



UKHCA Briefing

Version 8.0, December 2020

A Minimum Price for Homecare

April 2021 to March 2022

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UKHCA's Minimum Price for Homecare for April 2021 to March 2022

Version 8.0

Today (16 December 2020) UKHCA announces its new calculation for the Minimum Price for Homecare of £21.43 per hour, effective from April 2021, when the UK's statutory National Minimum Wage and National Living Wage increase.

UKHCA's Minimum Price covers the minimum legally compliant pay rate for careworkers (excluding any enhancements for unsocial hours working), their travel time, mileage and wage-related on-costs. The rate also includes the minimum contribution towards the costs of running a care business which complies with quality requirements at a financially sustainable level.

Equivalent rates based on the (voluntary) UK and Scottish Living Wages and the London Living Wage are also provided in this briefing.

These new rates **exclude** the additional costs of personal protective equipment (PPE) which is specifically required during the coronavirus pandemic, described in more detail, below.

UKHCA's Minimum Price is widely recognised within the social care and health sectors in all four UK administrations. Indeed, councils in England are directed to UKHCA's methodology in [paragraph 4.31 of the Care and Support Statutory Guidance](#), published by the Department of Health and Social Care.

A number of councils and NHS commissioners will state that local conditions influence the costs of care in their area. Although this is true, local conditions are likely to mean that the costs are **higher** (rather than lower) than UKHCA's Minimum Price for Homecare at the rate needed to comply with the National Living Wage. This is because our rate is calculated on the **minimum legal pay rate**. This does not vary geographically, and is unlikely to enable employers to recruit sufficient careworkers from their local labour market, particularly as competing employers, including retail, pay more than the statutory minimum.

The breakdown of the costs included in the new minimum £21.43 hourly rate for the statutory National Living Wage is shown in the chart below.

UKHCA's Minimum Price for Homecare 2021-22



Careworkers' contact time	£8.91
Careworkers' travel time	£1.74
NI & pension contributions	£1.17
Other wage on-costs	£2.01
Mileage costs reimbursed	£1.36
Running the business	£5.62
Profit or surplus	£0.62
Minimum hourly price	£21.43

Price at statutory National Living Wage 2021-22, **excluding** costs of COVID19-specific PPE.

Changes made to our calculations in version 8.0

UKHCA regularly reviews the assumptions used to create our Minimum Price. For the rate which applies between April 2021 and March 2022 we have made the following changes from the last version:

- We have calculated the price based on [the new rate of the National Living Wage](#), which increases by 2.2% from £8.72 to £8.91 per hour at the start of April 2021.
- Based on information supplied by two independent wholesalers and intelligence from homecare providers, we have increased our assumption for the costs of “standard” personal protective equipment (PPE) and consumables from an equivalent of 0.7% to 2.2% mark-up of careworkers’ costs (also called the costs of sale). This reflects the increased unit costs of gloves and aprons at the time of writing, which were over 300% of the prices paid before the coronavirus pandemic. While some of these items may currently be available from government-backed initiatives, these items represent “business as usual” costs which will be incurred irrespective of infection control practices required in response to coronavirus.
- We have **excluded** the costs of PPE specifically required because of coronavirus. These costs largely cover Type II and IIR facemasks and eye protection (and FFP3 facemasks, eye protection and gowns where aerosol generating procedures are undertaken). These items have been excluded because: either (a) governments in the four UK administrations currently have arrangements for supplying some or all of these items; or (b) the costs from wholesalers have been highly variable during the pandemic; or (c) the use of these items may change during 2021-22, subject to the effectiveness of coronavirus vaccination. While excluded from our calculations, these costs must still be recognised by the purchaser, where they are required (but not funded) by any of the four UK administrations.

- The costs of insurance have increased from an equivalent of 1.0% to 1.4% mark-up of the costs of sale. This is because the insurance market for homecare services has contracted, and providers renewing their policies have generally experienced increasing premiums since March 2020 and have faced additional exclusions of cover from public liability insurance. Note that this means that in addition to price increases for insurance cover, some providers are effectively self-insuring for potential claims in relation to coronavirus which they would normally expect to have been met from their public liability cover.

As a result of the changes above, the mark-up for the costs of running the business has increased from 35.1% to 37%. In the event that governments in the four UK administrations withdraw supply of COVID19-specific PPE while public health advice requires their use, these costs would need to be included in the hourly price paid for homecare.

