

### Impact of the proposed increase to Employer National Insurance Contributions (NICs) on Local Age UKs and Local Partners – January 2025

#### Summary

Age UK, along with other charities, is deeply concerned about the impact of the Government's decision to increase Employer NICs (from 13.8% to 15% in April 2025) and to lower the salary threshold at which they become due. This will place intolerable strain on our already-stretched local charities and the vital services they provide. To make matters worse, we know that if our local partners are forced to close services there will rarely if ever be any other organisation able to pick them up, leaving older people without support they badly need.

We ran a survey<sup>i</sup> with our local partners to understand the repercussion of the changes. 69 respondents from Local Age UKs and Partners in Wales and Scotland told us about the impact the rise in Employer National Insurance Contributions alongside the National Living Wage will have on their organisations:

- £6.27m total financial impact annually across 63 respondents
- 9 in 10 respondents concerned about increase in ENICs
- 7 in 10 felt that these changes will have an impact on their ability to deliver services and have impact for older people
- 7 in 10 respondents indicated that they would need to consider reductions in staffing as a result
- Half said they will need to consider cutting services or handing back contracts.

The rise in employer NICs comes alongside a raft of other challenges facing the sector, including increasing costs and need, plus limited increases in contract funding, making it extremely difficult for them to manage financially. The likely reduction and closure of services will have a serious impact on statutory services and the NHS and ultimately older people, unpaid carers and their loved ones who rely on support from their local Age UK or Local Partner. Therefore, **we are calling for more financial help to be available for local charities so they can continue to provide vital support - in the case of local Age UKs and Partners to older people and their families and unpaid carers.**

This could be through:

- providing an exemption from the Employer NICs changes for local charities
- or additional dedicated funding made available to councils in the Final Local Government Finance Settlement, to be announced soon.



It is also imperative that the NHS ensures contracts with local charities reflect the increased cost of delivery so that essential health and care services

continue to be available to older people.

### **Impact on Local Age UKs and Nation Partners**

The Age UK network is made up of 112 Local Age UKs in England, 5 Local Partners in Wales and 1 Local Partner in Scotland and Age Cymru, Age Scotland and Age NI. They provide vital and life-enhancing services to older people, including social care and home help type support; discharge support for older people leaving hospital; help for older people living with dementia and their families; help claiming benefit entitlements; befriending services to combat loneliness; social activities; exercise classes; and free information and advice. These brilliant local charities support many thousands of older people each year, helping them to stay well and independent for as long as possible, and providing invaluable practical and emotional support to their families too.

Like many charities Local Age UKs and Partners in the nations are often funded by local authorities and the NHS to deliver services in their areas. These services have been at increasing risk as more councils issue Section 114 notices indicating severe financial distress and NHS budgets tighten. Additionally, while Age UK supports the Government's decision to increase the National Living Wage to help low paid staff, this is another cost that our local partners must meet at the same time as weathering the changes to Employer NICs.

Local Age UKs and Partners, and charities more generally, have shown unwavering commitment to their beneficiaries and communities through a difficult 5 years but their resources have been stretched very thin. These challenges have already meant that several local Age UKs had to close during 2024.

Our biggest fear is that those that were already struggling after the pandemic and cost of living crisis will be unable to weather the further blow represented by the changes to Employer NICs.

Based on responses from 63 Partners, the financial impact of the ENICs and National Living Wage will be £6.27m annually from April 2025 when these changes come into effect. Individual impact is dependent on the services provided and therefore the staffing numbers needed of the Local Partner involved, but this ranges from £4,000 to £514,000. For some local Age UKs this represents up to 10% of their total expenditure.

Local Age UKs warn that this increase in costs will significantly impact their ability to provide essential services to vulnerable older people. This, in turn, is likely to have a knock-on effect on older people's health and wellbeing, increasing demands on our already hard-pressed health and social care services.

**Local Age UK: "If we do not get inflationary uplifts on our contracts...we are at the point where we will have to start closing services...we have absolutely nothing left to trim."**

## Impact on Services and Staffing

Local Age UKs and Partners warned that there would be a significant impact on their organisations, services and older people. Of those who responded to our survey:

- 7 in 10 indicated that they would need to consider reductions in staffing as a result
- Half said they will need to consider cutting services or handing back contracts
- 7 in 10 felt that these changes will have an impact on their ability to deliver services and have impact for older people

Local Age UKs reflected that they would need to reduce their service offers, and to seriously consider if they can continue to deliver what they do for older people in local communities, with many Local Age UKs reflecting that unless costs were passed on in contracts from commissioners there would either be a reduction in service levels or a complete withdrawal.

**Age UK Lincoln and South Lincolnshire: “...we will have to reduce our service offer and seriously consider if we can continue to deliver contracted services without realistic uplifts.”**

**Age UK Bromley and Greenwich: “we have decided to close some services we were subsidising”**

The impact on them as organisations, as well as on the charity sector as a whole, was felt to be significant, with the sector already seeing significant funding pressures.

**Age UK Oldham: “...as the local ICB is facing financial challenges and already reducing contracts to the voluntary sector we do not expect that they will offer increases to cover the additional NI costs on contracted services...there has been no parity extended to charities who also deliver social care.”**

### Wider Impact

The changes were felt to be likely to have a significant and lasting impact on the ability of Local Age UKs to support older people by making services more expensive to deliver, without any further uplifts in funding, thereby forcing them to have to consider passing increased costs on to older people.

