

Parliamentary Briefing: Impact of the Rise in Employer NICs on Charities

December 2024

Overview

We are deeply concerned that the Government's Budget decisions to increase Employer NICs (from 13.8% to 15% in April 2025) and to lower the salary threshold at which they become due will place intolerable strain on our already-stretched local Age UKs. This particularly impacts organisations that employ significant numbers of low paid staff – which includes many local charities. Local Age UKs are warning that these changes will significantly impact their ability to provide essential services to vulnerable older people, particularly in underserved areas. 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.

"We will have to start closing services... we have absolutely nothing left to trim." - Local Age UK

Given that the rise in employer NICs comes alongside a raft of other challenges facing the sector, **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 to older people and their families and unpaid carers.** 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.

Local Age UKs

There are over 120 local Age UKs across the country. 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 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 and their families each year, helping them to stay well and independent for as long as possible.

Like many charities local Age UKs 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 we support the Government's decision to increase to the National Living Wage to help low paid staff, this is another cost that local Age UKs must meet at the same time as weathering the changes to Employer NICs.

Despite these challenges, we know that local Age UK, and charities more generally, remain strongly committed to their beneficiaries and communities. However, this unwavering commitment has stretched their resources thin and has brought some close to or beyond collapse – several local Age UKs had to close during 2024.

Our biggest fear is that local Age UKs 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.

Impact of the rise in Employer NICs

“We are faced with making some radical decisions about our future.” - Local Age UK

The estimated total increased cost of employer NICs to the charity sector is £1.4bn a year.¹This 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.

A recent survey of local Age UKs revealed fears that many will have to close services, reduce staff, and increase charges to older people for self-pay services, potentially taking them out of reach of some living on modest incomes in places there are few if any local alternatives available.

“We will have to reduce our service offer and seriously consider if we can continue to deliver contracted services without realistic uplifts.” - Local Age UK

“Redundancies may have to take place to cut costs and keep services running.” - Local Age UK

If this happens, sectors like healthcare and social care, which are intricately linked with charities, will face additional pressures, leading to uneven impacts across different sectors. 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

Age UK, along with other charities, would like to see the Government recognising the potentially disastrous impact of its Employer NICs changes on charities and bringing forward funding and other measures to protect them from the impact.

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 Financial Settlement, to be announced in early 2025.

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 need 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.” - Local Age UK

¹ National Council for Volunteer Organisations, October 2024. [Open letter to the chancellor on the impact of increased employer National Insurance Contributions for charities.](#)

What can Parliamentarians do now?

- Attend the Westminster Hall Debate on the Impact of the Rise in National Insurance on Charities, which will take place on January 7th from 16:30-17:30.
- Write to the Chancellor and highlight the effect of the forthcoming NIC increases on charities, calling for protective measures, including as part of the Final Local Government Financial Settlement.
- Meet with us to discuss these issues in more detail and how you can support your local Age UK.
- Use your platform in Parliament to raise the issues outlined in this briefing. Age UK is happy to support with drafting written or oral questions.

If you have any questions or would like to meet to discuss the issues outlined in this briefing further, please contact publicaffairs@ageuk.org.uk.