Homecare Association

Homecare Association Autumn Budget Representation 2025

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Executive Summary

Social care contributed £77.8 billion gross value added (GVA) to the economy in England in 2024/25. Homecare capacity enables effective flow of patients through hospitals, prevents deterioration in people's health and enables people with support needs and their family members to stay in work. Care is vital to people whose lives depend on it, to economic growth and the efficient functioning of the NHS.

The Government's aspiration to reform adult social care and establish a National Care Service will fail before it begins unless immediate action is taken to stabilise the sector.

We are calling on the Government to:

- Implement a National Contract for Care Services that sets a minimum price for local authorities and NHS commissioners to buy care to ensure efforts to reduce costs in commissioning do not drive labour exploitation, cross-subsidisation and regulatory non-compliance. £1.6bn is required to meet the current funding deficit in homecare.
- Ensure that immediate financial support is given to the CQC to address its inspection backlog, which is growing at a rate of 424 inspections per month.
- Fully fund the Fair Pay Agreement and ensure that pay is increased a meaningful amount. To uplift homecare staff to NHS Band 3 equivalent pay will cost around £1.97bn.
- Pay care providers more to undertake delegated healthcare tasks to ensure workers' skills are recognised. This requires £34.75-38.91 per hour in provider fees.
- Double the funding of the Fair Work Agency to match international labour inspection standards and ensure that the Employment Rights Bill is enforced.

Summary of key recommendations

Recommendation	Policy rationale	Cost
Implement a National Contract for Care Services setting a fee-rate floor for commissioning care to ensure rates enable employers to meet regulatory requirements.	Required for Fair Pay Agreement, compliance with employment legislation and care regulations.	£1.6bn p.a. to address underfunding in homecare + admin costs.
Long-term social care funding to meet rising and unmet demand and actual care cost.	Stable National Care Service, able to support move from hospital to community.	£6.6bn for 2025/26 rising to £8.7bn by 2028/29
Additional funding for Fair Pay for careworkers (at least pay parity with NHS equivalent roles).	Government commitment to deliver Fair Pay must feel meaningful to those working in sector and affordable for employers.	At least £1.97bn p.a. to bring homecare roles to NHS Band 3 level
Meet employer cost of Employment Rights Bill – Statutory Sick Pay changes alone will cost homecare £42-65m p.a.	Required to implement the Employment Rights Act and support ethical employers in homecare.	£68m-£83m for 2025/26 based on Gov. estimate 1.5% cost increase
Fund Fair Work Agency to international standards.	Needed to enforce Employment Rights Bill and National Minimum Wage compliance.	Additional £40m (recurring)
Maintain International Recruitment Fund.	Ensure social care capacity to support NHS 10 year plan to shift care from hospital to community.	£12.5m 2026/27
Exempt homecare from business rates, like care homes.	Support NHS 10 year plan to shift care from hospital to community.	[Unknown]
Zero rate VAT for homecare	Increase affordability and accessibility of care – supporting NHS 10 year plan to shift from treatment to prevention.	£194m p.a.
Include homecare in support for small business ahead of the Employment Rights Act implementation.	Ensure there is comprehensive training, advice and support for employers to implement the Employment Rights Act.	
Accelerating Reform Fund for social care providers.	Enable NHS 10 year plan to shift from analogue to digital and fragmentation to integration.	£40m
Cash injection to address CQC backlog.	Ensure strong regulation of services, provide safe services for citizens and build a robust National Care Service.	£82m
Pay delegated healthcare tasks to cover same pay level as NHS staff doing delegated tasks.	Reduce pressure on the NHS, reward careworkers for complex care - supporting NHS 10 year plan to shift from hospital to community.	£34.75-38.91 per hour provider fees.
Impact assess a series of interventions to support the sector, including: • A National Action Plan to adapt commissioning practices. • A statutory workforce plan to improve domestic recruitment in social care. • CQC's funding arrangements • The costs arising from the Employment Rights Act. • A plan to support sponsored careworkers.	Sustainable and ethical National Care Service with strong regulators to support provision of high-quality care.	[Unknown]

Delivering Government policy proposals

A National Care Service and the 10-Year Health Plan

The first phase of the Casey Commission will develop proposals by 2026 for a National Care Service[1], but in order to have a stable sector to reform and deliver on the four shifts in the 10-Year Health Plan, from hospital to community, sickness to prevention, analogue to digital, and fragmentation to integration, the Treasury must act now.

Care providers need urgent improvements in commissioning and funding to keep pace with the Employment Rights Bill (including the Fair Pay Agreement, changes to zero hours contracts and more), immigration policy (including the closure of the Health and Care Visa to international careworkers) and changes in fiscal policy, including the increase in the employer's National Insurance Contributions. The sector cannot wait for reform to take place before the Government provides adequate support to enable implementation of these policy changes, especially as many are happening imminently or have happened. The sector needs stabilisation now.

We are already seeing the consequences of last year's Autumn Budget in the market. Responsible employers, who prioritise fair pay and safe standards, are struggling to remain viable. Some providers have withdrawn from contracts or reduced capacity; others have had to restructure or close. At the same time, less scrupulous providers may continue to operate at unviable fee rates by cutting corners, exploiting staff, or compromising the quality of care for older and disabled people. This creates the dangerous illusion that the sector can absorb rising costs, when in reality government policy decisions are risking unsafe or poor quality care, labour exploitation and market instability.

Funding the sector – stabilisation and the National Contract for Care Services

Increasing government legislation, regulation and tax without increasing funding for social care risks driving non-compliance. If legislative compliance becomes a mathematical impossibility, some responsible businesses will close, but others may continue to deliver care while disregarding regulation. This leaves workers and vulnerable individuals directly exposed to the risks of exploitation and negligence. Policies intended to improve social care and support workers could end up making things worse in concealed ways if not funded.

If the Government does not guarantee prices that enable responsible providers to comply with legislation, the Government will undermine its own commitments.

Each year, the Homecare Association looks at the costs of homecare delivery to calculate a Minimum Price for Homecare. In 2025-26, this rate is £32.14 (see Figure 1). This is the minimum rate a homecare provider needs to deliver safe, quality services, meet employment regulations, and operate sustainably. Staff costs include the National Living Wage (NLW) for all work hours (including travel), and statutory employment on-costs. The latter include statutory pension; national insurance; sick pay; holiday pay; and training time. The hourly rate also includes a contribution to other running costs. These include wages for the registered manager and office staff; recruitment; training; digital systems; telephony; insurance;

[1] Terms of reference | The Casey Commission

regulatory fees; PPE and consumables; office rent, rates and utilities; finance, legal and professional fees; general business overheads; and a small surplus for investment.

Figure 1: Operating costs per hour of operating a regulated homecare service in England, 2025-26[2]

The Government's current policy approach appears to assume:

1) Current funding is enough to stabilise the sector

The Government says the Treasury has provided £3.7 billion in additional funding[3] to social care authorities to deliver key services such as adult social care in 2025-26. However, this is a sum of all additional funding allocated to authorities with social care responsibilities (among many other public services) and not a sum of additional funding for adult social care. The Local Government Association (LGA) estimates councils had £1.2 billion for adult social care in the face of £2.8 billion cost pressures. We know only some of this money reached homecare providers. In 2025–26:

- Only 1% of contracts for which we received details met the Minimum Price for Homecare, our benchmark for the legal and operational cost of safe, regulated care[4].
- Just two local authorities offered uplifts aligned with the 10% rise in provider costs, though neither is meeting the Minimum Price for Homecare.
- We estimate a funding gap for homecare services of at least £1.6 billion in England alone.

Furthermore, the Spending Review allows for an increase of over £4 billion of funding available for adult social care in 2028-29 compared to 2025-26, to support the sector. We understand that while this includes grant funding for the Fair Pay Agreement and some

[2] Minimum Price for Homecare - England 2025-2026
[3] https://www.gov.uk/government/news/over-69-billion-confirmed-for-council-budgets
[4] Fee Rates for State-Funded Homecare in 2025-26

additional increases to the NHS contribution to the Better Care Fund, most is from growth in other sources, including raising council tax. We are unconvinced, as are sector colleagues including the LGA[5], that this will provide the funding necessary to stabilise the sector.

2) The Market Sustainability and Improvement Fund addressed the funding deficits identified in the cost of care exercises

The Market Sustainability and Improvement Fund has not addressed the funding deficits identified in the cost of care exercises[6]. The Government has made the funding deficits worse by implementing an unfunded increase in employer's National Insurance Contributions in April 2025.

Government data shows local authorities paid homecare providers average fee rate uplifts of 5.5% in 2024/25 compared to 2023/24[7]. The National Living Wage, which makes up most of many provider's costs, increased 9.8% that year[8].

The Government's provisional average increase in local authority fees for 2025/26 is a 5.3% uplift from 2024-25. However, due to employers' National Insurance Contributions increases and National Living Wage increases, costs have risen by 10-12% in 2025/26[9].

Our data shows that the proportion of actual costs that providers are being paid has gone down since the Government implemented the Market Sustainability and Improvement Fund, from 87% of costs in 2021/22 to 75% of costs this year.

