Homecare Association

Spending Review Representation 2025

Submitted 5 February 2025

Summary (up to 250 words)

Government decisions have increased delivery costs for social care by 10% without matched funding.

Social care urgently needs funding to meet rising National Minimum Wage and National Insurance costs – estimated at £2.8 billion. If these remain unmet, a fifth of providers will consider closing and almost three-quarters will be unable to accept new care packages.

The sector is struggling with historic underfunding, increasing unmet need and rising demand. Tackling this requires £8.4 billion in 2024/25, rising annually thereafter by 6% real terms – likely over £9 billion by 2025/26.

The Employment Rights Bill aims to ensure fair pay, greater security of income and improved rights for careworkers. Aligning policy and practice will cost billions and needs government action. The Government must ensure public bodies buy homecare at a fair price and offer guaranteed work with secure payment schedules. Zero-hour commissioning for contact time only at low fee rates leads to low wages, unpaid travel time and insecure income for careworkers. We call for a National Contract for Homecare to address this.

Labour enforcement agencies and other regulators are severely under-resourced.

The Government cannot achieve its NHS aims without additional investment in social care. More training and investment are needed if careworkers are to take on extra healthcare tasks and use new digital systems.

The Government must act now. The Casey Review will be too late. Reform may be expensive, but doing nothing risks loss of care services, harm to people with care and support needs, and more pressure on the NHS.

1. The Autumn Budget

In 2023, the Health Foundation[1] estimated that covering the full cost of care (including a sustainable price for homecare), meeting demand and improving access would require **£8.4bn in 2024/25, followed by an annual real-terms increase of 6% each year after that.** This is likely to exceed £9 billion in 2025/26[2].

The National Minimum Wage increase to £12.21 per hour and changes to employer National Insurance contributions in April 2025 will add £2.04 per hour to costs. This is **a 9.9% increase in delivery costs for homecare providers.** This leaves the entire adult social care sector needing around £2.8 billion[3] in additional funding.

The Government has allocated £880 million of new funding to social care. The Local Government Association estimates about 60% of this might go to adult social care, c. £528 million. Added to this is a social care precept of up to £650 million and a portion of other tax and grant revenue to local authorities[4]. Less than **£1.2 billion** is not enough to meet cost increases of **£2.8 billion**.

Unmet need is high and demand rising. There are 2 million older people[5] and 1.5 million working age disabled people[6] with unmet care needs. 400,000[7] are waiting for care, reviews, assessment or direct payments.

Despite the Market Improvement and Sustainability Fund, our research suggests **only 1% of homecare contracts with public bodies are at or above a minimum sustainable price**[8]. For 2025/26, this minimum price for homecare in England is £32.14 at National Minimum Wage. Direct employment costs alone amount to £22.71 per hour and a further £9.44 per hour is required to cover other running costs. These include wages for the registered manager and office staff; recruitment; training; digital systems; telephony; insurance; regulatory fees; PPE and consumables; office rent, rates and utilities; finance, legal and professional fees; general business overheads; and a small surplus for investment.

The Autumn Budget announcement included a 3.5% real terms spending increase for local authorities[9]. Local authorities say they have less than £1.2 billion to cover adult social care cost pressures of over £2.5 billion. They warn they must reduce or cut the amount of care they buy and can offer only modest fee uplifts.

In some parts of England in 2024/25, fee rate uplifts were 0% to 5%. This was despite cost increases for that year being closer to 10%. In some places, the fee rates being offered for

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[1] Adult social care funding pressures - The Health Foundation
[2] i.e. a 6% increase on £8.4bn is £8.9bn, once adjusted to 2025/26 prices this is likely to be over £9bn.
[3] Will the Autumn Budget push the social care sector beyond breaking point? | Nuffield Trust
[4] Consultation: provisional local government finance settlement 2025 to 2026 - GOV.UK
[5] 2 million older people now have some unmet need for social care
[6] Up to 1.5 million disabled people could be missing out on social care support | Healthwatch
[7] ADASS-Spring-Survey-2024-FINAL-1.pdf
[8] Fee rates for state-funded homecare 2024-25
[9] £69 billion to support councils and help deliver Plan for Change - GOV.UK

homecare packages were as low as £18.44 per hour[10]. This is less than direct employment costs (which for 2024/25 are £19.90 at National Minimum Wage)[11].

