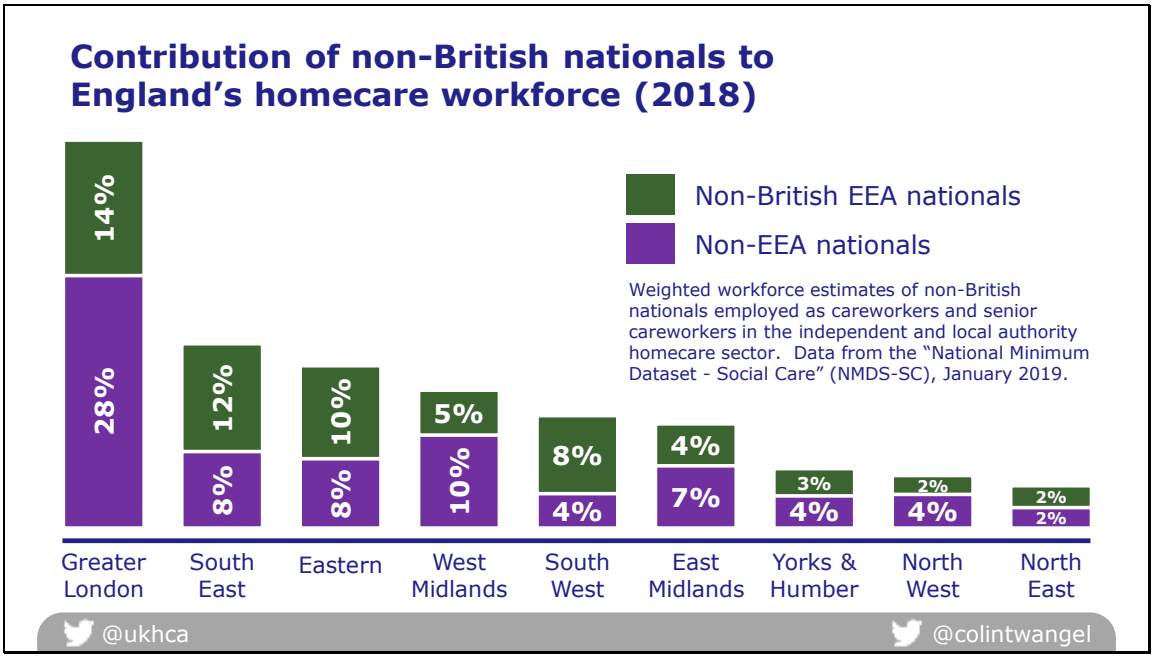

Figure 3. Contribution of non-British Nationals to England's Homecare Workforce (2018)

In London and the South of England, however, the loss of migrant workers would have a more significant impact than in other parts of the country and the impact of the new 'Points-Based' system would deter careworkers who, unless they were on the Shortage Occupation List or some other form of easement, would be unable to garner enough points for entry into the UK.

Unless providers have the ability to increase prices to the end-user, we do not believe that they will become competitive in local labour markets. In order to do this, providers would need to:

- Increase fees to local authorities and the NHS (around 70% of all hours of care purchased); and/or
- Increase the fees charged to private individuals funding their own care (around 30% of all hours of care delivered).

Freedom of movement between the UK and EU ended on 31 December 2020. The UK has now implemented a points-based immigration system that treats EU and non-EU citizens equally. Employers who wish to hire from outside the UK, excluding Irish citizens, will need to apply for permission in advance.[21]

A sponsor licence is required to hire most eligible employees from outside the UK and the people must meet the requirements for coming to the UK for work.

[21] Home Office (2021): **The UK's Points Based Immigration System An introduction for employers** Published January 2021 https://www.gov.uk/government/publications/uk-points-based-immigration-system-employer-information/the-uks-points-based-immigration-system-an-introduction-for-employers

Under the points-based immigration system, anyone coming to the UK for work must meet a specific set of requirements for which they will score points. Visas are then awarded to those who gain enough points.

This represents a significant change for employers recruiting from outside the UK and many providers, particularly those that provide live-in care in their clients' homes, have traditionally recruited their careworkers from outside the UK.

