



# Homecare Association



## A Minimum Price for Homecare

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April 2024 to March 2025

Produced by  
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## Executive summary

The Homecare Association's new calculation for the Minimum Price for Homecare in England is **£28.53 per hour**, effective from April 2024, when the UK's statutory National Living Wage increases.

Our Minimum Price is the amount required to ensure the minimum legally compliant pay rate for careworkers (excluding any enhancements for unsocial hours working), their travel time, mileage, and wage-related on-costs. The rate also includes the minimum contribution towards the costs of running a care business, which complies with quality and other legal requirements.

We do not suggest that the Minimum Price recognises the value of homecare services to society by providing a fair reward for the essential workforce. This would be a '*fair price*'. Instead, we have calculated a '*minimum price*', and so this should not be treated as a national acceptable price capable of achieving a stable workforce.

Staffing costs are by far the most significant driver of the cost of delivery of homecare, typically representing around 70% of the total. Increases in wage rates do not just impact on the rate for careworkers' contact time, but also result in rises to associated on-costs, such as statutory pensions, employer's National Insurance, holiday and sick pay. There is also a knock-on impact on salary differentials and wage rates for roles above the lowest paid.

The [National Living Wage will increase by 9.8%](#) to £11.44 in April 2024, the largest ever rise. This compounds an existing deficit – with NHS bodies and councils struggling to keep up with last year's 9.7% rise.

Many homecare providers are paying headline rates above the National Living Wage to attract and keep careworkers in a tight and competitive labour market. Care work increasingly requires high skills and so we strongly believe that it deserves fair recognition and rewards.

In this briefing, we also report the equivalent fee rates required in England, based on the Real Living Wage, the London Living Wage and for NHS Band 3 with 2+ years' experience (including a supplementary figure for this band in Outer London). A fee rate of **£30.31 per hour** is required to pay careworkers an equivalent wage to an NHS Band 3 healthcare assistant with 2+ years' experience (or **£34.34 per hour** for Outer London).

Care providers are also seeing increased costs in key areas, such as car repairs and insurance. High levels of rent and fuel prices, as well as the wider cost of living (in particular, food prices), have continued to affect the cost of delivering services. New training requirements, such as Oliver McGowan Training for services for people with

autism or learning disabilities, and a government proposal for the Care Certificate to become a Level 2 qualification, could add further cost to homecare delivery.

[Research by the Homecare Association](#) has suggested commissioned rates for homecare in London are among the lowest in the UK. Rental prices in London [have risen by 5.9%](#) in the last year, putting pressure on workers, and the Ultra Low Emission Zone (ULEZ) has expanded, seeing providers in outer London facing additional costs. Moreover, the [Consumer Prices Index \(CPI\) rose by 4.6%](#) in the 12 months to October 2023.

The Government set aside money in the Autumn Statement 2022 explicitly to improve fee rates for care providers in England via the [Market Sustainability and Improvement Fund](#). They expect that this will amount to [£683 million in 2024-25](#).

However, to allow the homecare sector to pay similar wages to the NHS for equivalent roles would cost [over £2 billion per year](#) (without considering rising demand for social care, changes in terms and conditions or associated costs in other parts of the social care sector, such as in care homes). In light of this, we agree with [the Health Foundation](#) that the quantum of funding for 2024-25 needed to pay a fair cost for care, meet demand and improve access to all social care services would look more like £8.4 billion than £683 million.

In the meantime, the Local Government Association has warned of a [£4 billion financial deficit](#) across all council services over two years. If unfunded, councils risk not meeting their statutory duties.

[Fourteen councils have issued section 114 notices](#) since the Local Government Finance Act 1988 became law. Almost one in five council leaders and chief executives in England surveyed by the [Local Government Association](#) think it is very or fairly likely that their chief finance officer will need to issue a Section 114 notice this year or next. A section 114 notice is a report that shows the council does not have enough money to cover expenditure for a given financial year; this would be unlawful under the Local Government Finance Act 1988.

[Over 80% of respondents](#) to a survey we undertook in July and August 2023 said that they had experienced late invoice payments from public sector commissioners. Such delays can cause significant cash flow issues – a particularly serious issue in the sector given the high proportion of costs that go on wages. 80% had also seen a reduction in the number of commissioned hours available to them. This is likely because many councils are fragmenting a similar number of hours across more providers.

Delivering high-quality care at a fair price to all those that need it is within our grasp. This requires investment and coordinated effort across central government, local

government and the NHS, as well as commitment on the part of providers to delivering excellent services.

We call on the Government to invest £8 billion more per year to increase wages for careworkers and ensure quality and sustainability of care services.

To meet future demand, improve access to care and cover the full cost of care, the Government must invest an extra £18 billion per year by 2032-33, a 6% a year real-terms increase, according to the Health Foundation.

## Headline figures

	Wage rate per hour	Minimum Price per hour
<b>National Living Wage</b>	£11.44	£28.53
<b>Real Living Wage</b>	£12.00	£29.52
<b>NHS Band 3 (2+ years' experience)</b>	£12.45	£30.31
<b>London Living Wage</b>	£13.15	£31.70
<b>NHS Band 3 (2+ years' experience - Outer London)</b>	£14.65	£34.34

The Homecare Association's Minimum Price has gained wide recognition within the social care and health sectors in all four UK administrations. Indeed, the Department of Health and Social Care directs councils in England to follow the approach of the Homecare Association (previously known as UKHCA) in [paragraph 4.31 of the Care and Support Statutory Guidance](#).

As last year, the Homecare Association has produced separate reports and prices for each UK nation.

Some councils and NHS commissioners will state that local conditions influence the costs of care in their area. Local conditions are likely to mean that the costs are higher than the Homecare Association's Minimum Price for Homecare.

This is because we calculate our Minimum Price using the minimum legal pay rate, which does not vary geographically. Furthermore, in many areas, employers cannot recruit sufficient careworkers from their local labour market at the National Living

Wage, particularly as competing employers, including in retail and hospitality, typically pay more than the statutory minimum.

In addition, meeting their legal obligations to ensure the safety and wellbeing of the people they support bears a heavy cost to providers. We therefore strongly caution public sector commissioners against underestimating costs to reduce the total hourly price paid for care.

A cost-saving approach which effectively ‘salami-slices’ the distinct elements of providers’ operating costs jeopardises the quality and safety of a regulated service. It also risks undermining the ability of providers to improve the working experience of careworkers, further destabilising the workforce.

In some areas, there is evidence that tendering contracts at unsustainable fee rates from the outset can lead to greater cost to commissioning bodies over the lifetime of a contract. For example, this can lead to heavy reliance on spot-purchasing at higher fee rates, handing back work or entire contracts, and provider failure.

The Homecare Association will continue to challenge central government on the overall funding of social care. It is, however, councils, the NHS, and Health and Social Care Trusts (in Northern Ireland) that determine the prices they pay for homecare services at a local level.

## Calls for action

### Central government

- To invest an additional £8 billion per year to local authorities, to enable them to pay a sustainable price for care.
- To support the sector to develop a credible ten-year workforce strategy and plan for social care, aligned with the NHS People Plan, including a viable and measured approach to international recruitment.

### Local authority/NHS commissioners

- To move without delay to discussing and agreeing fee rates for 2024-25 with providers, understanding costs and taking fair account of wage inflation of at least 9.8%.
- To abide by the [Prompt Payment Code](#) and ensure timely and accurate payment of invoices to homecare providers.
- To offer greater security of hours and income to trusted providers, so they can invest in their workforce and manage cash flow effectively; to ensure an

appropriate balance between block and spot purchase contracts; and to offer payment in advance on planned commissioned hours, rather than in arrears on actual.

- To move away from purchasing homecare 'by-the-minute', with an alternative focus on achieving the outcomes people want, enhanced by technological solutions.