We have reviewed a number of other assumptions with a selection of homecare providers. In line with changes made last year (version 7.0) we have also maintained the following assumptions:

- All careworkers receive at least the statutory National Living Wage. (Note that from April 2021, the National Living Wage will apply to workers who have reached their twenty-third birthday, rather than their twenty-fifth birthday).
- We have used data from the Office for National Statistics to calculate the costs of sick pay at 2.9% of gross pay, NI and pension contributions.

Other assumptions not mentioned above remain unchanged since version 7.0.

The costs of running a homecare business

UKHCA's Minimum Price for Homecare is aimed primarily at providers and commissioners of state-funded social care purchased by local councils and the NHS in England, Wales and Scotland and by the health and social care trusts in Northern Ireland. The price calculations therefore **exclude** additional costs for providing homecare services to private individuals.

The costs of running a care service are strongly influenced by the requirement on providers to meet legal obligations to ensure the safety and wellbeing of the people they support.

When undertaking cost of care exercises, we strongly caution local authority and NHS commissioners against under-estimating costs in a bid to reduce the total hourly price paid for care. A cost-saving approach which effectively 'salami-slices' the different elements of providers' operating costs is taking risks with the quality and safety of a regulated service. It also risks undermining the ability of providers to improve the working experience of careworkers, thereby further destabilising the workforce.

The operating costs which individual providers experience varies, but typical costs of a sustainable homecare service are summarised in the diagram, below.



Careworkers' costs

Gross pay at NLW, including travel time, on-costs & mileage

£15.19 / hour of care



Managers & supervisors

Organising services and ensuring quality meets requirements

£2.81 / hour of care



Staff recruitment

Employing quality staff to meet the demand for services

£0.23 / hour of care



Training & supervision

Ensuring staff are equipped to deliver safe and effective care

£0.41 / hour of care



IT & telephony

Having systems in place to manage, monitor and improve care

£0.41 / hour of care



Rent, rates & utilities

Having suitable premises from which to run the service

£0.29 / hour of care



Statutory registration

Paying regulatory fees for the service and the workforce

£0.20 / hour of care



Governance costs

Covering costs of finance, insurance and legal services

£0.54 / hour of care



Stationery & postage

Invoicing customers and completing payroll

£0.17 / hour of care



PPE & consumables

Gloves, aprons & consumables, *excluding* COVID19-specific PPE

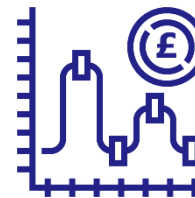
£0.33 / hour of care



Business overheads

Business travel, equipment hire, marketing & general costs

£0.23 / hour of care



Profit or surplus

Reinvested in the service and/or repaying investors

£0.62 / hour of care

Price increases offered by local authority and NHS commissioners

UKHCA's Minimum Price for 2021-2022 is £0.74 per hour (3.58%) higher than our equivalent rate of £20.69 per hour for 2020-2021.

When setting rates for 2021-2022, a number of commissioners, if they offer an increase at all, will attempt to offer either a rate equivalent to the increase in the National Living Wage, or an increase in line with the Consumer Price Index (CPI). Neither of these options comes close to covering the increased costs providers will experience from April 2021.

An award equal to the 19 pence increase in the National Living Wage rates between April 2021 and March 2022 fails to recognise the additional wage-related on-costs providers incur, including careworkers' travel time, employers' contributions to National Insurance and pensions, holiday pay, training time and sickness. Nor does it cover inflationary pressures on non-wage costs.

An award based solely on an inflationary index, such as CPI, does not reflect wage inflation experienced by employers. For example, CPI is a measure of how the prices of *goods and services bought by households* rise or fall. However, the costs of homecare is largely determined by: (a) wage levels and their resulting on-costs; (b) the costs of employing managers and supervisors, and (c) meeting other regulatory requirements.

Many councils and NHS commissioners are already paying well-below the true costs of care, so rate increases required this year will need to be considerably higher to avoid causing further damage to the state-funded homecare sector.