Frontline careworkers are currently not on the Shortage Occupation List and would not meet the criteria for access to work in the UK under the points-based system.

UKHCA and other professional associations representing the Adult Social Care Sector have argued that careworkers should be included in the Shortage Occupation List and welcomed the Home Secretary's recent acceptance of the Migration Advisory Committee's recommendation that senior care workers and domiciliary care managers be included in the Shortage Occupation List.[22]

This is a welcome move. However, it does nothing to improve recruitment and retention of the social care workforce who are employed at a level below senior careworker or manager.

COVID-19 Border Controls

The Home Office has introduced testing requirements for travellers coming into the UK with variations, in terms of quarantine requirements, being implemented in the Devolved Administrations.

In England, the person travelling into the country must either quarantine in the place they are staying or in a managed quarantine hotel for 10 days because of coronavirus (COVID-19). In addition, a COVID-19 test is required on days 2 and 8 after arrival in England. These need to booked before travel and incur a cost of £210 per person.

For those employers, particularly live-in care providers, the costs of the additional testing regime is significant and contributes further to potentially destabilising the market further, particularly in areas most reliant on migrant workers, including London and the South of England.

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[22] Home Office (2021): **Rule changes to make it easier to recruit health and care staff** Published March 2021 https://www.gov.uk/government/news/rule-changes-to-make-it-easier-to-recruit-health-and-care-staff

United Kingdom Homecare Association's (UKHCA's) Response to Consultation Questions

UKHCA's Evidence to Health and Social Care Committee July 2020

As highlighted previously, UKHCA's data sources showed that only 1 in 7 councils and a minority of CCGs were paying at least the UKHCA's Minimum Price for Homecare of £20.69 per hour for 2020/21, and the increased costs to providers as a result of Covid-19 are largely being ignored, especially the additional costs of PPE and covering staff absences through shielding and self-isolation. At the start of the pandemic we estimated the additional costs to be £3.95 per hour of homecare delivered.

Poor commissioning practices, such as purchasing homecare by the minute, and focusing on time and task is adding to the pressures for providers. And yet a vibrant and sustainable homecare service is required to cope with the demographic changes forecast for the sector. In the short term, demand for homecare will likely increase to support people recovering from Covid-19, winter pressures, or discharge from hospital as the NHS tackles the backlog of elective surgery. Adequate support for homecare providers is needed so people can be swiftly and safely discharged from hospital.

Recruitment and retention of careworkers is the highest risk to homecare providers and a major threat to continuing to provide their service. Careworkers have extraordinary skills, particularly when providing care for people with the most complex needs. These skills are supporting the NHS and yet the dedication and expertise of the homecare workforce is largely unrecognised. The biggest impact on recruitment and retention of the workforce, and the overall financial viability of the homecare sector, is the funding of homecare provision, by councils and the NHS. In many cases, fees do not cover the cost of paying the statutory requirements of the National Minimum Wage and pensions contributions. The ability of social care employers to recruit and retain staff has been exacerbated by the widening pay differentials between healthcare assistants employed in the NHS, and the pay of homecare workers in the independent and voluntary sectors.

The NHS and social care employers are trying to recruit from the same pool of employees, a pool that is likely to shrink further as a result of the points based immigration system thereby cutting off non-UK applicants from applying for roles as careworkers. UKHCA has consistently made the case that all careworkers should be accepted on the Shortage Occupation List, not just senior careworkers or managers.

To begin to address recruitment and retention in homecare, the Government needs to settle the question of how to fund social care over the long term. That settlement should mandate that commissioners of homecare within local councils and the NHS should be obliged to pay fee rates that allow for a sustainable and vibrant homecare sector, which can invest in training, innovate with new technology and develop a more personalised approach to care in partnership with NHS community services.

There also needs to be a workforce strategy for social care that sits alongside the NHS People Plan. What is needed is a mandated, fully funded and ring-fenced, national minimum rate for homecare, calculated using the UKHCA's evidence-based model, which enables careworkers to be recognised with terms

and conditions on a par with equivalent skills and experience in the NHS and for providers to deliver high quality care, meeting or exceeding regulatory requirements.