Table 1: Actual fee rates versus our minimum price for care over the last 5 years

	2021-22	2022-23	2023-24	2024-25	2025/26
Homecare Association Minimum price	£21.43	£23.20	£25.95	£28.53	£32.14
Actual average fee rate paid	£18.66	£19.01	£21.59	£23.26	£24.10
Actual as a% of minimum price	87%	82%	83%	82%	75%

3) That care employers have significant margins and can absorb increased costs

Homecare average EBITDA margins have fallen from 10.8% to a low of 5.2% in 2019, with some recovery to 7.6% in 2024[10]. However, in 2025-26, costs have increased by 10-12%

[5] https://www.local.gov.uk/about/news/lga-statement-spending-review
[6] Fair cost of care frequently asked question | Local Government Association
[7] Market Sustainability and Improvement Fund (MSIF): provider fee reporting 2025 to 2026 - GOV.UK
[8] Media release: The Homecare Association releases its minimum price for homecare 2024/25
[9] Minimum Price for Homecare - England 2025-2026
[10] LaingBuisson-adult-social-care-market-report-2024 (3).pdf

where fee rates have increased by 5.6%[11], worsening the viability of businesses. This was driven by a lack of funding to cover minimum wage and employer National Insurance Contribution increases for commissioned social care. Margins are not only for 'profit'. Providers need some surplus for investment in workforce development, improving productivity, business growth, innovation, and reserves to ensure resilience.

4) Local authorities do not pay unviable rates, and any funding from HM Treasury goes directly to fee rate uplifts in the sector.

This year's data show, once again, that local authorities are consistently failing to fund homecare at sustainable levels.

The average fee rate increase is 5.3% against cost increases of 10-12%, giving an average fee rate of £24.10 per hour, compared to our Homecare Association Minimum Price of £32.14 per hour.

Almost one-third (27%) of local authorities are paying fee rates below £22.71, which is the amount needed to cover statutory direct employment costs of care workers at the minimum wage. This leaves less than nothing to cover other operating costs, which are needed to meet care regulations.

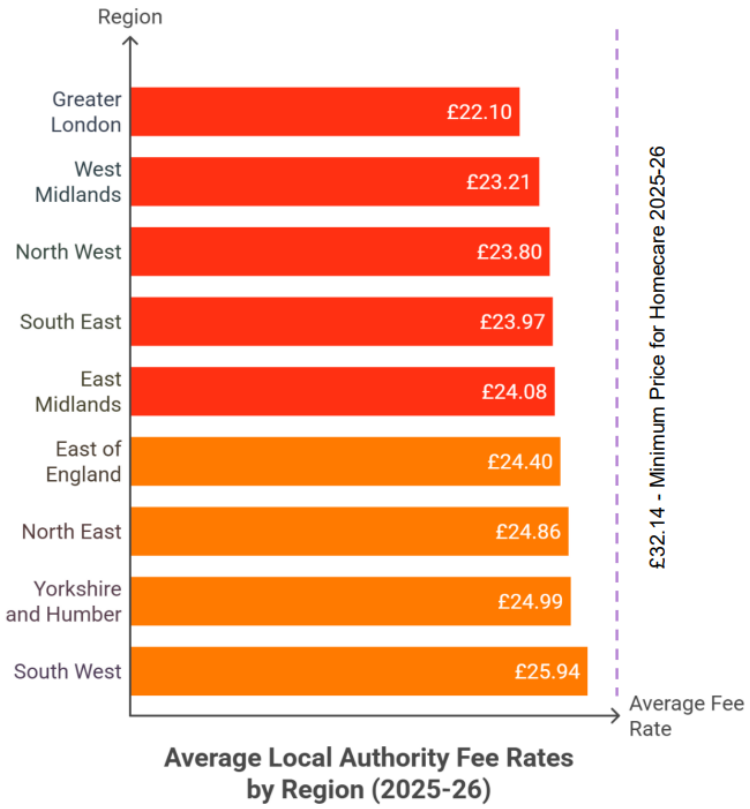
- Hammersmith and Fulham Council wrote to us to say that in 2025/26 they propose to pay **£18.76 per hour** for homecare. They are not alone.
- This means the fee rate they pay homecare providers is **less than** a care worker wage and the following statutory employment costs:
    - The statutory minimum pay (National Living Wage) is £12.21 per hour.
    - Wages for travel time (8 minutes on average) would cost £2.75.
    - Employer National Insurance and legally required pension contributions cost £2.54.
    - Holiday pay would cost £1.95 (at the required 12.07%).
    - **Combined, this is £19.45** and doesn't cover sick pay, training time, travel reimbursement (like mileage), or notice and suspension pay.
    - It also doesn't cover any running costs of the homecare business. The running costs mainly result from compliance with care regulations. For example, wages for the Registered Manager, care supervisors, care coordinators and other office staff; non-staff training costs; recruitment; CQC fees; insurance; digital care record systems, other IT and telephony; costs of rent, rates, utilities for a registered location; PPE; legal, financial and other professional services; and a small surplus for resilience and investment.
    - Providers cannot cut back on these costs because they are almost all statutory requirements. Fees that fall short of the increases in minimum wages, inflation, and the actual costs of delivering regulated care place at risk the people who rely on high-

[11] Fee Rates for State-Funded Homecare in 2025-26

quality care to live independently at home. Shortfalls also put immense pressure on providers, careworkers, and NHS services.

Providers are being paid unviable rates in all regions (see Figure 2).

Figure 2: Average local authority fee rate by region, 2025-26[12]



5) Providers do not have to accept unviable fee rates

It is clear that the fee rates being paid by some local authorities are not sufficient to meet legislative and regulatory requirements. We believe the state is complicit in enabling labour exploitation. Local authorities have market shaping and oversight responsibilities under the Care Act 2014. Monitoring the balance sheet position of larger care firms has not been sufficient to ensure that the fee rates offered are viable. Small and medium enterprises, comprising over 85% of the homecare sector, do not benefit from the same economies of scale as large providers and their unit costs are therefore higher.

Councils and NHS commissioners are monopsony purchasers and care providers have little leverage unless they act en-masse. However, competition law prevents collusion and price-rigging, eliciting heavy fines and bans should providers engage in this kind of behaviour.

[12] Fee Rates for State-Funded Homecare in 2025-26

6) Increasing registered care locations creates choice and means the market is healthy

This is not the case and needs examining more closely.

- The fact that CQC registrations for non-residential care have risen may not mean viable new care businesses are starting; in fact, we strongly suggest this is not the case. Skills for Care data show over 40% of homecare providers have fewer than 4 employees and will therefore have on average only 4-8 clients. Low barriers to entry and lack of robust approaches to registration have resulted in tens of thousands of tiny providers, encouraging local authorities to fragment the hours they purchase between them. This means each provider has fewer hours to offer compact rotas, with adequate hours per careworker, and run efficient and sustainable businesses. This can be detrimental to employers' ability to recruit and to provide regular working hours for employees. It does not show a healthy and dynamic market.
- Citizens typically have little choice about which provider serves them. In many places, those who bid at the lowest rates win the work, regardless of quality or location. New start-ups may compete on price to secure business, undercutting established businesses but may then struggle to reach breakeven.
- Because of delays at the CQC, some CQC registrants who lack the ability to deliver safe, high-quality homecare will not undergo inspection for a considerable period.
- Excessive numbers of micro-providers strains the resources of the regulators. Enforcement bodies such as HMRC, UKVI and the CQC cannot monitor and inspect locations in a timely manner, leaving non-compliance undetected, often for years.

7) Even if care providers are charging low prices, they can implement costly policy changes, make a surplus and comply with legislation and regulation.

Care providers may feel forced to continue to deliver care at low prices to compete for work from local authorities; even if this means cutting corners to do so or taking on significant personal financial liability. This is often driven out of concern for the people they support and the employment security of their staff. This does not mean they can continue to deliver care sustainably at low prices. In some cases, it drives hidden noncompliance.

- We are aware of an exercise with a council in the south of England where the local authority suspended over 50 percent of domiciliary care providers on its framework following evidence gathered of wage breaches, licence risks, and exploitative practices, as well as concerns about quality and compliance with reporting requirements..
- 89% of our members report being approached by sponsored careworkers who said they did not have enough hours of work from their primary employer in 2025 – suggesting ongoing, unreported and widespread breaches of sponsorship conditions driven by fragmentation, low prices and other poor commissioning practices.

1. Care providers can easily increase their prices

The public sector purchases 80% of homecare[13]. Unlike other sectors in the economy, homecare providers cannot raise prices in response to increasing costs, unless serving the

[13] Homecare and Supported Living UK Market Report 6th Edition

self-funder market, and there is a limit to the price increases citizens can bear. In some regions, care providers are working on multi-year agreements with local authorities or the NHS and have difficulty negotiating price increases as part of these. In others, the NHS and local authorities ask large numbers of providers to compete on frameworks that award work to the lowest bidder with limited regard for quality or compliance. This means that most providers who work primarily with the public sector have little control over their prices.