### **Providers**

- To avoid signing contracts with commissioning bodies unless confident that prices are sustainable and will enable the right quality of care to be delivered.

We show the results of our analysis in the graphs and tables which follow.

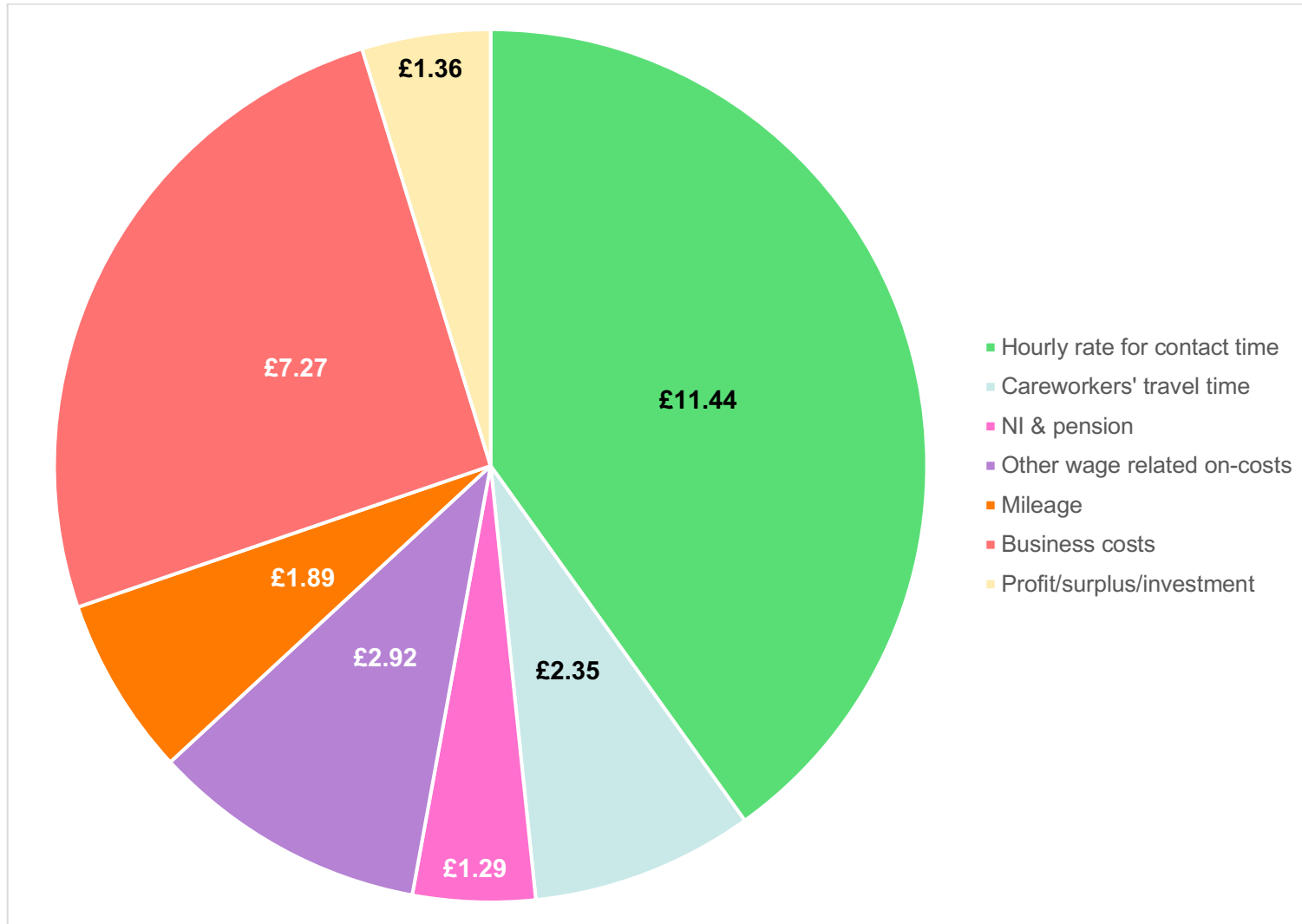
**NB. In this report, we have used exact figures when adding or subtracting numbers. As a result, there may be occasional rounding differences in the text and tables.**

