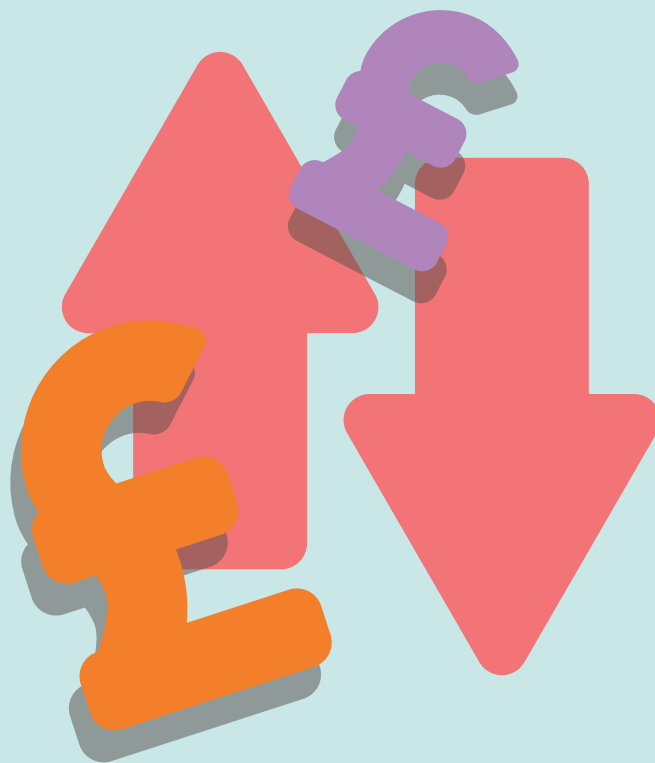




# Homecare Association



## Fee Rates for State-Funded Homecare in 2024-25

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## Executive summary

The Homecare Association has consistently campaigned for a rise in fee rates for homecare commissioned by public organisations across the United Kingdom. As well as helping to ensure that a care business can be financially viable and comply with quality and other legal requirements, careworkers will then receive a more attractive pay offer for the skilled and dedicated work they love. This, in turn, will build capacity in the homecare sector and help to stem the flow of talent to other sectors that require less training.

In November 2023, we published detailed findings in the [Homecare Deficit 2023](#) on the fee rates paid for homecare across the United Kingdom. We requested data from 276 public organisations under freedom of information laws. In 2023, the weighted average price paid for state-funded homecare in the United Kingdom was £21.56 per hour, with averages for individual organisations varying from £14.31 per hour to £31.95 per hour.

The National Living Wage increased from 1 April 2024 by 9.8% to £11.44 per hour, while the Real Living Wage rose in October 2023 by 10.1% to £12 per hour. Our aim for this report was to investigate whether public organisations have increased fee rates for homecare enough to cover costs.

We received details from members operating across the United Kingdom of the contracts they hold with local authorities (in England, Wales and Scotland); Health and Social Care (HSC) Trusts (Northern Ireland only); and NHS bodies (in England and Wales). We then analysed the data to gain a picture of the status of fee rates in state-funded homecare for the 2024-25 financial year and the uplift in rates from the previous year. Most of the contracts were for regular homecare, which was our primary focus.

Our report breaks down rates and uplifts by nation and government region in England. It reveals that the rates are too low and not keeping up with rising wages. The analysis also shows wide variation in fee rates between areas; variation in costs cannot explain these differences.

In some areas, cash-strapped councils and NHS bodies are holding down fee rates to save money. Taken to extremes, as we are seeing in some places, this risks poor quality, unsafe care, labour abuse and modern slavery.

## Findings

### Known 2024-25 fee rates

- 78% of local authority/HSC Trust contracts for regular homecare in the United Kingdom had a known fee rate (i.e. the provider had been informed about the rate) for 2024-25.
- Less than a quarter (24%) of regular homecare contracts with the NHS had a determined 2024-25 fee rate. Across all care services commissioned by the NHS, this percentage fell even further to 15%.

### Average 2024-25 fee rates

- In the United Kingdom, the average fee rate for regular homecare contracts with local authorities/HSC Trusts in 2024-25 was £23.26 per hour. Wales had the highest hourly average (£24.66).
- None of the averages for UK nations came close to their respective [Minimum Price for Homecare in 2024-25](#). For example, Wales's average, despite being the UK's best, was still £5.91 below the [associated Minimum Price mark](#).

### Fee rate uplift from 2023-24

- There was a 7.5% uplift in fees from the previous year in the United Kingdom for regular homecare contracts with local authorities/HSC Trusts. The UK uplift masks substantial variation, with individual fee rates ranging from £18.44 per hour to over £30 per hour.
- The uplift for each nation failed to match the increase in the National Living Wage (up by 9.8% from 2023-24) or that for the Real Living Wage (up by 10.1% from the previous year).
- Only 7% of regular homecare contracts with local authorities/HSC Trusts in the United Kingdom had a fee increase that kept up with the National Living Wage.

### NHS v local authority comparison

- Of the nine 'areas' where we can directly contrast the 2024-25 fee rate and uplift between an NHS body and respective local authority/authorities for regular homecare contracts, four had a higher NHS fee rate, although the difference was relatively small in three of these.

- Where the local government price was greater, the differences were typically larger – in one area, the local government rate exceeded that for the NHS by £3.48 per hour.

## Minimum Price for Homecare

- Only 1% of regular homecare contracts with local authorities/HSC Trusts in the United Kingdom attained the Minimum Price for Homecare in the relevant nation, amounting to just two contracts.
- The fees paid by local authorities/HSC Trusts were not enough to cover careworker direct costs (as outlined in our Minimum Price for Homecare) for 2024-25 in 12 UK regular homecare contracts (6%). Direct staff costs include the hourly pay rate, plus wage-related on-costs (such as pension, National Insurance (NI), holiday and sick pay); travel time; and mileage.

## The size of the funding deficit

- The extra funding needed in England to enable careworkers in the independent and voluntary homecare sector to receive various wage rates in 2024-25 were estimated as:
  - ➔ National Living Wage: £1.08 billion.
  - ➔ Real/London Living Wage: £1.37 billion.
  - ➔ NHS Band 3 healthcare assistants (with 2+ years' experience): £1.67 billion.
  - ➔ Competitive, entry-level supermarket rate: £1.42 billion.

## Recommendations

### Funding and fair pay

- The government must provide adequate and ring-fenced funding to local authorities to enable them to pay a fair price for care. For careworkers to receive a wage of around £13.13 per hour, equivalent to NHS Band 3 (2+ years' experience), the required fee rate is £31.51 per hour. For 2024-25, this will require an estimated extra £1.67 billion in England.
- The government must mandate public organisations to pay minimum fee rates for homecare to enable employers to offer fair pay and working conditions. Providers must not receive a rate below the value of careworker direct costs. In England, we calculate careworker direct costs for 2024-25 to be £19.90 per hour. Equivalent figures per hour for the devolved administrations are £21.66

(Wales); £20.71 (Scotland); and £20.77 (Northern Ireland). The hourly fee rate also needs to contribute to the other costs of delivering homecare.

## Commissioning

- Commissioning approaches must shift away from time and task at low fee rates to focus on outcomes. Payment methods must support greater security of employment for careworkers, such as contracts for shifts. Payments in advance on planned hours are helpful.
- Local authorities must improve how they manage demand and supply of homecare, to avoid too many or too few providers. Each provider needs enough hours to be efficient and remain viable.
- State commissioners, particularly in the NHS, must detail the fee rates for the next financial year by the end of February of the previous financial year at the latest. Providers need time to model budgets and change payroll by 1 April.

## Policy

- The government must recognise that funding, commissioning, regulation and provision of care are interdependent. Policymakers need to focus on improving commissioning and regulation, as well as employment practices. Echoing the recommendation by Skills for Care in their July 2024 report '[A Workforce Strategy for Adult Social Care in England](#)', there should be a ten-year plan to attract more people into the workforce.

## Background

### Previous research

Our work follows similar research published by the Homecare Association in 2022.<sup>1</sup> From 1 April 2022, local authorities in England paid an average fee rate of £19.01 per hour for regular homecare/regular homecare and reablement contracts, which was a 6.6% increase from 2021-22. NHS bodies paid £18.76 per hour, showing an 8.1% increase from 2021-22. Both figures were significantly below the Homecare Association's Minimum Price for Homecare at the time of £23.20 per hour.

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<sup>1</sup> Homecare Association (2022), [Fee rates for state-funded homecare in 2022 vs 2021 - has there been an improvement and why does it matter?](#)

In November 2023, we published detailed findings on the fee rates paid for homecare for people aged 65 and above by public organisations across the United Kingdom.<sup>2</sup> We requested data from 276 public organisations under freedom of information laws.

Shockingly, only 5% of UK public organisations were paying at, or above, their nation's Minimum Price for Homecare. Not a single Local Health Board (LHB) in Wales, council in Scotland or HSC Trust in Northern Ireland was doing so.

Worse still, we identified 18 public organisations, who were paying average hourly fee rates below those needed to cover careworker direct costs. These comprise hourly pay, wage-related on-costs (such as pension, NI, holiday and sick pay), travel time and mileage.

Yet, the low rates paid exclude all the other costs of running a homecare agency, which the hourly rate must also cover. These include wages for the registered manager and office staff; recruitment; training; regulatory fees; rent, rates and utilities; IT and telephony; PPE and consumables; finance, legal and professional fees; insurance; general business overheads; and a small surplus for investment.

Therefore, homecare providers will have an almost impossible task to comply with regulations and ensure financial sustainability. Commissioning below the value of careworker direct costs is unethical and should be unlawful.

### Why regulated homecare costs at least £28.53 per hour in 2024-25



**Figure 1: Breakdown of hourly costs in the Minimum Price for Homecare 2024-25 in England**

<sup>2</sup> Houghton A (2023), *The Homecare Deficit 2023*, Homecare Association.



We base our Minimum Price on careworkers receiving the National Living Wage in England<sup>3</sup> and the Real Living Wage/Scottish minimum careworker wage (both £12 per hour) in the devolved administrations. Across the United Kingdom, the Minimum Price figures for 2024-25 were £28.53 per hour in England; £30.58 per hour in Wales; £29.35 per hour in Scotland; and £29.37 per hour in Northern Ireland.

Widely recognised in all four UK administrations, our Minimum Price is also referred to in the [Care and Support Statutory Guidance](#) for local authorities.

