

Cyflwynwyd yr ymateb i ymgynghoriad y [Pwyllgor Cyllid](#) ar [Cyllideb Ddrafft Llywodraeth Cymru 2025-26](#).

This response was submitted to the [Finance Committee](#) consultation on the [Welsh Government Draft Budget 2025-26](#).

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Homecare Association





Homecare Association

Submission to the Senedd Finance Committee: Welsh Government Draft Budget
2025/26

Submitted 29/11/2024

The Homecare Association is a national membership body for homecare providers, with over 2,200 members across the UK. 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. Our members encompass the diversity of providers in the market: from small to large; predominantly state-funded to predominantly private-pay funded; generalist to specialist; live-in services to visiting services and from start-ups to mature businesses.

1. What, in your opinion, has been the impact of the Welsh Government's 2024-2025 Budget?

One of the key pledges in the Welsh government's 'Programme for Government' is to pay social care workers in Wales, the Real Living Wage¹. The government has since maintained that allocated funding to Local Authorities in 2024/25 has been sufficient to cover this commitment and the necessary uplift in the Real Living Wage for careworkers. However, homecare providers have not received the funding required from local authorities to cover the costs of paying the Real Living Wage to their careworkers.

This is against a backdrop of the adult social care sector being under significant financial pressure and operating in a huge financial deficit. You will be aware that social care providers are already facing significant financial pressures, with costs having increased over the last few years due to higher energy bills, insurance and staffing costs. Overseas recruitment and changes to employment rights will also add to these costs. Many commissioned services are already operating at a deficit, due to the insufficient funding being passed on to cover the Real Living Wage increase this year. Our recent research shows that fee rates for state-funded homecare across

¹ [Administering the Real Living Wage for social care workers | GOV.WALES](#)

Wales remain dangerously low, failing to keep up with rising wages and costs, and putting the sector's stability at risk.

Every year, we produce a Minimum Price for Homecare, 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.

In the following table, we illustrate how, even at real living wage, care providers would need £30.58 per hour in 2024/25 to cover their delivery costs.

Minimum Price for Homecare in Wales at the Real Living Wage (announced in October 2023)					Costs		
Careworker costs	Gross pay	Hourly rate for contact time	Real Living Wage		£12.00	£14.47	£21.66
		Careworkers' travel time	20.56%	of hourly rate for contact time	£2.47		
	NI & pension	Employers' National Insurance	6.72%	of gross pay	£0.97	£1.41	
		Pension contribution	3.00%	of gross pay	£0.43		
	Other wage related on-costs	Holiday pay	12.07%	of gross pay, NI & pension	£1.92	£3.90	
		Training time	8.07%	of gross pay, NI & pension	£1.28		
		Sickness pay	4.20%	of gross pay, NI & pension	£0.67		
		Notice & suspension pay	0.20%	of gross pay, NI & pension	£0.03		
Mileage	Travel reimbursement	£0.45 per mile for 4.20 miles per hour of contact time		£1.89	£1.89		
Gross margin	Business costs	Management & supervisors	Estimated fixed cost		£2.57	£7.46	£8.92
		Back-office staff	Estimated fixed cost		£0.94		
		Staff recruitment	Estimated fixed cost		£0.37		
		Training costs	Estimated fixed cost		£0.42		
		Regulatory fees	Estimated fixed cost		£0.03		
		Rent, rates and utilities	Estimated fixed cost		£0.49		
		IT & telephony	Estimated fixed cost		£0.60		
		PPE and consumables	Estimated fixed cost		£0.72		
		Finance, legal & professional	Estimated fixed cost		£0.43		
		Insurance	Estimated fixed cost		£0.34		
	Other business overheads	Estimated fixed cost		£0.54			
Profit	Profit/surplus/investment	5.00%	of careworker costs & business costs	£1.46	£1.46		
Total price based on the Real Living Wage (announced in October 2023)					£30.58	£30.58	£30.58

This means in Wales, homecare providers on average would have **needed an uplift of 26%** to meet all necessary costs and match rising cost pressures. They have not received this. If commissioners had paid providers enough in 2023/24, they would still have needed **an uplift of 7%** in 2024/25 to keep pace with rising cost pressures.