# Minimum Price for Homecare at different wage rates, 2024-25 (England)



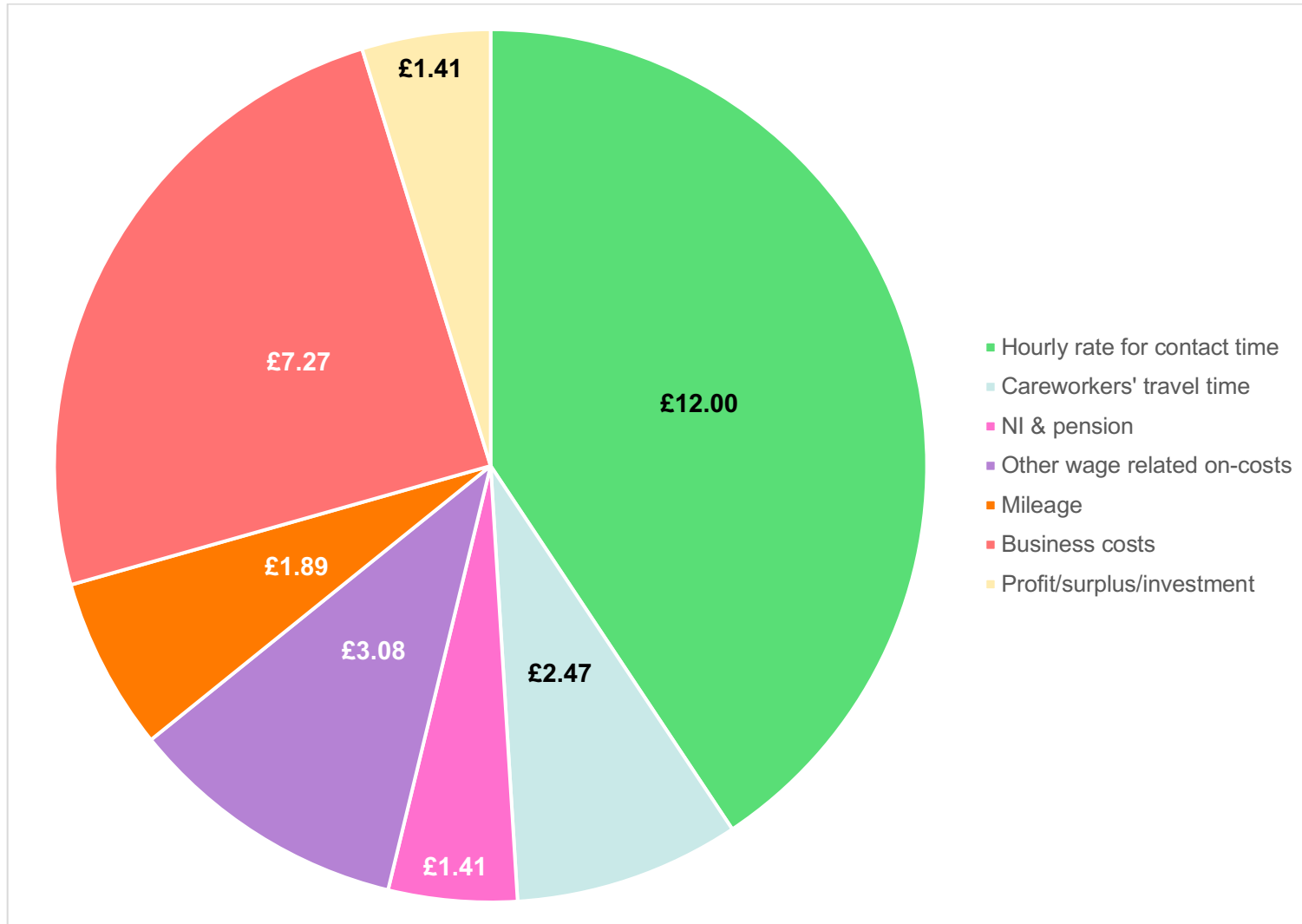


## Minimum Price for Homecare at the National Living Wage (England)



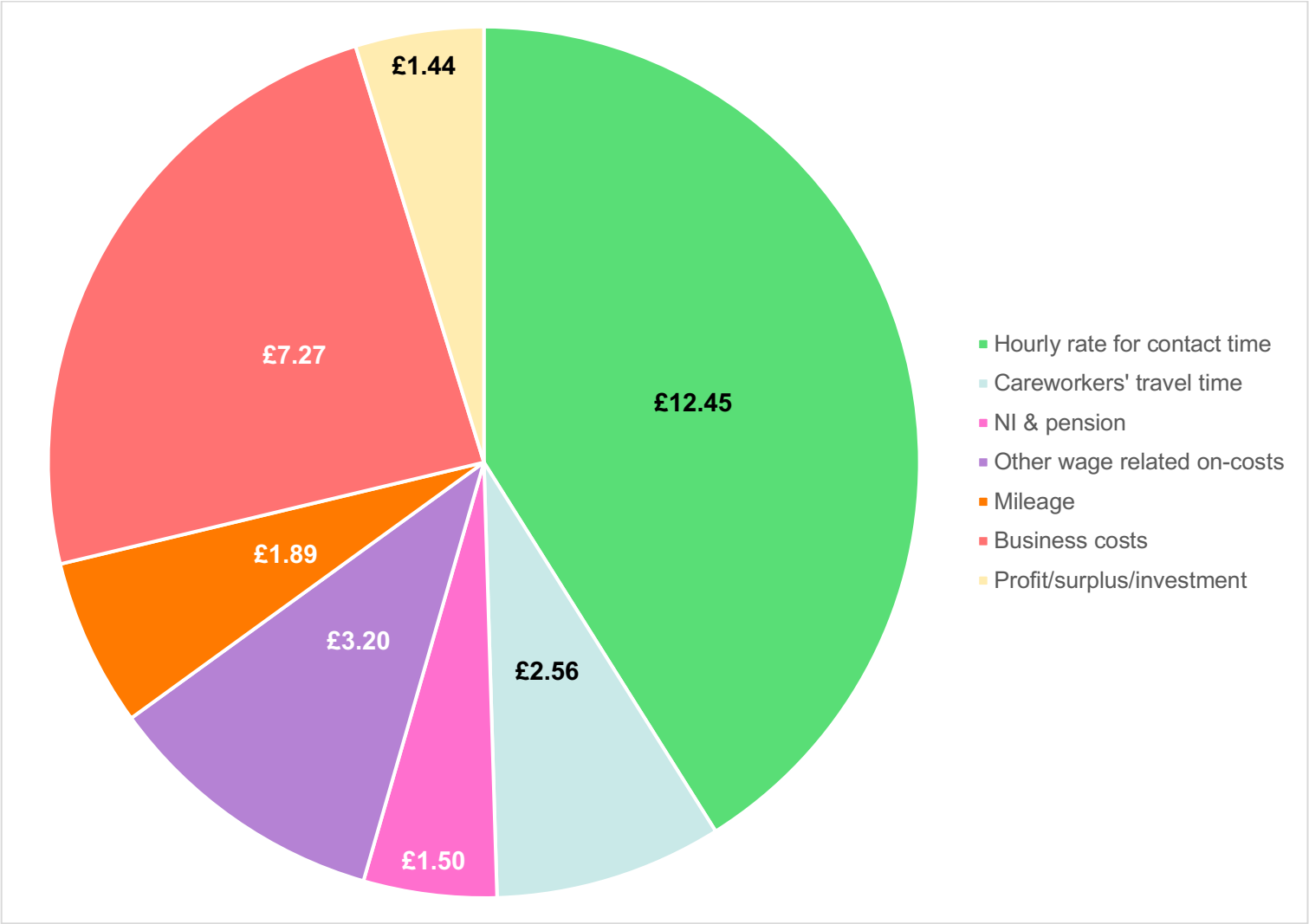
Minimum Price for Homecare in England at the National Living Wage (2024-25)						Costs		
Careworker costs	Gross pay	Hourly rate for contact time	National Living Wage		£11.44	£13.79	£19.90	
		Careworkers' travel time	20.56%	of hourly rate for contact time	£2.35			
	NI & pension	Employers' National Insurance	6.38%	of gross pay	£0.88	£1.29		
		Pension contribution	3.00%	of gross pay	£0.41			
	Other wage related on-costs	Holiday pay	12.07%	of gross pay, NI & pension		£1.82		£2.92
		Training time	2.91%	of gross pay, NI & pension		£0.44		
		Sickness pay	4.20%	of gross pay, NI & pension		£0.63		
		Notice & suspension pay	0.20%	of gross pay, NI & pension		£0.03		
	Mileage	Travel reimbursement	£0.45 per mile for 4.20 miles per hour of contact time			£1.89		£1.89
	Gross margin	Business costs	Management & supervisors		Estimated fixed cost	£2.47		£7.27
Back-office staff				Estimated fixed cost	£0.91			
Staff recruitment				Estimated fixed cost	£0.36			
Training costs				Estimated fixed cost	£0.41			
Regulatory fees				Estimated fixed cost for average-sized provider	£0.07			
Rent, rates and utilities				Estimated fixed cost	£0.47			
IT & telephony				Estimated fixed cost	£0.57			
PPE and consumables				Estimated fixed cost	£0.72			
Finance, legal & professional				Estimated fixed cost	£0.41			
Insurance				Estimated fixed cost	£0.34			
Other business overheads			Estimated fixed cost	£0.52				
Profit	Profit/surplus/investment	5.00%	of careworker costs & business costs		£1.36	£1.36		
<b>Total price based on the National Living Wage (2024-25)</b>					<b>£28.53</b>	<b>£28.53</b>	<b>£28.53</b>	