## Careworker pay

Careworker direct costs represent 70-71% of the cost of delivery of homecare. Local authorities and the NHS purchase 70% of homecare hours. There is, thus, a direct relationship between the fee rates received by the provider and the wages they can pay their careworkers.

Given the level of skill and training required in a care role, careworkers should receive a wage that far exceeds the national legal minimum. Skills for Care data suggest the median wage for homecare workers employed at providers registered with the Care Quality Commission (CQC) in England is around £12.14 per hour. This is likely to be the headline hourly rate for contact time and may include travel time, which could reduce the average hourly rate for all working time.

The Homecare Association has consistently said that careworker pay should be on a par with NHS Band 3 Healthcare Assistants with 2+ years' experience (currently £12.45 per hour<sup>4</sup> and rising to around £13.13 per hour in 2024-25<sup>5</sup>). NHS workers also enjoy better terms of employment, including occupational sick pay and generous pensions.

Care providers need to improve job offers to keep careworkers from leaving for higher-paying jobs in retail or hospitality. Our Workforce Survey 2024 found that 42% of respondents needed to pay at least £13 per hour to attract applicants.<sup>6</sup> This is much harder for providers reliant on council contracts than for those in the private-pay market. Our survey showed only 22% of state-funded providers could offer £13 per hour or more, compared to 56% serving self-funders.

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<sup>3</sup> Homecare Association (2023), [Homecare Association publishes Minimum Price for Homecare 2024-25](#).

<sup>4</sup> NHS Employers (2023), [Pay scales for 2023/24](#).

<sup>5</sup> NHS Pay Scales (2024), [NHS Pay Scales 2024/25 \(confirmed 5.5% pay rise – updated July 2024\) – NHS Pay Scales](#).

<sup>6</sup> Parchment M and Houghton A (2024), [Workforce Survey 2024](#), Homecare Association.

Under the new Labour government, the King’s Speech 2024 contained provision for “establishing a Fair Pay Agreement in the adult social care sector.”<sup>7</sup> A Health Foundation/Nuffield Trust report has outlined the options to improve pay in England. These include a sector-wide minimum wage, a national sector pay scale (akin to the NHS’s Agenda for Change) and bonus payments.<sup>8</sup> However, fee rates must increase to enable higher, fairer pay. This will require the government to invest more in the care sector.

## Commissioning practices

Many public organisations purchase homecare by the minute, emphasising price over quality. This can lead to careworkers being paid by the minute at, or below, the legal minimum wage. Those in need of services might also receive shorter visits than commissioned. Zero-hour commissioning at low fee rates results in insecure zero-hour employment at low wage rates. It also limits other investment in the workforce, such as training, supervision and career development. Public organisations risk poor quality, unsafe care, labour abuse, and modern slavery when they drive prices down too low. Regulators must have the resources to prevent poor commissioning and provision of care, and drive improvements.

If fee rates are too low, the financial viability of a care business could be under threat. According to the Association of Directors of Adult Social Services (ADASS), 39% of Directors in England reported that homecare providers in their area had closed, ceased trading or handed back contracts between November 2023 and May 2024 – a percentage that has gradually risen since 2022.<sup>9</sup>

Poor practices in the commissioning and purchase of homecare stem from insufficient government funding.

## Financial difficulties

In January 2024, the Homecare Association welcomed news of an additional £500 million in funding for councils in England that the government allocated to the Social Care Grant. However, prior to this, the Local Government Association (LGA) estimated

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<sup>7</sup> Prime Minister’s Office (2024), [King’s Speech 2024: background briefing notes](#).

<sup>8</sup> Hemmings N et al (2024), [From ambition to reality: National policy options to improve care worker pay in England](#), The Health Foundation and Nuffield Trust.

<sup>9</sup> Association of Directors of Adult Social Services (2024), [2024 Spring Survey](#).

a funding gap for English local authorities of £4 billion over the next two years.<sup>10</sup> If left unaddressed, local authorities risk not meeting their legal duties.

Since February 2018, seven different local authorities in England have issued section 114 notices, with some of these issuing more than one notice.<sup>11</sup> Because of the financial pressure faced by local authorities, we can expect more such notices. A survey conducted by the Local Government Information Unit found that just over half (51%) of council respondents in England considered it likely that they would issue a section 114 notice in the next five years and 9% in the next financial year.<sup>12</sup> Local authorities cannot declare bankruptcy, but a section 114 notice shows the council lacks funds to cover next year's expenses and they must address the budget deficit.

The Health Foundation previously said that the government needs to inject funding of £8.4 billion by 2024-25 and £18.4 billion by 2032-33 to pay a fair cost for care, improve access to services and meet future demand<sup>13</sup> – we agree.

## Meeting demand

Sector capacity is struggling to keep pace with demand. Age UK found that 2.6 million people aged 50 and above have some unmet care need in England.<sup>14</sup> And while the backlog is reducing, more than 418,000 people were awaiting an assessment, care/direct payments to start or a review of their care plan at the end of March 2024.<sup>15</sup> Our research shows 48% of homecare providers cannot keep up with the demand for services; 84% cited recruitment difficulties as the primary reason.<sup>16</sup>

Mismatch of supply and demand for home-based and community support and care also contributes to greater burdens on the NHS. Neglecting people in the community risks deterioration in their health, crisis, and greater need for acute care. This adds to demand for ambulances and hospital beds. This can lead to longer waits for

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<sup>10</sup> Local Government Association (2023), [\*Funding gap growing as councils "firmly in eye of inflationary storm"\*](#).

<sup>11</sup> Sandford M and Brien P (2024), [\*Why are local authorities going 'bankrupt'?\*](#), House of Commons Library.

<sup>12</sup> Stride G and Woods M (2024), [\*The State of Local Government Finance in England 2024\*](#), Local Government Information Unit.

<sup>13</sup> Boccarini G *et al* (2023), [\*Adult social care funding pressures: Estimated costs to meet growing demand and improve services in England\*](#), The Health Foundation.

<sup>14</sup> Age UK (2022), [\*Incoming PM needs to act fast, says Care and Support Alliance, as new analysis finds 2.6m aged 50+ now have some unmet need for social care\*](#).

<sup>15</sup> Association of Directors of Adult Social Services (footnote 9).

<sup>16</sup> Parchment M and Houghton A (footnote 6).

ambulances; cancelled clinics; cancelled operations; delayed discharges; and difficulty in reducing waiting lists.

More encouragingly, Skills for Care reported that, in 2023-24, there was a 7.9% increase in filled posts in England's independent homecare sector, amounting to an extra 43,000 workers.<sup>17</sup> The vacancy rate within homecare has fallen slightly from 12.9% in 2022-23 to 11.9% – although it remains four times higher than that for the UK's overall workforce.<sup>18</sup> Yet, this workforce growth is mainly because of international recruitment, and changes in the immigration rules under the previous government have led to a large decrease in visa applications.<sup>19</sup>

Skills for Care recommends measures to attract, retain, train, and transform the care workforce, which we endorse. For example, these include creating a ten-year plan to attract more people into the workforce; expanding opportunities for career development; and putting workforce planning and strategy on a statutory footing.<sup>20</sup>

## Methodology

We received details from members operating across the United Kingdom during April/May 2024 of the contracts they hold with local authorities (in England, Wales and Scotland); Health and Social Care (HSC) Trusts (Northern Ireland only); and NHS bodies (in England and Wales).

We then analysed the data to gain a picture of the status of fee rates in state-funded homecare for the 2024-25 financial year and the uplift in rates from the previous year. We asked for the following information:

- Main contract held (e.g. regular homecare, extra care, complex care etc.).
- Purchase type (e.g. framework agreement, guaranteed purchase, spot purchase etc. – see Glossary).
- 2023-24 fee rate per hour.
- Whether they had heard about their fee rate for 2024-25.
- If so, the 2024-25 fee rate per hour.
- Any other comments.

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<sup>17</sup> Skills for Care (2024), [\*The size and structure of the adult social care workforce in England: Workforce supply and demands trends, 2023/24.\*](#)

<sup>18</sup> Office for National Statistics (2024), [\*Vacancies and jobs in the UK: February 2024.\*](#)

<sup>19</sup> Homecare Association (2024), [\*Significant fall in Health and Care Visa applications.\*](#)

<sup>20</sup> Skills for Care (2024), [\*A Workforce Strategy for Adult Social Care in England.\*](#)

For local authorities/HSC Trusts and the NHS, most contracts were for regular homecare, so our analysis primarily focuses on this. However, we also look at other services, where providers detailed enough such contracts.

Our analysis included contracts where a public organisation was repeated (i.e. more than one contract held with the same public organisation).

In our [Homecare Deficit 2023 report](#), we computed regional weighted averages based on each public organisation's average rate for **all** hours of homecare purchased during a reference period. This is not the case here and we do not attempt a direct comparison between this report and the Homecare Deficit 2023.

Please note that such contracts are commercially sensitive and members shared details with us on a strictly confidential basis. We thus do not identify the members who contributed or specific contract details. **On a very limited number of occasions, we excluded figures which we felt were outliers.**

We greatly appreciate the willingness of our members to provide data about the contracts they hold. **However, we note that less information was available for local authorities in Scotland and HSC Trusts in Northern Ireland, so readers must treat their figures as a guide only.**

NB. Data labels on the graphs have been rounded as appropriate. If numbers have been, for example, added or subtracted in the text, we have used exact figures; hence, there may be occasional rounding differences.

## Regular homecare

### Number of contracts

Members outlined 259 regular homecare contracts they hold with local authorities and HSC Trusts across the United Kingdom.

Within England, there were at least nine specified contracts in each government region, with a high of 46 contracts in Yorkshire and The Humber. We also received details of 37 contracts in the devolved administrations.



**Figure 2: Number of regular homecare contracts with local authorities/HSC Trusts by UK government region**

Regular homecare contracts in England included almost three-quarters (74%) of local authorities, rising to 82% in Wales. As alluded to above, the proportions in Scotland and Northern Ireland were lower.

