



Homecare Association

Budget Representation, Autumn 2024

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Executive Summary

Homecare plays a vital role in enabling us all to live well at home and flourish in our communities. Investing in homecare helps to enhance wellbeing; increase healthy life expectancy; reduce pressure on the NHS; save money for the health and care system; and support economic growth.

A quarter of us will be 65 or older in 25 years. Our health and care system is not coping now. To meet this challenge, we must transform how we fund, provide, and ensure access to care. Early support and preventative approaches in the community will help to shift the dial on demand. We must harness the power of innovation while cherishing the irreplaceable human elements of hands-on care. With smart strategies, collaboration, and investment, we can build a future where more of us remain healthy for longer. Supporting people at home must be at the heart of government policy. We call on the government to make courageous decisions.

We stand ready to offer our expertise and insights to help shape a National Care Service and deliver Labour's Five Missions.

Who we are

The Homecare Association is a national membership body for homecare providers, with over 2,200 members across the UK¹. Our members encompass the full diversity of the regulated market: small, medium and large organisations; state-funded and private-pay funded; generalist and specialist; start-ups and mature businesses. Providers include independent owners; franchise networks; corporate chains; 'buy and build' operators which grow by acquisition; not-for-profits, including charities and employee-owned; and public sector organisations. Homecare Association members include most of the largest providers of homecare, some of which deliver 100,000 to 400,000 hours of homecare per week; and over 1000 SMEs, c. 85% of which have fewer than 50 employees and c. 50% fewer than 10. Our mission is to ensure society values homecare, and invests in it, so all of us can live well at home and flourish within our communities. We lead the way in shaping homecare and provide practical support for our members.

¹ <https://www.homecareassociation.org.uk/>



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Labour's five missions and homecare

The new Labour government has outlined five key missions. If the government aligns resources and incentives, the homecare sector is well-placed to support these missions.

1. Kickstart economic growth

The government aims to secure the highest sustained growth in the G7, with good jobs and productivity growth across the country².

Skills for Care reported that the social care workforce contributes c. £60 billion to the economy per year³ and employs 5.4% of the labour force in England⁴. This exceeds any of the following sectors: transportation and storage; accommodation and food service activities; electricity, gas, steam and air conditioning supply; other service activities; water supply, sewerage and waste management; arts, entertainment and recreation; agriculture, forestry and fishing; activities of households; and mining and quarrying⁵.

Social care is a key plank of the foundational economy, upon which the tradable economy depends, and deserves its own industrial strategy. Homecare providers can support this by:

- Creating quality jobs in communities across the UK - the homecare sector across the UK employs c. 850,000 people.
- Improving productivity through better training and use of technology –investing in the workforce to combine in-person care with technology solution. Supporting more people at home with similar resources.
- Enabling more people to remain in the workforce by providing care for their loved ones. Reducing the number of people dropping out of the labour force to become unpaid carers.

² <https://labour.org.uk/updates/stories/labour-manifesto-2024-sign-up/>

³ [Context \(skillsforcare.org.uk\)](https://www.skillsforcare.org.uk/Context)

⁴ <https://www.skillsforcare.org.uk/Workforce-Strategy/Supporting-resources/Supporting-resources.aspx>

⁵ <https://commonslibrary.parliament.uk/research-briefings/cbp-8353/>



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2. Make Britain a clean energy superpower

The government aims to fight climate change by ensuring that Britain leads in green energy. This means reaching net-zero carbon emissions, investing in renewable energy, and reducing the country's dependence on fossil fuels. Homecare providers can support this by:

- Reducing travel time with new approaches to commissioning and using technology to optimise rotas. Currently, careworkers together drive 4 million miles per day.
- Encouraging use of electric vehicles by homecare workers if the government were to subsidise this⁶.
- Adopting energy-efficient practices in home-based care.
- Supporting the use of clean energy technologies in clients' homes.
- Educating clients on energy-saving measures.

3. Take back our streets

The government aims to halve serious violent crime and raise confidence in the police and criminal justice system. While not directly related to crime prevention, homecare providers can support this by:

- Contributing to community safety by being additional eyes and ears in neighbourhoods.
- Supporting vulnerable individuals at home, potentially reducing their risk of becoming victims of crime.
- Raising safeguarding issues and concerns to the police.

⁶ [High fuel costs – the ongoing impact on homecare \(homecareassociation.org.uk\)](https://www.homecareassociation.org.uk)



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4. Break down barriers to opportunity

The government aims to improve education, skills, and opportunities for people of all ages. Ensuring everyone, regardless of background, has access to high-quality education, skills training, and job opportunities. Homecare providers can support this by:

- Providing reliable care services that allow family members to pursue education or employment opportunities.
- Support social care workers to learn to read and write in English.
- Offering training and career progression within the sector, creating pathways out of low wage work.

5. Build an NHS fit for the future

The government aims to reform the NHS to ensure it's there when people need it, with fewer lives lost to major illnesses. Homecare providers are a key partner in being able to deliver this. Their services help in avoiding people's health deteriorating unnecessarily, leading to an increased reliance on expensive emergency services and more frequent hospital admissions.