## Minimum Price for Homecare at the Real Living Wage (England)



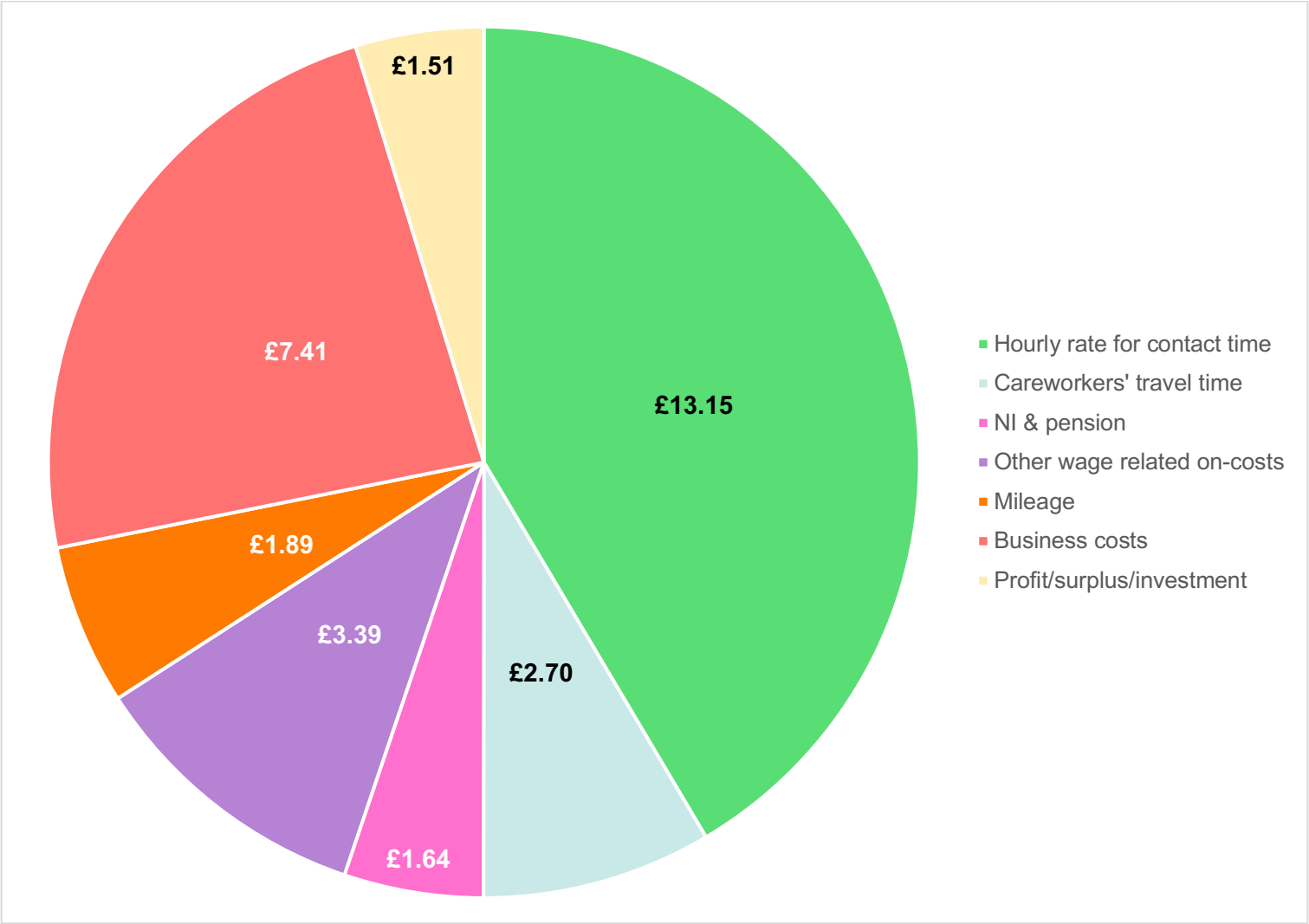
Minimum Price for Homecare in England at the Real Living Wage (announced in October 2023)					Costs		
Careworker costs	Gross pay	Hourly rate for contact time	Real Living Wage		£12.00	£14.47	£20.84
		Careworkers' travel time	20.56%	of hourly rate for contact time	£2.47		
	NI & pension	Employers' National Insurance	6.72%	of gross pay	£0.97	£1.41	
		Pension contribution	3.00%	of gross pay	£0.43		
	Other wage related on-costs	Holiday pay	12.07%	of gross pay, NI & pension	£1.92	£3.08	
		Training time	2.91%	of gross pay, NI & pension	£0.46		
		Sickness pay	4.20%	of gross pay, NI & pension	£0.67		
		Notice & suspension pay	0.20%	of gross pay, NI & pension	£0.03		
	Mileage	Travel reimbursement	£0.45 per mile for 4.20 miles per hour of contact time		£1.89	£1.89	
	Gross margin	Business costs	Management & supervisors		Estimated fixed cost	£2.47	
Back-office staff				Estimated fixed cost	£0.91		
Staff recruitment				Estimated fixed cost	£0.36		
Training costs				Estimated fixed cost	£0.41		
Regulatory fees				Estimated fixed cost for average-sized provider	£0.07		
Rent, rates and utilities				Estimated fixed cost	£0.47		
IT & telephony				Estimated fixed cost	£0.57		
PPE and consumables				Estimated fixed cost	£0.72		
Finance, legal & professional				Estimated fixed cost	£0.41		
Insurance				Estimated fixed cost	£0.34		
Other business overheads			Estimated fixed cost	£0.52			
Profit	Profit/surplus/investment	5.00%	of careworker costs & business costs	£1.41	£1.41		
<b>Total price based on the Real Living Wage (announced in October 2023)</b>					<b>£29.52</b>	<b>£29.52</b>	<b>£29.52</b>

# Minimum Price for Homecare at NHS Band 3 (2+ years' experience) (England)



Minimum Price for Homecare in England at NHS Band 3 (2+ years' experience) (2023-24 rate)						Costs		
Careworker costs	Gross pay	Hourly rate for contact time	NHS Band 3 (2+ years' experience)		£12.45	£15.01	£21.60	
		Careworkers' travel time	20.56%	of hourly rate for contact time	£2.56			
	NI & pension	Employers' National Insurance	6.98%	of gross pay	£1.05	£1.50		
		Pension contribution	3.00%	of gross pay	£0.45			
	Other wage related on-costs	Holiday pay	12.07%	of gross pay, NI & pension		£1.99		£3.20
		Training time	2.91%	of gross pay, NI & pension		£0.48		
		Sickness pay	4.20%	of gross pay, NI & pension		£0.69		
		Notice & suspension pay	0.20%	of gross pay, NI & pension		£0.03		
Mileage	Travel reimbursement	£0.45 per mile for 4.20 miles per hour of contact time			£1.89	£1.89		
Gross margin	Business costs	Management & supervisors		Estimated fixed cost	£2.47	£7.27	£8.71	
		Back-office staff		Estimated fixed cost	£0.91			
		Staff recruitment		Estimated fixed cost	£0.36			
		Training costs		Estimated fixed cost	£0.41			
		Regulatory fees		Estimated fixed cost for average-sized provider	£0.07			
		Rent, rates and utilities		Estimated fixed cost	£0.47			
		IT & telephony		Estimated fixed cost	£0.57			
		PPE and consumables		Estimated fixed cost	£0.72			
		Finance, legal & professional		Estimated fixed cost	£0.41			
		Insurance		Estimated fixed cost	£0.34			
	Other business overheads		Estimated fixed cost	£0.52				
Profit	Profit/surplus/investment	5.00%	of careworker costs & business costs		£1.44	£1.44		
<b>Total price based on NHS Band 3 (2+ years' experience) (2023-24 rate)</b>					<b>£30.31</b>	<b>£30.31</b>	<b>£30.31</b>	