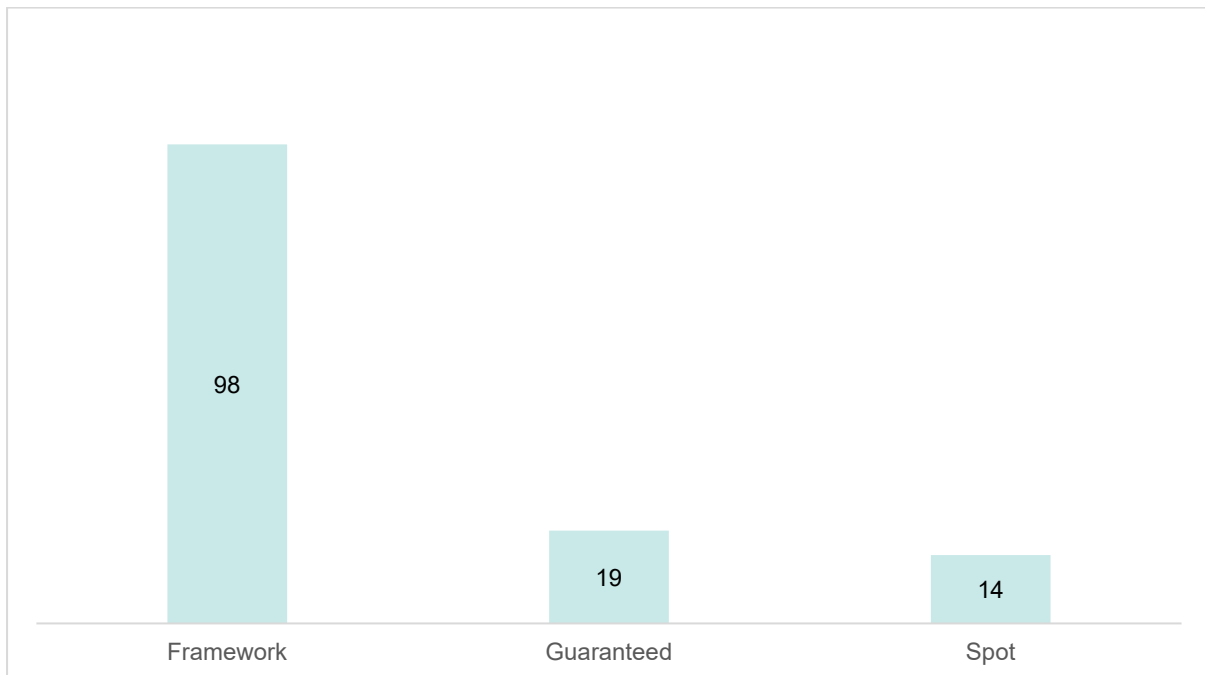
| Nation                  | Number of distinct local authorities/HSC Trusts covered | Percentage of distinct local authorities/HSC Trusts covered |
|-------------------------|---|---|
| <b>England</b>          | 113   | 74%   |
| <b>Wales</b>            | 18  | 82%   |
| <b>Scotland</b>         | 15  | 47% <sup>21</sup>   |
| <b>Northern Ireland</b> | 3   | 60%   |

**Figure 3: Number and percentage of distinct local authorities/HSC Trusts covered by specified regular homecare contracts by UK nation**

<sup>21</sup> In Scotland, services previously transferred from The Highland Council to NHS Highland. However, for simplicity and similar to the Homecare Deficit 2023, we include this among local authorities.

Where providers specified the purchase type for regular homecare contracts with local authorities in England only, 98 were framework agreements – more than any other.

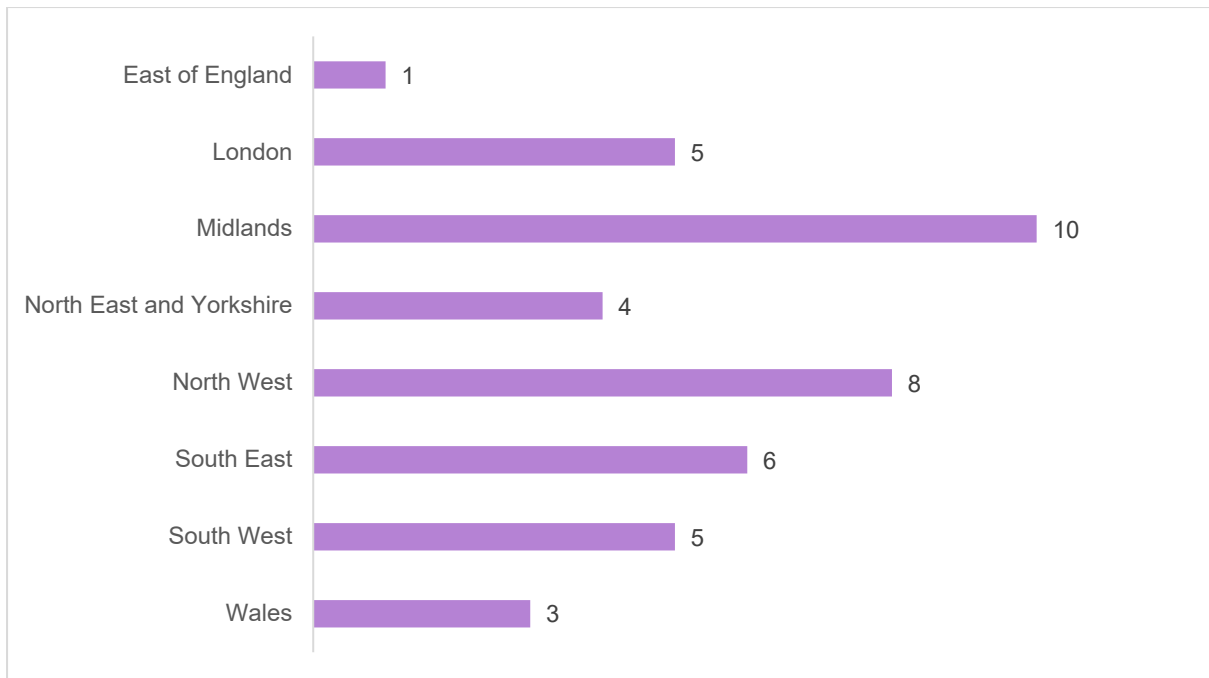
NB. In our analysis, where a purchase type was recorded, we only consider contracts that were framework agreements, guaranteed purchases, and spot purchases. We received information on other purchase types, but only infrequently.



**Figure 4: Number of regular homecare contracts with local authorities in England by purchase type**

Within the NHS, we received data on 39 regular homecare contracts with Integrated Care Boards (ICBs) in England (this figure includes three contracts that referred to old Clinical Commissioning Groups, or CCGs, that became part of ICBs). Only one of these was in the East of England, while ten were in the Midlands.

Members supplied details on three such contracts with Local Health Boards (LHBs) in Wales.



**Figure 5: Number of regular homecare contracts in the NHS regions of England and the NHS in Wales**

The regular homecare contracts with the NHS accounted for almost two-thirds (64%) of distinct ICBs in England, with a smaller proportion in Wales.

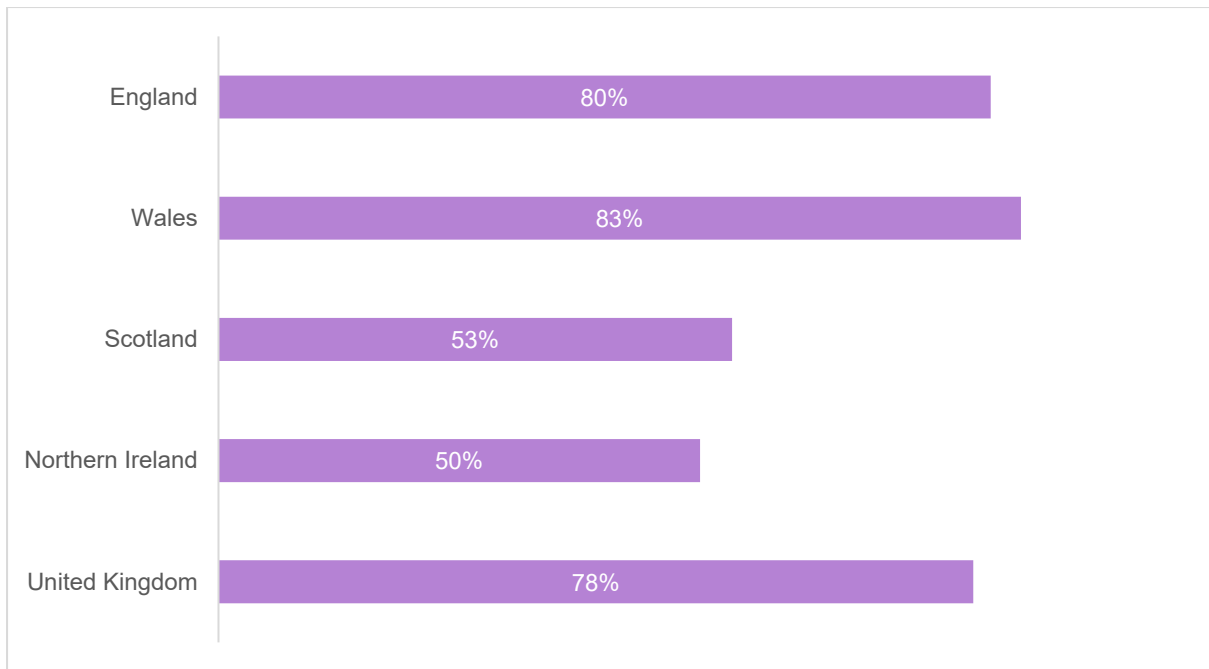
| Nation         | Number of distinct ICBs/LHBs covered | Percentage of distinct ICBs/LHBs covered |
|----------------|--------------------------------------|--|
| <b>England</b> | 27                                   | 64%                                      |
| <b>Wales</b>   | 3                                    | 43%                                      |

**Figure 6: Number and percentage of distinct ICBs/LHBs covered by specified regular homecare contracts in England and Wales**