The calculations at different wage rates

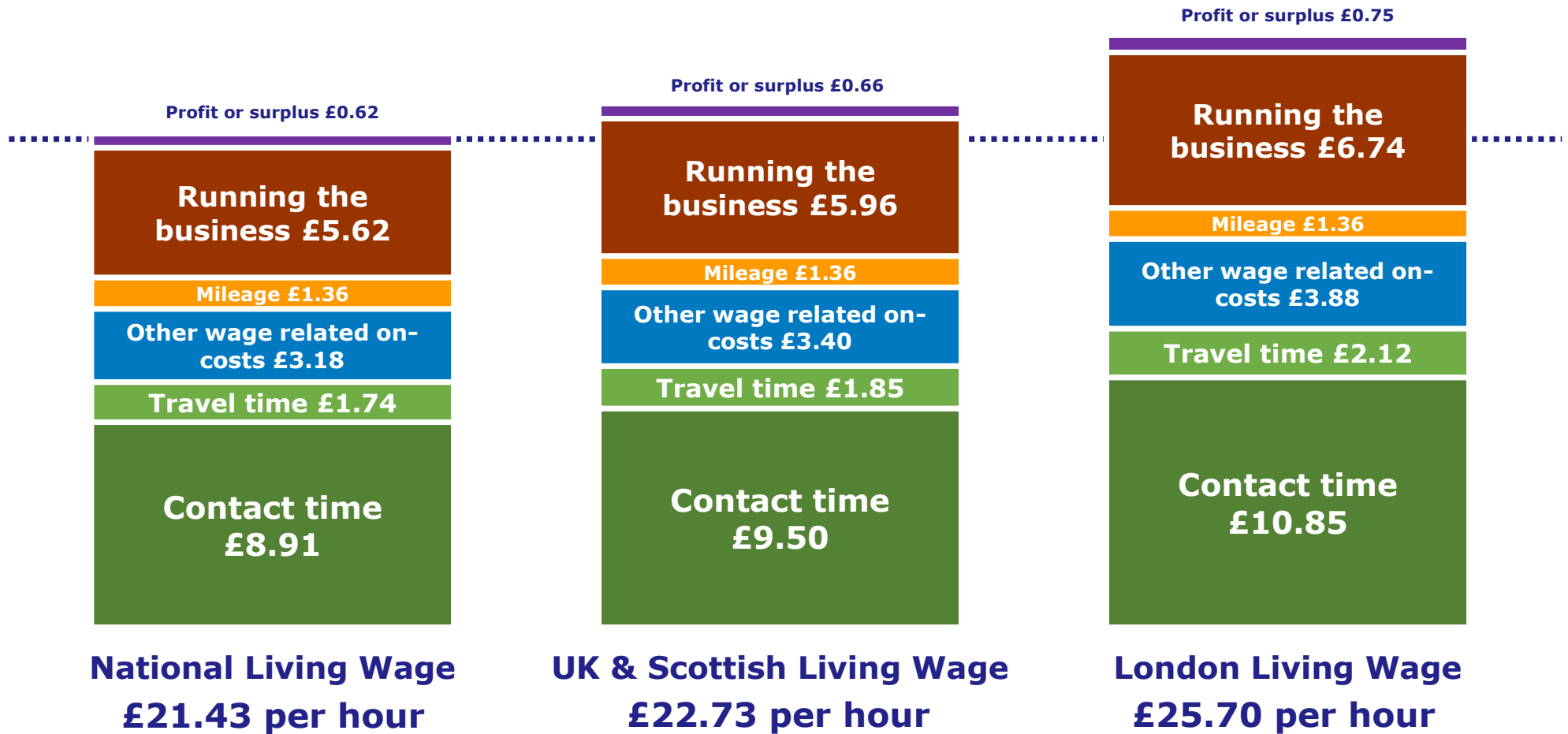
We use a consistent set of assumptions to calculate the minimum prices necessary for providers to pay four different wage rates, as follows:

- Statutory National Living Wage: £21.43 per hour
- Voluntary UK Living Wage: £22.73 per hour
- Voluntary Scottish Living Wage: £22.73 per hour
- Voluntary London Living Wage: £25.70 per hour

Please note the following:

- The statutory National Living Wage becomes effective at the start of April 2021.
- The rates of the voluntary UK, Scottish and London Living Wages were announced on 9 November 2020 and employers offering those rates are encouraged to implement them as soon as possible and within 6 months of the announcement.
- The prices above **exclude** the costs of COVID19-specific PPE, as described above.

A summary comparing these calculations is provided below, followed by the calculations in more detail.



