**Request for Exemption of Employers National Insurance Contributions for the Voluntary, Community, and Social Enterprise Sector (VCSE)**

Dear Rt Hon MPs,

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Description automatically generated with low confidenceWe are writing to you on behalf of the third sector in Leeds to express our profound concern regarding the recent changes to Employers National Insurance Contributions (ENICs), as announced in the autumn budget. The increase of NICs to 15% from 1 April 2025, alongside the threshold reduction to £5,000, presents a significant financial burden on our sector, which we fear will have substantial consequences for the communities we support.

Local charities and VCSE organisations in Leeds, already grappling with severe budget constraints due to rising costs and increased demand for services, anticipate significant increases in their annual salary costs due to these changes. The NCVO estimates the national impact on the sector to be £1.4 billion[[1]](#footnote-1). With an estimated additional cost of £800 per employee[[2]](#footnote-2), and over 6,320[[3]](#footnote-3) people employed in the sector in Leeds, this could result in a local financial impact of approximately £5,056,000.

For many organisations, these additional costs could mean the reduction or even elimination of essential services that provide invaluable support to vulnerable groups within our communities. Unlike private and some larger public sector organisations, the VCSE sector lacks comparable financial buffers to absorb such increases. We have already seen impacts on local organisations’ sustainability, as outlined in [Forum Central’s Cost Pressures survey (2024),](https://drive.google.com/file/d/1Nk0U04pclnrFm9nLHh733IOxa1A43v9U/view) including:

* 64.7% of organisations in Leeds that responded to the survey have either lost or are at risk of losing staff in April 2024, compared to 31.8% in Oct 2022.
* 87.7% report ‘yes’ or ‘maybe’ to the risk of service reduction in April 2024, an increase from 68.2% in Oct 2022.
* 14.3% responded ‘yes’ to risk of closing in April 2024, compared to just 2.2% in Oct 2022.

The recent increase to the National Living Wage will also impact the VCSE sector. While we welcome this development as it benefits our lowest-paid colleagues, it does introduce added pressure on other salary bands, further straining our limited resources. Additionally, we anticipate that suppliers may begin to pass on the costs of increased ENICs within their pricing structures, likely resulting in additional, unforeseen financial burdens for our sector in the coming year and beyond.

The VCSE sector plays an instrumental role in delivering essential services that communities rely on. In Leeds alone, our sector contributes immeasurably to social cohesion, wellbeing, and economic resilience. These ENIC adjustments, without sector-specific exceptions, threaten our collective ability to deliver on these essential contributions, particularly at a time when communities need stability and support more than ever. Whilst it is unclear whether the public sector will receive any subsidies or exceptions to mitigate the impact of these contributions, we believe that if such support is provided, the third sector should also receive this.

We urge the government to consider an exemption from these Employers National Insurance Contributions increases for the VCSE sector. Although considerable financial pressures would remain, this exemption would enable our sector to continue to deliver vital services more sustainably.

This measure would also be consistent with the government's own objectives to support community resilience, inclusivity, and social welfare, as well as the recent move to improve the relationship between the civil society and government through the development of the Civil Society Covenant. An exception would support the Covenant principle: “to ensure a strong and independent civil society.”

We would also be keen to engage in dialogue with you to discuss wider potential solutions and alternatives that would support the resilience and sustainability of the VCSE sector in Leeds and across the UK.

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Description automatically generated with low confidenceYours sincerely,  
Third Sector Leeds

*Third Sector Leeds is a forum supported by:*



1. <https://www.ncvo.org.uk/news-and-insights/news-index/open-letter-chancellor-national-insurance/> [↑](#footnote-ref-1)
2. <https://obr.uk/docs/dlm_uploads/OBR_Economic_and_fiscal_outlook_Oct_2024.pdf> [↑](#footnote-ref-2)
3. Estimated as part of The State of the Third Sector in Leeds report (2022) <https://cdn-doinggood.b-cdn.net/wp-content/uploads/2023/10/The-State-of-the-Third-Sector-in-Leeds-Report-2022_V2_Oct23.pdf> [↑](#footnote-ref-3)