### Known 2024-25 fee rates

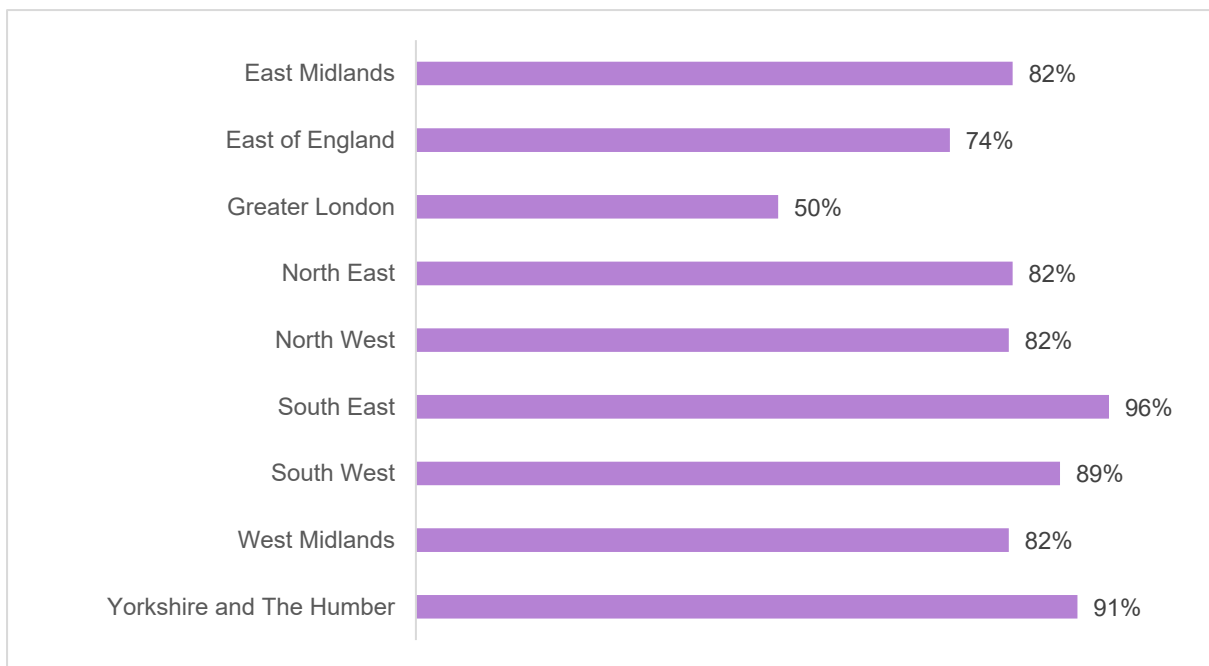
At least four-fifths of contracts with local authorities for regular homecare in England and Wales had a known fee rate (i.e. the provider had been informed about the rate) for 2024-25. However, the respective proportions in Scotland and Northern Ireland were lower (albeit from reduced sample sizes), meaning the UK local government percentage was 78%.





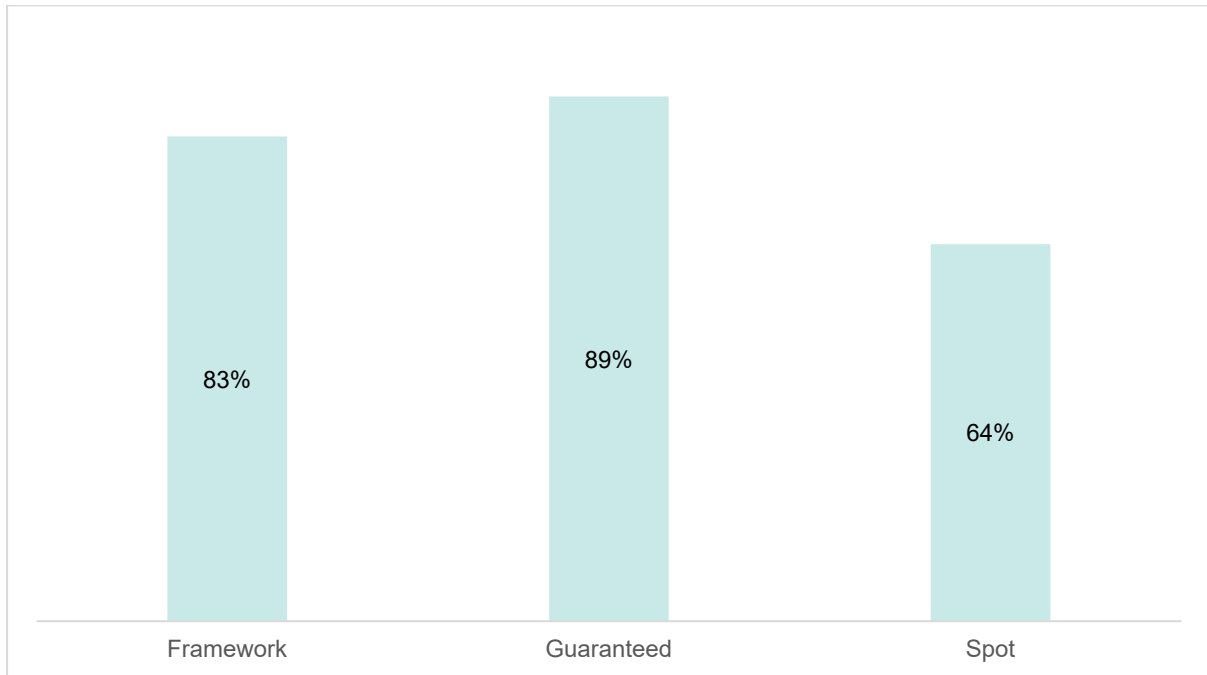
**Figure 7: Percentage of regular homecare contracts with local authorities/HSC Trusts in each administration and the United Kingdom with known 2024-25 fee rate**

In England’s government regions, the percentages with known 2024-25 rates ranged significantly – from 50% in Greater London to 96% in the South East.



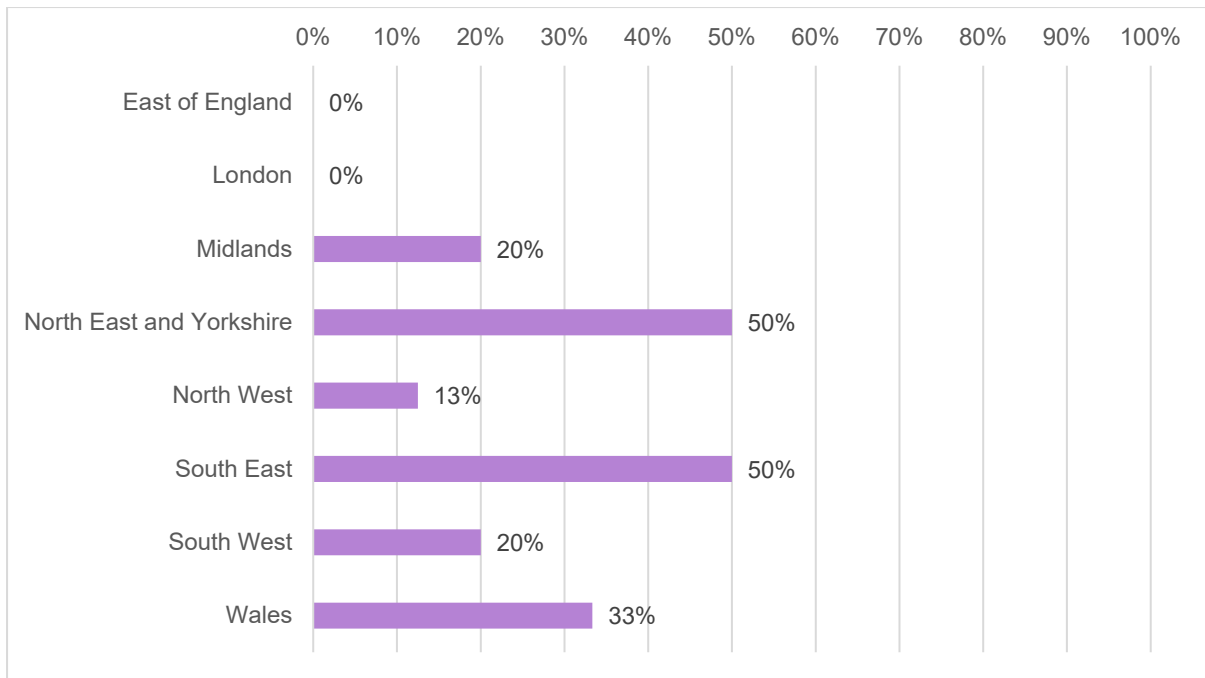
**Figure 8: Percentage of regular homecare contracts with local authorities in England's government regions with known 2024-25 fee rate**

When breaking the data down by purchase type in England, 89% of guaranteed purchase contracts with local authorities had a known 2024-25 price. The associated proportion for spot contracts was under two-thirds (64%).



**Figure 9: Percentage of regular homecare contracts with local authorities in England with known 2024-25 fee rate by purchase type**

The story in the NHS was alarming, with less than a quarter (24%) of regular homecare contracts in England and Wales having a determined 2024-25 fee rate. Across all care services commissioned by the NHS, this percentage fell even further to 15%.



**Figure 10: Percentage of regular homecare contracts in the NHS regions of England and the NHS in Wales with known 2024-25 fee rate**

Because of the limited data for the NHS, we focus our analysis on regular homecare contracts from local authorities/HSC Trusts.

## Average 2024-25 fee rates

Across all regular homecare contracts, the average 2024-25 fee rate for local authorities/HSC Trusts in the United Kingdom was £23.26 per hour, with individual fee rates ranging from £18.44 per hour to over £30 per hour. The largest hourly nation average was in Wales (similar to results seen in the Homecare Deficit 2023 report).

None of the averages for UK nations came close to their respective Minimum Price for Homecare in 2024-25. For example, Wales’s average, despite being the UK’s best, was still £5.91 below the associated Minimum Price mark.<sup>22</sup>

We note that the average in Northern Ireland reflects the increased regional fee rate for homecare following a funding injection announced in March 2024.<sup>23</sup>

<sup>22</sup> Homecare Association (2023), [A Minimum Price for Homecare in Wales, April 2024 to March 2025](#).

<sup>23</sup> Department of Health (2024), [£70m support package unveiled](#).



**Figure 11: Average 2024-25 fee rate per hour in each administration and the United Kingdom for regular homecare contracts with local authorities/HSC Trusts**

Two of England’s government regions (East of England and South West) each posted an average price that was only fractionally behind the mark set in Wales. The low average of Greater London, compared to other regions, remains a concern.

