UK Labour Government changes to employers national insurance contributions – Motion as adjusted approved, after division.

14 Councillor Bell, seconded by Councillor Bostani, moved that:-

"Council notes the significant negative impact that the increase in employers' National Insurance Contributions will have on the public and third sectors in the city and calls on the UK Government to rethink this measure, which has the potential to jeopardise the provision of essential services and supports to the people of this city.

Council understands that the UK Government expects this to raise money for the economy, however Council believes this will be harmful to the public, private and third sectors which provide essential services and supports employment in our city. Council also understands that the majority of businesses expect negative impact from national insurance increase, and this is expected to hit businesses with £25bn hike.

Council is alarmed that a month after Reeves' Budget, the Confederation of British Industry (CBI) now believes expectations for UK growth have turned negative: UK economic growth has slowed to 0.1%, high interest rates take a toll, and the UK's manufacturing sector worsened last month, with activity falling to a nine-month low. CBI's growth indicator shows most UK companies are anticipating a decline in activity over the next three months, that firms are planning to reduce headcount, with hiring intentions at their weakest since the tail end of the Covid-19 pandemic and that this is a particularly bleak prediction, considering private sector activity already fell in the three months leading up to November.

Council notes that Cosla has estimated that these changes will cost £265m to Local Government in Scotland, of which Glasgow City Council is the largest local authority with the largest workforce. Council estimates that the cost to GCC will be £30m.

Council notes that £4.7billion will be allocated to public sector organisations, however we understand that Scotland will receive a Barnett Consequential allocation of that money which will be much lower due to the significant size differentials between our public sectors. Council agrees that the approximate £300m offer by the UK Treasury to the Scottish Government to cover National Insurance increases is "austerity through the back door" and agree that the Scottish purse would require more than £500m to fully mitigate the increase due to the better paid and better valued workforce in Scotland.

Council regrets the introduction of further uncertainty into the public finances at a time of higher inflation and a cost-of-living crisis which has severely affected the public and third sectors as well as residents of this city.

Council notes with alarm the Fraser of Allander Institute estimate that the change may cost £931 on average for each public sector worker, after using data from the Annual Survey of Hours and Earnings, which is the most comprehensive data source on earnings, and includes a split between the public and private sector in Scotland.

Council further notes the Fraser of Allander Institute estimate the Total Devolved Public Sector costs to be £509m which does not include Arm's Length Organisations (or ALEOs).

Council believes that as well as the burden on public finances, the increase will place a huge burden on the third sector, which provides such fantastic and essential services to the people of our city, and which is already coping with increased running costs due to the economic decisions of the last UK Government. SCVO estimate that the national insurance increase will costs the voluntary sector in Scotland around £75m and that given the challenging financial context, any increase in costs will be hard for voluntary organisations to meet. Council agrees with SCVO and the child and social care sector that Reeves reckless National Insurance Contributions increase only increases the risks faced by these sectors and their service users.

Council shares the concern of the social housing association movement and other RSLs who have indicated that to meet their increased NIC costs they are faced with either increasing rents, scaling back repairs and maintenance, and limiting their ambitions to provide affordable housing in Glasgow.

Council believes the third sector is a vital part of our city and applauds the work of the many organisations like Citizens Advice, and others, who provide lifeline to the people of Glasgow and which are reliant on charitable funding, with no other source of income to meet an increased NIC bill, and deplores a situation where these organisations could be forced into making service or staff cuts which will reduce their ability to assist the community due to the decisions of the UK Government, and which are ultimately to the detriment of the people.

Council agrees with COSLA and LGA that "Councils are facing unprecedented financial challenges, with the increases to employer National Insurance Contributions likely to add significant costs for councils and the wider sector. These pressures, compounded by inflation rises, are putting vital services at significant risk of collapse."

Council believes the UK Labour Government had a clear opportunity to create a fairer, economy and instead have repackaged failed ideas and policies that do not offer any hope for the urgent economic transformation required and instead have proven to be incompetent bookkeepers instead of changemakers.

Council instructs the Chief Executive to write to the Chancellor of the Exchequer to note the above and make clear that the UK Labour budget and the National Insurance hike are calamitous for Councils."