Homecare providers and workers have been undervalued by national and local government and the general public, though the current pandemic has resulted in some increased appreciation of their worth and contribution to society. Homecare needs to be recognised not only for its economic value to society but also for its potential to contribute to health and well-being of people by ensuring they remain independent in their own homes for as long as they choose to do so. That will require:

- investment in the homecare workforce;
- investment in prevention and rehabilitation services;
- a minimum of 30 minutes, and preferably 1 hour, for homecare visits;
- prohibiting 'payment by the minute';
- investment to speed-up the implementation of digital technology;
- funding for research and data collection to assist in development of new models of care;
- oversight by an independent body of local authority implementation of their duties under the Care Act 2014;
- reform of VAT so that "welfare services" are "zero-rated" rather than "exempt" allowing homecare providers to re-claim their input taxes;
- a review of the fees homecare providers pay to the Care Quality Commission;
- making homecare providers exempt from business rates to create parity with care homes, which are not required to pay business rates.

Risks of Market Instability

As highlighted previously, approximately 80% of the UK's homecare sector comprises small businesses with fewer than 50 employees. Some large homecare companies operate as franchise models, which are also made up of small companies.

It is estimated that most small companies will run into solvency risks after 8 to 12 weeks if they have one month's savings on hand to cover costs. Those with smaller reserves may face insolvency sooner.

Multiple insolvencies, particularly happening simultaneously, would pose an immediate problem for citizens, care providers and local authorities during the COVID-19 emergency. Local authorities are responsible for safeguarding and sourcing alternative placements. In normal times, other providers have absorbed the capacity when companies have ceased trading. It is less likely they will be willing or able to do so in the middle of a pandemic, particularly if provider failure happens at scale.

In addition to putting up to 500,000 jobs at risk, multiple provider failure could also create longer-term structural risks to the care sector, as homecare capacity could substantially diminish.

In turn, this could result in more people having to be placed in care homes or ending up in hospital unnecessarily. This would have a negative impact on people and their families, add unnecessary pressure to the NHS and be more costly in the longer term.

4 What is your experience over the past year in the following areas?

- **Prices and profits**
- **Productivity**
- **Pay structures and differentials**
- **Wider benefits available to workers (including premium pay and non-pay benefits across the workforce)**
- **Quality of work, including contract types, flexibility and work intensification (e.g. greater expectations for workers to work more flexibly, with greater effort, to higher standard etc)**
- **Progression and job moves**
- **Training**
- **Investment**
- **Business debt**

UKHCA has consistently expressed both our support for the National Living Wage (NLW) and our concerns to the Commission that the NLW has evolved into a significant operational issue for the homecare sector. For providers in the statutory homecare sector, there is continuous pressure exerted by Local Authorities on providers to reduce costs and make efficiency savings. This has not abated since our last submission to the Commission.

Our evidence on page 8, above, illustrates our most recent assessment of rates paid by local councils, which are well below the actual costs of providing care. As Local Authorities commission in excess of 70% of homecare across the UK there is, in effect, a monopsony market. Fee rates still rarely take into account payments for travel and 'down time' between assignments despite this being 'working time' for the purposes of the National Living Wage Regulations.

Increased costs related to the coronavirus (COVID-19) pandemic, not least the vastly increased costs of Personal Protective Equipment (PPE), have markedly increased pressures on providers in both the statutory and privately funded sectors of the homecare market.

To mitigate the increased financial pressures on homecare providers, central Government provided councils in England with an additional £3.2 billion in extra funding. The expectation was that a substantial proportion of this would be used to support social care providers. However, recent research conducted by UKHCA has shown that insufficient amounts of the additional Government funding have yet reached homecare providers.

Approximately 80% of the UK's homecare sector is made up of small businesses, with fewer than 50 employees. Some large homecare companies operate as franchise models, which are also made up of small companies.

Decline in revenues and increased costs increase insolvency risks for the sector.

During the height of the Coronavirus pandemic and without additional financial support from their commissioners, UKHCA estimated that that most small companies would run into insolvency after 8 to 12 weeks if they have one month's savings on hand to cover costs. Those with smaller reserves may face insolvency sooner.[23] While this extreme position has abated somewhat, it illustrates the precarious position of the sector, and how close it is to collapse in the event of external stressors.