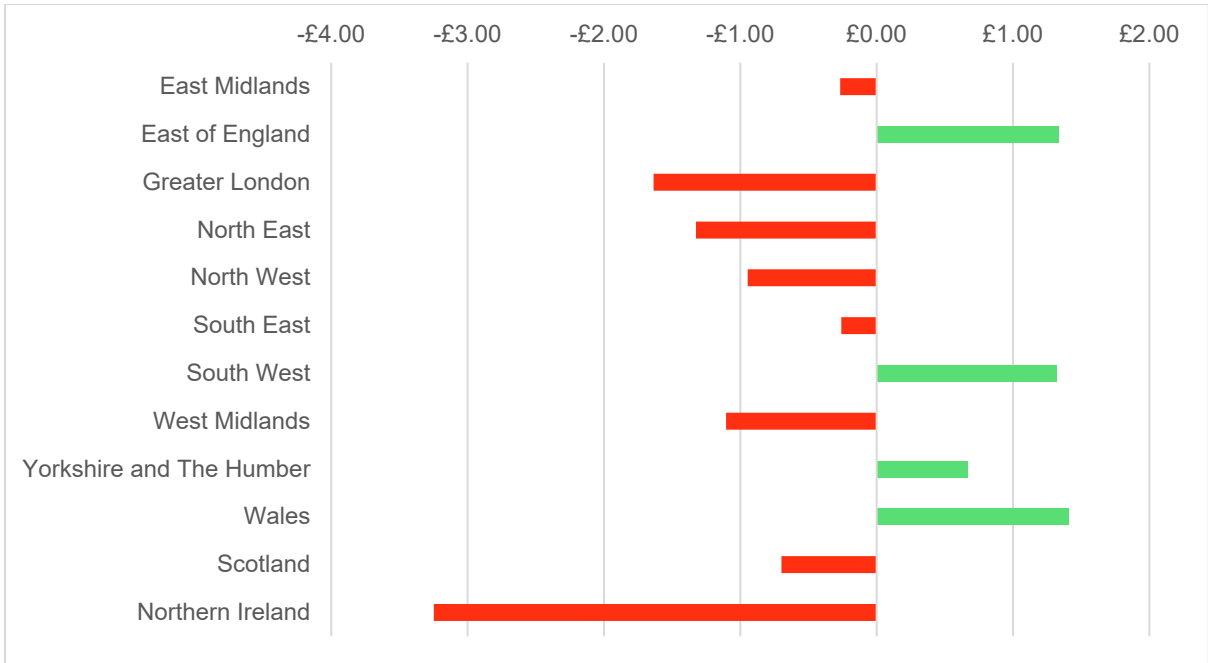
Except for Greater London, there has been past evidence of a North-South divide in terms of prices paid for homecare. While this still exists to a certain degree, an average in the South East of only £23.00 per hour, conspicuously below that in Yorkshire and The Humber, rather complicates the phenomenon here; this average is an anomaly.



**Figure 12: Average 2024-25 fee rate per hour in England's government regions for regular homecare contracts with local authorities**

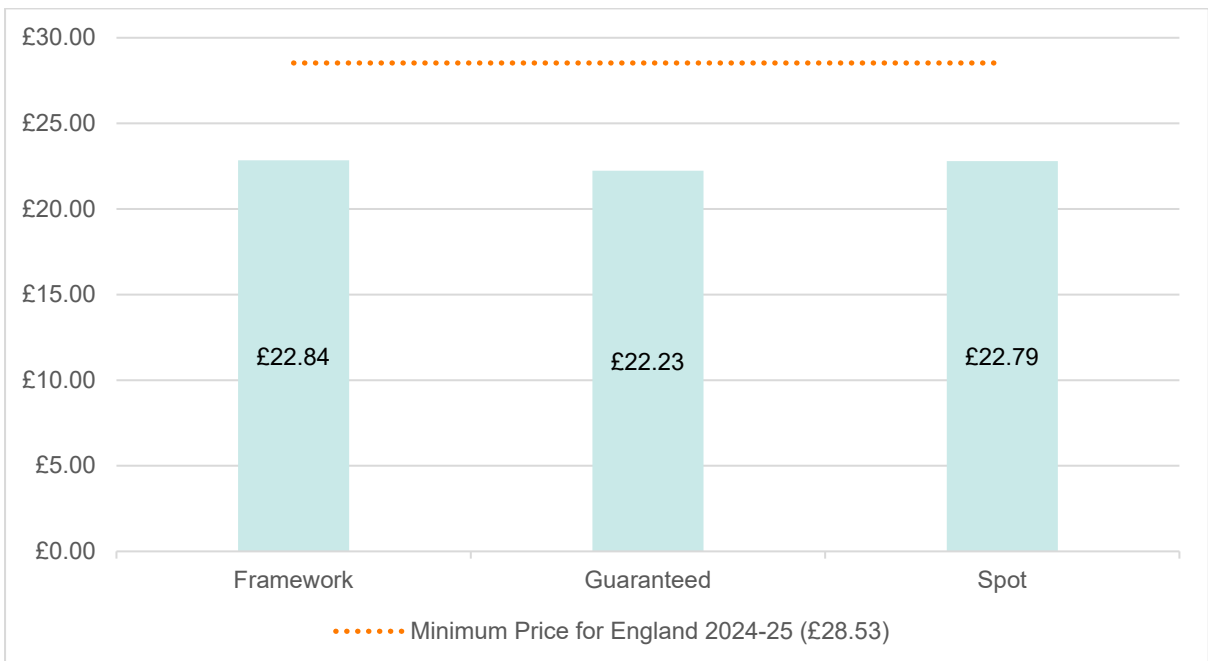
Four of the UK regions recorded an average above that for the United Kingdom as a whole.

While Northern Ireland has consistently lagged behind the other devolved administrations and English government regions over the years, Greater London is perhaps the most striking result in the graph below. To offer a tentative comparison, the average of this region in 2022-23 for regular homecare was £0.61 below that for England; now, it is £1.59 adrift of the English average and £1.64 under the UK benchmark.



**Figure 13: Difference between the average 2024-25 fee rate per hour for UK regions and the United Kingdom as a whole for regular homecare contracts with local authorities/HSC Trusts**

For those contracts with a specified purchase type, the average prices for framework agreements and spot purchases in England were very similar. However, the hourly average for guaranteed purchases was £0.61 below that for framework agreements.

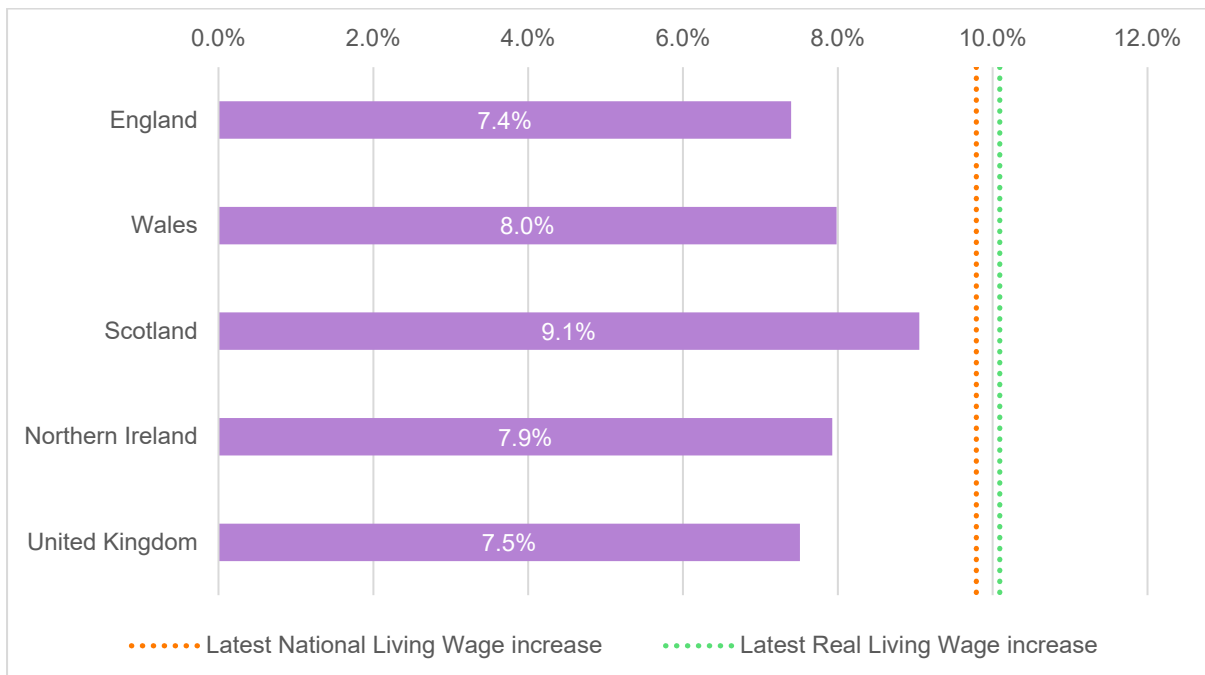


**Figure 14: Average 2024-25 fee rate per hour in England for regular homecare contracts with local authorities by purchase type**

## Fee rate uplift from 2023-24

Now, we calculate the increase in fees as a percentage, where we know the prices for regular homecare contracts with local authorities/HSC Trusts for both 2023-24 and 2024-25.

There was a 7.5% uplift in fees from the previous year in the United Kingdom, with the increase for England being marginally lower. However, the uplift for each nation (from the data available) failed to match the increase in the National Living Wage (up by 9.8% from 2023-24) or that for the Real Living Wage (up by 10.1% from the previous year). This is perturbing, given the rates were far too low at the outset.



**Figure 15: Percentage hourly fee rate uplift from 2023-24 in each administration and the United Kingdom for regular homecare contracts with local authorities/HSC Trusts**

Similarly, the uplifts in the government regions of England did not match the rises in the National Living Wage and Real Living Wage. Nevertheless, the uplifts in the North (North West, North East and Yorkshire and The Humber) all topped 8% and were higher than those in the South.