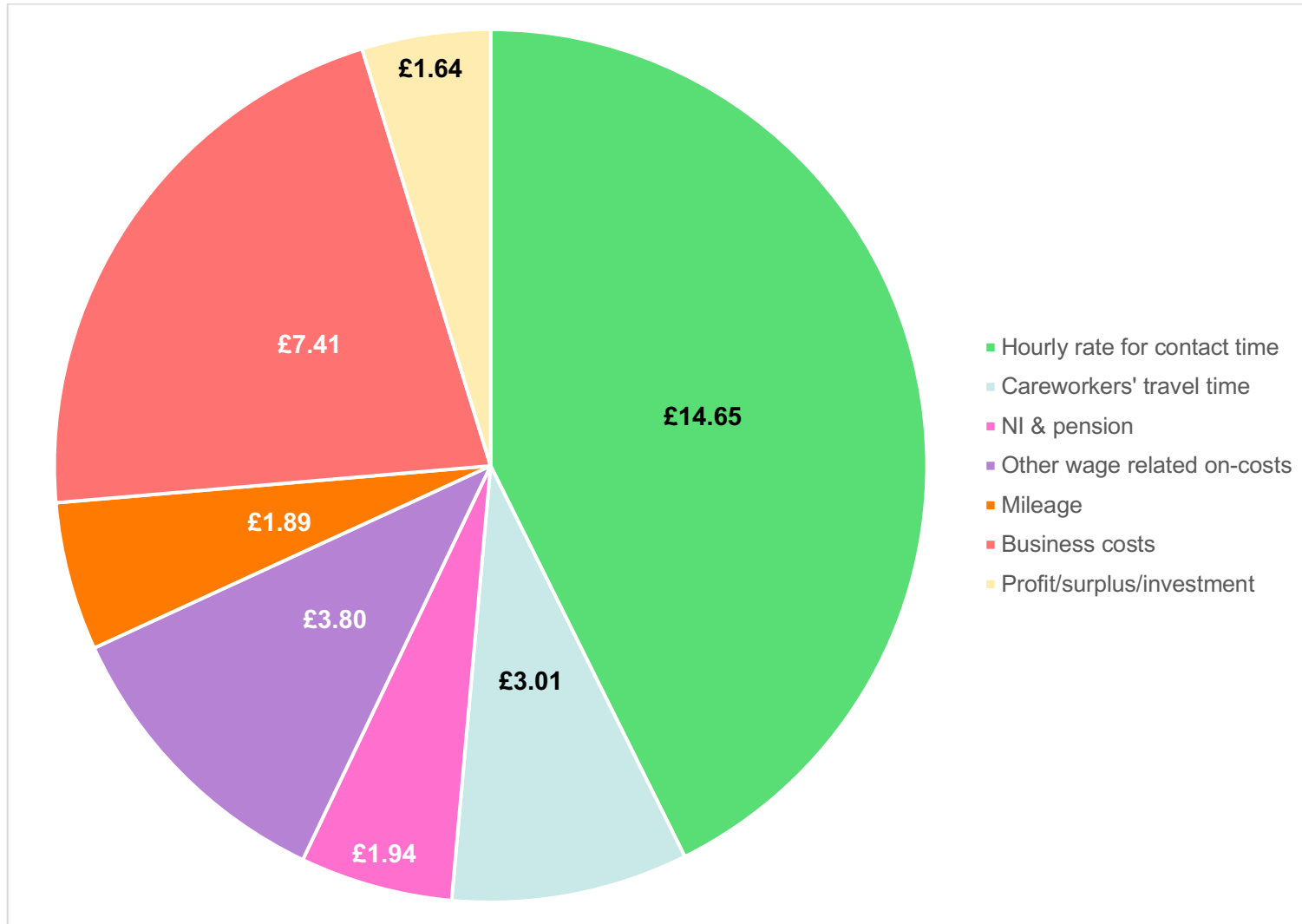
# Minimum Price for Homecare at the London Living Wage



Minimum Price for Homecare in England at the London Living Wage (announced in October 2023)					Costs		
Careworker costs	Gross pay	Hourly rate for contact time	London Living Wage		£13.15	£15.85	£22.77
		Careworkers' travel time	20.56%	of hourly rate for contact time	£2.70		
	NI & pension	Employers' National Insurance	7.34%	of gross pay	£1.16	£1.64	
		Pension contribution	3.00%	of gross pay	£0.48		
	Other wage related on-costs	Holiday pay	12.07%	of gross pay, NI & pension	£2.11	£3.39	
		Training time	2.91%	of gross pay, NI & pension	£0.51		
		Sickness pay	4.20%	of gross pay, NI & pension	£0.73		
		Notice & suspension pay	0.20%	of gross pay, NI & pension	£0.03		
Mileage	Travel reimbursement	£0.45 per mile for 4.20 miles per hour of contact time		£1.89	£1.89		
Gross margin	Business costs	Management & supervisors		Estimated fixed cost	£2.47	£7.41	£8.92
		Back-office staff		Estimated fixed cost	£0.91		
		Staff recruitment		Estimated fixed cost	£0.36		
		Training costs		Estimated fixed cost	£0.41		
		Regulatory fees		Estimated fixed cost for average-sized provider	£0.07		
		Rent, rates and utilities		Estimated fixed cost	£0.47		
		IT & telephony		Estimated fixed cost	£0.57		
		PPE and consumables		Estimated fixed cost	£0.72		
		Finance, legal & professional		Estimated fixed cost	£0.41		
		Insurance		Estimated fixed cost	£0.34		
		Other business overheads		Estimated fixed cost	£0.52		
		Travel charges		Estimated fixed cost	£0.14		
Profit	Profit/surplus/investment	5.00%	of careworker costs & business costs	£1.51	£1.51		
<b>Total price based on the London Living Wage (announced in October 2023)</b>					<b>£31.70</b>	<b>£31.70</b>	<b>£31.70</b>



## Minimum Price for Homecare at NHS Band 3 (2+ years' experience - Outer London)



Minimum Price for Homecare in England at NHS Band 3 (2+ years' experience - Outer London) (2023-24 rate)					Costs		
Careworker costs	Gross pay	Hourly rate for contact time	NHS Band 3 (2+ years' experience - Outer London)		£14.65	£17.66	£25.29
		Careworkers' travel time	20.56%	of hourly rate for contact time	£3.01		
	NI & pension	Employers' National Insurance	8.00%	of gross pay	£1.41	£1.94	
		Pension contribution	3.00%	of gross pay	£0.53		
	Other wage related on-costs	Holiday pay	12.07%	of gross pay, NI & pension	£2.37	£3.80	
		Training time	2.91%	of gross pay, NI & pension	£0.57		
		Sickness pay	4.20%	of gross pay, NI & pension	£0.82		
		Notice & suspension pay	0.20%	of gross pay, NI & pension	£0.04		
Mileage	Travel reimbursement	£0.45 per mile for 4.20 miles per hour of contact time		£1.89	£1.89		
Gross margin	Business costs	Management & supervisors		Estimated fixed cost	£2.47	£7.41	£9.05
		Back-office staff		Estimated fixed cost	£0.91		
		Staff recruitment		Estimated fixed cost	£0.36		
		Training costs		Estimated fixed cost	£0.41		
		Regulatory fees		Estimated fixed cost for average-sized provider	£0.07		
		Rent, rates and utilities		Estimated fixed cost	£0.47		
		IT & telephony		Estimated fixed cost	£0.57		
		PPE and consumables		Estimated fixed cost	£0.72		
		Finance, legal & professional		Estimated fixed cost	£0.41		
		Insurance		Estimated fixed cost	£0.34		
		Other business overheads		Estimated fixed cost	£0.52		
	Travel charges		Estimated fixed cost (Outer London)	£0.14			
Profit	Profit/surplus/investment	5.00%	of careworker costs & business costs	£1.64	£1.64		
<b>Total price based on NHS Band 3 (2+ years' experience - Outer London) (2023-24 rate)</b>					<b>£34.34</b>	<b>£34.34</b>	<b>£34.34</b>

## Costs of running a homecare business

The (rounded) operating costs per hour in the new Minimum Price for Homecare in England (at the National Living Wage) are below.



Careworker costs  
**£19.90**



Management & supervisors  
**£2.47**



Back-office staff  
**£0.91**



Staff recruitment  
**£0.36**



Training costs  
**£0.41**



Regulatory fees  
**£0.07**



Rent, rates and utilities  
**£0.47**



IT & telephony  
**£0.57**



PPE and consumables  
**£0.72**



Finance, legal & professional  
**£0.41**



Insurance  
**£0.34**



Other business overheads  
**£0.52**



Profit/surplus/investment  
**£1.36**

## Data sources and assumptions

The Homecare Association publishes A Minimum Price for Homecare annually. For each version, we review both the assumptions upon which our calculations are based and the data that informs these assumptions.

Where appropriate, we adopt cost assumptions that are determined by legislation (for example, the rate of the statutory National Living Wage, employers' National Insurance and pension contributions).

We utilise publicly available data, employing our professional judgement to determine which dataset most accurately represents the circumstances of homecare providers.

