

## Unintended Consequences of the National Insurance Rise on Non-profit Providers of Public Services for Working Aged Disabled Adults

The need to increase taxes for our public services is understood. The significant increase in living wage is welcomed. However, not-for-profit providers delivering specialist adult social care support cannot fund these rises and should be protected like other public services. This briefing gives an overview of the unintended consequences of the rise of employer National Insurance Contributions for non-profit providers. It also discusses solutions for how the government can protect these vital public services from these costs.

### Overview

- We deliver £650 million of statutory public services to which working-aged disabled people are legally entitled to
- We employ 21,000 people
- Approximately 85% of our costs are for our workforce
- We will need an estimated £11.56m to meet the changes to employer NICs
- The additional cost burden will further destabilise the market, impacting disabled people's legal right to choice and control over their support.

### Background

In 2022/23, £6.3 billion was spent on statutory care and support for working-aged disabled adults. We deliver these public services on behalf of and in partnership with local government and the NHS. The people we support are legally entitled to these services under the Care Act 2014. We are contracted by local authorities who buy support by the hour or packages of support. Approximately 85% of our costs are for our workforce, with the remaining going towards running our organisation and maintaining reserves, which provide the CQC Market Oversight assurance that we are sustainable. 90% of our staff are involved in delivering frontline support. We run many contracts that struggle to break even and have limited income and potential for cross-funding. Our workforce is predominately female, and we have a significant number of part-time staff. The sector is, on average, made up of 45% part-time workers. We carry local authority debt and struggle to get contracted fee increases to cover inflation costs and statutory wage rises (appendix 2). Digital transformation is required in the sector, but providers cannot invest in our infrastructure at the required rate. Providers are increasingly handing back or closing services which are not financially viable. Non-profit providers are fragile, vulnerable to cost rises, and dependent on local authorities to stay solvent. We do not make profit from delivering public services.

### Our response to the new budget measures

Non-profit providers welcome and support the rise in the national living wage. We understand the need to raise tax revenues and create a stable, growing economy. We also understand why the NHS, public services and multi-academy trusts are protected from the financial impact of the rise in employers' NIC. However, non-profit specialist adult social care providers should be protected from these increased costs as we also deliver vital public services. Doing so would collectively **reduce the cost burden for our organisations from £11.56 million to £3.2 million**. This would free up vital money in the system for reform, innovation and digital transformation. £600 million

has been allocated to support increased costs for children's and adults' social care. Yet, with 1.3 million people working in adult social care for working-aged disabled adults and an average increased cost of £800 per employee for NICs alone, the sector will need close to £1.1 billion to ensure market stability.

### Unintended consequences

- The adult social care marketplace covers both elderly care and specialist support for working-aged disabled adults. However, statutory services for disabled people are a legal right under the Care Act 2014. Not protecting legislated public services for working-aged disabled people will negatively impact people's continuity of support and their right to an independent life.
- With a predominantly female workforce and 45% part-time workers, this could negatively impact women. With the changes to NIC it will be more cost-beneficial for non-profit providers to employ full-time workers, reducing flexibility for those with additional caring responsibilities.
- Smaller providers and those with poor cash or reserve positions are at a higher risk of handing back contracts and closing services. Larger providers will be more cautious about taking on contracts that do not ensure long-term financial sustainability. Ultimately destabilising the marketplace.

### Action the government can take

1. Ringfence additional funding in the Local Government Funding Settlement for local authorities to pass down to providers for statutory services delivered under the Care Act 2014 for working-aged disabled people to cover the NIC and National Living Wage increases.
2. Mandate an additional fee uplift for local authority contracts which deliver statutory services under the Care Act 2014 for working-aged disabled people to meet in full the increase in employers' NICs contribution, the percentage calculated based on the number of employees per contract. This should not be at the expense of fee uplifts to meet the cost of the National Living Wage
3. Mandate that adult social care providers receive a special exemption to recover VAT on local authority contracts. Estimated as providing £1 million savings for a £100 million organisation to be reinvested into staff wages.

### Appendix

#### 1. Expected costs and required uplifts as a result of the employer NIC increase

	<b>Cost of 1.2% increase at £9k threshold</b>	<b>Cost of 1.2% increase at £5k threshold</b>	<b>% uplift required to meet NIC increase</b>
Brandon Trust	£417k	£1.48	3%
Certitude	£300k	£1.1m	2.1%

Choice Support	£500k	£1.68m	3%
Dimensions	£2.1m	£3.8m	2.5%
Macintyre	£400k	£1m	3%
United Response	£600k	£2.4m	3%

## 2. National Living Wage increase compared to average fee uplift

Financial year	National Living Wage increase	Average fee uplift
2025/26	6.7%	Not known
2024/25	9.8%	6%
2023/24	9.68%	8.4%
2022/23	5.3%	5.9%

### Who we are

More Than A Provider is a consortium of six not-for-profit social care providers, Brandon Trust, Certitude, Choice Support, Dimensions, Macintyre, and United Response. Collectively:

- We employ 21,000 people and 12,000 people draw on our care and support services
- We deliver an annual budget of £650 million, working with 285 local authority partners

### For more information

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