The Institute for Fiscal Studies assessed the impact of cuts to older people's adult social care between 2009/10 and 2017/18. It found that a 31 percent fall in spending per capita was associated with an 18 percent increase in A&E admissions among the over-65s, and a 12.5 percent increase in A&E readmissions within seven days. Each £100 reduction in adult social care spending resulted in an increase of £1.50 in A&E spending⁷. Homecare providers can play a crucial role in building an NHS fit for the future by:

- Reducing pressure on hospitals through effective home-based care.
- Supporting early intervention, preventative care and support measures.
- Collaborating with the NHS to provide integrated care pathways.

⁷ <https://ifs.org.uk/publications/long-term-care-spending-and-hospital-use-among-older-population-england>



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Our Manifesto for Homecare aligns with these missions⁸. We are ready to work with the government to achieve these missions⁹.

1. Home at the Heart

- Increase public awareness of the value of homecare and ensure "home first" is the default option.
- Create enabling home environments with adaptations and technology solutions to support independent living.
- Make homecare accessible and affordable for all.

2. Power in Partnership

- Foster collaboration across social care, health, housing and voluntary sectors
- Give homecare providers a voice in ICS discussions and decision-making at all levels.
- Amplify the voices of those who need and give care so they can contribute to policy and service development

4. Care as a Career

- Devise and deliver a workforce strategy to meet demand and provide professional career opportunities.
- Give care experts at all levels fair and secure pay and terms and conditions of employment

6. Commission for Value

- Commission for long-term value and outcomes, not short-term price. Stop purchasing homecare by the minute at low fee rates.
- Legislate to ensure public sector commissioners cover the true cost of quality sustainable care services, with fair pay and T&Cs for care experts.

3. Innovate to Improve

- Create models of homecare that prioritise prevention and address social factors to extend healthy lifespan.
- Combine technology solutions and data with in-person care to personalise services, improve outcomes and evidence the value of homecare

5. Invest in the Future

- Provide a multi-year funding settlement for social care, to meet future demand, improve access to care and cover the full cost of care (£18.4bn by 2032/33)
- Pool risk and find new ways to cover costs to create a simpler, fairer system that protects individuals and families
- Zero-rate VAT on welfare services to enable VAT on operating expenses to be reclaimed.

7. Regulate to Protect

- Ensure rigorous, consistent, timely standards for registration and inspection
- Deal swiftly with under-performing commissioners and providers
- Ensure oversight of all providers of personal care
- Create a professional register for care experts

Kickstart economic growth

As mentioned in the previous section, social care plays a significant role in the local and national economy, contributing £60 billion annually¹⁰. It employs over 1.7 million people in the UK, which is more than the NHS¹¹.

The sector creates a broad range of jobs. These jobs are crucial in sustaining local economies, where care services are a core source of employment. As estimated by the Fabian Society, every extra £1bn in social care spending will create around 50,000 jobs

⁸ <https://www.homecareassociation.org.uk/resource/homecare-manifesto-for-the-general-election.html>

⁹ <https://www.homecareassociation.org.uk/resource/homecare-association-looks-forward-to-labour-putting-home-first.html>

¹⁰ [Context \(skillsforcare.org.uk\)](https://www.skillsforcare.org.uk)

¹¹ [The size and structure of the adult social care sector and workforce in England \(skillsforcare.org.uk\)](https://www.skillsforcare.org.uk)



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distributed all over England, with the largest impacts felt in the North East and North West¹².

Professional carers enable unpaid carers to remain in the labour force, which helps the economy. Research shows that working-age carers providing over 10 hours of care a week are significantly more likely to be in work if the person they care for receives paid-for care services (1.6 times as likely for women, 1.7 times as likely for men)¹³. Providing funded care and support to people with working-age carers increases employment participation. Modelling by the LSE with 2015 data, and the Fabian Society shows that providing paid social care services can increase the employment rate for this group of carers by 8.7 percent. Each extra job would cost around £30,000 in adult social care spending (2015 prices)¹⁴.

It is a sector critical to kick-starting economic growth, however successive governments have failed to consider it as a key foundation of the economy on which the country depends. Nor have they prepared for the profound demographic changes we know are happening now, and in the coming decades. They have risked widespread suffering, further escalation of pressures on the NHS, and damage to the economy. Investing in social care is a smart economic strategy for the future.

The Government's goal of achieving the highest sustained growth in the G7 is likely to be undermined if we overlook social care any longer. The collapse of the sector, which collectively employs the largest number of people in Europe, would cause widespread job losses and reduce overall workforce participation. Many people, especially women, would be forced to leave the labour market to provide unpaid care. This will negatively affect productivity, tax revenues, and local economies, directly halting robust economic growth.

In the following sections, we make recommendations on how to support the homecare sector so it can contribute more to the economy.