COVID-19 has increased costs and reduced income for homecare providers within a sector already weakened by years of underfunding and low fee rates paid by local authorities and NHS commissioning bodies, who purchase over 70% of homecare provision.
Providers' costs have increased due to a number of factors, most notably PPE costs in the early stages of the pandemic and increased insurance premiums. In addition, many packages of care were withdrawn due to clients' concerns over visitors to their homes as well as more care being provided by families unable to work due to movement restrictions imposed by the Government to reduce the spread of COVID-19.

5 Apart from the minimum wage, what other factors affect workers in low-paying sectors and occupations? Among other things, we are interested in evidence and views on:

- **The effect on workers of Universal Credit and other rules around benefits and tax.**
- **The relationship between the minimum wage and weekly income.**
- **Access to transport and the effects this has on working life.**

As mentioned earlier in this paper, 50% of careworkers are on zero hours contracts. These appear to be attractive as they give both employers and careworkers flexibility around the hours that are worked and therefore greater flexibility around Universal Credit and other rules around benefits and tax.

Given the low rates paid by most councils and the failure of many to provide a meaningful uplift to meet even this year's increase in NLW, the risk of non-compliance increases for providers who need to weigh compliance with minimum wage criteria and other statutory costs including VAT, business rates and Care Quality Commission (CQC) fees.

Unlike the situation in Scotland, where regulatory fees have been waived, England's regulator, CQC has continued to levy fees from homecare providers during the coronavirus pandemic despite not carrying out inspections and limiting its regulatory oversight to focused telephone interviews with providers.

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[23] Townson, Dr J (2020): UKHCA Blog **Homecare in the time of coronavirus** https://ukhcablog.com/blog/homecare-in-the-time-of-coronavirus/

UKHCA has argued that these should be waived for homecare providers as they are for care homes.

We welcomed the suspension of VAT on Personal Protective Equipment but we should like to see this made permanent. We continue to urge Government to zero-rate VAT on regulated care services (referred to as 'Welfare Services' in HMRC publications). This would provide financial support to providers, who cannot currently reclaim the VAT on goods and services which they buy, but cannot charge VAT on services which they deliver.

Given the peripatetic nature of homecare many careworkers, particularly in urban areas are reliant on public transport. Despite movement restrictions imposed since March, on public transport, most homecare providers continued to support people to remain in their own homes.

Levels of infection in homecare settings remained lower than in other care settings such as care homes and UKHCA members did not report high levels of sickness amongst workers. Absence levels, in many cases, were lower than those before the pandemic.

Outside dense urban areas, the majority of homecare workers need to use a private vehicle in order to travel between service users' homes. The cost of insurance premiums for younger drivers often act as a deterrent to the employment of younger workers.

Public liability insurance has emerged as a major issue and since our last report to the Commission only two insurance providers remain but, as yet, with no response from Government.

Whilst NHS providers are indemnified by Government, homecare providers are not.

There are currently only two insurance companies writing new business to the homecare providers. These providers are demonstrating a higher level of risk aversion, including infectious disease exclusions and narrowing the scope of cover. Insurance premiums have also increased markedly over the last year, placing greater financial strain on providers.

In addition the insurers are placing much greater emphasis on quality ratings awarded by statutory regulators. This has a direct impact on premiums, and the level of or availability of cover. Indeed, a further tightening of the insurance market is likely to lead to some providers being unable to obtain insurance at all, or at a commercially viable rate.

United Kingdom Homecare Association's (UKHCA's) Response to Consultation Questions

The National Living Wage

6 What has been the impact of the NLW in the past year? Our critical interest is in its effects on employment, hours and earnings. We are also interested in the effect of the NLW on any of the areas listed in question 4.

Cost pressures have increased over the last year as we have discussed throughout this paper, largely due to the impact of COVID-19.

We have no evidence that NLW was a more significant issue than other cost pressures and we welcome LPC's recommended increase in the NLW of 2.2% for this year from £8.72 to £8.91. Whilst we argued for a freeze on increasing NLW in our last submission we are grateful that Commissioners have recognised the importance of NLW rates reflecting the current economic situation.