8) Employers will comply with care and employment regulations, and if they do not, they will face consequences

Regulators cannot meet increasing demand. In 2024, there were 5.5 million private sector businesses[14]. In 2022/23, HMRC closed 3,192 NMW cases[15] – covering around 0.06% of businesses, a tiny percentage of all businesses in the economy

Similarly, our analysis shows that as of August 2025, 70.3% of community social care providers had either never been rated by the CQC (33.5%) or had a rating of 4 to 8+ years old (36.8%). At current inspection rates, the inspection backlog will never be cleared and is growing by about 312 locations every month, assuming no increase in locations. If growth of locations continues at the same rate of c. 112 per month, the backlog will increase by 424 per month. This means that new start-ups and established businesses could operate for years without hearing from the CQC.

9) Cross-subsidisation operates at insignificant levels

In 2017, the CMA found significant issues with cross-subsidisation in the care home market, where people who privately purchase care subsidise low state funding. Anecdotal evidence suggests this is increasingly common in the homecare market too. Importantly, cross-subsidisation can only work for so long until costs rise beyond what people can afford. The higher the fee rates become for privately purchased care, the fewer people who can afford to pay for the care they need privately. This also has knock-on consequences for the state, which is likely to see an increasing number of people spending their assets quicker. Furthermore, many homecare providers deliver only limited privately purchased care and therefore cannot make up funding deficits via cross-subsidies. Providers supporting under 65 adults also have no opportunity to increase income via private pay because 98% of supported living services are state-funded.

- ✓ **Recommendation:** Implement a National Contract for Care Services that requires public sector commissioners to pay care providers at least the minimum rate that is required to meet employment standards and regulatory costs. In 2025/26 we estimate that bringing employers up to this funding level would require an additional £1.6 billion funding for homecare alone. The Government must also fund the work to establish and administer the National Contract.

What's needed for long-term stability?

The Government is waiting for the Casey Commission to report in 2028 on long-term recommendations for the transformation of social care[16]; it has said that the recommendations of the review must remain within the fiscal constraints of the Spending

[14] Business population estimates for the UK and regions 2024: statistical release - GOV.UK
[15] Compliance and enforcement of the National Minimum Wage in 2024
[16] Terms of reference | The Casey Commission

Review settlements. We have outlined how these fiscal policies announced in the Autumn Budget and Spending Review do not go far enough to stabilise the sector, let alone enable long-term reform. This is because:

- The sector is running at an ongoing deficit (as outlined above – of up to £1.6bn for homecare alone[17])

- The unmet need is rising - 2 million older adults[18] and 1.5 million working-age disabled adults[19] now have unmet social care needs. In March 2025, 372,113 people were awaiting assessment, care or direct payment, or reviews – meaning that there can still be substantial delays in accessing care[20].

- The Government forecasts that the number of over 85s will almost double in the next 25 years from 1.7 million in 2022 to 3.3 million by 2047. This will come with increased demand for health and social care[21].

In 2025, the Health Foundation estimated that covering the full cost of care (including a sustainable price for homecare), meeting demand and improving access would require £6.6bn in 2026/2027 rising to £8.7bn by 2028/29 and a 4.5% real terms increase after that[22].The consequences of not meeting these costs are severe and will lead to a reduction in service availability and standards, increased pressure on health services, and increased pressures on families. It could mean that the number of people providing informal care and dropping out of economic activity to do so increases further. This is especially the case, given these figures do not account for the costs of new measures in the Employment Rights Bill.

✓ **Recommendation:** Secure increased long-term funding to enable the social care sector to meet demand, improve access and cover the full cost of care delivery. Previous estimates suggest that this requires around £6.6bn for 2025/26, rising to £8.7bn by 2028/29 and then rising by around 4.5% per year.

Improving workers' rights

The Homecare Association fully supports the ambition to improve the working conditions of front-line care and support staff. However, the Employment Rights Bill alone will not improve conditions for careworkers in the sector.

National Minimum Wage legislation already prohibits long-standing compliance issues in the homecare sector, such as concerns about careworkers being paid for travel time. Issues still occur because providers do not have adequate funding to cover delivery costs and local authorities are driven to commission based on price without being able to investigate the employment conditions of the care provider. Labour market enforcement has been insufficient.

[17] Fee Rates for State-Funded Homecare in 2025-26
[18] 2 million older people now have some unmet need for social care
[19] Missing millions: Exploring unmet social care need for disabled adults | Healthwatch
[20] ADASS-Spring-Survey-Final-15-July-2025.pdf
[21] 2022-based population projections: a GAD technical bulletin - GOV.UK
[22] Adult social care funding pressures: 2023–35 - The Health Foundation

For the Employment Rights Bill to be effective, funding and changes to commissioning practices and enforcement must come with it. If the Government raises compliance standards but doesn't resource compliance with them or enforcement of them, it is likely existing non-compliance issues will worsen and new forms of non-compliance may emerge. Responsible employers could be increasingly driven out of the market.

The Government can create conditions for responsible care employers to thrive. For a National Care Service that offers good employment conditions, the Government must take that opportunity.

Fund the Fair Pay Agreement for Adult Social Care

Improving pay, terms and conditions for careworkers is long overdue. A Fair Pay Agreement has the potential to deliver real progress in valuing the skilled and professional work of careworkers. However, without fundamental reform to the way the State commissions and contracts homecare, the Government risks worsening the very problems it claims to solve. Headline pay rates are only part of the picture; security of income and total earnings are equally vital, and the sector can only achieve these with improvements to commissioning and contracting of services.

We welcome the £500m funding announcement that the Government has announced so far[23], however; it falls short of what's needed to make fair pay a reality.

Currently, local authorities and the NHS continue to purchase care at rates well below the cost of employing care workers legally and safely and delivering high-quality sustainable services currently calculated by the Homecare Association at £32.14 per hour. Unless this changes, no agreement, however well-intentioned, will deliver lasting improvements for the workforce or the people they support.

The Adult Social Care Negotiating Body will decide how to allocate the £500m, we understand. Any funding must reach all homecare providers, both those delivering publicly and privately funded services. It must also account for any backdated pay.

If a Fair Pay Agreement were to set care worker wages at £15 per hour, a commonly cited benchmark, this would leave a funding deficit in homecare alone of £2.67 billion. Even if the Negotiating Body aligned pay with NHS Band 3 rates (for staff with 2+ years' experience, at £13.13 per hour), the funding gap in homecare would still stand at £1.97 billion.

If the funding is spent across every social care worker, it is estimated this will amount to around £333 per person in the first year[24]. 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 Bill, but this is unrealistic given the fragile financial state of local government.

- ✓ **Recommendation:** Increase funding available to all adult social care providers via the Fair Pay Agreement to offer genuinely fair pay to careworkers.

[23] £500 million for first ever fair pay agreement for care workers - GOV.UK

[24] Skills for Care (2025) The State of the Adult Social Care Sector and Workforce in England - estimates 1.50 million people working in the adult social care sector.

✓ **Recommendation:** Implement a fully funded multi-year and ring-fenced National Contract for Care Services and then adjust it to support employers to meet any costs arising from the Fair Pay Agreement.

Enabling the end to zero-hours contracts needs more than legislation

The Employment Rights Bill aims to outlaw the use of 'exploitative zero-hours contracts'. However, current social care commissioning by local authorities and the NHS depends on employers using zero-hour working. If the Government wants to offer more regular hours for careworkers, it must change how it buys care.

Employers use zero-hours contracts in homecare because:

- Social workers tailor care plans to the needs of the people supported in their own homes; this will involve a pattern of visits at different times of the day.
- Councils and NHS commissioners purchase care by the minute or hour at low hourly rates, often below the cost of delivery of safe, quality, sustainable care.
- Many public authority commissioners contract with large numbers of providers on framework agreements. This means local authorities and the NHS do not guarantee providers hours of work, and many providers have low volumes of hours.
- When a larger provider has a reliable, higher volume of work in a locality, such as 1000 to 2000+ hours per week, they can schedule efficient 'runs' of visits and guarantee careworkers' hours. In many regions, zero-hour commissioning practices coupled with hyper-fragmentation of hours make this impossible.
- Start-ups, small providers and specialist providers do not always have the volume of work to guarantee hours. This can mean that a careworker's hours are very dependent on the specific needs of the people they are working with. If a person changes care provider, moves into a care home, goes to hospital or passes away, then a small or specialist care provider may not immediately have replacement work that matches that careworker's specialist skills and availability. This means it is challenging to offer guaranteed hours.
- Care rotas for careworkers in the community can change at the last minute, even for large providers. This is because of factors including hospital admissions and discharges, deaths, colleagues being unwell, traffic and travel disruption, car breakdowns, needing to wait with ambulances or having to provide additional support when someone becomes unexpectedly unwell.

✓ **Recommendation:** To implement the reforms in the Employment Rights Bill sustainably, the Treasury must fund the Ministry of Housing, Communities and Local Government, DHSC, local authorities and ICBs to develop a fully funded National Action Plan to adapt commissioning and contracting practices before 2027.