¹² <https://fabians.org.uk/publication/support-guaranteed/>

¹³ <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4462201/>

¹⁴ <https://fabians.org.uk/publication/support-guaranteed/>



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Enabling homecare to contribute to Labour's Five Missions

Invest in the future

- Provide a multi-year funding settlement for social care, to meet future demand, improve access to care and cover the full cost of care (£18.4bn by 2032/33) ¹⁵.
- Pool risk and find new ways to cover costs to create a simpler, fairer system that protects individuals and families.
- Zero-rate VAT on welfare services to enable VAT on operating expenses to be reclaimed.

The short-term financial situation

We urge the Government to take immediate action by committing to protect and adequately fund local authority budgets, ensuring councils can meet their legal obligations and continue to provide the vital social care services that people depend on. This is essential for individuals relying on care services and for the sector's stability. It is also important for the NHS, which has waiting lists of 7.6 million¹⁶. Lack of investment in social care increases hospital admissions and readmissions and delays discharges. Lack of availability of hospital beds is a key contributor to growing waiting lists for treatment.

The financial situation facing Local Authorities and Directors of Adult Social Care Services (DASSs) is as dire as it has ever been in recent history. The Local Government Association (LGA) has estimated that, over the past decade, care costs have increased by £8.5bn but revenue only by £2.4bn, resulting in a £6.1bn funding gap¹⁷. In October 2023, the LGA estimated that councils in England face a funding gap of £4 billion for all services, not only social care, over the next two years¹⁸.

¹⁵ <https://www.health.org.uk/publications/long-reads/social-care-funding-reform-in-england>

¹⁶ <https://www.nuffieldtrust.org.uk/qualitywatch/nhs-performance-summary>

¹⁷ [Debate on social care provision in the UK and the role of carers in that provision, House of Lords, 24 June 2021 | Local Government Association](#)

¹⁸ <https://www.local.gov.uk/parliament/briefings-and-responses/local-government-finances-and-impact-local-communities>



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Alarming, nine out of ten DASSs have expressed little to no confidence that their budgets will be sufficient to fully meet their statutory duties in 2024/25¹⁹. The budget for adult social care increased from £19.2 billion in 2023/24 to £20.5 billion in 2024/25, and the share of councils' overall budgets spent on social care rose from 36.7% to 37.2%. These increases cannot, however, address the growing demands and pressures on the system.

What is particularly troubling is that in the most recent survey conducted by the Association of Directors of Adult Social Care Services, 37% of DASSs reported they would need to rely on council reserves and other one-off funding sources just to cover their social care base budgets²⁰. This is an unsustainable approach that jeopardises the long-term viability of essential services.

While difficult decisions need to be made to find savings across Government, any further reduction to local authority budgets will critically undermine the ability of providers to support the Government's mission to sustain economic growth, build an NHS fit for the future, and deliver a National Care Service.

Recommendation: Provide a multi-year funding settlement for social care, to meet future demand, improve access to care and cover the full cost of care (£18.4bn by 2032/33).

Recognise the cost of care

Our recent research shows that fee rates for state-funded homecare across the UK remain dangerously low, failing to keep up with rising wages and costs, and putting the sector's stability at risk. As a result, the homecare market remains under severe strain.

Every year, we produce a Minimum Price for Homecare²¹, which calculates the minimum fee rate needed to fully cover the costs of care delivery. This includes not only the careworker's time during the visit but also training, travel, pension, supervision, IT costs, office costs, administration costs and more.

¹⁹ <https://www.adass.org.uk/documents/adass-spring-survey-2024/>

²⁰ Ibid

²¹ <https://www.homecareassociation.org.uk/resource/homecare-association-publishes-minimum-price-for-homecare-2024-25.html>



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In the following table, we illustrate how, even at minimum wage (i.e. National Living Wage of £11.44), care providers would need £28.53 per hour in 2024/25 to cover their delivery costs.

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			
Total price based on the National Living Wage (2024-25)				£28.53	£28.53	£28.53	

Table 1: Minimum Price for Homecare at the national minimum wage²²

As it stands, the average hourly fee paid by local authorities and NHS commissioners in the UK for 2024/25 is £23.26 per hour. Only 1% of contracts have rates at or above the minimum price we believe is necessary.

6% of contracts have fee rates that do not cover the £19.90 required to meet the direct employment costs of careworkers. This includes pay for time spent caring and travel time; National Insurance; pension; holiday pay; training pay; sick pay; notice and suspension pay; and mileage.

²² <https://www.homecareassociation.org.uk/resource/homecare-association-publishes-minimum-price-for-homecare-2024-25.html>



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If the sector were to offer wages equivalent to the NHS (based on a Band 3 pay rate of £13.13 per hour, for someone with 2+ years' experience), then using the same calculation method, providers would need to charge £31.51 per hour of care delivered. Even this figure does not cover the costs of implementing better working conditions. For example, shift patterns rather than zero-hour working and/or clear career progression structures.