Earlier, we mentioned the anomaly of the relatively low average in the South East. We can explain this in part by a 5.7% uplift from 2023-24 (the United Kingdom's smallest uplift among government regions/devolved administrations). There is also anecdotal evidence that some local authorities in the South East are seeking to capitalise on

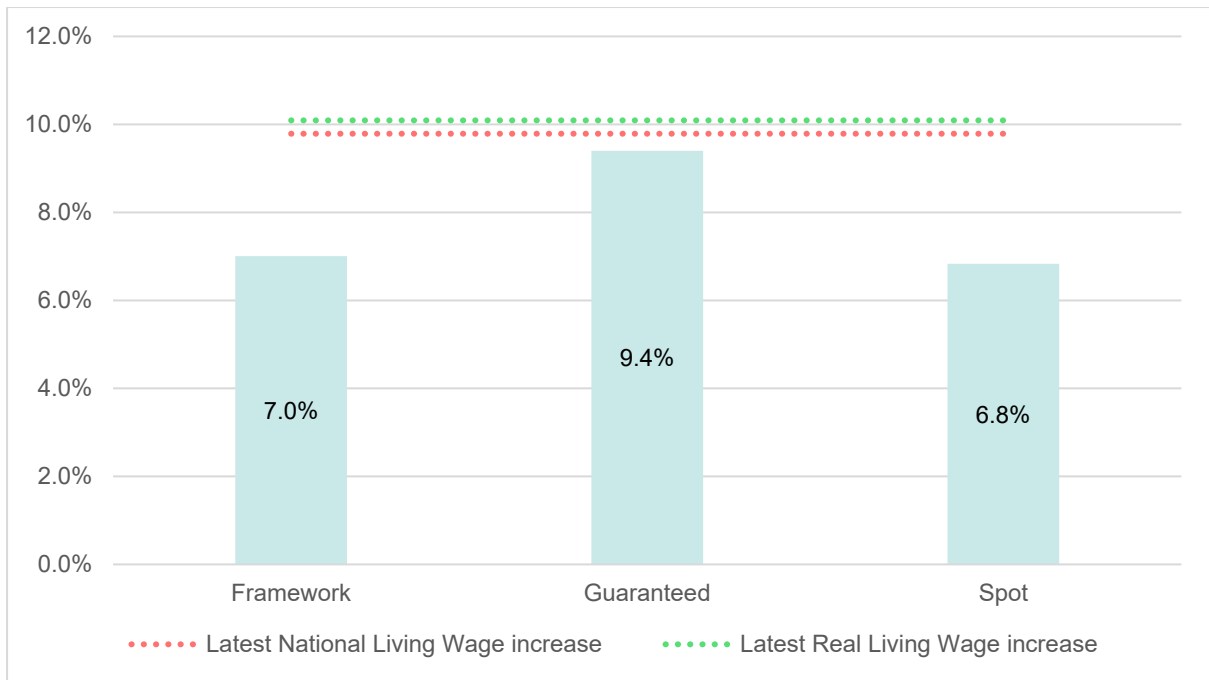
over-supply of homecare by driving down fee rates. In some places, many new providers registered with CQC and recruited from overseas. Poor management of supply and demand by councils and international recruitment has resulted in an excess of careworkers in those areas.



**Figure 16: Percentage hourly fee rate uplift from 2023-24 in England's government regions for regular homecare contracts with local authorities**

For specified purchase types in England, the uplift for guaranteed purchases was just short of National Living Wage growth, but the uplift for spot contracts was only 6.8%, as shown in Figure 17.

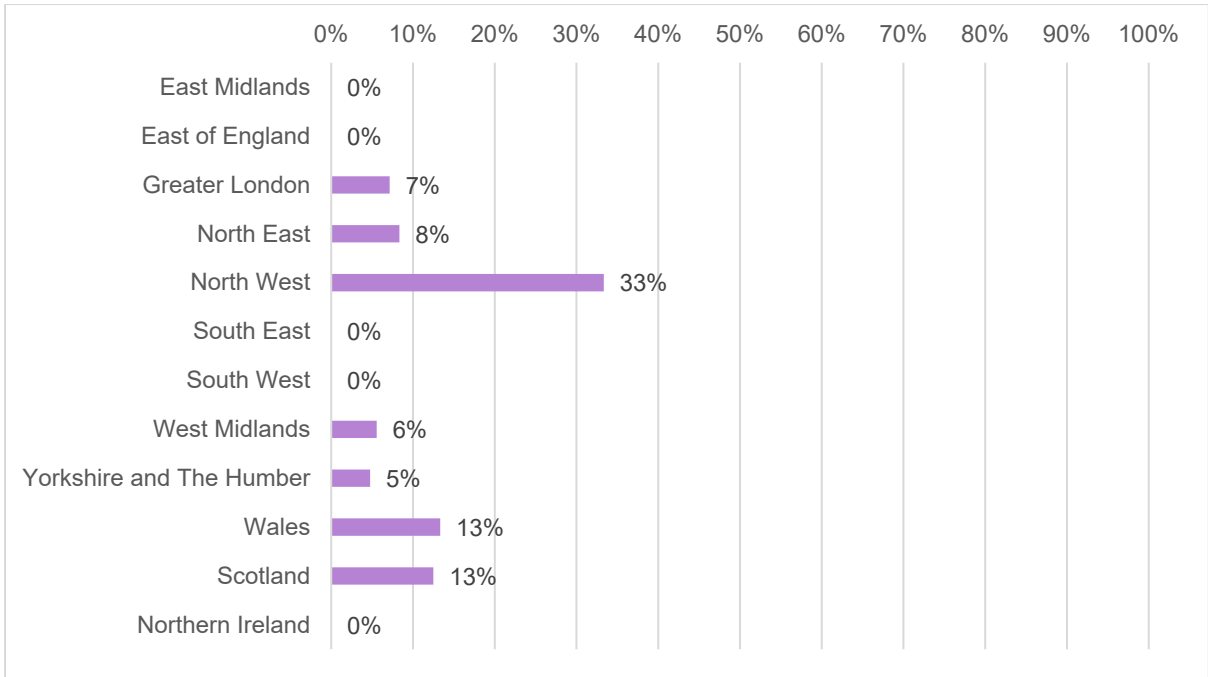




**Figure 17: Percentage hourly fee rate uplift from 2023-24 in England for regular homecare contracts with local authorities by purchase type**

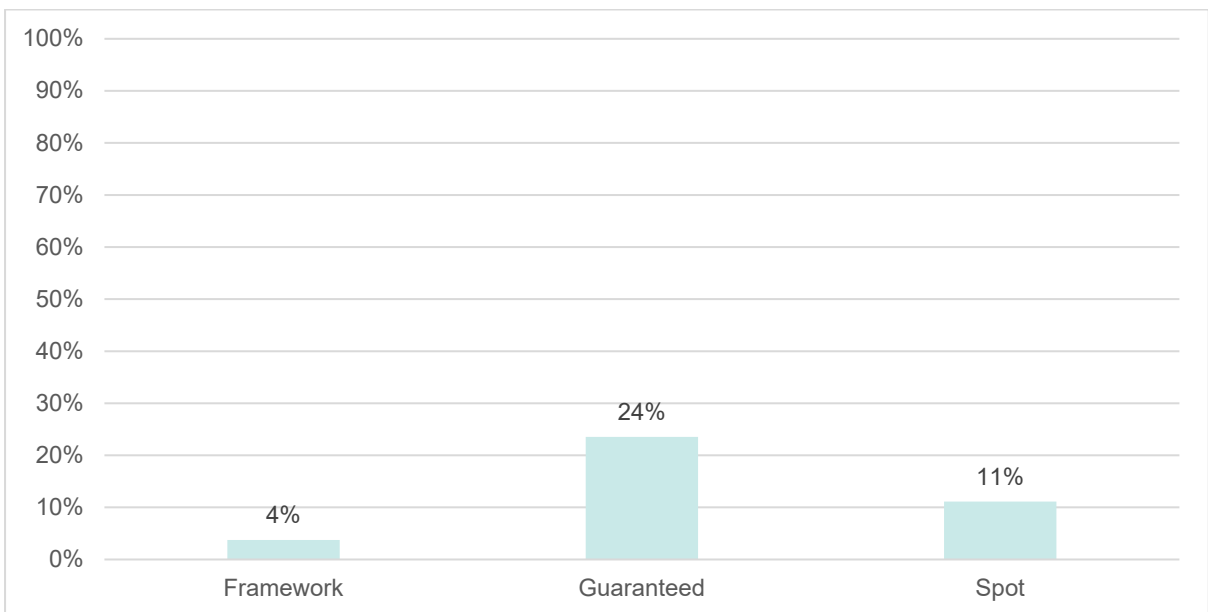
Only 7% of contracts with local authorities/HSC Trusts to deliver regular homecare in the United Kingdom had an uplift in fee rate from 2023-24 that matched or surpassed the increase in the National Living Wage. Five of the 12 government regions in England/devolved administrations had no contract with such a price rise.

A third of contracts in the North West posted a rate uplift of at least the rise in the National Living Wage (as we can see in Figure 18) – however, three of these contracts were in the same local authority area, thus inflating the percentage.



**Figure 18: Percentage of regular homecare contracts with local authorities/HSC Trusts by UK region in 2024-25 with a fee rate uplift at, or above, the increase in the National Living Wage**

When breaking the data down by purchase type in England, the fee uplift of almost a quarter (24%) of guaranteed purchase contracts was at least reaching the level of the National Living Wage increase, compared with only 4% for framework agreements.



**Figure 19: Percentage of regular homecare contracts with local authorities in England in 2024-25 with a fee rate uplift at, or above, the increase in the National Living Wage by purchase type**

## NHS v local authority comparison

There were nine 'areas' where it was possible to contrast directly the 2024-25 fee rate and uplift between an NHS body (either an ICB in England or LHB in Wales) and respective local authority/authorities for regular homecare contracts. Note that the local authority/authorities may not necessarily be coterminous with the NHS body.

Where there was more than one local authority within the boundary of the ICB/LHB, and/or we received details of more than one contract for a single local authority, we computed an average fee rate from all the relevant contracts to enable a comparison and recalculated the percentage uplift.

The following graph indicates the difference between the NHS and local authority fee rates in 2024-25 for the nine areas. If the figure is positive, the NHS rate was higher (green bars) than the local government rate. Where the NHS rate was lower than the local government rate, we show the difference as red bars. We do not identify individual areas, labelling these simply on the graph as 'Area 1', 'Area 2', etc.