If such data is not in the public domain, we use electronic call monitoring data from leading suppliers of software for UK care organisations. This year, we are grateful to [the Access Group](#) and [Birdie Care](#) for supplying aggregated, anonymised data. We consider this data to be reliable.

Otherwise, we have consulted with certain members operating in the state-funded part of the market, whose expertise in the homecare sector we recognise and who kindly estimated the remaining costs in percentage form.

Each element of the Minimum Price for Homecare model is now described.

## Careworker costs

### Hourly rate for contact time

We have assumed public sector commissioners pay for homecare by reference to 'contact time' – that is, the time spent delivering care in a person's home. This is still, by far, the most usual purchasing model.

As noted above, careworker pay, and associated on-costs, have the greatest influence on the increasing cost to deliver homecare, with the national legal minimum wage set to rise by 9.8% in 2024-25.

Skills for Care confirmed again this year that [80% of all jobs in England pay more than the median rate for careworkers](#). Care employers are competing directly with those employing workers in retail, hospitality and cleaning and cannot keep up with equivalent pay rates in the NHS. Indeed, careworkers receive, on average, £1 per hour less than new NHS healthcare assistants.

So whilst the increase in the minimum wage will be welcomed by employees facing continued rises in the cost of living, it must be recognised that care work is skilled

work that carries significant responsibility. To remain competitive, care employers need to offer more than a minimum wage pay rise.

Homecare staff often work with people who have communication difficulties, cognitive impairments and limited physical capabilities. They need to handle sensitive information and complex emotional situations, where people are dealing with difficult health circumstances, end of life and complicated family relationships. Careworkers support people with their wellbeing, diet, mobility, personal care, accessing health services, taking medication, going to work and more. Their work cannot be done by just anyone.

For that reason, in this report, we compute the prices needed to deliver an hour of homecare at various careworker pay rates, thus showing to commissioners the effect of paying the higher wages.

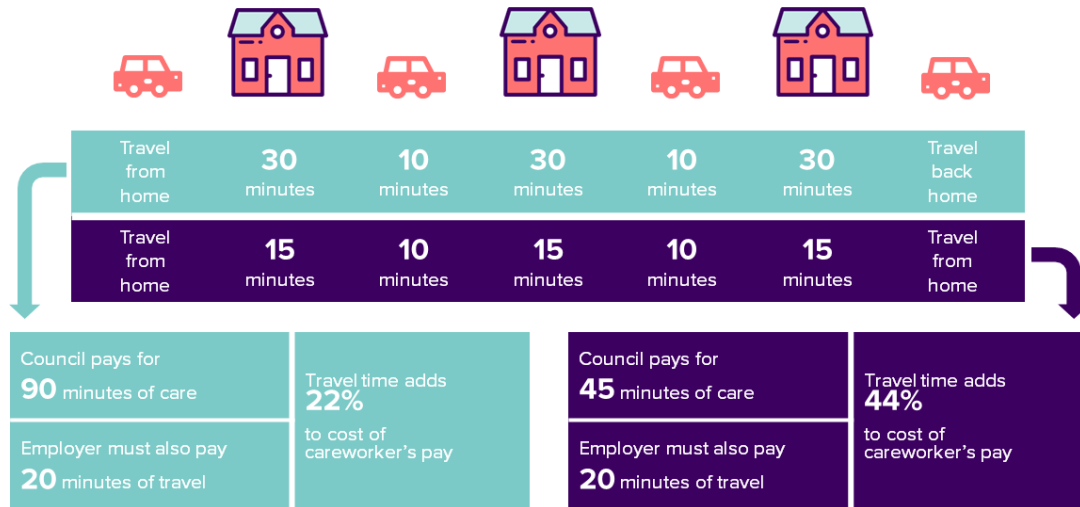
It is important to note that the costs of delivering homecare are sensitive to the volume of hours delivered. The higher the volume of hours delivered per registered location, the greater the economies of scale and lower the operational costs per hour.

Similarly, unit operational costs are also sensitive to length of visit, with shorter visits resulting in proportionately higher operating costs. This is because of the relative influence of travel time, which counts as working time for National Minimum Wage purposes. State-commissioned homecare visits are typically 30 minutes. In some areas, the proportion of 15-minute calls is increasing, adding to costs.<sup>1</sup>

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<sup>1</sup> [A National Institute for Health and Care Excellence \(NICE\) quality statement on homecare for older people](#) states: “Older people using homecare services have visits of at least 30 minutes except when short visits for specific tasks or checks have been agreed as part of a wider package of support.”

## How short visits affect careworkers' wage costs



**NB.** We assume careworkers do not receive an enhanced hourly rate for working during weekends or on bank holidays.

The following hourly rates for contact time are for calculations in England:

### National Living Wage

Ahead of the Autumn Statement 2023, the Government announced that the National Living Wage will be [£11.44 per hour from April 2024](#).

### Real Living Wage

Computed by the Resolution Foundation and endorsed by the Living Wage Foundation, this is a rate which is 'independently calculated based on what people need to live on'. It now stands at [£12.00 per hour across the United Kingdom](#).

### NHS Band 3 (2+ years' experience)

The Homecare Association has consistently highlighted the discrepancy in pay between a careworker and their equivalent in the NHS, a healthcare assistant at Band 3. With 2+ years' experience, [the hourly rate for healthcare assistants has risen to £12.45](#).

**NB.** Even if a careworker received the healthcare assistant hourly rate, the NHS Band 3 package would still likely have a much greater value because of the [more generous benefits offered by the NHS](#) compared with social care.

### London Living Wage

Similar to the Real Living Wage, but is specific to the London region. This [increased in October 2023 to £13.15 per hour.](#)

### NHS Band 3 (2+ years' experience - Outer London)

This year, we have been particularly concerned about [commissioning rates in London](#), which do not reflect the higher cost of living (and operating a business) in the area.

NHS staff receive a [High Cost Area Supplement](#), additional to their wages, for jobs in London and the surrounding areas (banded into 'Inner London', 'Outer London' and 'Fringe'). The supplement is a percentage uplift of wages, within a minimum and maximum payment.

Thus, the 2023-24 hourly rate for Band 3 (2+ years' experience) in each high cost area is:

Area	NHS Band 3 (2+ years' experience) hourly rate
Inner London	£15.07
Outer London	£14.65
Fringe	£13.07

For the sake of our calculations, we have used the middle value – the 'Outer London' figure.

### Careworkers' travel time

Commissioning of services based on 'contact time' does not include careworkers' travel time, which counts as 'working time'. Employers must pay careworkers for travel time between visits to ensure compliance with the National Minimum Wage Regulations. Further explanation of this issue is available in the Homecare

Association's [National Minimum Wage Toolkit](#). We assume providers pay travel time at the same hourly rate as contact time.

The time that careworkers spend travelling between the homes of people in receipt of care can vary significantly. Calculated based on contact time, it depends on whether most visits are in rural or urban locations, as well as the ability of a provider to allocate consecutive visits to a careworker within a relatively small locality.

Unfortunately, there is no publicly available dataset that records travel time. However, the latest data from software suppliers to the sector shows an average paid travel time per hour of 12.34 minutes, or 20.56% as an hourly percentage.

## Employers' National Insurance

To determine the employee's annual pay figure, we combine each contact time wage rate above with the associated travel time payment (giving the 'gross pay'), before multiplying the total by the average hours worked by a careworker per week (which is itself adjusted to include [their holiday entitlement](#)) and the number of weeks in a year.

Currently, the secondary threshold for employers' National Insurance is £9,100 per year, while the contribution rate is 13.8%.

We compute the annual earnings that are subject to employers' National Insurance (i.e. those above the secondary threshold) and thus the employer costs of National Insurance for a careworker using the contribution rate. Finally, we determine a percentage by dividing this figure by the careworker's annual pay.

**NB.** These calculations are based on a careworker who has National Insurance category letter A (as for most employees).