A flexible national contract to commission home care services

For real and long-lasting improvements, we need steady funding, not just onetime grants. In England, according to our modelling, this would require an estimated £1.67 billion per annum more for homecare provision for hours currently purchased²³.

This figure is for homecare alone and covers operating deficits only, so does not address the unmet demand for care. The Health Foundation has estimated that for Adult Social Care as a whole (including residential care), an additional £8.4 billion is needed in 2024/25 and £18 billion by 2032/33 to meet demand, improve access and cover the cost of delivering care²⁴.

We urge the Government to create a National Contract for Care Services that sets a minimum price for homecare. Central government must allocate enough budget to councils and the NHS to allow them to meet the conditions of a National Contract. This would ensure that public organisations buy care services at rates that allow employers to meet employment rights laws and operate sustainably.

Recommendation: Create a National Contract for Care Services that sets a minimum price for homecare. Providers must receive a rate which covers direct costs of employing careworkers and other operational costs.

Recommendation: Provide adequate, ring-fenced funding to local authorities and the NHS on an ongoing basis to enable them to pay a fair price for care and meet the conditions of a National Contract.

Recommendation: Fully fund a National Care Service, in line with The Health Foundation estimates.

²³ [Fee rates for state-funded homecare 2024-25 \(homecareassociation.org.uk\)](https://www.homecareassociation.org.uk)

²⁴ <https://www.health.org.uk/publications/long-reads/social-care-funding-reform-in-england>



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Commission for value

- Commission for long-term value and outcomes, not short-term price. Stop purchasing homecare by the minute at low fee rates.
- Legislate to ensure public sector commissioners cover the true cost of quality sustainable care services, with fair pay and T&Cs for care experts.

Local authorities and NHS Integrated Care Boards (ICBs) purchase at least 70% of homecare hours. Their decisions shape the quality, delivery, and financial viability of the market. Under the Care Act 2014²⁵, local authorities also have a statutory duty to 'shape' the social care market to ensure there are sufficient, good quality care services to meet needs.

Inadequate central government funding for homecare has resulted in rationing of care and cost-cutting. Some public bodies encourage a race to the bottom on price, and some tenders now place more weight on price than quality. Our research highlights that some councils are paying less than the £19.90 per hour needed to cover direct careworker costs²⁶. This focus on price over quality has strained the market. The Association of Directors of Adult Social Services (ADASS) reported that 39% of local authorities experienced provider closures or contract handbacks between November 2023 and May 2024²⁷.

Effective management of supply and demand in homecare depends on various factors. These include the total volume of hours required; local geography, including population density and travel requirement; fee rates; type of contract; e.g., framework or block; number of providers willing to contract with councils; number of careworkers; hours worked per careworker; presence and capacity of council or NHS in-house teams; and the number of self-funded clients.

The cost of delivering homecare is highly 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.

All registered homecare providers need to cover overheads. These include a registered manager; back office staff; training; recruitment; PPE; Care Quality Commission (CQC) registration; insurance; IT; telephony; office rent, rates, utilities. Overhead costs are

²⁵ <https://www.legislation.gov.uk/ukpga/2014/23/contents/enacted>

²⁶ <https://www.homecareassociation.org.uk/resource/fee-rates-for-state-funded-homecare-2024-25.html>

²⁷ <https://www.adass.org.uk/documents/adass-spring-survey-2024/>



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similar regardless of whether a provider delivers 250 hours per week or 5000 hours per week. The average cost per hour thus falls as the volume of hours delivered increases.

The volume of hours can also affect the experience of careworkers. With a lower volume of hours, careworkers are more likely to have significant gaps in their rotas, which can reduce the salary they receive each day. It can also lead to inefficient use of their time; for example, careworkers may be on the road for 40 hours but deliver only 20 hours of paid contact time. It is difficult for them to use the gaps productively. Employment conditions like this exacerbate staff turnover. This adds to operational costs and reduces quality.

Many local authorities have fragmented homecare hours across hundreds of small providers with fewer than 10 employees. Since 2013, the number of registered locations of community social care services has increased by 5.5 times to 12574 in June 2024²⁸. This significantly reduces utilisation of the workforce, increases travel time, and decreases efficiency of homecare delivery. By assigning fewer providers more hours in close locations, we can improve schedules and boost productivity. In a research study, modelling of data from two local authority areas suggested opportunities to improve care worker utilisation by 35%; reduce mileage by 65%, along with associated travel costs for providers and care workers; and improve the overall experience of people drawing on services²⁹.

Unit operational costs are also highly 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.³⁰ We outline this in Figure 1, below.

²⁸ <https://www.homecareassociation.org.uk/resource/critical-failures-in-homecare-regulation-revealed-by-new-report.html>

²⁹ <https://www.healthinnowest.net/news/trial-of-ai-based-optimisation-technology-demonstrates-opportunities-for-the-domiciliary-care-sector-to-transform-provision-of-homecare/>

³⁰ [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.”



