

## **FAIR PAY POLICY**

**Modelling the impact of Fair Pay policies on the costs of adult social care in England**

**FINAL REPORT**

**November 2025**

**Commissioned from LaingBuisson by the  
County Councils Network**

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## EXECUTIVE SUMMARY

### Background

LaingBuisson has modelled the future cost of the government's Fair Pay policy using the most reliable available data from four segments of the adult social care sector:

- Care homes for older people
- Care homes for younger adults
- Homecare (excluding NHS-funded 'complex care', which is generally nurse led)
- Supported living

Together, these sectors account for the bulk (£18,890 million) of total gross current expenditure (£23,554 million) on adult specialist care by English councils with adult social services responsibilities (CASSRs), according to the Adult Social Care Finance Report 2024-25, published by NHS Digital at the end of October.

In the absence of usable pay data on two of the remaining expenditure sectors: 'Community: Other Long term care' (£1,217 million) and 'Community: Direct Payments (£1,217 million), we have applied a pro rata multiplying factor of 1.194 to the Care home / Homecare / Supported Living subtotal to arrive at an estimated total Fair Pay cost over all CASSR adult social care gross expenditure. It is assumed that there is a negligible pay element in the one remaining CASSR cost line, Supported Accommodation (£1,000 million).

### Projected Fair Pay policy costs for English CASSRs

We have calculated the cost of the Fair Pay policy at a range of percentage pay increases, set out in Table 1 and illustrated in Figure 1. The companion workbook allows users to interactively edit the percentages and visualise the resulting changes in cost.

We have assumed that the Fair Pay policy will be implemented in financial year 2027/28. This can also be interactively edited in the companion spreadsheet.

Another important set of assumptions relates to National Living Wage.

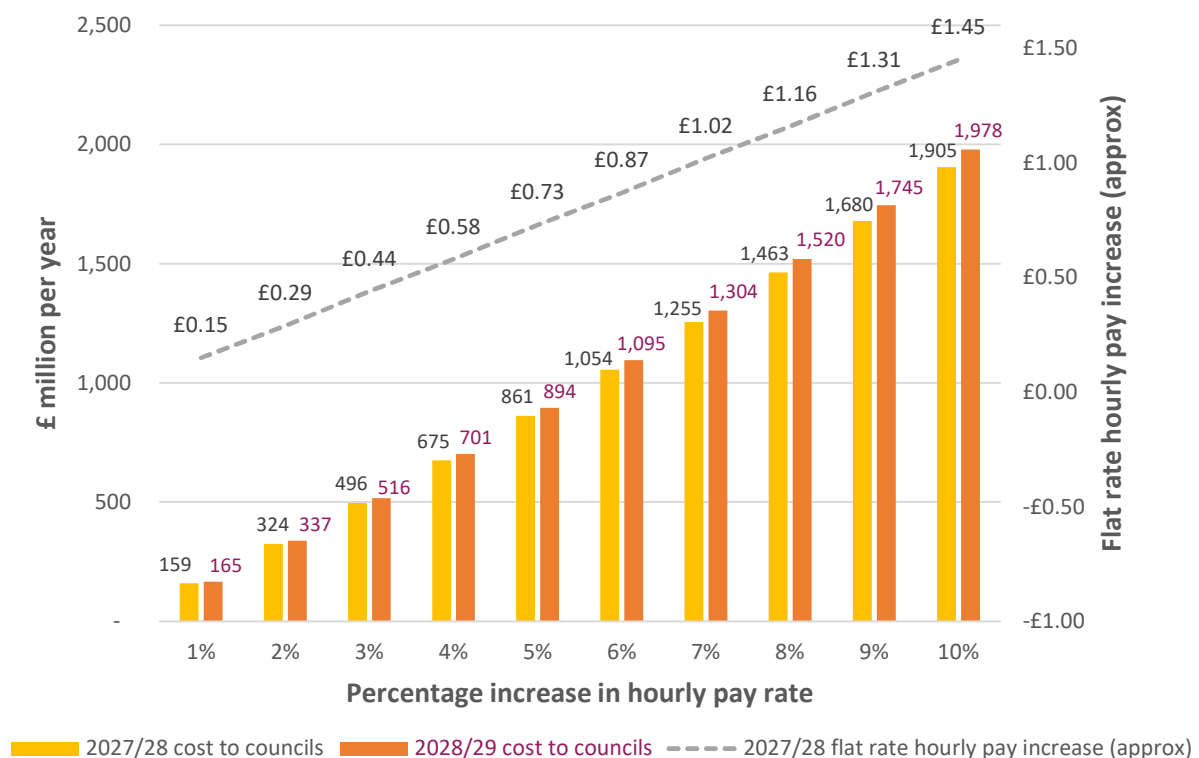
- NLW is assumed to rise by 4.1% in 2026/27, following the Low Pay Commission recommendation, followed by 4.0% increases in NLW over the following 2 years (these assumptions too can be interactively edited in the companion spreadsheet).
- Average pay rates for low paid staff in social care will continue to track NLW, with pay compression just above the NLW rate.