In the Spring Statement 2022, the Government increased the [Employment Allowance to £5,000](#) – up to which eligible employers can reduce their annual National Insurance liability. This means that businesses can 'employ four full-time employees on the NLW [National Living Wage] without paying employer NICs [National Insurance contributions]'. In this piece of work, we assume an ['average-sized provider'](#), which would be much larger than four full-time employees. Therefore, we do not include Employment Allowance in our model.

## Pension contribution

Assuming an employer automatically enrolls a careworker in a workforce pension scheme, we use a [pension contribution of 3%](#) as a proportion of gross pay – the statutory minimum percentage that an employer can pay.



## Holiday pay

At the time of writing, we expect the Government will legislate to permit the [calculation of leave entitlement based on 12.07%](#) of hours worked. Consequently, we have used this figure in our calculations this year (based on [the statutory annual holiday entitlement of 5.6 weeks](#)).

## Training time

This determines the cost when a careworker attends training (as opposed to delivering care). We include other training-related costs, such as payment of trainers, in the 'business costs' section below.

We can break careworker training down into three key items: induction, studying for qualifications and continuing professional development (CPD).

In England, the induction comprises various elements, namely:

- Organisational induction.
- Additional training (for example, on a condition such as Parkinson's disease).
- Specific training (includes medication and manual handling).
- [The Care Certificate](#).
- [The Oliver McGowan Mandatory Training on Learning Disability and Autism](#) (though we include only Tier 1 in our calculations. At the time of writing, Tier 2 is not yet required for all staff and there are concerns about the cost, availability and guidance around this tier).

We estimate the annual number of training hours for each item per careworker, based on the assumption of six hours of training per day.

[Regarding qualifications](#), we focus our attention on the Level 2 Diploma in Care (total qualification time of 460 hours) and Level 3 Diploma in Adult Care (total qualification time of 580 hours). We do not consider higher qualifications (only 3% of those providing direct care in the CQC non-residential, independent sector hold a Level 4 or above). However, in our model, we take account of the fact that the Level 2 and 3 qualifications are not mandatory.

We estimate that a relevant careworker dedicates 18 hours each year to CPD.

Using data from [Skills for Care](#), we calculate that an average-sized homecare providing location in England has around 37 careworkers (filled posts). Thus, we

estimate the number of careworkers in such a provider completing each training item per year.

When multiplying the number of training hours by the number of careworkers for each training item and summing, we estimate an annual total of 1,228 training hours in an average-sized provider, or 33 hours per careworker.

After estimating (using software supplier data) the average number of hours worked per employee in 2023, we finally find that a careworker in England typically spends 2.91% of their working time on training.

[The Workforce Development Fund \(WDF\)](#) enables providers in England to claim money back on the costs of a worker completing a care qualification (as well as learning programmes and digital learning modules). Providers can claim [up to £2,000](#) per learner per funding year, with £600 available for completion of the Level 2 Diploma in Care and £800 for the Level 3 Diploma in Adult Care. However, [WDF statistics for 2022-23](#) show that fewer than 6,900 staff in the adult homecare sector received funding – a figure that is dwarfed by the number thought to be studying. Therefore, we make no deduction from the cost of training time because of the WDF.

**NB.** This calculation is for England. We illustrate details of training time computations for the other UK nations in their respective Minimum Price for Homecare reports.

## Sickness pay

According to [Office for National Statistics \(ONS\) data](#), the sickness absence rate in 2022 for the ‘Human health and social work activities’ sector was 4.2%. We assume a 1-1 relationship between this statistic and the percentage hourly cost to a provider.

## Notice and suspension pay

This covers payment to a careworker who is on full pay following suspension or receives pay instead of notice because of an employment dispute.

As data on notice and suspension pay are not readily available, we sought the input from some of our members. The average of their estimated percentages was 0.20%.

**NB.** Holiday pay, training time, sickness pay, and notice and suspension pay are each calculated in the Minimum Price for Homecare model as a percentage of the sum of gross pay, employers’ National Insurance and pension, as employers will make National Insurance and pension contributions on them.

## Travel reimbursement

We have used a mileage rate of 45p per mile in the model, which correlates with [HMRC's approved mileage rate for cars](#) (up to 10,000 business miles in the tax year).

Given the average travel distance per hour is around 4.20 miles (according to software supplier data), we compute a mileage reimbursement cost of £1.89 per hour.

**NB.** This assumes a worker uses a car to travel for work – indeed, Homecare Association research determined that, on average, [82% of careworkers use their own vehicles](#) for work.

## Business costs

Last year, we moved our Minimum Price for Homecare to presenting a fixed cost for every business item rather than as a percentage of careworker costs. We have continued with that method this year.

Other than regulatory fees, PPE and consumables, insurance and travel charges (which are each treated separately), we have taken an average of the estimated percentages as provided by a selection of our members and calculated a fixed cost for every business item.

Running a homecare business comprises (but is not limited to):

- Management and supervisors: employing the registered manager, as well as care coordinators and care supervisors.
- Back-office staff: includes staff in finance, administration, marketing, etc.
- Staff recruitment: job advertising and undertaking Disclosure and Barring Service (DBS) checks.
- Training costs: payment of external or internal trainers, licences for online training, venue hire and costs of courses/course materials.
- Regulatory fees: annual fees for providers and careworkers.
- Rent, rates and utilities: includes office rents, business rates, office maintenance (such as cleaning) and the cost of gas/water/electricity.
- IT and telephony: IT equipment, software/licenses (including care rostering and electronic call monitoring systems), outsourced IT support, line rental, broadband and mobile phones (supplied to careworkers to log visits).
- PPE and consumables: PPE/hand hygiene items and staff uniform costs.

- Finance, legal and professional: includes accountancy, auditing, and legal costs, as well as bank charges and interest.
- Insurance: premiums to cover buildings, employers' liability, public liability and professional indemnity.
- Other business overheads: includes stationery and postage, marketing (such as advertising materials), business travel (such as tax, insurance, car rentals and repairs), general costs (such as subscriptions and translation services) and equipment hire (including moving and handling equipment, such as hoists and wheelchairs).
- Travel charges (in Greater London only): Ultra Low Emission Zone and Congestion Charge.

**NB.** These definitions correspond, to a large extent, to those for the [ARCC Homecare Cost Toolkit](#).

The following table for England presents the estimated fixed costs per hour of homecare delivered for these items (excluding regulatory fees, PPE and consumables, insurance and travel charges).

<b>Business item</b>	<b>Estimated fixed cost per hour</b>
<b>Management and supervisors</b>	£2.47
<b>Back-office staff</b>	£0.91
<b>Staff recruitment</b>	£0.36
<b>Training costs</b>	£0.41
<b>Rent, rates and utilities</b>	£0.47
<b>IT and telephony</b>	£0.57
<b>Finance, legal and professional</b>	£0.41
<b>Other business overheads</b>	£0.52

## Regulatory fees

We calculate this business cost specifically for England. We state the different costs for the devolved nations in their respective reports.

Regulatory fees are split between annual fees for the business (assuming a provider has previously registered) and the careworker (in Wales, Scotland and Northern Ireland only, where individual careworkers must join a professional register).

According to [CQC guidance on the fees scheme introduced for 2019-20](#) (which remains valid), the annual fee for community social care services in England depends on how many people are receiving regulated services.

Using data on [the number of adults in England receiving services](#) and [the number of filled posts in adult homecare providing direct care](#), we calculate a ratio of 1.41 clients for every one careworker.

Given the number of careworkers in an average-sized provider in England, as explained in the 'Training time' section above, we estimate that such a provider delivers care to around 53 adults.

Therefore, we estimate that an average-sized provider's annual fee is £3,105.