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How short visits affect careworkers' wage costs

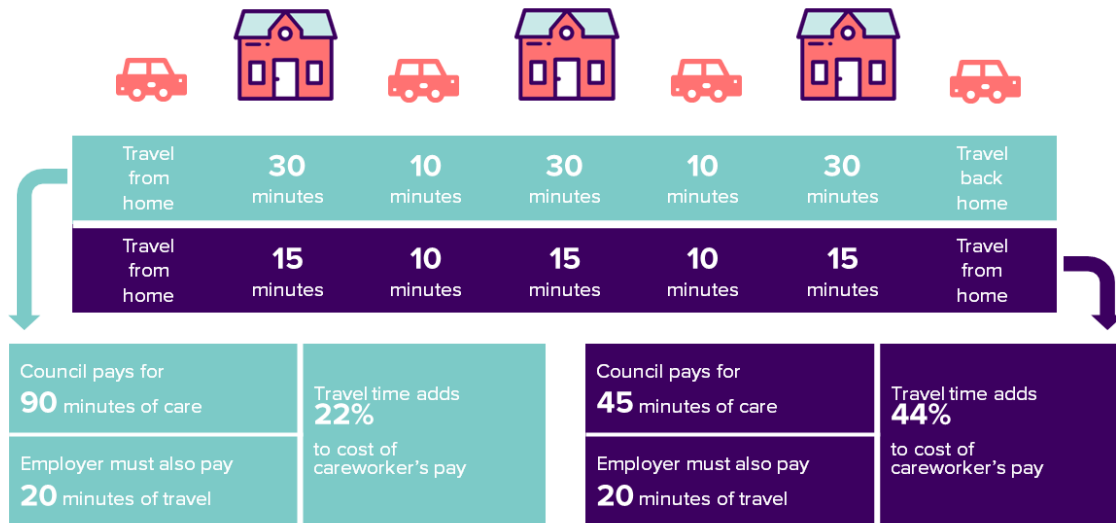


Figure 2: How short visits affect careworkers' wage costs

The minimum wage sets the lowest pay rate for workers, but it is complex to apply in the homecare sector because of travel time. Employers must include travel time between clients' homes as working time for minimum wage calculations. Many homecare workers do not receive direct payment for this travel time and only get paid for the time they spend with clients.

It's legal to structure pay like this, but the law says that the average hourly rate, including both contact and travel time, must meet the minimum wage. This creates a situation where travel time effectively "erodes" the hourly rate paid for contact time, potentially pushing workers' actual average hourly rate below the legal minimum. It's important to note that reimbursement for travel expenses, such as mileage allowances, does not count as pay for minimum wage.

Industry data shows homecare workers spend an average of 12 minutes travelling per hour of contact time, which equates to about 20.3% of their working time³¹. This

³¹ <https://www.homecareassociation.org.uk/resource/homecare-association-publishes-minimum-price-for-homecare-2024-25.html>

significant proportion of unpaid time can have a substantial impact on workers' effective hourly rates.

In Figure 2, you can see how different hourly rates and travel time proportions affect whether a worker earns more or less than the minimum wage. The graph includes a line representing the break-even point where pay exactly meets the minimum wage. Combinations above this line result in pay below the minimum wage, while those below are above it.

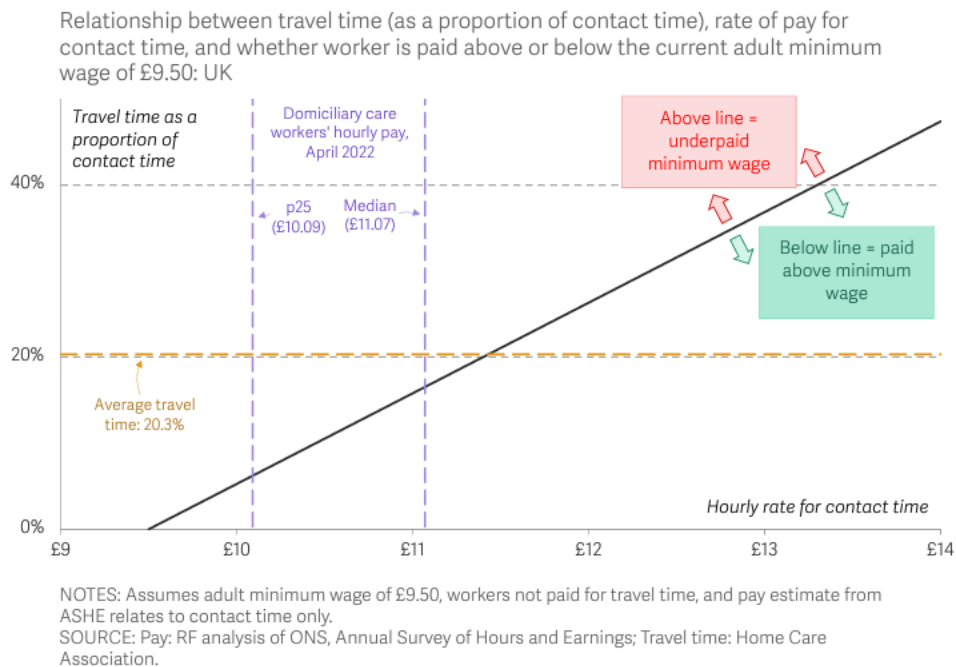


Figure 2: Data from N Cominetti, *Who cares?: The experience of social care workers, and the enforcement of employment rights in the sector*, Resolution Foundation, January 2023³².

