

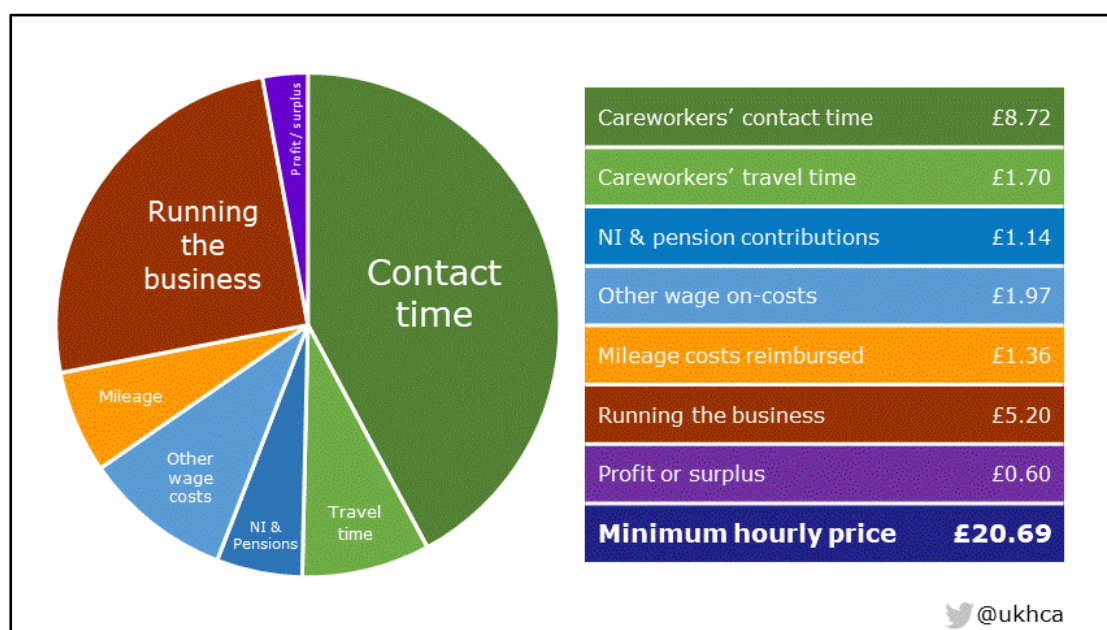
UKHCA's Minimum Price for Homecare for April 2020-March 2021

Today (20 January 2020) UKHCA announces its new calculation for the Minimum Price for Homecare of £20.69 per hour, effective from 1 April 2020, when the UK's statutory National Minimum Wage and National Living Wage will increase.

UKHCA's Minimum Price covers the minimum legally compliant pay rate for careworkers (excluding 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 at a financially sustainable level.

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.

The breakdown of the costs included in the new minimum £20.69 hourly rate are shown in the following chart:



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. This is because our rate is calculated on the minimum legal pay rate, which is unlikely to

enable employers to recruit sufficient careworkers from their local labour market.

Changes this year

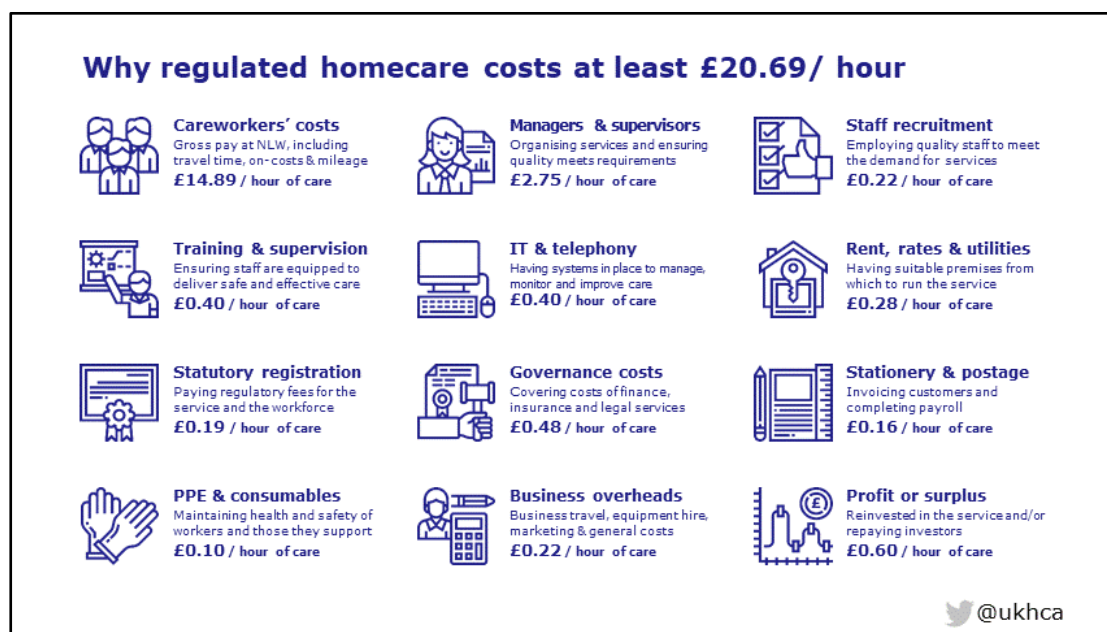
UKHCA regularly reviews the assumptions used to create our Minimum Price. For the rate which applies between April 2020 and March 2021 we have made the following changes to our calculations from the previous year:

- Calculated the price based on [the new rate of the National Living Wage](#), which increases by 6.2% on 1 April 2020.
- Assumed that all careworkers, including 11% of the workforce under 25 years of age, receive at least the statutory National Living Wage.
- Used data from the Office for National Statistics to amend our assumption for sick pay, increasing it from 0.5% to 2.9% of gross pay, NI and pension contributions.
- Increased the mark-up for the costs of running the service from 33.8% to 35.1%, recognising the increasing costs of regulation of provider organisations and/or registration of the workforce (as the case may be) in each of the UK nations.

We have also reassessed our assumptions for the costs of running the business and reorganised the way they are shown. This helps explain how the costs of the care agency itself are likely to be distributed between different activities that providers are required to undertake.

The costs of running a homecare business

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



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 calculation of UKHCA's Minimum Price for the National Living Wage

The full calculation of UKHCA's Minimum Price for Homecare at the National Living Wage level for 2020-2021 is summarised in the following table:

Minimum price for homecare at the statutory National Living Wage (April 2020-March 2021)				Costs		
Careworker costs	Gross pay	Hourly rate for contact time	National Living Wage (April 2020-March 2021)	£8.72	£10.42	£14.89
		Careworkers' travel time	19.5% of contact time	£1.70		
	NI & pension	Employer's National Insurance	8.00% of gross pay	£0.83	£1.14	
		Pension contribution	3.00% of gross pay	£0.31		
	Other wage related on-costs	Holiday pay	12.07% of gross pay, NI & pension	£1.40	£1.97	
		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	£0.03		
	Travel costs	Mileage reimbursement	£0.35 per mile 3.89 miles per hour of contact time	£1.36	£1.36	
		Business costs	Management & supervisors	18.50% of careworker costs	£2.75	
Staff recruitment	1.50% of careworker costs		£0.22			
Training and supervision	2.70% of careworker costs		£0.40			
Statutory registration fees	1.30% of careworker costs		£0.19			
Rent, rates and utilities	1.90% of careworker costs		£0.28			
IT & telephony	2.70% of careworker costs		£0.40			
PPE and consumables	0.70% of careworker costs		£0.10			
Stationery and postage	1.10% of careworker costs		£0.16			
Governance costs	3.20% of careworker costs		£0.48			
Other business overheads	1.50% of careworker costs		£0.22			
Profit	Profit/ surplus		3.00% of careworker costs & business costs	£0.60	£0.60	
Total price				£20.69	£20.69	£20.69