7 To what extent has the NLW affected different groups of workers, particularly those with protected characteristics (for example women, ethnic minorities) and migrant workers?

As highlighted earlier in this paper, around 84% of homecare workers are female, and the average worker was 43 years old. These demographic breakdowns broadly match those seen in the rest of the adult social care workforce.

According to Skills for Care, in 2019 83% of the homecare workforce was British, 7% EU (non-British) and 9% non-EU. This was similar to the diversity across all services.

The proportion of workers in homecare services with an EU nationality had increased from 5% in 2012/13 to 7% in 2018/19. The proportion with a non-EU nationality had decreased over the same period from 12% in 2012/13 to 9% in 2018/19.

Government policies in relation to women, ethnic minorities and migrant workers could, therefore have a significant effect on the homecare workforce.

We highlighted earlier the variable distribution across the UK, of non-British nationals in homecare. The Government's policies on migration and COVID testing could significantly impact the homecare sector, particularly the live-in care sector which has, traditionally relied on migrant workers who would not, on the whole, wish for or be entitled to claim Frontier Worker status.

Larger homecare providers tend to be highly dependent on Local Authority-funded care packages. Councils have, as a result of central Government policies, seen their budgets constrained over the last few years. In most cases, the councils have not carried out meaningful cost of care exercise in order to set fee rates based the true costs of delivering care. Instead, they have set rates, based on local circumstances and what the council considers that it can afford to pay. Such low fee rates are likely to make it more difficult for providers to meet NLW.

Smaller providers who supply services to one or two councils are especially vulnerable to councils' financial decisions.

Against a background of significant regional variation in fees paid by local authorities and their failure to increase fees, even greater pressure will be placed on independent providers and more workers are likely see their wages falling below the statutory levels.

Further increases in NLW, coupled with continuing constraints on public sector funding, might lead to more providers being unable to meet the costs of NLW. This could result in increased non-compliance rates or withdrawal of businesses from the council-funded market which would, potentially, also affect the employment prospects of workers in the local area and increase challenges to the delivery of services to people with care and support needs.

8 How has the NLW's impact varied across different areas of the UK?

Given the disproportionate impact of COVID-19 on all areas of the UK economy, we have no data to assess the impact of NLW within the wider context of COVID-related financial pressures.

However, we have noted the commentary from the Low Pay Commission's 2020 report which observed that with respect to the impact of coronavirus on minimum wage workers, minimum wage workers were less likely to be key workers than average, but much more likely than average to work the sectors most affected by lockdown. Therefore, they were more likely to have suffered financially since the start of the pandemic.

As we highlighted earlier in this paper, homecare workers were less likely to be furloughed workers than workers in other sectors. Feedback from our members would support this view.[24]

The homecare sector employs over 800,000 workers across the UK. The majority of workers are based in England.

There is no UK-wide dataset for the numbers of people working in homecare but the following estimates give an indication of the relative distribution of workers across the UK.[25]

- **England**: 715,000 (2019/20) – source: Skills for Care
- **Wales**: 21,421 (2018) – source: Social Care Wales
- **Scotland**: 71,340 (2019) – source: Scottish Social Services Council

[24] **Low Pay Commission** Report 2020 Figure 3.4 https://commonslibrary.parliament.uk/research-briefings/cbp-7735/

[25] https://www.homecare.co.uk/advice/home-care-facts-and-stats-number-of-providers-service-users-workforce

- **Northern Ireland**: 15,200 (2018) – source: Skills for Care
- **UK total**: 822,961

National policies in relation to NLW or migration will, therefore, have different impacts across the country.

9 The Government's remit for the NLW is based on achieving a target of two-thirds of median earnings by 2024. Based on forecasts, our current central projection for the April 2024 NLW rate is £10.33. What are your views on this target?

The current NLW represents a £0.51 increase over the previous year but has added £0.91 to the costs of providing care.

Whilst we can see merit in the Government's remit for the NLW, we would argue that without a proper and sustainable funding settlement for council-funded care and a wider easing of business costs, providers will struggle to maintain compliance with NLW and this may result in insolvency and/or withdrawal from the market, or the equally undesirable risk of non-compliance with Minimum Wage regulations.