The graph also includes reference lines for the average travel time (20.3% of contact time) and the median (£11.07) and 25th percentile (£10.09) hourly pay rates for homecare workers in 2022. When considering these typical pay rates and travel times together, the graph suggests that many homecare workers are at high risk of effectively receiving payment below the minimum wage once their travel time is taken into account. Even workers paid at the median rate, with average travel time, would likely end up with

³² [Who-cares.pdf \(resolutionfoundation.org\)](#)



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an effective hourly rate below the legal minimum. This analysis shows how homecare workers struggle to get fair pay for all the hours they work. Councils have made this situation worse by spreading available hours across too many providers and paying fee rates which are too low.

In a survey of Homecare Association members in September 2023, 80% of respondents reported a decrease in the hours available for them to deliver³³. Nearly half (48%) said they had seen a 25% or more reduction in the number of hours available to them from their local authority.

In our 2024 Workforce Survey, 28% of respondents reported they could not give their homecare workers enough hours³⁴. Lack of hours and income causes serious hardship for homecare workers who receive pay on a zero-hours basis.

The ADASS Spring Survey suggests the total number of hours of local authority commissioned homecare has increased³⁵. The number of homecare hours delivered between January and March 2024 was 30% higher than between January and April 2021.

In some areas, the use of international recruits has enabled new and existing providers to increase their capacity. Employers are required to hire international recruits on full-time salaried contracts and most work at least 40 hours per week. UK homecare workers work an average of 25 hours per week. Some places lack enough hours for international recruits to work full time. This results in violations of licence rules and leaves sponsored workers without sufficient income. This is a severe problem because they cannot access welfare support. The reduction in volume of hours available per provider is a particular issue in local authority areas that depend on framework contracts. If local authorities limit the number of providers they contract with, the workload remains consistent. Some local authorities have allowed too many providers to join their frameworks, making it difficult for them to monitor quality. The CQC lacks the resources needed to monitor the increasing number of providers. Our analysis of CQC data shows that 60% of homecare providers have either no rating or an out-of-date rating³⁶.

³³ <https://www.homecareassociation.org.uk/resource/the-impact-of-late-payment-of-invoices-by-the-nhs-and-local-authorities-and-a-reduction-in-volume-of-hours-available-per-provider.html>

³⁴ <https://www.homecareassociation.org.uk/resource/workforce-survey-2024.html>

³⁵ <https://www.adass.org.uk/documents/adass-spring-survey-2024/>

³⁶ <https://www.homecareassociation.org.uk/resource/critical-failures-in-homecare-regulation-revealed-by-new-report.html>



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Framework contracts make it difficult for providers to plan effectively. Providers who respond to local authority requests to increase capacity and recruit internationally have taken on substantial liabilities without guarantee of income. Losing 25% or more hours creates substantial risk to the viability of homecare providers. In some local authority areas, many smaller providers are handing back packages or ceasing to trade. Local authorities then must manage potential safeguarding risks and find alternative provision, which negatively affects people drawing on services and careworkers.

Late payments can also significantly impact businesses, leading to cash flow difficulties, which can affect the ability to pay bills and the business's own suppliers. Without predictable payment terms, homecare providers find it difficult to invest and expand.

Our research shows that homecare providers who have contracts with their local authority or ICB often face delayed payments³⁷. Sometimes, payments have been outstanding for over a year. Individual small providers have told us local authorities and ICBs owe them as much as £350K. Some providers also commented on issues with inaccurate payments, which can take months to resolve.

Many providers are saying no to working with local authorities and the NHS because they don't get paid enough and payments are inconsistent. This is more than just a financial inconvenience—it is destabilising the entire care sector. Late payments make it difficult for providers to hire staff, cover expenses, or enhance care quality.

If the government invests in homecare and aligns resources and incentives, it can greatly support Labour's mission of building a future-ready NHS.

We call on the Government to take a more proactive role in the strategic market-shaping of social care.

Recommendation: Review the approach to commissioning homecare as part of work to build a National Care Service. This must consider the impact of commissioning on those needing and drawing on care services; care quality; the care workforce; ability to innovate; regulation; and market stability. Ensure commissioners understand the economics of delivering homecare and the importance of economies of scale.

Recommendation: State commissioners should be required to disclose fee rates for the upcoming financial year no later than the end of February of the previous year. Providers need time to model budgets and change payroll by 1 April.