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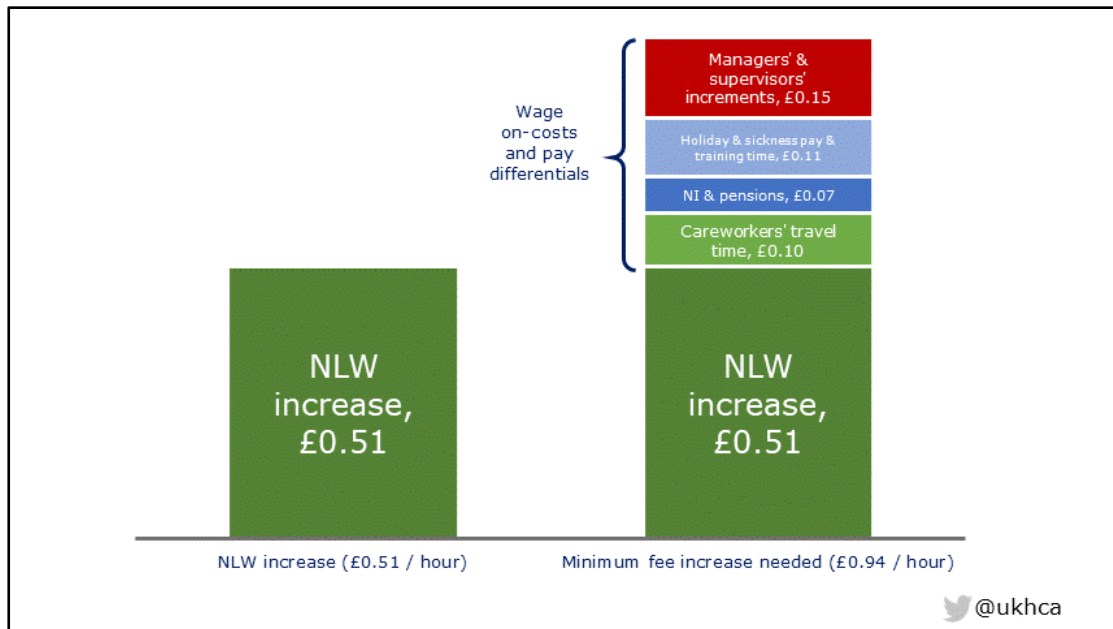
Information for commissioning organisations

When setting rates for 2020-2021, 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 2020:

- An award equal to the 51 pence increase in the National Living Wage 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. Using our current methodology, a 51 pence increase in NLW adds at least 79 pence per hour to employers' wage bill in 2020, and a further 15 pence per hour to maintain the pay differentials for managers and supervisors.
- 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. CPI was 1.5% in November and 1.3% in December 2019, while the National Living Wage will increase by 6.2% in April 2020.

- 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 following chart summaries the additional cost pressures arising from a 51 pence increase in the National Living Wage from April 2020.



The UK, Scottish and London Living Wages


We also calculate the equivalent rates needed to meet the non-statutory UK and Scottish Living Wages and the London Living Wage.

The prices needed to cover these higher pay rates, including careworkers' travel time and higher costs of office-based staff are:

- UK Living Wage: £21.99 per hour
- Scottish Living Wage: £21.99 per hour
- London Living Wage: £25.11 per hour


The minimum price of homecare necessary to meet the non-statutory UK Living Wage (applicable outside Greater London) and the Scottish Living Wage is provided below:

Minimum Price for homecare at the non-statutory UK and Scottish Living Wages (Nov 2019-Oct 2020)				Costs			
Careworker costs	Gross pay	Hourly rate for contact time	UK and Scottish Living Wages (Nov 2019-Oct 2020)	£9.30	£11.11	£15.79	
		Careworkers' travel time	19.5% of contact time	£1.81			
	NI & pension	Employer's National Insurance	8.00% of gross pay	£0.89	£1.22		
		Pension contribution	3.00% of gross pay	£0.33			
	Other wage related on-costs	Holiday pay	12.07% of gross pay, NI & pension	£1.49	£2.10		
		Training time	1.73% of gross pay, NI & pension	£0.21			
		Sickness pay	2.90% of gross pay, NI & pension	£0.36			
		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	12.00% of careworker costs	£2.92	£5.56	£6.20	
		Staff recruitment	2.25% of careworker costs	£0.24			
		Training and supervision	3.00% of careworker costs	£0.43			
		Statutory registration fees	1.25% of careworker costs	£0.21			
		Rent, rates and utilities	1.25% of careworker costs	£0.30			
		IT & telephony	3.60% of careworker costs	£0.43			
		PPE and consumables	1.45% of careworker costs	£0.11			
		Stationery and postage	2.00% of careworker costs	£0.17			
		Governance costs	3.55% of careworker costs	£0.51			
		Other business overheads	4.40% of careworker costs	£0.24			
Profit	Profit / surplus	3.00% of careworker costs & business costs		£0.64	£0.64		
Total price				£21.99	£21.99	£21.99	