Minimum price for homecare at National Living Wage (Apr 2021-Mar 2022)				Costs		
Careworker costs	Gross pay	Hourly rate for contact time	National Living Wage (April 2021- March 2022)	£8.91	£10.65	£15.19
		Careworkers' travel time	19.5% of contact time	£1.74		
	NI & pension	Employer's National Insurance	8.00% of gross pay	£0.85	£1.17	
		Pension contribution	3.00% of gross pay	£0.32		
	Other wage related on-costs	Holiday pay	12.07% of gross pay, NI & pension	£1.43	£2.01	
		Training time	1.73% of gross pay, NI & pension	£0.20		
		Sickness pay	2.90% of gross pay, NI & pension	£0.34		
		Notice & suspension pay	0.30% of gross pay, NI & pension	£0.04		
	Travel costs	Mileage reimbursement	£0.35 per mile 3.89 miles per hour of contact time	£1.36	£1.36	
	Gross margin	Business costs	Management & supervisors	18.50% of careworker costs	£2.81	
Staff recruitment			1.50% of careworker costs	£0.23		
Training and supervision			2.70% of careworker costs	£0.41		
Statutory registration fees			1.30% of careworker costs	£0.20		
Rent, rates and utilities			1.90% of careworker costs	£0.29		
IT & telephony			2.70% of careworker costs	£0.41		
PPE and consumables			2.20% of careworker costs	£0.33		
Stationery and postage			1.10% of careworker costs	£0.17		
Governance costs			3.60% of careworker costs	£0.54		
Other business overheads		1.50% of careworker costs	£0.23			
Profit	Profit / surplus	3.00% of careworker costs & business costs	£0.62	£0.62		
Total price based on the statutory National Living Wage for 2021-2022				£21.43	£21.43	£21.43

Minimum price for homecare at UK & Scottish Living Wages (Nov 2020-Oct 2021)				Costs		
Careworker costs	Gross pay	Hourly rate for contact time	UK & Scottish Living Wages (Nov 2020-Oct 2021)	£9.50	£11.35	£16.11
		Careworkers' travel time	19.5% of contact time	£1.85		
	NI & pension	Employer's National Insurance	8.00% of gross pay	£0.91	£1.25	
		Pension contribution	3.00% of gross pay	£0.34		
	Other wage related on-costs	Holiday pay	12.07% of gross pay, NI & pension	£1.52	£2.15	
		Training time	1.73% of gross pay, NI & pension	£0.22		
		Sickness pay	2.90% of gross pay, NI & pension	£0.37		
		Notice & suspension pay	0.30% of gross pay, NI & pension	£0.04		
	Travel costs	Mileage reimbursement	£0.35 per mile 3.89 miles per hour of contact time	£1.36	£1.36	
	Gross margin	Business costs	Management & supervisors	18.50% of careworker costs	£2.98	
Staff recruitment			1.50% of careworker costs	£0.24		
Training and supervision			3.00% of careworker costs	£0.43		
Statutory registration fees			1.30% of careworker costs	£0.21		
Rent, rates and utilities			1.90% of careworker costs	£0.31		
IT & telephony			2.70% of careworker costs	£0.44		
PPE and consumables			2.20% of careworker costs	£0.35		
Stationery and postage			1.10% of careworker costs	£0.18		
Governance costs			3.60% of careworker costs	£0.58		
Other business overheads		1.50% of careworker costs	£0.24			
Profit	Profit / surplus	3.00% of careworker costs & business costs	£0.66	£0.66		
Total price based on the UK and Scottish Living Wages for 2020-2021				£22.73	£22.73	£22.73

Minimum price for homecare at London Living Wage (Nov 2020-Oct 2021)				Costs		
Careworker costs	Gross pay	Hourly rate for contact time	London Living Wage (2020-21)	£10.85	£12.97	£18.21
		Careworkers' travel time	19.5% of contact time	£2.12		
	NI & pension	Employer's National Insurance	8.00% of gross pay	£1.04	£1.43	
		Pension contribution	3.00% of gross pay	£0.39		
	Other wage related on-costs	Holiday pay	12.07% of gross pay, NI & pension	£1.74	£2.45	
		Training time	1.73% of gross pay, NI & pension	£0.25		
		Sickness pay	2.90% of gross pay, NI & pension	£0.42		
		Notice & suspension pay	0.30% of gross pay, NI & pension	£0.04		
	Travel costs	Mileage reimbursement	£0.35 per mile 3.89 miles per hour of contact time	£1.36	£1.36	
	Gross margin	Business costs	Management & supervisors	18.50% of careworker costs	£3.37	
Staff recruitment			1.50% of careworker costs	£0.27		
Training and supervision			3.00% of careworker costs	£0.49		
Statutory registration fees			1.30% of careworker costs	£0.24		
Rent, rates and utilities			2.70% of careworker costs	£0.35		
IT & telephony			3.60% of careworker costs	£0.50		
PPE and consumables			2.20% of careworker costs	£0.40		
Stationery and postage			1.10% of careworker costs	£0.20		
Governance costs			3.60% of careworker costs	£0.65		
Other business overheads		1.50% of careworker costs	£0.27			
Profit	Profit / surplus	3.00% of careworker costs & business costs	£0.75	£0.75		
Total price based on the London Living Wage for 2020-2021				£25.70	£25.70	£25.70