The ADASS Budget Survey in 2020 and referenced earlier in this paper recommended national pay rates and increased funding for social care.

Given that many councils have offered little or no increases in their rates for homecare UKHCA has argued that any national rates should be based on the UKHCA's Minimum Price and that Government should consider direct funding of homecare providers, effectively by-passing councils.

Both Local Authority and privately-funded providers continue to be negatively affected by increased costs due to PPE, VAT, business rates and regulatory fees. Any further increases in NLW must be accompanied by other measures to ensure that the NLW remains affordable for providers.

Without a more sustainable funding settlement across the sector there is a higher likelihood insolvency or withdrawal from the market and potentially increasing levels of unmet need in the client groups supported by homecare providers.

We would welcome a recommendation from the Commission that Governments in all four UK administrations:

(1) required councils to undertake open and transparent cost of care exercises with their social care providers and made the findings public;
(2) introduce a robust system oversight of the impact of local authority commissioning on prices paid for care and workers' wages through an independent regulator (for example the Care Quality Commission in England).

10 How have employers responded to the lowering of the NLW age threshold to 23?

Homecare employs a small proportion of workers in this age range. Our sense from providers is that they rarely, if ever, rely on the lower rates for younger workers. Our general assumption is that homecare providers aim to pay all the workers at or above the National Living Wage, regardless of the workers' age.

11 At what level should the NLW be set from April 2022? Our current central projection for the on-course rate is £9.42, with a likely range of 7 pence above or below this figure.

As argued throughout this paper, further increases in NLW without a sustainable funding system across the sector is likely to see increased pressures on providers and Local Authorities, increasing the likelihood of insolvency or withdrawal from the market and increasing levels on unmet need or increasing dependence on residential care or the NHS.

Young people

12 What do you think has been the effect of the minimum wage on young people and on their employment prospects?
We have seen no evidence that the minimum wage has increased recruitment of younger workers to the homecare sector.
Rates of pay in the independent homecare sector are still not such that they would be likely to attract younger workers. As highlighted earlier in this paper, there has been no evidence of workers from the hospitality or retail sectors seeking redeployment into the homecare sector.

13 This year sees the creation of a new 21-22 Year Old Rate, which will remain in place until the NLW age threshold is lowered again to 21.

- **To what extent will employers use the new 21-22 Year Old Rate?**
- **At what level should it be set from April 2022?**
- **When do you think the NLW age threshold should be lowered to 21? What factors should we consider in making this decision?**

Homecare does not employ a high proportion of younger workers. Those that are employed tend to be paid at the same level as other colleagues. However, further increases in wages, without a sustainable funding settlement, increases the risks of insolvency or withdrawal from the market.

14 At what level should each of the other NMW youth rates (the 18-20 Year Old Rate and the 16-17 Year Old Rate) be set from April 2022?
We have seen no evidence that the minimum wage has increased recruitment of younger workers to the homecare sector. Homecare is still considered to be a less attractive proposition when compared with the retail or hospitality sectors.

Apprentices

15 What is the outlook for the recruitment and employment of apprentices?

We have not seen widespread use of apprenticeships in the front-line homecare workforce and there are no sufficiently granular data to show whether the apprenticeships currently being undertaken are in homecare. Our impression is that apprenticeships are more often used in the residential care sector.

16 What have been the impacts of recent increases in the Apprentice Rate?

As in our answer to Question 12, we have not seen wide use of apprenticeships in the front-line homecare workforce and there are no sufficiently granular data to show whether any apprenticeships in Adult Social Care are in homecare. Our impression is that apprenticeships are more often used in the residential care sector.

17 At what level should the Apprentice Rate be set from April 2022? Should we go ahead with our intention to equalise the rate with the 16-17 Year Old Rate next year?

As in our previous answers, we have not seen wide use of apprenticeships in the front-line homecare workforce.

Compliance and enforcement

18 What issues are there with compliance with the minimum wage and what could be done to address these?

Compliance with the NLW/NMW is particularly challenging for those businesses reliant on funding from councils or Clinical Commissioning Groups as commissioners do not base the fees they pay on a fully costed model of the actual costs of delivering care. As previously stated, councils are, on average, paying less than £18.00 per hour.