9 in 10 Local Age UKs and Partners who responded were concerned about their organisation's ability to absorb the combined Employer NICs changes, with many having to consider radical changes in the support they can offer to older people. Many local Age UKs will be moving into the new financial year contemplating a deficit budget for 25/26, with little opportunity to make up the difference, and therefore having to consider the future of the much-needed services they provide for older people.

## Overall impact of the rise in Employer NICs

This rise is a problem throughout the charity sector – with many organisations including Marie Curie, St Mungos and Crisis all warning about the impact on services. The estimated total increased cost of employer NICs to the charity sector is £1.4bn a year.<sup>1</sup> This very large cost - along with the compounding challenges faced by charities - will mean that very difficult decisions regarding service delivery may have to be made, quite possibly deepening inequality of access. Our survey of local Age UKs confirmed fears that many will have to close services, reduce staff, and increase charges to older people who pay for their own services, potentially taking them out of reach of some living on modest incomes in places where there are few if any local alternatives available.

If this happens, sectors like healthcare and social care, which are intricately linked with charities, will face additional pressures, leading to uneven impacts in different places. Rural or more isolated areas, where service provision is already challenging to deliver economically, may be especially badly affected. The post-pandemic world and the cost-of-living crisis present a complex landscape for charities, especially local Age UKs dedicated to the welfare of older people and the promotion of positive ageing. Their crucial role in providing essential services, particularly in underserved areas, needs to be recognised and preserved.

## What Age UK would like to see

We are deeply concerned about the effects of the Employer NICs increase on our local Age UKs, which – along with the rest of the charitable sector – are facing a range of serious challenges at this time. There is a real risk of older people losing important services that help keep them stay well and independent. Local Age UKs across the country have told us that they will be impacted by the decision. They're worried about how they will be able to continue to deliver services and may have to face some tough decisions.

**We are calling on the Government to make more financial help available to local charities** so that they can continue to provide vital support within their communities.

This financial help could be provided directly (e.g. **via an exemption from the Employer NICs changes for local charities**) or indirectly, for example through **additional dedicated funding made available to councils in the Final Local Government Financial Settlement, to be announced in early 2025.**

The Government has increased funding to the NHS by £22 billion and made NHS services exempt from the NICs changes. Local Age UKs and Partners in the nations play a central role in local health services including reducing pressures on hospitals by supporting older people to stay well at home and for those that are admitted, helping to reduce delayed discharges by supporting people home after.



**The NHS must ensure contracts with local charities reflect the increased cost of delivery so that essential health and care services**

**continue to be available to older people.**

Without intervention, these forthcoming changes will significantly impact local Age UKs' ability to offer essential services to older people and their families.

In the new Civil Society Covenant the Government has recognised the essential role that charities play in providing vital services and supporting those whom public services struggle to reach; now it needs to act on that by bringing forward concrete help.

**“If this is to carry on year on year it’s difficult to see how survival for any charity is possible. What will happen to older people as more and more Age UK charities fall by the wayside, I dread to think.” - Age Cymru Gwent**

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## **Appendix One – Survey Methodology**

Following the Government’s recent Budget announcement, Age UK surveyed the Age UK Network - 112 local Age UKs in England, 5 local Partners in Wales, 1 Local Partner in Scotland, and Age Cymru, Age Scotland and Age NI. The survey questions are listed below. The responses were compiled and analysed along with other data, for example total income and expenditure of local Age UKs, to provide context.

The 69 responses came from Local Age UKs, and included Partners in Wales and Scotland. Of these, 63 completed financial impact data. Where possible financial impact reporting has been split into overall impact and the impact of the specific changes – National Living Wage and Employer National Insurance Contributions. Not all local Age UKs were able to provide data in detail at this stage due to impact still being calculated.

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### **i Survey questions**

1. Which Age UK are you from?

2. Please add your email address here.

3. How concerned are you about the impact of the new minimum wage rate on your ability to maintain services for older people? (*Very concerned/Somewhat concerned/Neither concerned nor unconcerned/Somewhat unconcerned/Very unconcerned*)

4. How concerned are you about the impact of the rise in the rate, and reduction in the threshold, of Employer National Insurance Contributions on your ability to maintain services for older people? (*Very concerned/Somewhat concerned/Neither concerned nor unconcerned/Somewhat unconcerned/Very unconcerned*)

5. How concerned are you about your organisation's ability to absorb the combined changes? (*Very concerned/Somewhat concerned/Neither concerned nor unconcerned/Somewhat unconcerned/Very unconcerned*)

6. If you have the information available, please could you outline the expected additional costs for your organisation by these combined changes? Please include a figure in £ if possible.

7. What will be the financial and other impact of the increase in the National Living Wage?

8. What will be the financial and other impact of the changes to National Insurance Contributions?

9. Will you need to consider reductions in staffing as a result of these changes? (*Yes/No/Unsure*)

10. Will you need to consider cutting services or handing back contracts as a result of these changes? (*Yes/No/Unsure*)

11. Will these changes have an impact on your ability to deliver services and have impact for older people? (*Yes/No/Unsure*)

12. Is there any further information you want to share with us on the impact on your organisation?