**LaingBuisson analysis concludes that the mooted £500 million contribution from the government would finance an increase of about 3% in pay for low-paid social care staff employed in delivering adult social care services funded by local authorities.**

**Table 1 Projected Fair Pay costs to English CASSRs - All long-term adult social care, £m**

Percentage pay increase (cumulative)	2027/28 cost to councils (£m)	2028/29 cost to councils (£m)	2027/28 flat rate hourly pay increase (approx.)
1%	159	165	£0.15
2%	324	337	£0.29
<b>3%</b>	<b>496</b>	<b>516</b>	<b>£0.44</b>
4%	675	701	£0.58
5%	861	894	£0.73
6%	1,054	1,095	£0.87
7%	1,255	1,304	£1.02
8%	1,463	1,520	£1.16
9%	1,680	1,745	£1.31
10%	1,905	1,978	£1.45

**Figure 1 Projected Fair Pay costs to English CASSRs - All long-term adult social care**



**Projected Fair Pay policy costs for all funding source (CASSRs, NHS, and private pay) in England**

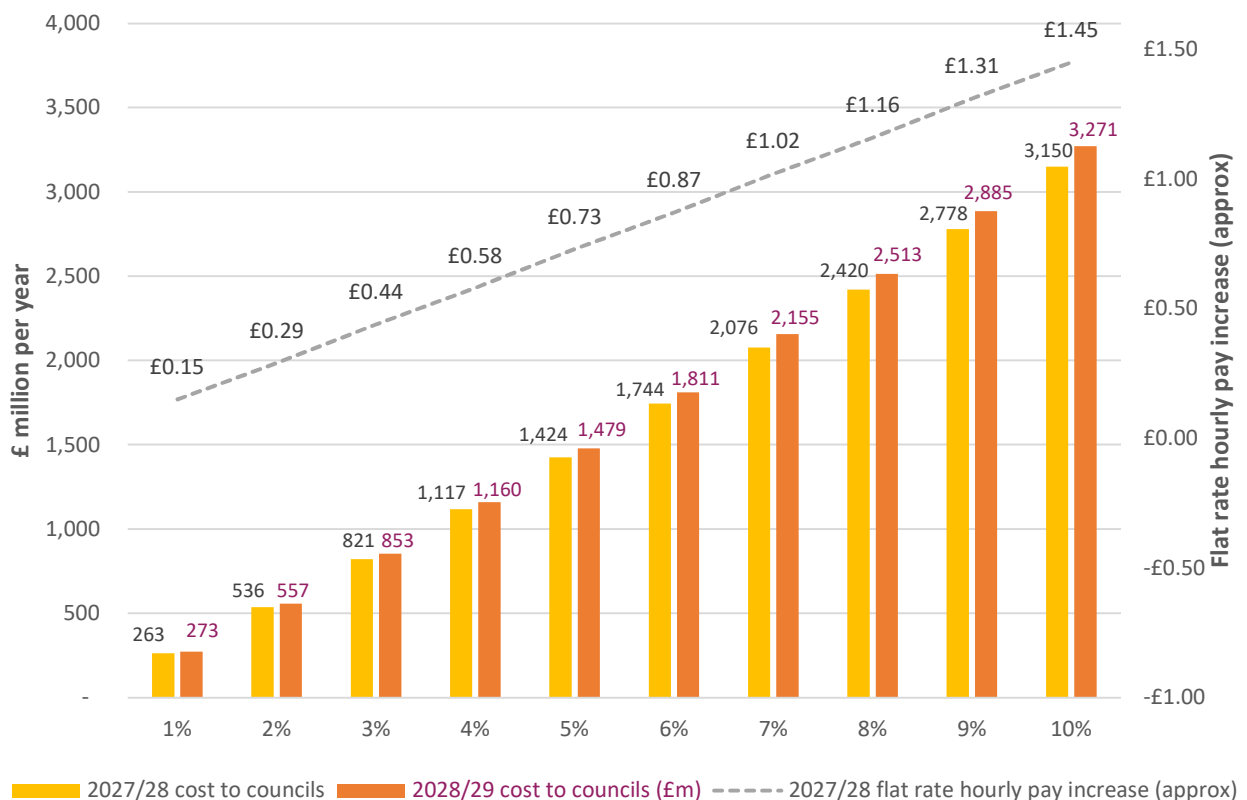
We have also calculated the Fair Pay policy cost to all funding sources, including the NHS and private payers, Table 2 and Figure 2.