³⁷ <https://www.homecareassociation.org.uk/resource/the-impact-of-late-payment-of-invoices-by-the-nhs-and-local-authorities-and-a-reduction-in-volume-of-hours-available-per-provider.html>



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Recommendation: Ensure state commissioners abide by the Prompt Payment Code and make timely and accurate payment of invoices to homecare providers.

Innovate to Improve

- Create models of homecare that prioritise prevention and address social factors to extend healthy lifespan.
- Combine technology solutions and data with in-person care to personalise services, improve outcomes and evidence the value of homecare.

Social factors such as where we live, our education, lifestyle, social support, and financial stability strongly influence our health and well-being. With the use of data and predictive analytics, we can now identify those at higher risk and take action early to maintain health. We need to create models of homecare that prioritise prevention and address social factors to extend healthy lifespan. ICBs should commission homecare as part of proactive care and public health services. By combining technology, data analysis, and in-person care, we can enhance the quality and efficiency of homecare services.

Recommendation: Continue supporting the digital transformation of the social care sector and the intelligence use of data to improve quality and outcomes.

Zero rate VAT on welfare services in the care sector

VAT costs in the care sector are effectively increasing the costs for public sector purchasers of homecare services (or increasing the deficit between what the public sector fee rates are and the cost of delivery). Where care is purchased privately, they are inflating the costs to individuals in need of care and support of vital and necessary services.

“Welfare services” provided by regulated social care providers are currently rated exempt. This means that the care provider does not charge VAT on services that they provide. However, if these services were zero-rated, it would also mean that providers would not need to pay VAT on goods and services they need to operate – which could range from business services to disinfectant.

Some other analogous goods and services, such as some mobility aids, are zero-rated already. Social care also provides an essential service to disabled and older people.



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

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

Build an NHS fit for the future

- Foster collaboration across social care, health, housing and voluntary sectors.
- Give homecare providers a voice in ICS discussions and decision-making at all levels.
- Amplify the voices of those who need and give care so they can contribute to policy and service development.

The cost to long-term public health is significant. People's health is deteriorating, leading to an increased reliance on expensive emergency services and more frequent hospital admissions. The need for more complex care is growing, placing further strain on the NHS and reducing its efficiency. This not only increases public spending but will also slow down economic growth. Failing to address investment in social care contradicts the aim of securing the highest and most sustained growth in the G7.

Despite playing a vital role in avoiding unnecessary hospital admissions, state-funding for homecare services has not kept pace with cost or demand. The impact of this on the NHS is significant. The Institute for Fiscal Studies assessed the impact of cuts to older people's adult social care between 2009/10 and 2017/18. It found that a 31 percent fall in spending per capita was associated with an 18 percent increase in A&E admissions among the over-65s, and a 12.5 percent increase in A&E readmissions within seven days. Each £100 reduction in adult social care spending resulted in an increase of £1.50 in A&E spending³⁸.

Homecare providers are a crucial partner to the NHS in enabling safe, timely and effective discharge from hospital. But all too often, we are seeing unsafe, chaotic and distressing discharge practices that are failing patients and families. Over 60% of providers tell us that people are being discharged from hospital too soon, leading to

³⁸ <https://ifs.org.uk/publications/long-term-care-spending-and-hospital-use-among-older-population-england>



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readmission. A third of providers (35%) say that most of the discharges they are involved in are not safe³⁹.

Homecare providers stand ready to support the NHS, but their services are not being fully used. In our recent research, two-thirds of providers said that while there are discharge delays in their area, they have unused homecare capacity. Nearly half of private-pay homecare providers said they will step in and support services but are not being commissioned⁴⁰.

When services are being commissioned, the fee rate is often too low, especially because of the complexity of care required. According to our recent research, 45% of providers report commissioners pay the same rate for hospital discharge work with complex care as they do for regular, council-funded personal care. In some cases, providers report a lower commissioning rate for hospital discharge⁴¹.

Unlike care homes, which have fixed bed numbers limiting capacity, homecare supply is more elastic. If hospitals handled discharges safely, fees covered costs, and ICBs paid invoices on time, more homecare providers would accept NHS work. Models of provision, such as live-in care, could also be useful for people with higher needs discharged from hospital. Many commissioners seem unwilling even to consider this, though costs are comparable to care homes.

Homecare plays a vital role in enabling us all to live well at home and flourish in our communities. Investing in homecare helps to enhance wellbeing; increase healthy life expectancy; reduce pressure on the NHS; save money for the health and care system; and support economic growth. As we outline in our manifesto⁴², there is power in partnership, and collaboration across social care, health, housing & voluntary sectors is key.

Recommendation: Alter legislation to ensure social care providers are a core part of ICB governance. Require ICBs to engage with social care providers.

³⁹ <https://www.homecareassociation.org.uk/resource/homecare-association-publishes-report-on-hospital-discharge.html>

⁴⁰ <https://www.homecareassociation.org.uk/resource/homecare-association-publishes-report-on-hospital-discharge.html>

⁴¹ Ibid

⁴² [Homecare manifesto for the general election \(homecareassociation.org.uk\)](https://www.homecareassociation.org.uk)



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Recommendation: Require NHS bodies to use fair cost of care analysis to commission homecare at fee rates, which cover the costs of fair employment, quality, safety and market stability.

