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John Griffiths MS  
Chair, Local Government and Housing Committee  
Senedd Cymru

*Via email*

5<sup>th</sup> December 2024

Dear John Griffiths MS,

**Re: Impact of the increased National Insurance for employers on charities and social enterprises delivering public services**

I am writing to urgently highlight the direct, deep and long-term impact on our members, who are all charities and social enterprises delivering public leisure and culture, of the proposed increase in the employer's rate of National Insurance to 15%, coupled with the lowering of the threshold from £9100 to £5000.

We are a members' association representing registered charities, societies or community interest companies (with a public benefit asset lock) delivering public leisure, sport and/or culture services for communities across the UKs. Our members in Wales work in partnership to deliver services on behalf of local authorities and operate assets and services as part of the public leisure and culture service provision in their communities.

The impact of the increase in National Insurance, which comes on top of a range of other financial challenges, will impact on our members' ability to retain their staffing levels and to improve and develop our services to the community, which will in turn ultimately impact on their physical and mental health, wellbeing and economic prospects.

The shift in the rate of Employers National Insurance contribution along with the significant change in threshold at which it is payable has an impact of an additional 2.3% on annual pay bills. Based on an indicative salary of £30,000, these changes represent an additional £866 cost to the employer per employee.

As charities and social enterprises all our members reinvest any financial surpluses generated back into their business and, ultimately, into their services. They operate on tight margins and have been hit hard in the past few years by the impact of Covid closures, the rise in energy prices, supply chain problems and inflation, and decreasing investment from local authorities. This is against a constraint of limited ability to increase pricing in order to ensure facilities and opportunities remain accessible.

The NIC policies announced in the Autumn Budget were unexpected, unbudgeted and is deeply damaging, particularly as it comes in addition to significant uplifts to the National Living Wage and Real Living Wage.

The cumulative impact on of all changes to staffing costs (both to salaries and national insurance rates and threshold) are equivalent to an 4.1% increase in costs for our members in Wales.

The rising employer costs, resulting from increasing NIC and National Minimum and Living Wage, pose a significant challenge for members who are seeing the erosion of differentials between job roles. While we welcome the intention behind the increases and absolutely support the National Living wage, the reality is that the rate of increases has exacerbated the pressure on maintaining distinctions between roles and levels of responsibilities.

These uplifts in wages represent an additional 1.8% salary costs for our members (excluding the changes to National Insurance Contributions). One of our members in Wales noted in our November survey that the impact of the additional costs will mean: "Reduction in workforce is inevitable with reducing management fees as well as these increasing costs together with inflation which is now greater from suppliers passing on the NI increases. Reduction in pay award is a consequence. Major problem will be further and widening health inequalities as prices are predicated to have to rise by around 10% as a result of these cost pressure"

According to our November members' survey, the direct impact of the increased salary costs (NIC and NMW/NLW) for our members in Wales are to increase prices, reduce staff pay awards, and restructure their workforce.

Prior to the announcement of the increase in National Insurance for employers, 69% of members cited affordability, economic climate, business performance, general market conditions as a key measure in setting pay awards.

We recognise the significant budgetary challenges facing both the UK and Welsh Governments and the reality of difficult decisions that need to be made. However, the risk of the cumulative effect of the financial pressures on our members is that, as businesses, they are at risk of significant service and/or workforce reductions to remain financially sustainable.

We call on the Local Government and Housing Committee to recognise the unprecedented challenges facing our members and to meet as a matter of priority to discuss collaborative measures to safeguard these vital community assets and organisations.

Your sincerely,



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