LaingBuisson analysis concludes that the cost of the Fair Pay policy to all funding sources is estimated at 65% higher than CASSR only costs.

Table 2 Projected Fair Pay costs to all English funding sources - All long-term adult social care, £m

Percentage pay increase (cumulative)	2027/28 cost to all funding sources (£m)	2028/29 cost to all funding sources (£m)	2027/28 flat rate hourly pay increase (approx.)
1%	263	273	£0.15
2%	536	557	£0.29
<b>3%</b>	<b>821</b>	<b>853</b>	<b>£0.44</b>
4%	1,117	1,160	£0.58
5%	1,424	1,479	£0.73
6%	1,744	1,811	£0.87
7%	2,076	2,155	£1.02
8%	2,420	2,513	£1.16
9%	2,778	2,885	£1.31
10%	3,150	3,271	£1.45

Figure 2 Projected Fair Pay costs to all English funding sources - All long-term adult social care



**Distribution of projected Fair Pay policy costs for CASSRs between regions and types of council**

Whatever Fair Pay premium rate is selected, the model returns the same proportionate distribution of cost between a) regions of England and b) types of local authority – as set out in Table 3.

**LaingBuisson analysis concludes that the local authorities that are County Council Network members are responsible for nearly 50% of the total cost of projected Fair Pay policy costs. At a 3% increase, this would equate to £237 million out of a £496 million total cost.**

**Table 3 Breakdown of Fair Pay policy costs by region and authority type**

Region	%	Authority Type	%
North East	5.7%	County Council Network	47.6%
North West	13.5%	Metropolitan Authorities	19.5%
Yorkshire and The Humber	10.3%	Inner London	4.8%
East Midlands	8.3%	Outer London	8.4%
West Midlands	11.6%	Other Unitary Authorities	19.6%
East of England	10.6%		
London	13.2%		
South East	16.0%		
South West	10.6%		
<b>England</b>	<b>100%</b>	<b>England</b>	<b>100%</b>

## KEY FINDINGS

- If the government committed a £500 million contribution towards meeting increased pay costs, this would finance an increase of about 3% in pay for low-paid social care staff employed in delivering adult social care services funded by local authorities.
- A £500 million contribution would broadly finance an increase of £0.44 per hour for low paid workers
- In order to finance a 5% pay uplift (£0.73 per hour), this would lead to a cost impact on local authorities of £861 million in 2027/28 and increasing to £894 million in 2028/29

The above figures relate purely to social care costs associated with English CASSRs. However, if the costs were modelled to consider all funding sources (including NHS and private pay), the overall cost impact would be:

- A proposed 3% pay uplift would lead to a cost impact of £821 million (2027/28) and £853 million (2028/29)
- A proposed 5% pay uplift would lead to a cost impact of £1,424 million (2027/28) and £1,479 million (2028/29)
- The overall cost impact of the Fair Pay policy across all funding sources is estimated at 65% higher than CASSR only costs.

The social care market can be understood through different care segments. It is possible to model separate cost impacts across these segments. For English CASSRs, a 3% fair pay uplift, would mean that the:

- Care homes for older people segment would incur costs of £156 million (2027/28) and £162 million (2028/29)
- Care homes for younger adults segment would incur costs of £63 million (2027/28) and £65 million (2028/29)
- Homecare (all-ages) (excluding NHS-paid, nurse-led complex care) would incur costs of £100 million (2027/28) and £104 million (2028/29)
- Supported living (all-ages) would incur costs of £97 million (2027/28) and £101 million (2028/29)

The impact of the cost is distributed across local authorities. The size and demographic make-up of County Council Members means that they are estimated to be responsible for 47.6% of the total cost impact of any policy change. This would mean that in 2027/28 a:

- 3% pay increase would cost £237 million across all members
- 5% pay increase would cost £410 million across all members

## 1. INTRODUCTION AND SCOPE

In October 2025 the County Council Network asked LaingBuisson to advise on the potential financial impact of prospective Fair Pay agreements on the adult social care sector, with reference to English councils with adult social service responsibilities (CASSRs), and with a specific focus on members of the County Council Network.