As it stands, in 2023/24, our research showed the average hourly fee paid by local authorities in Wales was £24.20. Only 7% of public sector organisations were paying the Minimum Price². We estimated that there was a funding shortfall of £65.3 million to meet the real delivery costs in the homecare sector in Wales whilst paying careworkers the Real Living Wage³.

² [The Homecare Deficit 2023](#) p.15

³ [The Homecare Deficit 2023](#) p.44

While we have not undertaken research into 2024/25 fee rates, we believe they remain inadequate. We are only aware of one local authority having proposed rates which met our Minimum Price. We have received reports of at least 6 public sector commissioning bodies in Wales uplifting fee rates less than 7%.

Several commissioners have reportedly paid at least some of their homecare providers rates for services in the £21-£25 per contact hour range for 2024/25. Even with this, it remains inadequate to enable care providers to fund the Real Living Wage.

2. How financially prepared is your organisation for the 2025-26 financial year, how will inflation impact on your ability to deliver planned objectives, and how robust is your ability to plan for future years?

With recent Budget announcements from the UK government, the sector has very serious concerns about the financial sustainability of their services. Further increases to the Real Living Wage and National Insurance costs in 2025/26 have the potential to push these critical social care providers over the edge, with many facing increases of tens of thousands of pounds. Our calculations show an increase in direct staff costs of 9-10% before we consider inflation in other running costs. This poses a huge risk not only to the sector but also to the ability of local government and the NHS to deliver their statutory duties. Most importantly, this could devastate people who rely on social care services to live fulfilled lives.

A handful of social care providers in Wales have shared the following figures and give an indication of the scale of the additional costs resulting from the changes to employer NI contributions: Estimated cost of NI changes. We have recently shared these with you in a letter from ourselves, Care Forum Wales, Cymorth Cymru and Community Housing Cymru

Estimated cost of RLW increase

Third sector provider	£875,000	£1,174,000
Private provider	£520,000	£700,000
Housing association provider	£660,000	£680,000
Third sector provider	£590,000	£780,000

Despite the UK Government's claim that the additional tax revenue will provide additional funding for public services, the increase in employer NI contributions has the potential to do the opposite. While we hope the UK Government listens to the representations made by the social care sector, and takes a decision to exempt

commissioned social care services alongside the public sector, we ask for your assurances that the Welsh Government will step in, if this does not materialise.

Unlike other sectors of the economy, homecare services cannot raise their fees to manage this significant increase. This is because the public sector pays for most homecare in Wales, approximately 80%. People purchase around 20% of homecare privately⁴.

We remain extremely concerned that providers will have to reduce their services or close their businesses altogether. Providers across the UK are telling us that this is the sort of action they will need to take in the next six months. Our recent research with the Care Provider Alliance⁵ shows without immediate government intervention:

- 73% of providers will have to refuse new care packages from local authorities or the NHS.
- 57% of providers will hand back existing contracts to local authorities or the NHS.
- 77% of providers will have to draw on reserves.
- 64% of providers will have to make staff redundant.

When services reduce or close, the impact is significant. There will be more pressure on unpaid carers and loved ones, more admissions to hospital, longer wait times for discharge from hospital and increasing unmet need.

Funding for the National Insurance Contributions must come from the Welsh Government, therefore. Given issues this year, we recommend that this is ring-fenced to ensure that it reaches providers.

In particular, we urge the government to:

- Provide additional funding in the Welsh Government's budget for 2025/26 to cover the additional National Insurance and Real Living Wage costs facing commissioned social care services across Wales.
- Ensure that this funding is clearly ring-fenced to provide clarity and assurance for both commissioners and providers that enough funding has been provided to cover these costs.
- Work with local government, the NHS and provider representative groups to ensure that the required funding reaches providers at the start of the financial year.

⁴ [The-Economic-Value-of-the-Adult-Social-Care-Sector_Wales.pdf](#)

⁵ <https://www.homecareassociation.org.uk/resource/care-provider-alliance-call-to-address-the-devastating-impact-of-the-budget.html>

The not-for-profit and private social care sector is absolutely critical to the delivery of social care services in Wales, providing a huge proportion of domiciliary care, supported living and residential care services

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