The plan must include:

- Outcomes focussed locality/patch-based commissioning – where a lead provider in an area covers most of the work in that area, so has a guaranteed volume. Examples already exist, such as Sheffield City, Thurrock, and Lincolnshire County Council.
- Block contracting providers to deliver a service rather than paying by the hour. This might be important for hospital discharge services where commissioners want care staff to be ready when the hospital is ready to discharge. Per capita budgets to meet the care needs of a population area would incentivise innovation, enable preventative early support, and encourage efficiency and productivity.
- Minimum guaranteed hours of work so providers have a certain volume of work in the localities they operate in.
- Cancellation payments – ensure that commissioners pay providers where they handle last-minute changes (for example, a change in a hospital discharge time).
- Out-lawing of short-notice contract cancellation by public commissioners. We are aware of examples of NHS commissioners giving 5 hours' notice or less that they are moving a person's care to a cheaper provider, regardless of quality. They rarely consult the person involved, contravening the Care Act 2014.
- Payments when people go into hospital, so that commissioners fund the unplanned change to careworkers' rotas.
- Increased fee rates to cover the costs of complying with the Employment Rights Bill, particularly for spot purchased, low volume and specialist services.
- Open conversations about flexibility in the time spent with the person so that all parties can be confident that providers meet people's care needs and cover all costs, including travel time and gaps in rotas.
- A trusted, open and communicative relationship with providers who are responsible employers.
- Exceptions for specialist, live-in and small providers that have a very low service user to careworker ratio and where the workers' jobs depend heavily on the care situation of a particular person. There is a risk this will drive providers to use fixed-term contracts or introductory agency 'self-employed'/personal assistant models, increasing the quantity of unregulated care provision.

Funding of other provisions in the Employment Rights Bill

The Federation of Small Businesses has said more than 9 in 10 small employers are seriously concerned about the Employment Rights Bill[25] and have expressed a concern about 'waves of disruptive changes'. Homecare employers face many of the same concerns as small employers in other sectors.

The Government itself estimated a 1.5% cost increase for employers from the Employment Rights Bill[21]. We estimate that a 1.5% increase would mean the homecare sector (not including care homes, personal assistants etc.) would need an additional £68 to £83 million[26] in England depending on careworker pay. This excludes the additional costs of the Fair Pay Agreement or changes to zero-hours contracts for social care outlined above. However, it is likely that costs will be higher than this as the homecare sector will bear more than its share

[25] Press Release | New Employment Bill timetable will bring waves of disruptive changes, says FSB
[26] This is the total direct employment costs increased by 1.5% and multiplied by the total number of hours delivered. The lower figures is based on careworkers being paid the statutory minimum wage, the higher figure based on careworkers earning £15 per hour.

of costs because of high levels of part-time working (44% of staff[27]) and a high staff turnover (22.2%)[28].

One change scheduled for implementation in April 2026 is a change to Statutory Sick Pay (SSP), which will remove the lower earnings limit and make SSP available from the first day of absence. If the Government is correct that the behavioural impact of sick pay changes will be neutral, and sickness absence will not increase because of the SSP changes proposed, then we estimate that the increased cost to homecare is £42 million. If sickness absence rises by one day per employee on average, that would rise to £52 million, or two days to £65 million.

This suggests that we might see recurring long-term cost increases of more than the 1.5% that the Government project, given day 1 rights, parental leave, flexible working, harassment and trade union provisions and other measures will also see cost increases for legal and HR support and management. We would therefore suggest that the Government fund a long-term increase of 1.5% for the sector in 2026-27 to adapt to these changes, and that the Government review the situation to determine whether additional funding is required as the Government implements further changes in 2027-28.

There are also short-term project costs to manage organisational change. Alongside all other employers, the sector will need significant support to adapt to the change, including clear resources on what the changes mean for running a business, advice on changing and adapting organisational policies, training for managers and HR personnel on the changes and what they mean in practice. The Government must ensure that resources produced apply and available to social care employers.

- ✓ **Recommendation:** Provide a ring-fenced 1.5% uplift in costs in 2026-27 for homecare providers at between £68 - £83 million.
- ✓ **Recommendation:** Undertake a full assessment of the costs of the Employment Rights Bill to the social care sector to assess whether the sector needs further funding in 2027-28.
- ✓ **Recommendation:** Fully fund training, advice and support to businesses to adapt to the Employment Rights Bill as provisions come in.

Empowering the Fair Work Agency to create a level playing field

The Director of Labour Market Enforcement has identified the care sector as the fourth highest risk of labour market non-compliance in her 2025-26 report[29]. How local authorities and the NHS drive competition on price can create a race to the bottom that means responsible care employers can be undercut by businesses that are not complying with their legal responsibilities. If there is weak labour market enforcement and little attention to quality when local authorities commission, then there is no protection for employers who are trying to abide by the law and do the right thing, and they will be driven out of the market with impunity.

From the perspective of responsible care employers, it is vital that the Government properly resource the Fair Work Agency to address exploitation when the Government establishes it

[27] Skills for Care (2025) State of the Adult Social Care Sector and Workforce in England p.43
[28] Skills for Care (2025) State of the Adult Social Care Sector and Workforce in England p.66
[29] United Kingdom Labour Market Enforcement Strategy 2025 to 2026

in April 2026[30]. We know that the Department of Business and Trade is working on funding and operational changes to support this.

International Labour Organisation statistics suggest the UK had 0.4 labour inspectors per 10,000 working population in 2024[31]. The median for high-income countries was 0.84 per 10,000[32] and the ILO has previously encouraged industrial market economies to achieve a ratio of 1 inspector per 10,000 workers. Compare the UK's 0.4, for example, with France (0.8 per 10,000), Germany (1.4 per 10,000) or Australia (1 per 10,000)[33] and our enforcement function appears under-resourced.

The Director of Labour Market Enforcement has said that the funding for the three current enforcement bodies and the Director's office combines to £40m, employing 560 full-time equivalent (FTE) staff[34]. This does not cover all labour inspectorate activity, which is also found in other agencies, such as the Health and Safety Executive, for example.

The Government could double the size of the new Fair Work Agency compared to its three predecessors combined, and this would make it comparable to other similar economies.

The Government has included in the Employment Rights Bill that the Secretary of State will have powers to lay regulations to recover the costs of any enforcement activity from persons/businesses.

We have significant concerns about recovering enforcement costs from persons/businesses. Particularly regarding:

- Costs for investigations being charged to people/businesses found to comply with legislation.
- Situations where the findings of the investigation have uncovered only minimal costs or breaches which result from a genuine mistake. For example, a misinterpretation of the rules around uniform or mobile phones in relation to national minimum wage compliance; when the inspection otherwise finds pay is in order.
- The risk of incentivising costly or lengthy enforcement mechanisms. The median length of an HMRC NMW investigation is between four and eight months[35].
- The risk is that costs may not be recoverable from the worst offenders (due, for example, to phoenixing), but also that somehow the Agency needs resources to address these cases.

We believe the Government must provide a clear policy about cost recovery, in consultation with employers. The system must be fair and must not generate unpredictable costs for genuine employers. Without this, the trust and confidence of employers in the Fair Work Agency will likely be affected, undermining the new agency before it begins.

[30] Implementing the Employment Rights Bill - Our roadmap for delivering change
[31] ILOSTAT Data Explorer
[32] Safety in numbers: what labour inspection data tells us - ILOSTAT
[33] ILOSTAT Data Explorer
[34] United Kingdom Labour Market Enforcement Strategy 2025 to 2026
[35] Compliance and enforcement of the National Minimum Wage in 2024

Given that any cost recovery will take time to consult on and establish, we believe the government should provide all the additional funding required for the Fair Work Agency from 2026.

- ✓ **Recommendation:** Double the budget of the Fair Work Agency to at least £80 million, bringing it in line with median labour inspection standards as measured by the ILO.

Addressing the exploitation of sponsored workers

In July 2025, the Government closed the Health and Care Visa route to new applications from careworkers arriving in the UK from overseas. However, there are many sponsored careworkers already in the country, and we are concerned that issues with exploitation of some of these workers are continuing. In our 2025 Workforce Survey, 89% of our members who responded said that they had been contacted by sponsored careworkers who were not getting enough hours of work from their primary employers. This could breach their visa conditions and lead to exploitation or destitution[36].

The Government has put in place support for workers affected by sponsorship licence revocations. There is a lack of support available for workers employed in situations where they feel they are being exploited or struggling to earn enough. Employees in this situation are reliant on their employer for their right to stay in the country and have no recourse to public funds. This means that, in order to remove themselves from the situation, many look to find an alternative care job. Sponsored workers may be afraid to report exploitative situations from an employer if they are afraid this has affected their compliance with visa regulations (that could mean they face deportation) or if they do not have any means of supporting themselves to either leave the country or cover a gap in employment while they look for another sponsored job. To end exploitation, it is vital that the Treasury fund the Fair Work Agency, the Home Office and others to work together to establish a secure reporting route so that employees who are experiencing exploitation can raise issues without fearing deportation or destitution.

The current International Recruitment Fund supports the functioning of Regional Partnerships across England that support displaced careworkers. The partnerships assist displaced workers in finding alternative care jobs.

There have been several issues reported with the Partnerships. Research by the Work Rights Centre found[37] that only 3.4% of careworkers signposted to regional partnerships found a job through that route. Community organisations have raised concerns about whether displaced workers trust the Government to offer support or are afraid of deportation risks if they ask for help. Our 2025 Workforce Survey[38] showed that care employers had experienced issues with:

- Suitability of candidates: many lacked driving licences, had little or no training, were reluctant to deliver personal care, didn't share the values care employers were looking for, said they didn't want to work in domiciliary care, or their English was not

[36] Voices of Homecare: Workforce
[37] Work Rights Centre (2025) Less than 4% of exploited care workers reported to have found new work by government scheme, FOI data reveals
[38] Voices of Homecare: Workforce

good enough. Some respondents were providing driving lessons to candidates if the candidates otherwise met the company's needs.