Data from LaingBuisson[12] show that councils and the NHS purchase 79% of homecare and 96% of supported living services. 85% of all care providers have fewer than 50 employees and margins are wafer thin[13]. Average margin is 7.6% but this masks substantial variation, with many state-funded providers close to or below breakeven. Providers cannot absorb a cost increase of 10% with a 0% to 5% increase in income, when their margins are 1% to 2%.

Without immediate action to address this deficit, our survey with the Care Provider Alliance[14] suggests that this will cause:

- 73% of providers having to refuse new care packages from local authorities/NHS.
- 57% of providers handing back existing contracts.
- 22% planning to close their businesses entirely.

When services reduce or close, the impact is significant. There will be more pressure on unpaid carers and loved ones; more admissions to hospital; longer wait times for discharge from hospital; and increasing unmet need.

The Government must fund its policy decisions.

2. The Employment Rights Bill and regulation

The Employment Rights Bill has major cost implications for the social care sector that are currently unfunded and may require funding from 2026. This Comprehensive Spending Review must take these into account.

- Fair Pay Agreement – the cost of improving careworker pay, terms and conditions is likely to be high. We have long called for improved pay for careworkers. However, **you cannot have Fair Pay without a Fair Price for Care.**
    - For example, the TUC has called for £15 per hour wages for careworkers[15]. In 2024/25, homecare alone would have needed £2.3 billion extra (i.e. not including care homes) to meet this wage rate. Alternatively, homecare would have needed £1.67 billion to pay staff the equivalent of NHS Band 3 (with 2+ years' experience - £13.13 per hour)[16].
    - In 2025/26, £15 per hour pay would require local authorities and the NHS to purchase care at an hourly rate of at least **£37.37**. Enhanced terms, like sick pay from day one, guaranteed hours and fewer zero hours contracts, will cost even more. Equivalent of NHS Band 3 with 2+ years' experience would require

[10] Fee rates for state-funded homecare 2024-25
[11] Homecare Association publishes Minimum Price for Homecare 2024-25
[12] LaingBuisson
[13] Care and Support Sector is at a Tipping Point
[14] Care Provider Alliance call to address the devastating impact of the budget
[15] £15 minimum wage for careworkers would boost England's economy by £7.7 billion | TUC
[16] Fee rates for state-funded homecare 2024-25

£33.87 per hour[17]. This is significantly higher than the current average fee rate in England, which is £23.21 per hour[18].
    - Backdating any Fair Pay Agreement also requires consideration. The financial situation of homecare providers today is perilous, and the average EBITDA margins sit at 7.6%[19]. In a mixed market economy, not only will additional funding for pay increases need to cover public authority funded care, it will also need to cover privately funded care. Homecare providers delivering care to self-funders and people paying for their own care cannot fund this otherwise.
    - The 18,500[20] employing organisations will also need funding to organise and arrange representation in any negotiations. No pre-existing structure exists.

- **To end zero hours contracts, we must end zero hour commissioning**:
    - Councils and the NHS currently purchase care on a by-the-minute zero hours basis at rates that do not cover true delivery costs. Sometimes, public authorities are paying less for care packages than employment costs alone. This leads to employers using zero-hours employment contracts.
    - Making workers' hours more predictable and limiting the use of zero-hour arrangements means providers will need to pay staff for more 'down-time' between calls and for calls that are cancelled. This will require changes in commissioning style and increased funding to deliver the same care hours. For example, when a client goes into hospital and does not require care during this period, in many cases, public authorities stop paying providers immediately for care. This means there is no money to pay careworkers whilst the person they usually care for is in hospital. There is also no guarantee of work for the provider, which makes staffing decisions difficult to manage and hiring international workers complex (as they require a guaranteed salary).
    - The impact of this significant policy change needs to be modelled, costed, and accounted for in the Comprehensive Spending Review.

- The Government estimates a 1.5% cost increase for employers from the Employment Rights Bill[21]. We estimate this would cost the homecare sector (not including care homes, personal assistants etc.) in England **between £68 and £83 million**[22] 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, but this may cover:
    - Statutory sick pay from day one - this will increase homecare delivery costs by 10-12p per hour[23].

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[17] Minimum Price for Homecare - England 2025-2026
[18] Fee rates for state-funded homecare 2024-25
[19] Care and Support Sector is at a Tipping Point
[20] The state of the adult social care sector and workforce in England
[21] Employment Rights Bill economic analysis
[22] 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.
[23] Homecare Association responds to Statutory Sick Pay consultation

- Changes in parental leave, bereavement leave, unfair dismissal, etc.