The work is divided into three Workstreams. This report covers Workstream 2 – modelling the financial impact of Fair Pay policies.

We have modelled prospective Fair Pay policy costs for four segments of the adult social care:

- Care homes for older people
- Care homes for younger adults
- Homecare (excluding NHS-funded 'complex care', which is generally nurse led)
- Supported living

and extrapolated the results to all adult social care services, for both CASSRs only and for all funding sources.

## 2. METHODOLOGY

We have used the most reliable data sources for each of the principal sectors of adult social care:

- Care homes for older people
- Care homes for younger adults
- Homecare (excluding NHS-funded 'complex care', which is generally nurse led)
- Supported living

For each sector (and for the all-sector totals) we have analysed prospective Fair Pay costs by:

- Region (9 regions of England)  
and
- Type of local authority:
  - CCN counties and unitaries, including Leicestershire
  - Metropolitan authorities
  - Inner London authorities
  - Outer London authorities
  - Other unitary authorities

Detailed results are presented in the Appendix to this report and in the accompanying workbook.

Data sources differ, and this means that the detailed methodology varies from one sector to another, as summarised in the sections which follow.

The structure of each of the Tabs in the underlying workbook is the same throughout, however, in the sense that costs are built up to England totals by aggregating the calculated costs for each CASSR.

When looking at results for individual CASSRs in the workbook, readers should be aware of a 'health warning' that negative figures may appear. This is due to the effect of 'exports' and 'imports' of service users. For example, a local authority which commissions a large number of care home placements but which has low provider capacity within its own boundaries may return negative Fair Pay policy costs for NHS and private payors. Individual CASSR results are, therefore, themselves unreliable, particularly for geographically small authorities.

The export/import errors even out at larger scale, and the regional and authority type aggregates can be regarded as reliable.

## 2.1 Methodology relating to care homes for older people (65+)

Calculations of the prospective cost of the Fair Pay policy make use of LaingBuisson’s long-established Care Cost Benchmarks (CCB) product, which builds up the full, sustainable cost of care from staffing and other benchmarks derived from provider survey returns.

Data points, as set out in the accompanying workbook, include:

Data Point	Value
Capacity (current)	From CQC’s API
Care home occupancy rate (Capacity Tracker)	87.0%
Demand volume	No change assumed to 2028/29
Share of older nursing home capacity utilised for residential care	21.0%
NHS share of nursing care residents	19.0%
Staff hours per resident per week for different staff grades	See workbook for detail
Pay rates (2025/26) for different staff grades	See workbook for detail
Hourly paid nurse on costs	28.3%
Hourly paid carer, domestic and other staff on costs	26.0%
Share of residential capacity for 65+ used for dementia	30.0%
Hourly pay multiplier for bank holiday premium of 50%	1.01

The formulae from which prospective Fair Pay costs are derived are transparent within the workbook.

Results for the care homes for older people sector are set out in the Appendix.

## 2.2 Methodology relating to younger adult (18-64) care homes

For the younger adult care home sector, LaingBuisson’s Care Cost Benchmarks (CCB) model can not be used to calculate the prospective cost of the Fair Pay policy. The reason is the absence of any reliable staff input benchmarks for younger adult residential and nursing care. Unlike care homes for older people, where benchmarks for staff hours per resident per week are available, staff hours for individual younger adult care home residents are highly variable, with some residents requiring one-to-one care staffing, or more, depending on individual needs.

The starting point for the Fair Pay policy cost calculation is younger adult care home capacity, derived from CQC registrations, with an average occupancy rate of 87% (Capacity tracker). The number of placements funded by local authorities at 31 March 2025 is available for each council from ASC-FR returns. Most of the remainder are funded by the NHS, and a small residue (2%) by self payers. Unit costs are available from the same source, enabling calculation of provider revenue, adjusted downwards for councils' management overheads which are included in unit costs.