The COVID-19 pandemic has exacerbated the issues around funding as evidence provided by UKHCA's members has shown that many councils and Clinical Commissioning Groups have not provided any uplift in rates paid to providers to address this year's increase in NLW/NMW.

Without a substantial and sustainable funding settlement across the sector, the fragility of the market will increase as will the risk of non-compliance with minimum wage criteria.

We have previously advised the Commission that we publish a "National Minimum Wage Toolkit" to help homecare providers comply with the National Minimum Wage Regulations, particularly in relation to the variable hours usually undertaken by members of our workforce. We are pleased to confirm that we

continue to keep this document updated and available without charge, the ongoing costs being borne by UKHCA.[26]

Guidance to assist employers from government, however, remains inadequate. We note that earlier this year HMRC broadcast a webinar on the principles of NMW compliance for homecare providers, and invited UKHCA to comment on the draft version of the proposed contents. Although the final product will have been helpful, regrettably, despite our advice, the guidance did not deal with the complexity of NMW compliance for a peripatetic workforce. To the best of our knowledge, this webinar was a one-off event, and a recording has not been made available on-line to help providers who were unable to attend.

19 What comments do you have on HMRC's enforcement work and the guidance available to employers?

We have no direct experience of this but the impression we have from employers suggests that HMRC inspectors make exceptionally high demands for documentation and that the process is lengthy, often with long gaps between activities.

It has also been felt that HMRC do not always seem to understand how to interpret the Regulations within the context of homecare delivery.

Accommodation Offset

20 What are your views on the Accommodation Offset? What difference, if any, have recent increases in the rate made to the provision of accommodation?

As the accommodation offset affects few homecare providers, we have not offered a view on this question.

Live-in domestic workers

21 Under section 57(3) of the National Minimum Wage Regulations 2015, work done by a worker in relation to an employee's family household is exempt from the NMW if the worker lives with the employer and is treated as a member of the family. What evidence do you have on the use of this exemption? We are particularly interested in evidence on the characteristics of workers affected; and the prevalence of its use.

Whilst a number of UKHCA members provide homecare on a live-in basis, they generally provide regulated personal care rather than domestic services.

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[26] United Kingdom Homecare Association (2020) **National Minimum Wage Toolkit** (Revised February 2020). https://www.ukhca.co.uk/downloads.aspx?ID=422#bk1

The careworkers, although living with the family to whom they provide care, are not generally treated as members of the family and the NMW exemption would not be applicable to this model of care.

Miscellaneous

22 Is there any other evidence, not touched on in the questions above, which you wish to share on issues relating to the NLW/NMW?
The current pandemic has highlighted the value adult social care provides to the country. In the case of homecare, there have been lower rates of infection compared with NHS or care home settings and vastly fewer deaths.

It is disappointing that, despite recommendations from Parliamentary Committees and other representative bodies, referenced earlier in this paper, the Prime Minister's promise to 'fix social care' has not, as yet, been honoured nor has his 'plan' been published.

Whilst the draft White Paper **'Working together to improve health and social care for all'** contains many helpful proposals that would be of value to the homecare sector, Government has failed to value and reward homecare workers for the important work they do, not as an adjunct to NHS or institutional care but as a favoured model to maintain the dignity and independence of people by allowing them to live healthily at home for as long as possible.

Over the last few years, UKHCA has presented its view to the LPC that a fair and sustainable price for homecare should include the following:

- Cover workforce costs, including careworkers' travelling time to ensure full compliance with the National Minimum Wage;
- Recognise wage expectations of local labour markets to secure a sufficient workforce to meet local demand;
- Cover the costs of regulation, supervision and training to meet quality and safety requirements;
- Ensure businesses receive a profit/surplus to maintain market stability and reinvest in services.

Our view has not changed and indeed, we would argue, central Government action is long overdue.

Financial pressures on local government have increased over the last year as highlighted by the National Audit Office, not least due to the additional pressures resulting from the current pandemic. There is a real risk that this may result in further reduction or removal of care and support and an increased level of unmet need over what has been reported previously.