- Expectations and additional needs: some displaced workers had not worked in care because their original sponsor was fake, and they had unrealistic expectations of the role or did not want to provide personal care. Other workers were willing but needed significant emotional and pastoral support.
- Location mismatch: available jobs did not always align with where displaced workers lived.
- Gender balance: some companies need female staff for personal care roles where people have requested a female careworker to support them. The displaced workers' pool includes a lot of men.
- Process and communication issues: delays, poor responsiveness, inaccurate information, and candidates not attending appointments.
- Competition: there is significant competition with other employers when there are suitable candidates.

Other concerns were more systemic: some employers lacked a sponsorship licence, others could not afford salary requirements, and a small number of respondents were not even aware the partnerships existed. There were also questions about whether displaced workers themselves knew about the partnerships, or whether dependants and underemployed staff were being supported by the partnerships.

Regional Partnerships could address some of these issues. Ongoing support for displaced workers is vital – many have ended up in the situations they are in because of poorly implemented government policy, and the care sector urgently needs staff.

The Treasury must maintain the International Recruitment Fund and encourage a review of the support available with displaced workers, community organisations and prospective employers so that the Partnerships can more effectively support a wider range of sponsored workers to address exploitation and secure employment with good employers.

- ✓ **Recommendation:** Maintain the International Recruitment Fund of £12.5 million and encourage the reform of the Regional Partnerships to increase efficacy and reach.
- ✓ **Recommendation:** Establish and fully fund a secure reporting route for overseas careworkers.

Economic growth and business

Social care contributed £77.8 billion gross value added (GVA) to the economy in England in 2024/25[39], making it economically more significant than 'Accommodation and food service activities' (which is estimated at GVA £69.6 billion). The social care sector has a workforce as big as the NHS[40]. Skills for Care estimates that to keep up with demand as the population ages, the sector will need to grow, with a 27% increase in workforce needed by 2040[41].

[39] Skills for Care (2025) State of the Adult Social Care Sector and Workforce in England p.20
[40] Skills for Care (2025) State of the Adult Social Care Sector and Workforce in England and NHS Workforce Statistics - May 2025 (Including selected preliminary statistics for June 2025) - NHS England Digital
[41] The size and structure of the adult social care sector and workforce in England - 2025

While the public sector purchases 80%[42] of homecare, social care providers are not public sector bodies. Only 1.6% of employers in the non-residential care sector had over 250 employees in 2024/25; meaning 98% of employers in the sector are individual employers or SMEs[43]. Tax and legislative changes affecting employers significantly affect these small employers, who may not have in-house HR support. Exacerbating this, social care providers working with the public sector are often working to multi-year contracts and cannot flexibly increase prices in response to changes in employment costs, so may struggle to absorb costs resulting from policy change.

The Confederation of British Industry has highlighted that 73% of businesses had significant concerns about labour costs from the Employment Rights Bill and eNICs limiting labour market competitiveness (and therefore growth)[44]. The British Chamber of Commerce has also revised its forecast for investment down[45]. Meanwhile, the FSB reports declining business confidence, with 42% expecting revenues to fall in Q3 of 2025, compared to only 27% expecting an increase. 20% reduced their headcount while only 9% increased it[46]. Homecare is not immune and faces these pressures alongside sector-specific difficulties.

Supporting innovation and the take-up of existing technology in the sector is a crucial part of achieving the Government's three shifts: sickness to prevention; hospital to community and analogue to digital. When the Government is considering growth and innovation in the economy, it should include consideration of growth and innovation in homecare.

Exempting and recognising the impact of budget decisions on homecare SMEs

It is vital that the Treasury recognise:

a) The public sector purchases 80% of homecare, so it is a contracted public service and not analogous to other private sector businesses and
b) The prevalence of small to medium-sized enterprises in the homecare sector – 98% of employers in the sector are SMEs.

Both factors mean there is a significant impact on homecare SMEs from policy decisions to increase business costs and regulation.

Last year, the Government did not consider the need to increase funding for social care when increasing tax or national insurance contributions. As a result, fee rates paid to homecare providers have increased by 5.6% when costs have increased by 10-12%[47].

The Government says that it has provided £3.7 billion in additional funding to social care authorities in order to cover the cost increases. However, this £3.7 billion is a sum of all the additional funding that the Government has provided to those authorities (who provide a range of other services including roads, refuse, education services, homelessness service, planning etc.) and not a sum of additional funding that the Government has provided to social care. The £3.7 billion figure also includes assumptions about how much local authorities will increase council tax, which is optional depending on the authority, and some

[42] Homecare and Supported Living UK Market Report 6th Edition
[43] The size and structure of the adult social care sector and workforce in England
[44] Businesses warn rising costs and ERB threaten jobs and growth - CBI/Pertemps ETS Survey 2025 | CBI
[45] https://www.britishchambers.org.uk/news/2024/12/bcc-economic-forecast-rising-business-costs-to-hit-wider-economy/
[46] More small firms expect to shrink than grow, warns FSB
[47] Fee Rates for State-Funded Homecare in 2025-26

authorities will not do this. The LGA estimated councils had £1.2 billion for adult social care in the face of cost pressures of £2.8 billion. The social care sector has not actually received £3.7 billion in additional funding.

The Comprehensive Spending Review[48] also said that the Government would make £4bn additional annual funding available to the social care sector in 2028/29 compared to 2025/26. This will include £500m for the Fair Pay Agreement and an increase in the NHS contribution to the Better Care Fund. The Government has not yet published any further details on what this funding will cover. There is no sign that the Government intends to use this to cover the costs of policy changes, such as eNICs or the wider provisions of the Employment Rights Bill, i.e. beyond Fair Pay.

The only way that the Government can assure itself that care providers are receiving funding to cover the costs of policy changes is to implement a National Contract for Care Services. Without this, there is a risk that, even if the Government provides additional funding, this will not reach front-line social care services.

- ✓ **Recommendation:** Publicly commit to no further increase in employers' National Insurance Contributions or business tax on social care employers until it implements a National Contract for Care Services to ensure proper accounting for costs.
- ✓ **Recommendation:** Include homecare businesses in any support offers to small businesses.

Ensuring homecare has the workforce it needs

Careworkers are the most important part of our sector. Without them, there can be no National Care Service, the sector cannot grow to meet demand and the consequences will be costly for individuals who cannot access the support that they need and the economy – including taking more people out of work to care informally and putting increased pressure on the NHS.

The care sector needs to recruit enough committed individuals who have the right skills and values. While recruitment and retention varies significantly in different parts of the country, based on local labour market conditions; we know that in the long-term there is likely to be a significant shortage of careworkers unless the Government develops a strategy to secure enough workers to support the sector.

The workforce plan needs to look strategically at the total number of workers required, routes into the sector and how to ensure sufficient people with the right values are applying or roles, and how Government commissioning shapes the career progression opportunities, terms and conditions in the sector.

The Skills for Care Workforce Strategy[49] is welcome but is not a statutory Workforce Plan with ringfenced funding. Alongside Skills for Care, we urge the Treasury to fully fund a mandated workforce planning strategy and create a central workforce body to develop and implement the plan.

[48] Spending Review 2025 (HTML) - GOV.UK
[49] Transform

✓ **Recommendation:** Make ringfenced funding available to the Department of Health and Social Care to implement a statutory workforce plan equivalent to the NHS workforce plan.

Including homecare in business rates reform

The Government has announced that it intends to amend business rates to support high-street small businesses by introducing two lower multipliers for small businesses in retail, hospitality and leisure and a higher multiplier for large warehouse-based distribution businesses[50].

Homecare is also a sector dominated by small businesses and subject to business rates. We believe that there is a discrepancy in the legislation that means that the Government doesn't charge residential and nursing care homes business rates when it does charge homecare providers. This can be explained as follows:

- Schedule 5, Section 16 of the Local Government Finance Act 1988, as amended[51] states that property used for the provision of welfare services for disabled persons is exempt.
- Care homes are exempt. Homecare is also a regulated service supporting disabled people and, like care homes, provides complex care to older and disabled people.
- The conditions for the exemption include:
    - "A person is disabled if he has a disability within the meaning given by section 6 of the Equality Act 2010." This is true of almost all homecare recipients.
    - "Welfare services for disabled persons" means services or facilities (by whomsoever provided) of a kind which a local authority in England had power to provide under section 29 of the National Assistance Act 1948 before it ceased to apply to local authorities in England".
- Arguably, the Care Act 2014 now plays the role the 1948 Act did.
- When the Government implemented the NHS and Community Care Act 1990 in 1993, local authorities mostly provided homecare in-house or via the district nursing service with very few independent providers. (The independent sector was providing just two per cent of homecare in 1992).
- Since the implementation of the NHS and Community Care Act 1990, local authorities have increasingly commissioned homecare from independent providers.
- The legislation says the exemption should apply whoever provides the service.

We believe homecare should therefore be exempt. The case for extending the exemption for business rates to the homecare sector fits with the original policy intentions of the Local Government Finance Act 1988, to support organisations providing care to older and disabled people by reducing their costs.