Regulate to Protect

- **Ensure rigorous, consistent, timely standards for registration and inspection.**
- **Deal swiftly with under-performing commissioners and providers.**
- **Ensure oversight of all providers of personal care.**

The funding model for the CQC needs urgent review to ensure it is fair, sustainable, and able to support the effective regulation of a rapidly changing homecare market. Over the past decade, the sector has seen a fivefold increase in registered locations⁴³, rising care complexity, and growing demand. Many councils, driven by budget cuts, have prioritised cost over quality in commissioning. They have also encouraged a proliferation of small providers. This has increased costs because of a loss of economies of scale, reduced market stability, quality, and workforce retention.

CQC's resources and systems have not kept pace with these market changes. This is due in part to a lack of analysis, transparency and underestimation of the true costs of regulation. Despite CQC's claim of improved efficiency without extra spending, our analysis reveals a decline in its performance, particularly in crucial areas like registration and inspection⁴⁴. These struggles, exacerbated by the COVID-19 pandemic, have harmed care providers and those who rely on their services.

An effective regulatory system is crucial for ensuring the quality and safety of care services. Improving data, systems, and processes can certainly boost productivity and efficiency at CQC. Regulating care will, though, always need a degree of professional judgment and interpersonal skills because of its human nature.

To address these issues, there needs to be adequate funding. The current approach clearly isn't working. We believe that this could involve a combination of increased

⁴³ [Homecare Association report exposes serious deficiencies in homecare regulation](#)

⁴⁴ <https://www.homecareassociation.org.uk/resource/critical-failures-in-homecare-regulation-revealed-by-new-report.html>



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government funding and provider fees, structured to reflect the true costs of regulation. This must recognise the higher costs to the CQC of dealing with poorer quality providers. It must also appreciate the funding constraints and affordability of the care sector. It may be worth considering a charging model akin to the one used by the insurance industry, with higher fees associated with higher risk.

In state-funded homecare, providers' margins are extremely tight. Providers will be strongly against an increase in fees without a substantial improvement in CQC's performance. Many providers would, however, prefer to pay extra to speed up registration or to have an up-to-date assessment. This is because CQC's poor performance on registration and assessment is causing a substantial loss of income to providers. If there is a return on investment, providers may be open to change. Fees must be proportionate and sustainable for providers of all types and sizes.

Policymakers must grasp the interconnections between regulation, commissioning, funding, and provision of quality care. A regulator like the CQC cannot succeed in isolation or without adequate resources. Ability to regulate effectively depends on intelligent market shaping, adequate human resources, effective systems, and flexibility to adapt to the realities of the care landscape.

Recommendation: Commission a realistic review of CQC's resourcing needs.

Recommendation: Review the funding model for the CQC to ensure it is fair and sustainable.

Care as a Career

- Give care experts at all levels fair and secure pay and terms and conditions of employment.
- Devise and deliver a workforce strategy to meet demand and provide professional career opportunities.

Fair pay for care workers

We must value our care workforce and fairly recognise their work and contribution in society. Ensuring fair treatment between care workers and their NHS counterparts at Band 3 has been a central tenet of our advocacy work.



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We are not alone, with recent polling from the Health Foundation and Ipsos UK highlighting that the public strongly supports improving pay and working conditions for the UK social care workforce. About 73% of respondents believe the government should focus on enhancing pay and conditions so it can recruit and retain more social care workers from within the UK, rather than maintain current conditions and recruit from overseas⁴⁵.

The government's plan to introduce a New Deal for Working People⁴⁶, including a Fair Pay Agreement for care workers, is a step in the right direction. We wholeheartedly support the government's aim and stand ready to collaborate with them, unions, and others to ensure this brings real benefits to care workers and the people they support, while preserving the sustainability of care providers.

This fair pay agreement could be transformative. It finally offers a chance to improve conditions for the care workforce. Yet, with over three-quarters of homecare funded by the state, real improvements in pay and working conditions under the New Deal for Working People will depend on whether the government will invest the extra funding required.

Right now, it's unclear if this essential investment will materialise. Without it, the risk of the promises of reform falling short increases. We urge the government to act decisively and invest in the future of social care. The time for action is now. Given its strong majority in Parliament and the likelihood of serving at least a full 5-year term, the government has a unique opportunity to deliver long-awaited funding reforms in our sector.

Recommendation: Implement a National Contract for Care Services which requires public bodies to buy care at fee rates which allow social care providers to meet the Fair Pay Agreement.

⁴⁵https://healthfdn.org.uk/c/AQiKMhCA_PsGGNnuy7YBIiK_6p8BKfJZDVIA_WVGX6bpGXcOjqywyYTe6UoGEz7NMPlw5mk

⁴⁶[Labour's Plan to Make Work Pay: Delivering A New Deal for Working People – The Labour Party](#)