Evidence suggests that increases in the statutory minimum wage have increased non-compliance[24], meaning **more people are not being paid properly for their work**. Recent years have seen a significant **rise in the number of reported modern slavery** cases in the care sector[25] with calls to the modern slavery helpline 30% higher in 2023 than in 2022[26].

Labour market enforcement is inadequate, meaning that **providers that comply with employment legislation are being undercut by others who do not**. Local authority and NHS commissioning practices encourage a 'race to the bottom' on standards. In 2024/25, 6% of public sector contracts were purchasing care at less than the direct employment costs[27]. The **public sector is complicit in fuelling the exploitation of workers** and poor quality care for older and disabled people.

Despite the efficiency benefits implicit in a Fair Work Agency, labour inspection in the UK is grossly under-resourced. The UK has 0.29 inspectors per 10,000 employees. According to the International Labour Organisation (ILO), the median inspector to employee ratio for upper-middle and middle-income countries was 0.41.[28] Demand has overloaded the Employment Tribunal system, leading to lengthy waits for hearings[29]. **The new Bill will not be effective without investment in enforcement.**

The **Care Quality Commission (CQC) has a backlog** of 5000 notifications of information of concern. These are concerns raised with the CQC about a provider by providers themselves, members of the public, or employees [30]The number of inspections conducted has decreased from 17,000 before the pandemic to 2,500 now. 29% of registration applications are exceeding the 10-week target [31] As of June 2024, 60% of community social care providers had either never been rated by CQC (23%} or had a rating of 4 to 8 years old (37%). Where inspections have taken place, concerns are more common - in community social care, the locations "Requiring Improvement" have increased from 0.5% in 2017 to 26.3% in 2024.

Skills for Care data show a 39% increase in Care Quality Commission registered locations of community care providers from March 2020 to March 2024[32]. CQC's resources have remained static. This continues to require urgent review.

Meanwhile, some councils appear to be promoting unregulated forms of care, including 'self-employed' carers. Their motive is to save money as Direct Payment rates are typically lower than regulated providers' fees. Provision of unregulated personal care risks undermining the

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[24] Enforce-for-good.pdf
[25] Modern slavery in the care sector – problems and solutions - Unseen
[26] Calls to modern slavery helpline rise for fourth year running - Unseen
[27] Fee rates for state-funded homecare 2024-25
[28] Safety in numbers: what labour inspection data tells us - ILOSTAT
[29] Judges reveal that employment tribunals hearings being delayed to 2026 amid recruitment struggle | Law Gazette
[30] committees.parliament.uk/oralevidence/15217/pdf/
[31] committees.parliament.uk/oralevidence/15217/pdf/
[32] Summary of domiciliary care services_2024

purpose of regulation for public protection. Unregulated care has no training requirements and no oversight, increasing risks for workers and care recipients.

Some unregulated providers appear to operate as managed services with impunity. This may encourage regulated providers to do the same to reduce costs.

Some unregulated care models also **raise questions about employment status.**

HMRC is aware of organisations who promote self-employed working models for careworkers. This might be the correct tax treatment dependent on the specific arrangements in place. HMRC says its view is that most careworkers providing care in their client's home would usually be employed for tax purposes. HMRC claims to be committed to robustly tackling false self-employment and will investigate any evidence suggesting companies may have misclassified individuals for tax purposes. In these cases, HMRC will ensure the right tax, NICs, interest, and penalties are paid. This risks creating unexpected financial and legal liabilities for people using care services[33]. The costs of the Employment Rights Bill may encourage adoption of unregulated care models with "self-employed" workers. This could have the unintended consequence of careworkers losing employment rights.

The government **must fund** changes to employment legislation and care sector regulation.

3. NHS Impact and Integration

The **three big shifts will be impossible without social care**.

Hospital to community –

- Homecare has a key role in keeping people well and out of hospital. The Institute for Fiscal Studies assessed the impact of cuts to older people's adult social care between 2009/10 and 2017/18. It found that **a 31 percent fall in spending per capita on adult social care was associated with an 18 percent increase in A&E admissions** among the over-65s; and a 12.5 percent increase in A&E readmissions within seven days. Each £100 per capita reduction in adult social care spending resulted in an increase of £3 per capita in A&E spending[34].
- Homecare has a key role in getting people out of hospital and back to the community:
    - In December 2024, there were 2,878 patients waiting for homecare packages on any given day, costing the NHS around £1,148,321 per day. Homecare packages for these individuals, (at our minimum price for homecare, assuming careworkers are paid the same as Band 3 NHS staff with 2+ years experience),

[33] Unregulated homecare - blog by Dr Jane Townson OBE
[34] https://ifs.org.uk/publications/impact-cuts-social-care-spending-use-accident-and-emergency-departments-england#:%7E:text=We%20estimate%20that%20the%20average,people%20aged%2085%20and%20above

would have cost around £162,374. That means that **delayed discharges to homecare were costing the NHS almost a million pounds a day** (£985,947) [35].