LaingBuisson then derives the share of revenue absorbed by payroll (68%) from the statutory accounts of major independent sector providers of younger adult care homes, adjusted by an assumed 80% of payroll for home-level low-paid staff, the remainder absorbed by higher-paid salaried staff such as managers and head and regional office staff.

Data points, as set out in the accompanying workbook, include:

Data Point	Value
Capacity (current)	From CQC's API
Care home occupancy rate (Capacity Tracker)	87.0%
Demand volume	No change assumed to 2028/29
SMSS management costs as share of ASC-FR Unit Costs	5.0%
Assumed ASC-FR Unit Cost inflation (staffing) 2024/25 to 2025/26	6.7%
Hourly paid nurse and professional therapist on costs	28.3%
Hourly paid carer, domestic and other staff on costs	26.0%
Personnel costs as % revenue for adult specialist care home groups (Company accounts)	68.0%
Hourly paid, home level staff costs as share of group personnel costs (estimate)	80.0%
Private pay share of younger adult care home revenue	2.0%
Hourly pay multiplier for bank holiday premium of 50%	1.01

The formulae from which prospective Fair Pay costs are derived are transparent within the workbook.

Results for the care homes for younger adults sector are set out in the Appendix.

## 2.3 Methodology relating to homecare (all ages)

The starting point for the Fair Pay policy cost calculation is gross current expenditure on ‘Community – Homecare’ services derived for each individual council from ASC-FR 2024/25, adjusted upwards for inflation to 2025.26 and adjusted downwards for councils’ management overheads included in gross current expenditure. NHS expenditure on nurse-led ‘complex care’ is excluded as out of scope. There is a substantial private pay market. In the absence of reliable information on its scale, it is assumed that the private pay share (£s) of all homecare is 25%.

Having estimated overall homecare market value (revenue of providers), we have used the Homecare Association’s price model for 2025/26 as the source of the share absorbed by care staff (Gross contact and travel time pay + oncosts as a share of homecare provider revenue = 71%). We have assumed that care staff are split 68% to 32% between carers and senior carers – the same skill mix as in residential care for older people.

Data points, as set out in the accompanying workbook, include:

Data Point	Value
Demand volume	No change to 2028/29
SMSS management costs as share of ASC-FR Unit Costs	5.0%
Assumed ASC-FR Unit Cost inflation (staffing) 2024/25 to 2025/26	6.7%
Gross contact and travel time pay + oncosts as share of homecare provider revenue (Homecare Association price model 2025/26)	71.0%
Privately paid share of all homecare	25.0%
NHS spend as % of council-paid homecare (nurse led 'Complex Care' excluded)	0.00
Senior carers' and Team leaders' share of homecare workforce	0.32
Carers' share of homecare workforce	0.68

The formulae from which prospective Fair Pay costs are derived are transparent within the workbook.

Results for the care homes for younger adults sector are set out in the Appendix.

## 2.4 Methodology relating to supported living (all ages)

The starting point for the Fair Pay policy cost calculation is gross current expenditure on ‘Community – Supported Living’ services derived for each individual council from ASC-FR 2024/25, adjusted upwards for inflation to 2025/26 and adjusted downwards for councils’ management overheads included in gross current expenditure. There is a small private pay market, estimated at 5%. NHS spending is calculated as 9.8% of council-paid supported living on the basis of 'NHS Income' for 'Community - Supported Living' reported in ASC-FR 2024/25.

Having estimated overall supported living market value (revenue of providers), we have used the Homecare Association’s price model for 2025/26 as the source of the share absorbed by hourly paid supported living staff (71%)

Data points, as set out in the accompanying workbook, include:

Data Point	Value
Demand volume	No change to 2028/29
SMSS management costs as share of ASC-FR Unit Costs	5.0%
Assumed ASC-FR Unit Cost inflation (staffing) 2024/25 to 2025/26	6.7%
Supported living hourly paid staff pay + oncosts as share of supported living provider revenue (Homecare Association price model 2025/26)	71%
Privately paid share of all homecare	5.0%
NHS spend as % of council-paid supported living	9.8%

The formulae from which prospective Fair Pay costs are derived are transparent within the workbook.

Results for the care homes for younger adults sector are set out in the Appendix.