We urge the Government to support small homecare businesses, alongside high-street businesses when reforming business rates.

✓ **Recommendation:** Exempt homecare businesses from paying business rates to create parity with care homes, which are not required to pay business rates.

[50] Business rates: forward look - GOV.UK
[51] Local Government Finance Act 1988

Zero-rating VAT

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.

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 £194m. This is based on the elements of our Minimum Price costing model[52] that cover recruitment, training, IT, PPE, consumables, a portion of rent, rates and utilities and business services and other overheads. This amounts to 9.8% of the total cost. LaingBuisson estimates the market value of homecare, complex homecare and supported living as £9.9bn. 20% VAT on 9.8% of this would be around £194m.

- ✓ **Recommendation:** Zero-rate VAT on welfare services so providers can reclaim VAT on operating expenses.

Helping homecare move from analogue to digital

One of the Government's key goals is to shift health and social care from analogue to digital. Over the last five years, the sector has made significant progress in the uptake of digital care records. However, last year we heard from providers that 75% would reduce or stop investment in digital transformation because of the cost pressures from the Autumn Budget[40].

Since then, the Government has introduced a new qualification in technology and care. Accelerating Reform funding (originally £42.6m) was also available until March 2025 to promote innovation. However, most of this funding focused on local authority activity (such as support for informal carers) and not on care providers or those supplying technology to them. Both are equally important. Perhaps the Government assumes that care providers, as private businesses, can fund their own innovation. In practice, fee rates are often too low to allow enough margin for significant innovation.

Care providers and their technology suppliers have significant potential to:

- ✓ Innovate to improve communication with people receiving support and their families.
- ✓ Improve data sharing with the NHS and local authorities and support the use of health monitoring (where appropriate).

[52] homecareassociation.org.uk/resource/minimum-price-for-homecare-2025-2026.html

- ✓ Explore the development of lower-cost technology-assisted care packages and digital welfare checks
- ✓ Improve rota management to ensure better shift patterns for workers
- ✓ Support people in accessing digital services
- ✓ Detect signs of change of condition or illness and more.

These are relevant to all four of the Government's four shifts and require additional funding.

We recommend that the Government provide an alternative to the Accelerating Reform Fund but specifically targeted at care providers to address some of these areas. Providers and suppliers can share innovation through provider networks and with local authorities to demonstrate some of the changes that are possible if commissioned.

- ✓ **Recommendation:** Create a £40m Accelerating Reform Fund for social care providers to identify innovations that can support the four shifts.

Delivering safe services to citizens

The Government is responsible for making sure that the care available is safe for citizens using services, who may not always be in a position to assess thoroughly or choose services or personal assistants themselves. At present, significant parts of the market remain unregulated. This poses a potential risk to individuals but also could undermine employment legislation if we see a rise in 'self-employed' careworkers when the Government introduces a Fair Pay Agreement.

The main care regulator in England is also facing major issues. In July 2024, the Secretary of State for Health and Social Care reviewed the interim findings of a report by Dr Penny Dash into failings at the Care Quality Commission (CQC). On reading this, he said:

> *"I have been stunned by the extent of the failings…It's clear to me CQC is not fit for purpose… We cannot wait to act on these findings, so I have ordered the publication of this interim report so action can begin immediately to improve regulation"*[53]

The situation has worsened since last year (as we will come on to).

This means that people continue to be at risk of harm from unsafe and poor-quality home-based care and support, which goes undetected. Councils continue to struggle with procurement decisions when a third of potential providers lack ratings. Some are contracting with unrated providers, which is a risk, whilst others exclude them, leading to commercial detriment and market distortions.

This is unacceptable. The Government must take further action.

Funding the Care Quality Commission to address regulatory failings

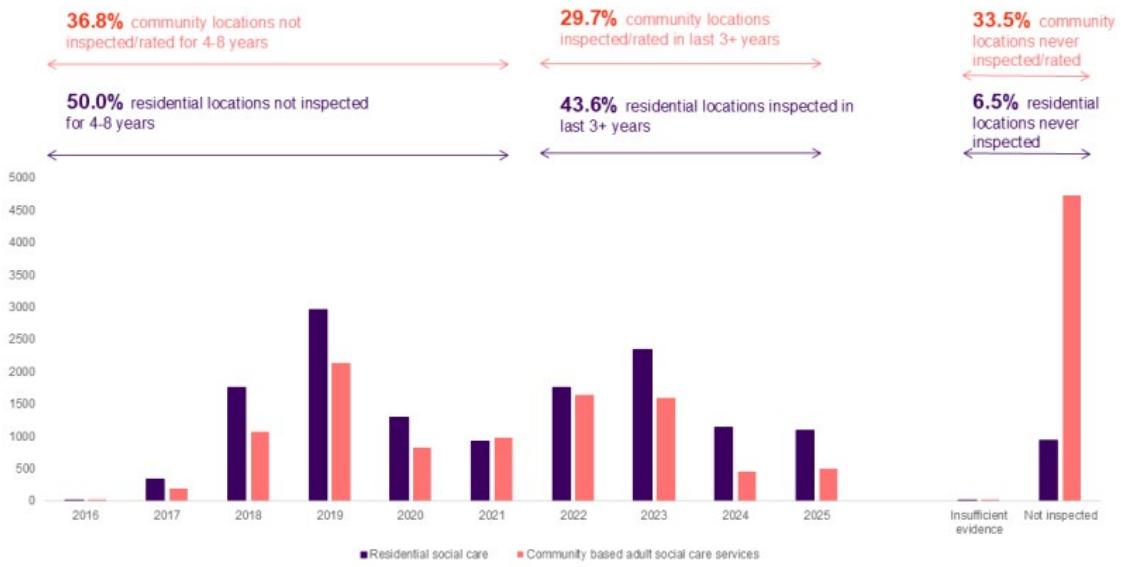
The Government made a commitment to address failings at the Care Quality Commission urgently following the report of Dr Penny Dash in 2024[54]. However, despite efforts at change, the Care Quality Commission (CQC) continues to struggle with its core regulatory responsibilities in the homecare sector, with performance deteriorating further since 2024.

[53] https://www.gov.uk/government/news/government-acts-after-report-highlights-failings-at-regulator
[54] Review into the operational effectiveness of the Care Quality Commission: full report - GOV.UK

Based on an analysis of available data[55], we have found that:

- Performance has worsened rather than improved (see Figure 3 below). As of August 2025, 70.3% of community social care providers had either never been rated by the CQC (33.5%) or had a rating of 4 to 8+ years old (36.8%). This represents a deterioration from the 60% we reported in 2024, when 23% had never been inspected and 37% had ratings 4 to 8+ years old.

Figure 3: Aged ratings - year of last published CQC inspection report 2025[56]



- The inspection backlog has grown substantially. The number of registered community social care locations increased from 12,574 in June 2024 to 14,137 in August 2025. More concerning, the number of uninspected locations rose by 64%, from 2,879 to 4,727 over this period.
- The scale of the challenge is now greater. We calculate that 9,933 locations currently lack a recent rating (uninspected plus those with ratings 4+ years old). At current inspection rates (1052 homecare inspections over 13 months = 81 per month), the backlog would never be cleared and is growing by about 312 locations every month, assuming no increase in locations. If growth of locations continues at the same rate of c. 112 per month, the backlog will increase by 424 per month.
- Today, only 29.7% of homecare locations have up-to-date CQC ratings. At the current inspection pace, that falls to 22% by 2030 and 21% by 2035 (assuming no market growth). If the market keeps expanding, coverage drops to 15% by 2030 and c.11% by 2035 - meaning almost nine in ten services will lack a current, independent quality assessment. CQC must increase throughput by 5× just to stop inspection coverage from deteriorating, and by 8-14× to clear the backlog within 3-12 months while maintaining a 3-year review cycle. If not, it will fall further behind each month, with the proportion of unrated or outdated services continuing to increase indefinitely.

[55] Care Quality Commission (CQC): regulatory performance in homecare one year on
[56] Care Quality Commission (CQC): regulatory performance in homecare one year on

- The CQC's risk-based approach continues to identify underperforming providers. However, the fundamental problem remains: too few assessments are being conducted to provide adequate assurance on quality and safety across the sector.
- The impact on providers and people needing care has intensified. People continue to be at risk of harm from unsafe and poor-quality home-based care and support, which goes undetected. Councils continue to struggle with procurement decisions when a third of potential providers lack current ratings. Some are contracting with unrated providers, which is a risk, whilst others exclude them, leading to commercial detriment and market distortions.

The deterioration in performance since our 2024 report suggests the CQC has not yet addressed the fundamental problems we identified:

- Throughput remains the binding constraint. Despite the organisational changes and new frameworks, the volume of completed inspections has not increased sufficiently to match sector growth.
- Resource allocation has not kept pace with market expansion. The growth from approximately 9,100 registered locations in 2017/18 to 14,137 in 2025 continues to outstrip the CQC's capacity to inspect them within reasonable timeframes.
- Systemic capacity gaps persist. The composition of uninspected services shows that 77% of the backlog comprises providers registered between 2022- 2024, showing this is not a temporary issue but a structural problem.
- Fairness of fee rates – there are two significant issues with the fairness of the fee rates for providers at the moment. The first is that the failures at the CQC mean providers are not receiving any regulatory service for the money that they pay and so do not feel it is fair to continue to pay fees at this level, or to have to pay more. In the words of some of our members:

  "Paid over £25k in fees since [our] last inspection for what? No value for money. No consistency across the country. Inspectors don't even know their own regulations."