How we make the assumptions used in our calculations

We use a range of data to inform the assumptions used in our calculations and we keep them regularly under review. We generally adopt conservative assumptions, consistent with the calculation of a **minimum price**:

- Where cost assumptions are determined by legislation, we adopt them. For example, the rate of the statutory National Living Wage, employers' national insurance and pension contributions and statutory holiday entitlement.
- Where suitable data is available from the public domain, we use it. We employ our professional judgement to determine which dataset most accurately represents the circumstances of homecare providers, for example, we select sickness and absence levels from a range of data published by the Office of National Statistics.
- Where no publicly available data are available, we consult knowledgeable parties who we believe have reliable datasets which they are willing to share in an anonymised format. For example, our assumptions for careworkers' average travel time and mileage are informed by data from a significant provider of electronic call monitoring data; The indicative costs of personal protective equipment (PPE) are based on information from two substantial suppliers to the homecare sector.
- We use our professional judgement, informed by selected UKHCA member organisations, to apportion the indicative costs of running the business between different cost headings. We use the same judgement to inform our assumption for providers' net profit or surplus expectations for delivering state-funded homecare.

We also note that there are other factors which will affect rates needed at a local level, for example the additional costs of workforce training because of registration of the homecare workforce in Wales. Additional cost pressures which are specific to an individual UK administration, or to a regional or local area, are **excluded** in the calculations.

Why understanding the costs of homecare is important

Announcing the publication of UKHCA's Minimum Price for Homecare for 2021-2022, UKHCA's Policy Director, Colin Angel, said:

"Councils and the NHS must recognise the true costs of homecare. Paying providers fees which in some cases barely cover the costs of the wage-bill continues to destabilise an already fragile state-funded market.

"Persistently underestimating providers' business costs is taking a risk with the quality of services, the experience of the workforce, and providers' ability to comply with the legal requirements placed on them."

Some final notes:

- UKHCA's Minimum Price for Homecare assumes that homecare providers receive payments from their commissioning bodies based solely by reference to "contact time" (the time spent delivering care), excluding careworkers' travel time which must also be factored into providers' costs, and which forms part of the assessment of compliance with the National Minimum Wage Regulations.
- Careworkers undertake extremely varied and valuable roles in society. Under no circumstances should UKHCA's Minimum Price for Homecare, calculated at the flat rate of National Living Wage without enhancements for unsocial hours working, be treated as a national acceptable price capable of achieving a stable workforce.
- There is a difference between a "**minimum price**" - which covers basic legal requirements - and a "**fair price**" - which recognises the value of homecare services to society and provides a fair reward for our essential workforce.

- At the time of writing, the governments in the four UK nations had not confirmed the arrangements (if any) to provide (or otherwise cover the costs of) personal protective equipment (PPE) required specifically in response to the coronavirus pandemic during 2021-2022. These costs have been **excluded** from our calculations on the assumption that they will be covered in each UK administration during 2021-2022. However, if this is not the case, the prices which providers need should be adjusted accordingly.
- UKHCA will continue to challenge central government on the overall funding of social care. However, it is local authorities and the NHS which are responsible for determining the prices they pay for homecare services at a local level.

We encourage homecare providers to share this briefing with the directors of adult services (and their equivalents) in the authorities and NHS commissioning bodies to which they provide services.

This information is available on [the UKHCA blog](#) and as a [PDF version on the UKHCA website](#). The latest version of UKHCA's Minimum Price for Homecare is always available from this link:

www.ukhca.co.uk/minimumprice.

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