## APPENDIX

This appendix consists of tables providing further details on a range of Fair Pay policy cost projections, by sector, region and type of authority

### 1. Projected Fair Pay costs by Service Segment

#### Care homes for older people (65+)

Percentage pay increase	2027/28 cost to councils (£m)	2028/29 cost to councils (£m)	2027/28 cost to all funding sources (£m)	2028/29 cost to all funding sources (£m)	2027/28 flat rate hourly pay increase (approx)
1%	50	52	115	119	£0.15
2%	102	106	234	243	£0.29
3%	156	162	358	372	£0.44
4%	212	220	487	506	£0.58
5%	270	280	622	645	£0.73
6%	331	343	761	789	£0.87
7%	394	408	906	940	£1.02
8%	459	476	1,056	1,096	£1.16
9%	527	547	1,212	1,258	£1.31
10%	597	620	1,375	1,426	£1.45

#### Care homes for younger adults (18-64)

Percentage pay increase	2027/28 cost to councils (£m)	2028/29 cost to councils (£m)	2027/28 cost to all funding sources (£m)	2028/29 cost to all funding sources (£m)	2027/28 flat rate hourly pay increase (approx)
1%	20	21	27	28	£0.15
2%	41	43	55	57	£0.29
3%	63	65	84	87	£0.44
4%	85	89	114	119	£0.58
5%	109	113	146	151	£0.73
6%	133	138	179	185	£0.87
7%	159	165	212	220	£1.02
8%	185	192	248	257	£1.16
9%	213	221	284	295	£1.31
10%	241	250	322	335	£1.45

**Homecare (all ages) excluding NHS-paid, nurse-led, complex care**

Percentage pay increase	2027/28 cost to councils (£m)	2028/29 cost to councils (£m)	2027/28 cost to all funding sources (£m)	2028/29 cost to all funding sources (£m)	2027/28 flat rate hourly pay increase (approx)
1%	32	33	43	45	£0.15
2%	66	68	87	91	£0.29
3%	100	104	134	139	£0.44
4%	136	142	182	189	£0.58
5%	174	181	232	241	£0.73
6%	213	222	284	296	£0.87
7%	254	264	338	352	£1.02
8%	296	308	394	410	£1.16
9%	340	353	453	471	£1.31
10%	385	400	513	534	£1.45

**Supported living (all ages)**

Percentage pay increase	2027/28 cost to councils (£m)	2028/29 cost to councils (£m)	2027/28 cost to all funding sources (£m)	2028/29 cost to all funding sources (£m)	2027/28 flat rate hourly pay increase (approx)
1%	31	32	36	37	£0.15
2%	63	66	73	76	£0.29
3%	97	101	112	116	£0.44
4%	132	137	152	158	£0.58
5%	168	175	193	201	£0.73
6%	206	214	237	246	£0.87
7%	245	255	282	293	£1.02
8%	286	297	329	342	£1.16
9%	328	341	377	393	£1.31
10%	372	387	428	445	£1.45

## 2. Projected Fair Pay costs by region and authority type

### Costs to councils for all long term social care services in 2027/28, by region

% Pay increase	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
North East	9	19	28	39	49	61	72	84	96	109
North West	22	44	67	91	116	143	170	198	227	258
Yorkshire and The Humber	16	33	51	70	89	109	129	151	173	196
East Midlands	13	27	41	56	71	87	104	121	139	158
West Midlands	18	38	57	78	100	122	145	169	195	221
East of England	17	35	53	72	92	112	134	156	179	203
London	21	43	66	89	114	140	166	194	222	252
South East	25	52	79	108	138	169	201	234	269	305
South West	17	35	53	72	92	112	134	156	179	203
<b>ENGLAND</b>	<b>159</b>	<b>324</b>	<b>496</b>	<b>675</b>	<b>861</b>	<b>1,054</b>	<b>1,255</b>	<b>1,463</b>	<b>1,680</b>	<b>1,905</b>

### Costs to councils for all long term social care services in 2027/28, by type of authority

% Pay Increase	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
County Councils Network	76	155	237	322	410	502	598	697	800	907
Metropolitan Authorities	31	63	97	132	168	206	245	286	328	372
Inner London	8	16	24	32	41	51	60	70	81	92
Outer London	13	27	42	57	73	89	106	123	142	161
Other Unitary Authorities	31	63	97	132	168	206	246	286	329	373
<b>ENGLAND</b>	<b>159</b>	<b>324</b>	<b>496</b>	<b>675</b>	<b>861</b>	<b>1,054</b>	<b>1,255</b>	<b>1,463</b>	<b>1,680</b>	<b>1,905</b>