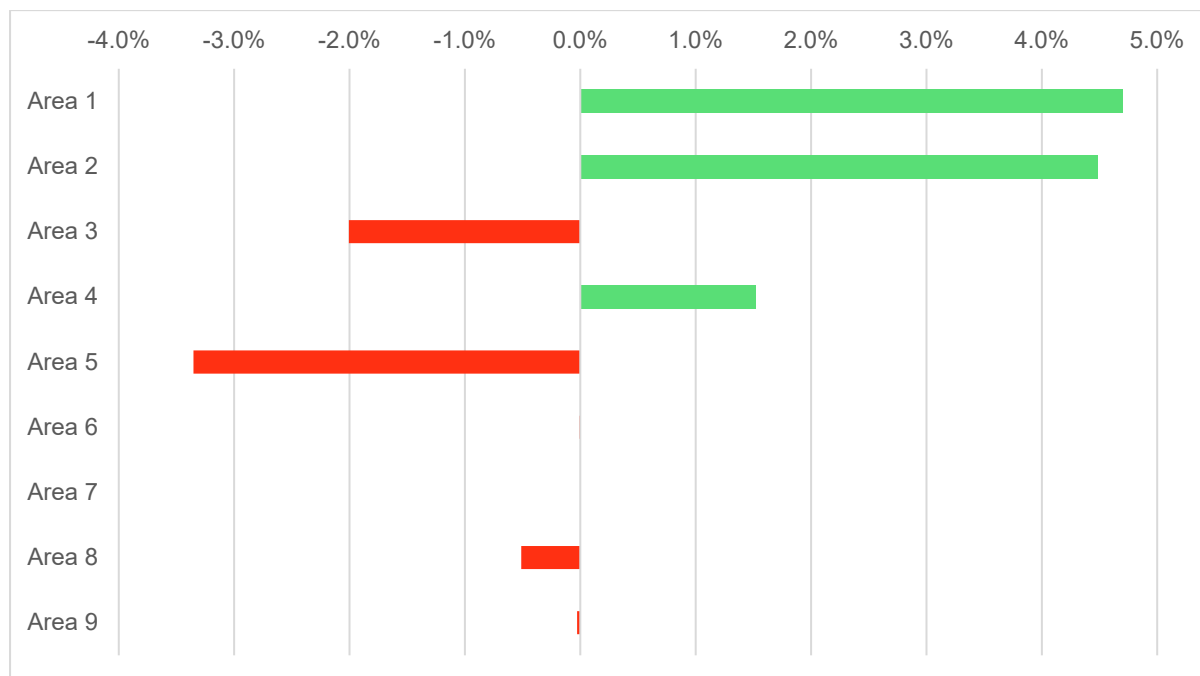
Four of the areas had a higher NHS fee rate, although the difference was relatively small in three of these. Where the local government price was greater, the differences were typically larger – in one area, the local government rate exceeded that for the NHS by £3.48 per hour.

NB. One variable we cannot control is the purchase type of contracts, which could help to explain some of the differences.



**Figure 20: Difference between NHS and local government 2024-25 fee rates per hour in comparable areas for regular homecare contracts where rates were known**

Using the same colour scheme as before, the percentage-point difference in uplifts from 2023-24 was higher for just three NHS bodies – although substantially so in areas 1 and 2. The uplift in area 4 for the NHS surpassed that for local government by 1.5 percentage points, despite the latter’s fee rate being substantially higher. The difference in uplifts was either negligible or zero in three other areas.



**Figure 21: Percentage-point difference between NHS and local government uplifts from 2023-24 fee rates in comparable areas for regular homecare contracts**

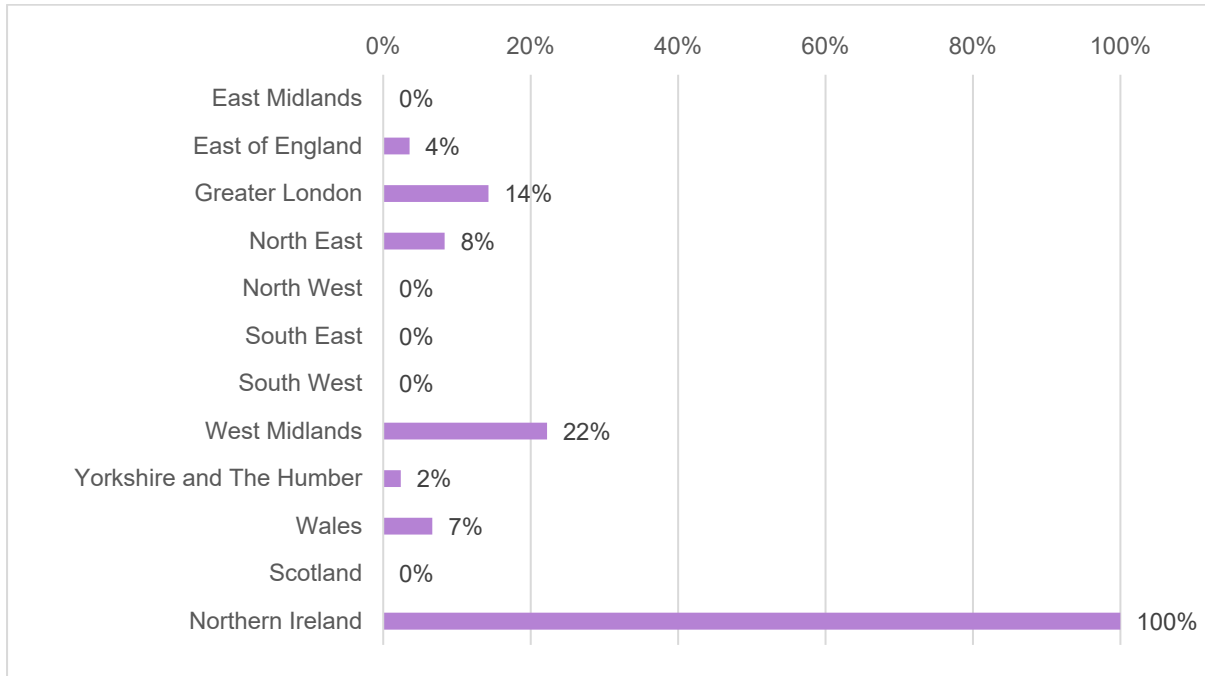
## Minimum Price for Homecare

Where an hourly fee rate was known, only 1% of regular homecare contracts with local authorities/HSC Trusts in the United Kingdom attained the Minimum Price for Homecare in the relevant nation, amounting to just two contracts (after excluding one contract as an outlier). None of the contracts with a specified purchase type in England had a price in 2024-25 at, or above, the respective Minimum Price for Homecare.

Of the ten regular homecare contracts with the NHS in England and Wales that had known fee rates, none achieved the Minimum Price for Homecare.

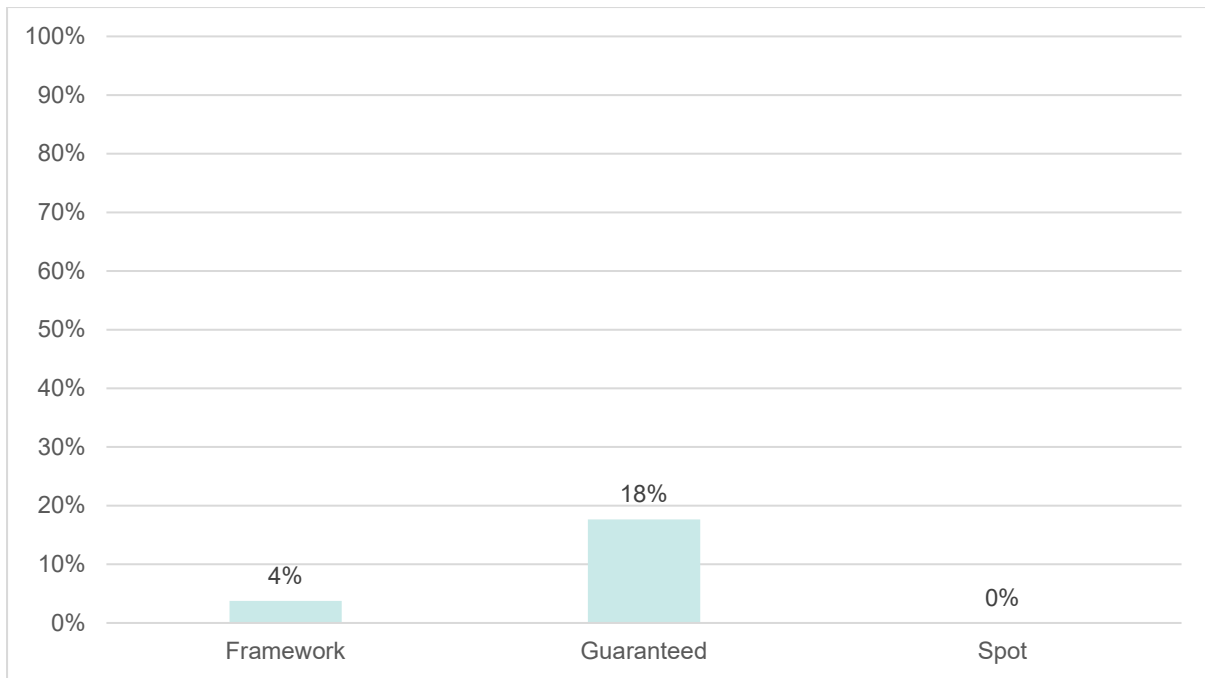
The fees paid by local authorities/HSC Trusts were not enough to cover careworker direct costs for 2024-25 in 12 UK regular homecare contracts (6%). Indeed, most government regions/devolved administrations (58%) had at least one such contract (see figure overleaf).

The Homecare Association believes that it should be unlawful for public organisations to commission and purchase homecare at fee rates which create a high risk of providers being non-compliant with employment or care regulations, or of becoming insolvent.



**Figure 22: Percentage of regular homecare contracts with local authorities/HSC Trusts by UK region in 2024-25 below the value of relevant careworker direct costs**

No spot purchase contracts had an hourly price lower than careworker direct costs at the minimum wage. 18% of local authority guaranteed purchase contracts in England had fee rates below these costs, as depicted in Figure 23.



**Figure 23: Percentage of regular homecare contracts with local authorities in England in 2024-25 below the value of careworker direct costs by purchase type**

## The size of the funding deficit

Using these data, we calculated the annual funding gap in regular homecare, but only for England, because of limited data in some of the devolved administrations.

To do so, we utilised our Minimum Price for Homecare model, calculated at various wage rates for careworkers – namely the National Living Wage, Real Living Wage/London Living Wage, NHS Band 3 with at least two years’ experience and a competitive, entry-level supermarket rate.

Then, we compared these measures to the average hourly fee rate in 2024-25 for local authorities in England and estimated an average for the NHS (because of the low number of ICBs with known fee rates).

To determine the difference, we applied figures from analysis by LaingBuisson<sup>24</sup> and those estimated for the [Homecare Deficit 2023](#) on the annual number of homecare hours delivered by the independent and voluntary sector funded by local authorities and the NHS respectively.

<sup>24</sup> Laing W (2024), [Homecare and Supported Living UK Market Report 6ed](#), LaingBuisson. We use figures for homecare only (i.e. not including supported living).

## Funding deficit at the National Living Wage

To ensure careworkers in England’s independent and voluntary homecare sector are paid at the National Living Wage (and that a care business can comply with quality requirements at a financially sustainable level), there is a deficit of around £1.08 billion in 2024-25 for local authorities and the NHS combined.

|         | Local authorities | NHS            | Overall       |
|---------|-------------------|----------------|---------------|
| England | £883.6 million    | £192.0 million | £1.08 billion |

**Figure 24: Breakdown of the 2024-25 funding deficit in England, by local authorities, the NHS and overall, for homecare workers in the independent and voluntary sector to be paid at the National Living Wage and businesses to be financially sustainable**

## Funding deficit at the Real/London Living Wage

We created a blended Minimum Price so homecare workers in London can receive the London Living Wage, but the Real Living Wage in the rest of England (currently £13.15 per hour and £12 per hour respectively).