There is still a need to:

- Mandate and fully fund, in a ring-fenced manner, a national minimum rate for homecare, calculated using the UKHCA's evidence-based model, which enables:
    - careworkers to be recognised with terms and conditions on a par with equivalent skills and experience in the NHS; and

    - providers to deliver high quality care meeting, or exceeding, regulatory requirements.

- Change the treatment of VAT from exempt to zero rated for social care, so that providers can recover costs.

- Exempt homecare providers from business rates to create parity with care homes, which are not requires to pay business rates.

Conclusion

The National Minimum Wage has set consistent wage levels across the country and annual increases are logical and fair.

However, from data obtained from UKHCA's members and outlined earlier in this paper, commissioners of adult social care are continuing to underfund the true costs of care. From UKHCA's survey of members, we have found that of those commissioners who did offer an inflationary uplift this year, the range was from 2.95% to 4.3%. A substantial proportion of councils had provided no uplift for 2 years or more.

In its Budget Survey ADASS cites a median fee rate of £17.75 per hour. UKHCA's members reflected a median rate of £17.20 in England with around 10% of councils offering rates below £15 per hour.

Even before the start of the coronavirus (COVID-19) pandemic UKHCA had calculated a minimum price of £20.69 for delivering an hour of care. Taking into account increased costs associated with COVID, the minimum rate increased by a further £3.95 per hour.

UKHCA recognises the National Living Wage for 2021/22 increased by 2.2% from £8.72 to £8.91, in recognition of the risks to youth employment which the current economic situation poses. Providers will continue to struggle to meet the increased costs of NLW before taking any other costs into account.

If further increases to the NLW are to be made in the future, an equitable and sustainable price must be paid to homecare providers as part of a national funding settlement and workforce strategy.

We again urge the LPC to recommend that central and devolved Government takes a more active role in funding and oversight of adult social care services.

We believe that effective regulatory oversight of commissioners should require councils to demonstrate that they have assessed that the prices they pay for care are consistent with employers' legal obligations, including payment of statutory minimum pay rates.

We have previously argued for increased regulatory oversight of State funding bodies and recognise the proposals for greater regulatory oversight of care commissioning, contained in the Government's White Paper and referenced earlier in this paper.

The Care Quality Commission recently launched its latest published Strategy **A new strategy for the changing world of health and social care - CQC's strategy from 2021.**[27]

The Strategy contains proposals for a systems-wide approach to inspection processes including not only scrutiny of NHS and social care providers but also increased oversight of local authority and NHS commissioning bodies. However, there are no plans to provide the Commission with Regulatory enforcement powers.

A ratings system has been mooted but we remain to be convinced that this will provide a sufficient level of assurance in relation to the commissioning practices of local councils and the impact on the wage rates available to homecare workers.
Sustainable funding and effective oversight of local authority and NHS commissioning remain to be addressed by Government.

In evidence given to the House of Commons Select Committee on 23 June 2020, UKHCA's Chief Executive, Dr Jane Townson, made the following observations:

> "…We need to focus on outcomes on a system-wide basis and not just reduce everything to cost and minutes. We must get away from time and task, and look at population level at outcomes and at individual level at outcomes, and then do a sensible calculation of the costs and benefits of different models.
>
> "We do not even have a social care strategy, never mind a workforce strategy.
>
> "We have no idea whether we are heading for a more institutional approach. At the moment, that is what it would appear to be, because all the money is going into acute hospitals and care homes relative to homecare and other community support.
>
> "Citizens want to stay at home. They do not want to go into institutions. They want to stay in their community, surrounded by the people they love. We already support more than twice as many people at home as are supported in care homes, and about eight times more than in hospitals, but for 4% of the budget that is spent on the NHS. We need to stop looking at costs and start looking at value. We need to invest…"[28]

<END>

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[27] Care Quality Commission (2021): **A new strategy for the changing world of health and social care - CQC's strategy from 2021** (Published 28 May 2021) https://www.cqc.org.uk/about-us/our-strategy-plans/new-strategy-changing-world-health-social-care-cqcs-strategy-2021

[28] House of Commons (2020): Health and Social Care Committee Oral evidence **Social care: funding and workforce**, HC 206 June 2020 https://committees.parliament.uk/oralevidence/552/pdf/