  "As a small business, I pay over £3.5k per annum for which I receive absolutely nothing. I have not seen an inspector since before the pandemic"

It is not reasonable to pursue full-chargeable cost recovery and ask care providers to pay additional fees for a failing regulator that is not delivering the assurance that they need. Since 80% of homecare is state-funded, the Government should match substantial increases in CQC fees with increased fee rates to care providers - this is an inefficient use of public funds compared to direct funding of the regulator.

From a funding perspective, we urge the Treasury to act immediately and undertake a fundamental, independent review of resourcing. Grant-in-aid funding has fluctuated but decreased over time, from £87.4 million in 2013-14 (which is £123 million in today's prices) to £41.8 million in 2023/24. Restoring 2013-14 levels of funding would therefore require an additional £82 million this year.

✓ **Recommendation:** Allocate an immediate cash injection to increase inspection levels at the CQC and address the backlog. We suggest that this could be equivalent to restoring

previous levels of Grant-in-Aid (to the order of an additional £82m per year), but permitting this to be used for regulatory activity until the CQC is fully functional again.

This is not necessarily a long-term solution. The Government is responsible for the regulator and should commission an independent review of its funding considering both the fairness and efficiency of the provider fee programme and the quantum of funding required for the CQC to function appropriately as a regulator.

- ✓ **Recommendation:** Commission an independent review of the resources needed to maintain a three-year inspection cycle across the expanded market, and review the fairness of the current fee structure for providers of different size and risk profiles.
- ✓ **Recommendation:** Commit to reviewing CQC funding in the next Spending Review, considering the findings of the independent review.

Enabling care services to actively participate in Neighbourhood Health Services

Neighbourhood Health Services are a key part of Labour's plan to move health and social care services from hospital to community. However, to work effectively, these services need to fully integrate with local social care providers. On a day-to-day basis, homecare staff interact with community nursing teams, occupational therapists, GPs, pharmacists and other health professionals. However, they report it is difficult to connect with the professionals that they need.

In 2024, our research found more than half of providers noted it was difficult or very difficult for people they were supporting coming out of hospital to get the support they needed from other professionals: mental health (67%); social workers (64%); physiotherapists (59%); dentists (55%); occupational therapists (54%); and specialist nurses (51%). Half of providers said it was difficult or very difficult to access support from GPs (general practitioners)[57].

Our members are also concerned that health care staff do not always listen to or respect them. It is vital that statutory partners include care providers fully in neighbourhood teams and recognise their contribution.

The Government is asking careworkers to undertake more health-related work without considering oversight or funding. In order to move care from hospital to community, there needs to be funding to support this change.

This year, three quarters of Directors of Adult Social Services reported an increase in the level of delegated healthcare tasks carried out by social care staff. However, the Association of Directors of Adult Social Services reports that only a quarter of DASSs were satisfied that health partners provide the resources needed to ensure that they can commission delegated tasks on a planned and safe basis. Only 16% were satisfied that care staff were being properly paid for the work[58].

Our own workforce survey (of 450 of our homecare provider members, representing 135,000 careworkers and 186,000 people drawing on services) findings mirror this. 70% of the respondents to our survey had careworkers undertaking delegated healthcare tasks. Commissioners or purchasers pay only 15% of respondents more to undertake the tasks.

[57] Hospital discharge and homecare in the UK – a call for urgent action from an incoming government
[58] ADASS-Spring-Survey-Final-15-July-2025.pdf

80% found it difficult to find registered NHS staff to sign off competency for tasks, and 65% felt they did not have the appropriate ongoing support from NHS staff for delegated tasks[59].

NHS job evaluation criteria[60] show that delegated healthcare tasks are only appropriate for a Band 3 or a Band 4 healthcare assistant or nursing auxiliary and not a Band 2 staff member. Commissioners require funding to pay fee rates for care packages that involve delegated healthcare tasks enough to cover higher wages for careworkers. This should be sufficient to cover the careworker earning at equivalent pay to NHS Band 3 or Band 4 level (depending on the complexity of the task), and include additional time for training and supervision. It is vital that registered health professionals in the community have the resources to sign off on the competency of careworkers and be available to answer questions should something about the delegated task change in a way that needs clinical oversight.

According to our Minimum Price calculations, prices would vary according to the following assumptions:

Current average fee rate paid	£24.10
Minimum price based on full compliance at National Living Wage	£32.14
Minimum price based on full compliance at NHS Band 3 (2+ years experience, 2025/26 rate)	£34.75
Minimum price based on full compliance at NHS Band 3 level with an additional 10% supervision and all careworkers doing this work having Level 3 course (training time at 500 hours).	£35.42
Minimum price based on full compliance at NHS Band 4 (3+ years experience, 2025/26 rate)	£38.18
Minimum price based on full compliance at NHS Band 4 level with additional 10% supervision and funding for training time for a Level 3 qualification (at 500 hours)	£38.91

✓ **Recommendation:** The Government must set a separate Band of fee-rates in the National Contract for Care Services for care packages that include delegated healthcare tasks, and this must support pay, training and supervision equivalent to an NHS Band 3 or 4 staff member (which we estimate will be in the range £34.75-£38.91 per hour range).

[59] Voices of Homecare: Workforce
[60] https://www.nhsemployers.org/system/files/2025-08/FINAL%20National%20Profiles%20for%20Nursing.pdf

Summary of policy proposal rationale and costs

Proposal	Quantified problem & rationale	Indicative costs	Benefits (effectiveness, VFM, growth, distributional/ locational impacts)	Deliverability (admin, legislative, KPIs)
National Contract for Care Services	• Government policy to establish a National Care Service and improve employment rights • Homecare sector currently underfunded by at least £1.6bn due to structural issues with funding mechanism • One-third of local authorities paying care fee rates below £22.71 - which employers need to cover statutory direct employment costs at National Minimum Wage; without covering management or overheads. • Less than 1% of contracts paying fee rates that cover all costs needed to sustainably operate at minimum wage (which requires £32.14 per hour).	• £1.6bn for 2025/26 (homecare only – additional funding would be need for residential care sector) + administrative costs	**Avoids:** ⊗ Government incentivising labour exploitation ⊗ Cross-subsidisation ⊗ Social care sector loses trust in Government ⊗ Deterioration in quality of care services **Benefits:** ✓ Responsible employers, careworkers, people receiving care and support	**Admin:** annual Minimum Price calculator + public authority certification. **Legislation:** National Contract for Care **KPIs:** turnover, vacancies, % compliant packages, delayed discharges.
Long-term funding of social care services	• Government policy to establish a National Care Service; to shift support from hospital to community and to move from treatment to prevention. • This requires additional funding so the social care sector can adapt to ageing population, meet unmet need and meet current costs:	• £6.6bn for 2025/26 rising to £8.7bn by 2028/29 and then rising by around 4.5% per year. • Should include the costs associated with	**Avoids:** ⊗ Deterioration of services as population ages ⊗ Unfair cross subsidisation ⊗ Incentivisation of non-compliance with government regulation on care safety and employment.	**Admin:** incorporates administration of a National Contract for Care as above. Updated projections of care need.

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	• Deficit as outlined above - £1.6bn in homecare alone • 3.5m adults have unmet care needs • No over 85 projected to double in next 25 years	the National Contract for Care Services	⊗ Escalation of healthcare need due to unmet social care needs. **Benefits:** ✓ Individuals with care needs can access support	
Fair Pay Agreement (FPA) – Funded Implementation	• Government has legislated for an FPA. Without funding, it is undeliverable. Avg LA fee £24.10/hr. • £15/hr wage - Minimum Price £37.37/hr; deficit £2.20bn (councils) + £468m (NHS) = £2.67bn total. • NHS Band 3 (2+ yrs) -Minimum Price £33.87/hr; deficit £1.62bn (councils) + £346m (NHS) = £1.97bn total. • These include a £1.6bn existing shortfall at NLW. • Without bridging, providers will breach employment law, hand back packages, and destabilise Neighbourhood Health Services.	£1.97bn–£2.7bn depending on wage floor for homecare.	**Ensures**: ✓ Legal compliance and credibility of FPA ✓ Reduces turnover (25%) and vacancies (12%), saving ~£600m recruitment costs. **Offsets:** ✓ Reduced NHS bed days (£400–£500/day avoided) ✓ Lower agency reliance. **Benefits:** ✓ low-paid, mostly female staff, boosting disposable income and local economies.	**Admin:** annual Minimum Price calculator + public authority certification. **Legislation:** National Contract for Care **KPIs:** turnover, vacancies, % compliant packages, delayed discharges.
National Action Plan for guaranteed	• In order to end exploitative zero hour contracts and pass legislation on guaranteed hours in the Employment Rights Bill, the Government need to	• To be determined in impact assessment	**Avoids**: ✓ Introduction of legislation causing closure of responsible businesses and	**Admin:** would require civil service team to formulate a plan with

