

The Rt Hon Rachel Reeves MP
Chancellor of the Exchequer

By email

03 January 2025

Dear Rachel

We write to you jointly on behalf of Scotland's national and local governments, supported by a range of public and third sector organisations, to raise our deep concern at the impact of the increase in employer National Insurance contributions on public services in Scotland, should these additional costs not be fully funded.

Shona Robison, Cabinet Secretary for Finance and Local Government, has already written to the Chief Secretary to the Treasury on this important issue. She has been clear that funding provided to the Scottish Government must fully cover the additional costs of employer National Insurance contributions and extend to the full range of organisations delivering public services, who face increased costs as a result of this change.

The Scottish Budget, published on 4 December, remains subject to parliamentary approval, and is expected to pass its final stages in February. Scotland's councils meanwhile, will now start preparing their budgets and council tax plans on the basis of the draft settlement in the Scottish Budget and must set these by the end of March, with all council tax rates confirmed by 11 March 2025. It is imperative that we now work together to ensure that we arrive at a funding settlement to meet these costs and protect Scotland's public services.

It is extremely challenging for both the Scottish Government and Scotland's councils to set balanced budgets which invest in our public services, with continued uncertainty to manage in respect of funding for this increased cost. Across the directly employed public sector, the cost of this policy is expected to be around £550 million, with the costs to councils accounting for around £265 million of that¹.

Our model for delivery of public services in Scotland is further reliant upon a range of private and third sector providers, which are critical to our health and social care provision and early

¹ [National Insurance Contributions: public sector costs - gov.scot](https://www.gov.scot/national-insurance-contributions-public-sector-costs)

learning and childcare in particular. Organisations representing these providers have added their support to this letter.

While our information is incomplete, including contractors and commissioned services could increase the costs to well over £700 million.

We are also deeply concerned about the impact for charitable organisations given the valuable role they play across our communities. We welcome representatives of these organisations adding their support to this letter. There is a real risk that these costs will see employers unable to award meaningful pay rises, retain staff or even continue to operate. I am sure you would agree that would be an unacceptable outcome. The Scottish Council for Voluntary Organisations has estimated that the Third Sector – the vital network of charities, social enterprises and grassroots community groups that work to support our population wellbeing – will face additional costs of £75 million per year, plus wider inflation.

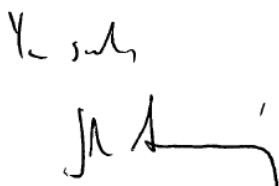
Whether applied to public sector employers, or a broader public services cohort of employers, a Barnett share of the funding which is made available based on the actual costs to UK Departments and local government in England will fall some considerable way short for Scotland given our relatively larger public sector workforce.

As a result, such an approach would see the Treasury essentially profit from public service employers in Scotland, while the equivalent employers in England are fully reimbursed.

We ask you therefore to consider carefully the case for taking an actual costs approach to the additional funding to be provided, and to confirm this before the final stages of the Scottish Budget to allow us to plan appropriately. The impact for our communities and for the effective management of public finances will otherwise be highly damaging.

We have spoken with a wide range of organisations across Scotland who will be affected by this increase to National Insurance contributions and understand the grave concern they have at the potential impacts on the vital work that they do. We are grateful to the representatives of civic Scotland who have added their support to this letter, and their voice to the call that we are making for urgent work to now take place to ensure that our public services, voluntary organisations and communities do not suffer as a result of this change to reserved UK taxation. We do not believe that anyone would wish that to be the outcome.

Both the Scottish Government, and COSLA on behalf of local government, are willing to engage in detailed discussions and provide necessary data to support an evidence-based approach, and we would welcome meaningful dialogue in that regard.



JOHN SWINNEY



SHONA MORRISON

Supported by:

Name	Position	Organisation
Roz Foyer	General Secretary	Scottish Trades Union Congress (STUC)
Anna Fowlie	Chief Executive	Scottish Council for Voluntary Organisations (SCVO)
Martin Green	Chair	Community Pharmacy Scotland
Eilidh Thomson	Chair	Optometry Scotland
David McColl	Chair of the Scottish Dental Practice Committee	British Dental Association
Jacki Smart	Chair	Scottish Hospices Leadership Group
Gavin Sinclair	Director of Funding and Partnerships	Venture Trust
Wilma Thomson	Manager	Rape Crisis Grampian
Sharon Aitchison	Chief Executive	Monklands Women's Aid
Marsha Scott	Chief Executive	Scottish Women's Aid
Lauren McGregor	Children and Young Person's Team Leader and Independent Domestic Abuse Advocate	Committed to Ending Abuse (CEA Ltd)
Susie Stein	Chief Executive	Scottish Borders Rape Crisis Centre
Jan Swan	Chief Executive	Fife Rape and Sexual Assault Centre
Colin Lee	Chief Executive	The Council of Ethnic Minority Voluntary Sector Organisations (CEMVO) Scotland
Aaliya Seyal	Chief Executive Officer	Legal Services Agency Ltd
Donna Hutchison	Chief Executive	Aberdeen Cyrenians
Angela Barron	Chief Executive	Forth Valley Rape Crisis Centre

Linda Rodgers	Chief Executive	Edinburgh Women's Aid
Alana Harper	Chief Executive	Tayside Deaf Hub
Pam Hunter	Chief Executive	SAY Women
Karen Moore	Interim Change Manager	Motherwell District Women's Aid
Shirley Middleditch	Manager	South Ayrshire Women's Aid
Sandy Brindley	Chief Executive	Rape Crisis Scotland
Maria Jose Pavez Larrea	Co-General Manager	Grampian Regional Equality Council (GREC)
Paul Wilson	Chief Officer	Volunteer Edinburgh
Nicola Livingston	Chair	Scottish Council of Jewish Communities
Dr Richard Groden	Chair	Jewish Care Scotland
Dr Donny Lyons	Co-Chair	Cosgrove Care
Sabir Zazai OBE	Chief Executive	Scottish Refugee Council
Jane Wood	Chief Executive Officer	Homes for Scotland
Catherine Dyer CBE	Chair	Community Justice Scotland
Stuart Stevens	Chief Officer	Scottish Fire and Rescue Service
Graeme McAlister	Chief Executive	Scottish Childminding Association
Jaci Douglas	Chief Executive	Care and Learning Alliance
Ben McLeish	Director	2020 Together
Louise Licznarski	Founding Director	Scottish Outdoor Learning Association
Irene Audain	Chief Executive	Scottish Out of School Care Network
Jonathan Broadbery	Director of Policy and Communications	National Day Nurseries Association
Sharon Fairley	Chief Executive	Scottish Private Nursery Association
Jane Brumpton	Chief Executive	Early Years Scotland

Fraser McKinlay	Chief Executive	The Promise Scotland
Francis Scott	Director of Services	St Phillips School
Stuart Provan	Chief Executive Officer	Seamab Care and Education
Mary Geaney	Chief Executive Officer	Rossie Young Peoples Trust
Martin Boyle	Interim Chief Executive	Scottish Funding Council
Pauline Radcliffe	Chief Executive	Scottish Credit and Qualifications Framework
Graeme Jackson	Interim Chief Executive	Colleges Scotland
Frank Mitchell	Chair	Skills Development Scotland
Damien Yeates	Chief Executive	