- Our research suggests that **there is homecare available**. Two-thirds of providers (65%) said that while there were delays in hospital discharge in their area, they had unused capacity. Apparent shortages result from NHS commissioners not connecting with providers in their areas, or not being willing to pay prices that cover delivery costs[36].
- In 2023/24, we had reports of NHS commissioners offering £17 per day for complex care. In 2024/25, we continued to hear similar stories. This does not cover the direct employment costs of the careworker at the statutory minimum wage. Complex care requires more skills and training, so careworkers undertaking it should earn more than minimum wage. NHS commissioners are also paying providers late,[37] which creates serious cash flow issues. Some NHS commissioners even fail to contact providers to discuss fee rate uplifts[38]. **NHS commissioning of homecare needs review.**

Analogue to digital -

- The Government's announcement that they will enable health and care staff to access real-time social care, GP and hospital data with a shared platform[39] **depends on care providers having compatible digital systems.**
- A recent survey of over 1200 providers shows that **75% say that they will reduce or stop investment in digital transformation** because of the cost pressures from the Autumn Budget[40].
- Digital costs are recurring revenue costs and not one-off project costs. Grant funding doesn't meet ongoing costs. To achieve and maintain the stated aim of 100% of all providers having digital care records (the current uptake rate in homecare is 77%), then **fee rates need to be adequate to cover IT system costs**. The regulatory regime should monitor use of digital systems, but needs to be resourced to do so.
- There are 120,000 unregulated sole traders (20% of the homecare workforce) providing care in people's own homes, many of whom lack digital tools and are not required to undergo training. Most unpaid carers also lack access to digital care records.

Sickness to prevention -

- Care providers experimenting with preventative health monitoring interventions have encountered difficulties with how to interface with health services.

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[35] Internal calculation based on data from: Written questions and answers - Written questions, answers and statements - UK Parliament; Delayed hospital discharges and adult social care; Statistics » Acute discharge situation report
[36] Homecare Association publishes report on hospital discharge
[37] Homecare provider viability threatened by late payments
[38] Fee rates for state-funded homecare 2024-25
[39] New reforms and independent commission to transform social care - GOV.UK
[40] Care Provider Alliance call to address the devastating impact of the budget

- The Local Government Association estimated that peer-to-peer early interventions to support hospital discharge, address loneliness, support falls prevention programmes and more could return £3.17 for every pound invested[41].
- These and other opportunities need **joined up strategic approaches, including providers' voices**. Care providers could be more involved in public health interventions; share training with local health services; deliver complex care; palliative care; hospital at home and more, but this requires **effective inclusion of providers in strategic decision-making bodies** like Integrated Care Systems.
- The Government has announced that they will be "supporting careworkers to take on further duties to deliver delegated healthcare activities, such as blood pressure checks and other healthcare interventions." [42] These can have a crucial role in prevention and early intervention.
- Delivering such interventions could save the NHS money by reducing the number of visits required by nurses and preventing health issues from escalating. However, **delegated healthcare tasks require funding**. Careworkers undertaking them require additional training and might reasonably expect to receive higher wages for the additional skills and responsibilities that they take on.
- **Healthcare tasks require effective regulation**. Careworkers undertaking delegated healthcare tasks also need clinical oversight and to have their competency signed off by a registered health professional. This requires assurances, however, there are significant issues with the Care Quality Commission at present (as outlined above).
- There is **no mandatory training requirement or supervision for personal assistants performing such tasks**. Nor are there safeguards for people drawing on unregulated services.

The absence of social care will prevent the integration of IT systems, overwhelm hospital capacity, and make community health interventions inefficient. To save the NHS, the Government must also save social care. People cannot live well if they do not have the everyday support they need to remain independent and flourish.

4. The Casey Review

The **Casey Review will descend into crisis management** if the Treasury does not act quickly to **address the gap between the requirements of Government policies and funding**.

While some reforms have the potential for cost savings (for example, to the NHS), they will still require up-front investment.