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hours in social care	assess and change how it buys care to make sure that care services can continue to operate when the law changes. • 35% of staff in homecare are on zero hours contracts. This is driven by care being bought by the hour by commissioners.		increased cost to Government of non-compliance with employment legislation. **Benefits**: ✓ Social care workforce, who could see working conditions improve if legislation implemented in a considered way.	ADASS, LGA and social care providers. **Legislative:** development of plan might include legislative options but not required. **KPIs:** council and provider confidence that changes are planned and implementable before 2027.
Funding for Employment Rights Bill in 2026/27	• Government intends to implement Employment Rights Bill. • Government economic analysis says Employment Rights Bill will increase business costs by 1.5% on average. • Costs for social care will be higher than average. • Implementation of Bill staggered but some key provisions including SSP in 2026/27. • Government funds 80% of homecare. • Additional funding required to meet these costs.	• £68-83 million for state funded homecare alone for 2026/27. • For SSP alone we estimate £42-£65m.	**Benefits:** ✓ Careworkers receive SSP; could improve population health and reduce spread of infections. ✓ Prevents costs being cut from other business areas risking non-compliance with other parts of legislative regime	**KPIs:** Homecare Association shows no increase in homecare deficit after Bill implemented (i.e. gap between cost of operating vs. commissioning fees).
Assess costs for Employment Rights Bill in 2027/28	• In order to implement the remainder of the Employment Rights Bill without unintended consequences for the sector and careworkers.	• [Unknown]	**Benefits:** ✓ Clarity about costs of the Employment Rights Bill to the sector and confidence in	**Admin:** Will require setting up and delivery over the next 12 months.

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			sector's ability to implement it. ✓ Avoid underfunding social care and causing disruption to social care market. Avoid incentivising regulatory non-compliance due to under-funding.	
Fund training advice and support for businesses to adapt to Employment Rights Bill	• The Employment Rights Bill will only be effective in achieving its aims if businesses are able to implement it. This requires good guidance and support to adapt.	• [Unknown]	**Avoids:** ⊗ High number of cases in ACAS and Tribunal system. ⊗ Non-compliance with regulation due to lack of understanding. **Benefits:** ✓ Businesses can implement the Employment Rights Bill; leading to improved work rights for employees.	**Admin:** DBT to develop a programme of support for business. **KPIs:** level of awareness of changes in small business; levels of confidence in ability to adapt to changes in small business.
Fund the Fair Work Agency to comparable levels as in other high-income countries	• Government intends to implement the Employment Rights Bill. • Bill cannot be enforced without enforcement agency. • High risk of non-compliance in parts of the homecare sector. • ILO report average for high income countries is 0.84 labour inspectors	• Double the funding of the Fair Work Agency to £80m, by providing an additional £40m per year	**Benefits:** ✓ Reduces risk of non-compliance with legislation, therefore disincentivises undercutting.	**KPIs:** no of labour inspectors per 10,000 employees matches other high-income countries

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	per 10,000, UK currently has 0.4 inspectors.			
Maintain International Recruitment Fund	• NHS aims to shift from hospital to community this depends on care staff availability • Homecare vacancy rate 9.8% (Skills for Care) • Government closed immigration route to careworkers to reduce net immigration and address exploitation 40,000+ careworkers displaced by sponsorship license revocation – need support to find alternative work	• £12.5m (maintain the funding)	**Benefit:** ✓ Displaced careworkers otherwise destitute will have work. ✓ Helps care employers to meet some of the 111,000 vacancies in the in the social care sector.	**Admin:** would require work with Regional Partnerships to reform and develop services. **Legislation:** No legislative change. **KPIs:** no. of displaced workers who are found new roles. Care vacancy rates.
Establish a secure reporting route for sponsored workers	• Government has expressed desire to address exploitation of careworkers. • This requires careworkers having a route to raise concerns about their employer without facing catastrophic consequences themselves.	• [Unknown]	**Benefits:** ✓ Increases the opportunities workers have to address exploitation and disincentivise the targeting of the sponsored worker population by criminals and opportunists.	**Admin and legislative change:** the Home Office and Fair Work Agency liaise on changes to the Immigration Rules to support this.
Exempt homecare businesses from further cost increases and business rates	• The Government is considering what support to offer small businesses to adapt to the Employment Rights Bill. • The majority of homecare services are SME. • The Government is considering changes to business rates to support small businesses.	• [Unknown]	**Benefits:** ✓ Ensure the sector is not further destabilised by unfunded increases in costs. ✓ Make sure care is treated fairly to ensure it remains a competitive employer given	N/A

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	• The Government is considering how to raise further revenue. • Small care businesses do not have significant overheads to cover further taxation. EBITDA margins were 7.6% in 2024 and likely to have reduced since unfunded implementation of eNICs in 2025. • At the moment, the rates system treats care homes as exempt, but not homecare services.		needs of growing ageing population. ✓ Reduces costs for people who need to purchase care and public authorities ✓ Creates greater parity of treatment for people receiving care and support in their own homes.	
Workforce plan	• Government wants to shift from hospital to community. • Depends on support being available – NHS needs social care support. • Current vacancy rate in homecare 9.8%. • Need 29% more careworkers by 2040. • International recruitment of careworkers has ended. • Our 2025 workforce survey suggested 37% of homecare providers had not met the demand for care in their area. 70% of those reported this is because they cannot recruit enough new careworkers. • Workforce plan a necessity for a National Care Service.	• To be determined in impact assessment	**Avoids:** ⊗ Staff shortages causing increased delays in hospital discharge. ⊗ People needing to leave work to care because they can't purchase care for family members.	**Admin:** would require work to develop the plan **KPIs:** Reduced vacancy rate and turnover; no increase in waiting lists for care
Zero rate VAT for homecare	• Charging VAT for homecare services drives up costs for people who need	• £194m p.a	⊗ VAT costs are increasing purchase cost for public	**Admin and legislative change:** will require a

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	care and for NHS and local authority commissioners of care. • Mobility aids and other analogous services are zero rated. • VAT is charged on about 9.8% of the services homecare providers purchase.		sector and people who purchase their own care. ⊗ Benefits: ⊗ Reduced cost in care services for people who need care and support ⊗ Would reduce the deficit in funding caused by the Government not paying the true cost of care delivery.	minor change in tax guidance or legislation to implement.
Technology and Innovation Fund	• Previous innovation funds have largely targeted local authorities. • To support providers with the three shifts; innovation funding (equivalent to the Accelerating Reform Fund) could target frontline care services.	• £40m	**Benefits:** ✓ Could drive changes in practice that streamline care delivery, improve information sharing and communication and enable preventative virtual visits and welfare checks.	**Admin:** would require the development of a new grant, the processing of applications and evaluation of outcomes.
Provide an immediate cash injection to increase inspection levels at the CQC and address the backlog	• Secretary of State for Health and Social Care expressed desire to urgently address failings at CQC. • National Care Service relies upon there being a regulated care service in operation. • 9,933 locations lack recent inspection – growing by 424 a month if market continues to expand. CQC backlog is increasing. 70.3% of non-residential providers had either never been rated or had a rating 4 to 8+ years old.	• To increase grant in aid to 2013/14 levels real terms to address backlog- £123m (i.e. £82m more than last year)	**Benefits:** ✓ People receiving care services are safe ✓ People receiving care have confidence in care service ratings ✓ Commissioners of care have up to date CQC ratings to consider in procurement exercises ✓ Care providers have independent assurance and oversight	**KPIs:** CQC no longer has a backlog.

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	• Care providers concerned they are not getting anything in return for fee rates. • Backlog must be addressed in short-term.			
Commission an independent review of the resources needed to maintain a three-year inspection cycle across the expanded market and review the fairness of the current fee structure for providers of different size and risk profiles.	• Secretary of State for Health and Social Care expressed desire to urgently address failings at CQC. • National Care Service relies upon there being a regulated care service in operation. • Current funding arrangement is not working and requires review and assurance.	• [Unknown]	**Benefits:** ✓ Assurance for fee payers and tax payers that CQC functioning effectively ✓ Long-term, funding allows review cycle required so prevents backlog developing	**Admin:** would need to set-up or commission a review. No legislative change.
Funding for delegated healthcare tasks	• NHS 10 year plan aims to increase the level of delegated healthcare tasks that social care undertake. • This work requires a higher skill level and more responsibility so careworkers doing this work should	• Implement a baseline fee rate for delegated healthcare task packages in the range of	**Avoids:** ⊗ Risk that people undertaking clinical tasks do not have the right training or skills to undertake them.	**Admin:** requires implementation of National Contract for Care Services or similar

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	be paid more – this means a higher fee rate to their employers. • Homecare Association research shows 70% of homecare providers have careworkers undertaking delegated healthcare tasks. • Commissioners or purchasers pay only 15% of respondents more to undertake the tasks. • NHS must also allocate resource for clinical oversight and competency sign-off.	£34.75- £38.91 per hour to allow pay equivalent to NHS Band 3 or 4.	**Benefits:** ⊗ Ensures retention of skilled care staff undertaking clinical tasks.	**Legislation:** for National Contract for Care Services **KPIs:** monitor fee rates paid to providers delivering packages of care that involve delegated healthcare tasks