We considered the proportion of hours purchased in London and the rest of England (as used in our Homecare Deficit 2023 calculations) for both local authorities and the NHS. Weighting the Minimum Price at the London Living Wage and Real Living Wage accordingly, this gave a blended rate of £29.99 per hour for local authorities and £29.93 for the NHS. Therefore, at these blended Minimum Price rates, there is a funding deficit of around £1.37 billion in 2024-25 for England overall.

|         | Local authorities | NHS            | Overall       |
|---------|-------------------|----------------|---------------|
| England | £1.13 billion     | £240.6 million | £1.37 billion |

**Figure 25: Breakdown of the 2024-25 funding deficit in England, by local authorities, the NHS and overall, for homecare workers in the independent and voluntary sector to be paid at the Real Living Wage or London Living Wage and businesses to be financially sustainable**

## Funding deficit compared with NHS Band 3 healthcare assistants

At the end of July 2024, Chancellor Rachel Reeves confirmed [pay increases for public sector workers averaging 5.5%](#), accepting the recommendations of the independent Pay Review Bodies. Therefore, the annual salary for an NHS Band 3 healthcare assistant with two or more years of experience will rise to £25,674, equivalent to around £13.13 per hour.<sup>25</sup>

Using our model to determine a Minimum Price at this pay rate, there is a funding deficit of around £1.67 billion in 2024-25 for England overall that would ensure homecare workers in the independent and voluntary sector are paid at the same rate as their equivalents in the NHS.

|         | Local authorities | NHS            | Overall       |
|---------|-------------------|----------------|---------------|
| England | £1.38 billion     | £295.4 million | £1.67 billion |

**Figure 26: Breakdown of the 2024-25 funding deficit in England, by local authorities, the NHS and overall, for homecare workers in the independent and voluntary sector to be paid at the same rate as NHS Band 3 healthcare assistants (2+ years' experience) and businesses to be financially sustainable**

## Funding deficit compared with a competitive, entry-level supermarket rate

Not enough funding for homecare workers might push them to find jobs in industries like retail and hospitality that require less training. Indeed, one supermarket chain is now offering a starting pay rate of £12.40 per hour outside the M25.<sup>26</sup>

Applying the Minimum Price model at this rate as before leads to a funding deficit of around £1.42 billion in 2024-25 for England overall.

NB. The same supermarket chain has also increased entry-level pay for those in London to £13.65 per hour. If we were to consider this, the figures below would be even higher.

<sup>25</sup> NHS Pay Scales (footnote 5).

<sup>26</sup> Lidl (2024), [Lidl GB announces third pay rise in 12 months](#).



|         | Local authorities | NHS            | Overall       |
|---------|-------------------|----------------|---------------|
| England | £1.16 billion     | £250.8 million | £1.42 billion |

**Figure 27: Breakdown of the 2024-25 funding deficit in England, by local authorities, the NHS and overall, for homecare workers in the independent and voluntary sector to be paid the same as a competitive, entry-level supermarket rate and businesses to be financially sustainable**

## Extra care and complex care

Providers shared data on extra care contracts with local authorities in England, as well as complex care contracts with the NHS in England and Wales (see Glossary). We present the salient statistics for these services below.

|  | Extra care (local authorities) | Complex care (NHS) |
|--|--------------------------------|--------------------|
| Number of contracts  | 24                             | 27                 |
| % contracts with known 2024-25 fee rate                      | 63%                            | 4%                 |
| Average 2024-25 fee rate per hour                            | £20.65                         | -                  |
| % fee rate uplift from 2023-24                               | 7.7%                           | -                  |
| % 2024-25 contracts at, or above, the relevant Minimum Price | 0%                             | -                  |
| % 2024-25 contracts below relevant careworker direct costs   | 27%                            | -                  |

**Figure 28: Breakdown of key statistics for extra care contracts with local authorities in England and complex care contracts with the NHS in England and Wales**

The average 2024-25 hourly fee rate for extra care contracts was £2.55 below that for regular homecare contracts in England. This is despite the percentage uplift from 2023-24 being marginally higher.

No extra care contract had a rate of at least England's Minimum Price for Homecare, but 27% were below the value of careworker direct costs at the National Living Wage (£19.90 per hour).

Only one complex care contract with the NHS had a known fee rate for 2024-25, so we conduct no further analysis here.

## Comments

We invited providers to submit comments on the local authorities/HSC Trusts and NHS bodies with whom they hold contracts for all service types.

### Local authority/HSC Trust contracts

*"Have served notice [on] the lead provider contract due to secondary providers offering services at lower rates, on average. Have only received [a] 2% uplift... since contract commencement in August 2020."*

*"We are one of two prime providers in [the] area, but [the] hours [are] currently significantly under what we tendered for. Working with the council to resolve."*

*"Good local authority in terms of uplifts. Main payments are always on time, but many customers are missed off due to queries. Chasing these is problematic and takes many attempts to find out why the payment is on hold, often with no response. This has... been the case over the last six months."*

### NHS contracts

*"Incredibly slow at determining new financial year [fee] rates. Makes it very difficult in knowing what we can pay our carers to deliver care. [It is] often between 4-6 months into the financial year before we find out [the] new rate and then it is backdated to 1st April."*

## Conclusion

Homecare in the United Kingdom is being funded by local authorities/HSC Trusts at rates below the true cost, with an average hourly fee rate of £23.26 in 2024-25. The Minimum Price for Homecare for 2024-25 at the relevant minimum wage rate is

£28.53 per hour (England); £30.58 per hour (Wales); £29.35 per hour (Scotland); and £29.37 per hour (Northern Ireland).

Shockingly, only 1% of contracts with local authorities/HSC Trusts had a fee rate of at least their respective nation's Minimum Price for Homecare. This risks destabilising local supply of homecare, affecting sustainability and quality of care.

It is also pertinent, given the increasing complexity of care being delivered. Careworkers must be skilled in specialised care techniques, which means the provider needs to invest more in training and supervision.

Also alarming is the fact that 6% of regular homecare contracts had a rate that was not even sufficient to cover the relevant direct hourly cost of a careworker, which varies by nation. Without improvements to pay and working conditions, the risk remains of staff leaving the care sector.

The new government wants to avoid this by introducing a Fair Pay Agreement. However, state commissioners buy 70% of homecare hours. So while homecare employers would like to reward their careworkers fairly, they will find it difficult to do so without extra government funding for social care.

One option at the government's disposal is to set a sector-specific minimum wage for England.<sup>27</sup> In the devolved administrations, careworkers currently receive a wage of at least £12 per hour. Yet, this level might not now be sufficient, given 42% of care providers told us in our [Workforce Survey 2024](#) that they were offering pay of £13 per hour or more to attract applicants.

Despite efforts to recruit from overseas, the homecare vacancy rate in England is still four times larger than the UK's workforce as a whole. There remains a high level of unmet need.

The government must ensure commissioners have enough funding to pay providers the required fee rates. This will help providers meet legal responsibilities and retain skilled workers.

The Homecare Association urges greater investment in homecare to improve quality of life; extend life expectancy; reduce inequalities; alleviate the burden on the NHS; decrease healthcare costs; and support economic growth.

Finally, following our analysis in this report, we make the following recommendations:

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<sup>27</sup> Hemmings N *et al* (footnote 8).

## Funding and fair pay

- The government must provide adequate and ring-fenced funding to local authorities to enable them to pay a fair price for care. For careworkers to receive a wage of around £13.13 per hour, equivalent to NHS Band 3 (2+ years' experience), the required fee rate is £31.51 per hour. For 2024-25, this will require an estimated extra £1.67 billion in England.
- The government must mandate public organisations to pay minimum fee rates for homecare to enable employers to offer fair pay and working conditions. Providers must not receive a rate below the value of careworker direct costs. In England, we calculate careworker direct costs for 2024-25 to be £19.90 per hour. Equivalent figures per hour for the devolved administrations are £21.66 (Wales); £20.71 (Scotland); and £20.77 (Northern Ireland). The hourly fee rate also needs to contribute to the other costs of delivering homecare.

## Commissioning

- Commissioning approaches must shift away from time and task at low fee rates to focus on outcomes. Payment methods must support greater security of employment for careworkers, such as contracts for shifts. Payments in advance on planned hours are helpful.
- Local authorities must improve how they manage demand and supply of homecare, to avoid too many or too few providers. Each provider needs enough hours to be efficient and remain viable.
- State commissioners, particularly in the NHS, must detail the fee rates for the next financial year by the end of February of the previous financial year at the latest. Providers need time to model budgets and change payroll by 1 April.

## Policy

- The government must recognise that funding, commissioning, regulation and provision of care are interdependent. Policymakers need to focus on improving commissioning and regulation, as well as employment practices. Echoing the recommendation by Skills for Care in their July 2024 report '[A Workforce Strategy for Adult Social Care in England](#)', there should be a ten-year plan to attract more people into the workforce.

## Glossary

### Service type

**Regular homecare:** the delivery of care to a person in their own home through regular visits.

**Extra care housing:** a person receives care (with staff on site up to 24 hours a day) in self-contained accommodation that is occupied under, say, a tenancy agreement and is part of a block of similar properties.

**Complex care:** support provided to someone with long-term health issues (who thus requires extra help). [NHS continuing healthcare](#) refers to complex care that the NHS solely funds. Those providing complex care may require additional skills or training.

### Purchase type

**Framework agreement:** an approved list of providers who can bid for contracts with public organisations, but without a guarantee of work. A successful provider will have a commitment to deliver the service at a prearranged price.

**Guaranteed purchase:** a contract with a prearranged price for a predetermined number of hours of care. The commissioner pays the provider, regardless of the amount of service delivered.

**Spot contract:** a commissioner purchases services on a 'spot' or individual basis, with no guarantee of hours. They are often used for care limited to a particular length of time, a defined area or a specific person in need of services, and can be changed/cancelled at any time.

### Commissioning and purchasing

**Commissioning:** a process to determine the supply of and demand for services in a particular area, then designing those services to meet local need.

**Purchasing:** the procurement of the required services through the tendering of contracts.

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# Shaping homecare together

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