It is imperative that the Government acts. Since 1997, there have been 25 different social care commissions, select committee inquiries and white papers[43]. The Casey Review must

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[4141] Earlier action and support: The case for prevention in adult social care and beyond | Local Government Association
[42] New reforms and independent commission to transform social care - GOV.UK
[43] Social care commissions: looking back to move forward | The Health Foundation

not join these. **Doing nothing risks serious disruption of homecare services.** Potential impacts include:

- Risk of harm to individuals needing care and support
- Increased demand on hospital services[44]
- Deferring social care tasks to the police[45]
- More unpaid carers leaving the workforce
- Worsening mental health for individuals and carers, with associated costs
- Increased unmet care needs and wait times, reductions in existing care packages
- Worsening employment conditions for care staff, increased labour exploitation, increased vacancies, rising dependence on international recruitment
- Increase in care that does not meet basic quality standards
- Increase in unregulated care
- More people affected by catastrophic care costs
- Strain on local services as local authorities divert more of their funding to social care
- Postcode lotteries for access to care, with areas with high deprivation particularly affected
- Greater market instability and instances of provider failure

A National Care Service that limits people's choice and control over their own lives is the opposite of what we need. We suggest the Casey Review explores the consumer-led approach adopted by Australia. There, the money follows the person needing care, not the providers. This means everyone can act as if they were a self-funder. This removes the need for public sector commissioning and procurement processes. These are expensive, resource intensive and frustrating for all parties.

5. Zero rate VAT on welfare services in the care sector

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 care is purchased privately, they are inflating the costs to individuals in need of care and support of vital and necessary services.

"Welfare services" provided by regulated social care providers are currently rated exempt. This means that the care provider does not charge VAT on 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.

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[44] https://ifs.org.uk/publications/impact-cuts-social-care-spending-use-accident-and-emergency-departments-england#:%7E:text=We%20estimate%20that%20the%20average,people%20aged%2085%20and%20above
[45] https://www.gov.uk/government/publications/evaluating-the-implementation-of-right-care-right-person/right-care-right-person

We recommend that homecare businesses which provide “welfare services” should be able to recover input VAT costs on all goods and services which they purchase on an ongoing and permanent basis – moving them from “exempt” to “zero-rated”.

5. Recommendations

We recommend that as part of the Comprehensive Spending Review the Government:

- Provides sufficient funding to cover the £2.8 billion estimated cost increase for the adult social care sector implicit in the National Insurance Contributions and National Minimum Wage increases.
- Funds the true delivery costs, rising demand and unmet need in adult social care – estimated in 2024/25 to be £8.4 billion and to increase by 6% real terms year on year – so likely to exceed £9 billion for 2025/26 (not including the above Autumn Budget changes).
- Plans to fund the Fair Pay Agreement and adequately support provider representatives to be part of that process.
- Includes an additional £68-83 million for other homecare sector costs associated with the Employment Rights Bill – this would be to cover changes to sick pay or unfair dismissal, for example. It would not cover changes to zero hours working or a fair pay agreement.
- Legislates to commission for shifts rather than minutes or hours on a zero-hours basis. This will mean fully modelling, costing and funding the change in working practices.
- Fully resources labour enforcement mechanisms (including the new Fair Work Agency) compared to international standards.
- Funds the CQC directly, through an adequate Government grant, to provide assurance to the public regarding care. This should take into account the increase in provider numbers. Funding the CQC through provider fees is administratively inefficient, given most of the sectors funding comes from the public sector, anyway.
- Funds training, renumeration and oversight for delegated healthcare tasks.
- Reviews NHS commissioning, including of hospital discharge services.
- Registers the currently unregulated part of the social care market (and funds this).
- Funds innovation grants for social care engagement in preventative technology
- Include data integration costs between health and social care systems
- Zero-rate VAT on welfare services so providers can reclaim VAT on operating expenses.

It is also vital that the Government:

- Introduces a National Contract for Homecare Services that legally specifies a minimum price for care that the NHS and local authorities must pay providers.
- Ensures that this minimum price includes enough to support providers to go digital and maintain their digital services.

- Ensures the Contract for Homecare Services requires commissioners to focus on outcomes rather than time and task.
- Insists local authorities and NHS commissioners pay in advance on planned hours rather than in arrears on actual hours. This would allow providers to pay careworkers for shifts and cover the cost of cancelled shifts, etc. in line with the Employment Rights Bill.
- Asks the CQC pays closer attention to the quality assurance used by local authorities in commissioning processes to avoid a race to the bottom.
- Implements routine independent oversight of CQC and accountability for its use of public money.
- Incentivises ICS engagement with social care providers, for example, by setting targets on homecare provider involvement in neighbourhood teams