Dividing this cost by an estimate of the average total hours of care per year for an average-sized provider in England (using software supplier data) gives a provider fee per hour of approximately £0.07. There is no worker registration fee to be added on.

## PPE and consumables

In England, frontline health and care workers have access to [free personal protective equipment \(PPE\) until the end of March 2024](#), or until stocks run out (whichever comes first).

[Current PPE guidance requires lower usage](#) than the equivalent guidance in late 2022. However, should a virulent, new COVID-19 variant emerge, providers may need to step up their PPE usage (most likely to previous levels) at their own cost.

Therefore, the table below outlines the PPE and hand hygiene items that would be required for a careworker, as well as the estimated quantity needed per homecare visit.

<b>PPE/hand hygiene item</b>	<b>Estimated quantity per visit</b>
<b>Hand sanitiser gel (50ml)</b>	6 squirts
<b>Hand cream (50g)</b>	1 squirt
<b>Single-use vinyl gloves</b>	2 pairs (i.e. 4)
<b>Plastic disposable apron</b>	1
<b>Type IIR surgical mask</b>	1
<b>FFP3 respirator</b>	0.005
<b>Eye protection</b>	0.05

The quantities are based mainly on our judgement and previous research prepared for the Homecare Association in April 2020.

However, the FFP3 respirator quantity is an exception. These are required when a careworker is [‘undertaking an AGP \[aerosol-generating procedure\] on a person with](#)

[suspected or confirmed COVID-19 infection](#), or another infection spread by the airborne or droplet route.’ We set the quantity at the estimated COVID-19 infection rate in the United Kingdom, which for 1 November 2023, using ONS and UK Health Security Agency data, was computed to be around 0.5% of the population.

We then compute a price per visit for every item, giving a total cost of £0.70 for each visit. Here, we assume that one visit lasts for one hour.

We then combine this figure with that for careworker uniform costs. Assuming a homecare provider purchases tunics and trousers for their staff, we recorded the quantity needed of each per year (based on similar requirements in the NHS).

After weighting by the [proportion of male and female careworkers in the CQC non-residential, independent sector in England](#) (noting that prices can vary slightly according to gender), this amounts to £30.26 per year per careworker, or £0.03 on average per hour (using software supplier data on the average annual hours worked by a careworker).

Our estimated fixed cost for PPE, hand hygiene and uniform is thus £0.72 per hour (after rounding).

**NB.** We draw attention to this item for the devolved nations in their respective reports.

## Insurance

Insurance premiums vary substantially between providers. Factors influencing premiums include the type of service provided, number of clients and staff, quality ratings, claims history, and assessment of how a provider identifies and mitigates risk.

Insight from [Towergate Insurance](#), a respected insurer for the homecare sector, suggested that premiums could rise by as much as 10% from last year. We thus estimated the hourly insurance cost at £0.34.

## Travel charges

**NB.** Travel charges relate to the delivery of homecare in Greater London only. Since [only 17% of filled posts in England delivering direct care](#) in the CQC, non-residential, independent sector are based in London, we have only included these charges in our calculations for the London Living Wage and NHS Band 3 (2+ years’ experience - Outer London). **However, providers operating in London who do not pay these wage rates should also know this additional cost.**

## ULEZ

In August 2023, the Mayor of London expanded the Ultra Low Emission Zone (ULEZ) [to all London boroughs](#).

[The ULEZ operates 24 hours a day, every day of the year](#) (except Christmas Day), and a daily charge of £12.50 is payable to drive within the zone if a vehicle does not meet the minimum emissions standards. [This is a daily flat fee](#), i.e. someone would not be charged more for additional zone journeys in one day.

After deducting their [statutory annual holiday entitlement](#), a careworker would work 46.4 weeks in a year. We also assume that they spread their hours across four days each week.

This means that the 'unadjusted' annual ULEZ charge for the careworker would be £2,320, or around £2.12, on average, per hour.

However, this assumes that no vehicles being driven by careworkers into the ULEZ are compliant, and that all London careworkers drive to conduct homecare visits.

The most recent data suggests [a compliance rate for vehicles of 90.5%](#). Since careworkers receive lower pay than many others in the economy, they may be less able to afford ULEZ-compliant vehicles. As we have no accurate data on compliance of careworkers' cars, we have used published data, but are mindful this could be an overestimate for homecare.

According to a [Homecare Association survey on fuel costs that was conducted in July and August 2022](#), around 71% of staff use either their own vehicle or a company vehicle (whether reliant on petrol, diesel or electric) among Greater London providers to carry out their duties.

By taking these two factors into consideration, our 'adjusted' average ULEZ charge per careworker per hour is £0.14.

**NB.** The Mayor of London extended a previously announced ULEZ scrappage scheme [ahead of the ULEZ expansion](#), with every Londoner whose vehicle does not meet ULEZ emissions standards eligible to claim up to £2,000 for scrapping their car. However, we do not consider the scheme here because it does not cover company cars or fleet cars owned by small businesses.

## Congestion Charge

To drive in the [Congestion Charge zone](#), there is a daily charge of £15. The zone operates between 7am and 6pm on Monday to Friday, and 12pm-6pm on weekends



and bank holidays, with no charge between Christmas Day and New Year's Day inclusive.

The [Congestion Charge reimbursement scheme](#) includes homecare workers. To make a claim, a worker must either:

- “Work for a company that is contracted by a local authority within the Congestion Charge zone to care for residents.”
- Or: “Care for someone that receives whole or partial funding from a local authority in the Congestion Charge zone.”

If we assume that all such visits are refunded, then the only outstanding charge is for people who wholly fund their own care.

However, as our model is specifically for the state-funded homecare sector, we do not account for self-funders in the Congestion Charge zone, leaving the travel charges (for the ULEZ alone) at £0.14 per hour.

## Profit/surplus/investment

Older versions of the Minimum Price for Homecare consistently set the profit, surplus and investment element at 3% of careworker costs and business costs. We considered this an absolute minimum, which would make it difficult to ensure a financially sustainable business or to enable investment in the workforce, innovation or technology. For the 2023-24 Minimum Price, given that many NHS trusts aim for a 4-5% surplus for reinvestment, we increased the figure to 4%.

This year, however, based on further consideration and information from a selection of our members, we believe that 5% is a more representative figure for a sustainable homecare business. Many businesses across the economy expect margins of at least 10% to enable stability and investment.

## Other elements

### Break time

According to the Working Time Regulations 1998, ‘where an adult worker’s daily working time is more than six hours, he is entitled to a rest break’ (which is an ‘uninterrupted period of not less than 20 minutes’).

However, we assumed an average of around 5.26 hours worked per day (based on software supplier data and four days worked per week), so our model does not include break time.

## Apprenticeship Levy

Employers who have an annual wage bill of more than £3 million pay the [Apprenticeship Levy](#) at a rate of 0.5% of this bill. The amount liable can be reduced by £15,000 across the year by using the Apprenticeship Levy allowance.

However, for an average-sized provider (as described previously), this is unlikely to apply, as the organisation's annual wage bill would fall below the aforementioned level.

## Parking

It is unclear what proportion of homecare visits in England (and indeed, the United Kingdom) would require a parking permit, what the average cost might be and how many local authorities offer a discount for careworkers. We thus do not include this potential cost, though parking costs in some areas may be an issue.

## Caution and disclaimer

Our Minimum Prices for Homecare in each administration are indicative rates. Providers should not use them as an alternative to the accurate pricing of individual tender bids. Likewise, commissioners should not use them to set maximum prices in contracts. The Homecare Association accepts no responsibility for actions taken or refrained from solely by reference to the contents of this briefing, or that in the reports for the other UK nations.

We do, however, encourage homecare providers to share our briefings with the Directors of Adult Social Services (or their equivalents) in homecare commissioning bodies across the United Kingdom.

# Shaping homecare together

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