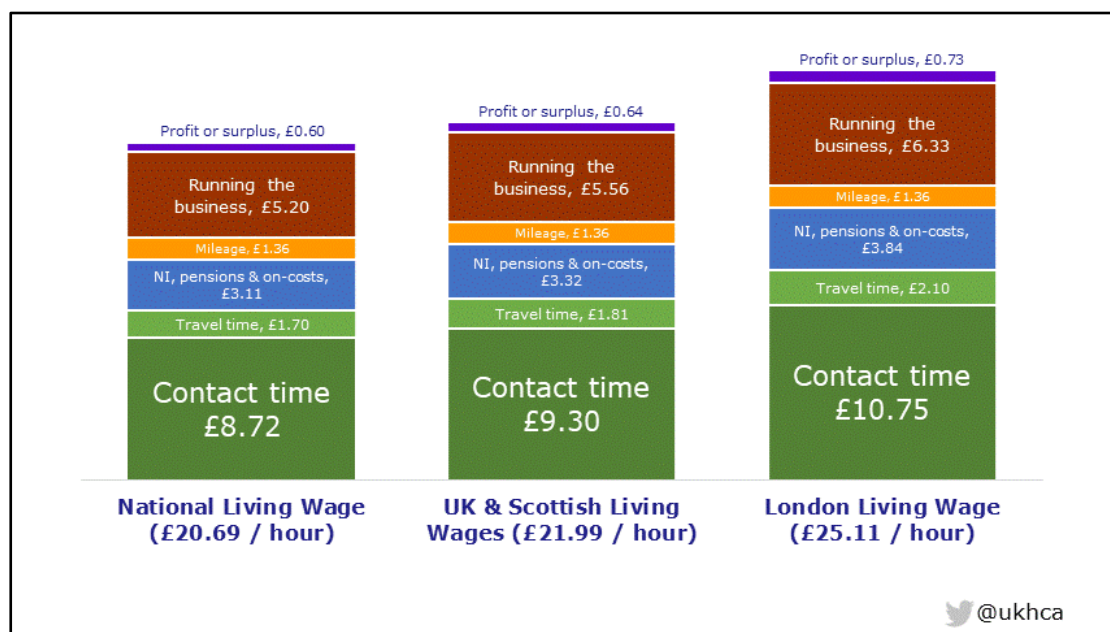
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The equivalent calculation for the non-statutory London Living Wage, endorsed by some commissioning bodies in Greater London, is summarised below:

Minimum price for homecare at the non-statutory London Living Wage (Nov 2019-Oct 2020)				Costs			
Careworker costs	Gross pay	Hourly rate for contact time	London Living Wage (Nov 2019-Oct 2020)	£10.75	£12.85	£18.05	
		Careworkers' travel time	19.5% of contact time	£2.10			
	NI & pension	Employer's National Insurance	8.00% of gross pay	£1.03	£1.42		
		Pension contribution	3.00% of gross pay	£0.39			
	Other wage related on-costs	Holiday pay	12.07% of gross pay, NI & pension	£1.72	£2.42		
		Training time	1.73% of gross pay, NI & pension	£0.25			
		Sickness pay	2.90% of gross pay, NI & pension	£0.41			
		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	12.00% of careworker costs	£3.34	£6.33	£7.06	
		Staff recruitment	2.25% of careworker costs	£0.27			
		Training and supervision	3.00% of careworker costs	£0.49			
		Statutory registration fees	1.25% of careworker costs	£0.23			
		Rent, rates and utilities	1.25% of careworker costs	£0.34			
		IT & telephony	3.60% of careworker costs	£0.48			
		PPE and consumables	1.45% of careworker costs	£0.13			
		Stationery and postage	2.00% of careworker costs	£0.20			
		Governance costs	3.55% of careworker costs	£0.58			
		Other business overheads	4.40% of careworker costs	£0.27			
Profit	Profit / surplus	3.00% of careworker costs & business costs		£0.73	£0.73		
Total price				£25.11	£25.11	£25.11	

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A comparison of the costs of the statutory and non-statutory Living Wage rates are shown in the following chart:



Why understanding the costs of homecare matters

Announcing the publication of UKHCA's Minimum Price for Homecare for 2020-21, 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 be factored into providers' costs.
- 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.
- 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.

Please note: The information in this e-mail is available on the [UKHCA blog](#). [This summary is also available as a PDF document](#) on the UKHCA website, awaiting the finalised version of UKHCA’s more detailed briefing document.

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