Councillor Brown, seconded by Councillor Redmond, moved as an amendment that:-

Delete all and insert:

“Council notes that the UK Labour Government has made a clear and deliberate choice to protect working people during challenging economic times. By ensuring

that the wealthiest individuals and businesses contribute their fair share, Labour is fostering a more balanced and equitable approach to public finances. This decision has unlocked significant resources to strengthen public services, while shielding low- and middle-income earners from additional financial strain.

Council further acknowledges that the decision to increase National Insurance Contributions is not just a policy measure but an essential part of a broader strategy to ensure the long-term sustainability of the UK's public services. In light of the economic upheaval caused by the COVID-19 pandemic, the ongoing cost-of-living crisis, and rising inflation, this increase provides necessary resources to fund vital services like healthcare, education, and social care.

Council further acknowledges that the Scottish Government is benefitting from its largest funding settlement since devolution, which includes an additional £1.5 billion this year and £3.4 billion next year. This unprecedented settlement provides a historic opportunity to improve Scotland’s public services. It is now the responsibility of the Scottish Government to ensure that this funding is used effectively, transparently, and strategically to meet the needs of the people of Scotland.

Council observes that despite this record investment, the Scottish Government has been criticized by Audit Scotland, the Fraser of Allander Institute, and the Institute for Fiscal Studies for its failure to adequately respond to the financial pressures facing Scotland. While significant resources are available, the Scottish Government must take decisive action to prioritize the efficient use of this funding, ensuring it addresses the growing demands on our public services, rather than continuing to delay or mismanage these funds.

Council notes that, rather than using Labour’s increase in funding to make a real difference, the SNP Government appears to be focused on covering up their own previous mistakes. For example, the recent boost in housing funding is little more than an attempt by the SNP to fix a cut that they should never have made in the first place. Affordable housing funding has fallen in real terms by almost £160 million since 2022-23, creating a situation where previous cuts have exacerbated the housing crisis, pushing more families into temporary accommodation and causing homelessness to soar.

Council observes that, while Shona Robison seeks to undo her own funding decisions from previous years, the crisis of homelessness continues to worsen. Record numbers of children are living in temporary accommodation, and housebuilding rates have plummeted to dangerously low levels. These failures have caused massive instability in the housing sector, fanning the flames of the housing emergency, and yet the Scottish Government continues to fail to address these challenges in a meaningful way.

Council further notes that the UK Labour Government has also demonstrated its commitment to supporting small businesses, which are the backbone of local economies. By increasing the Employment Allowance to £10,500 and expanding eligibility, Labour is delivering tangible support to businesses across the UK. The Office for Budget Responsibility (OBR) expects 250,000 employers to benefit, and an additional 820,000 businesses across the UK will see no increase in their National

Insurance contributions. In Scotland, an estimated 57,000 businesses will pay nothing at all, illustrating Labour's commitment to creating an environment where businesses can thrive and contribute to the economic recovery.

Council also highlights that UK Labour's 40% business rates relief for hospitality, retail, and leisure has only been replicated for hospitality in Scotland, with the measure costing the Scottish Budget just £22 million—an insufficient response to the needs of Scottish businesses. It is incumbent upon the Scottish Government to make full use of the resources it has been allocated to address the needs of all sectors of the economy.

Council believes that the increase in National Insurance Contributions should be viewed as a necessary measure not as a punitive tax. It is a vital part of ensuring that the services which people rely on most—such as healthcare, education, social care, and local services—are properly funded. The increase allows us to prevent further cuts to services and ensures that funding is directed toward those areas where it can make the most impact.

Council highlights the stark contrast between Labour's vision for fairness, opportunity, and growth, and the SNP's continued failure to respond effectively to the pressures on Scotland's public finances. The billions of pounds invested by the UK Labour Government are an opportunity to transform public services in Scotland, and there is no excuse for the Scottish Government's inability to deliver tangible improvements in the lives of Scotland's people.

Council recognizes that under the current devolution settlement, the Scottish Government has significant fiscal powers, including control over income tax rates and certain areas of public spending. Therefore, the Scottish Government has the ability to choose how to allocate resources to best serve the people of Scotland and should use this autonomy responsibly to address the challenges faced by communities across the country.

Council resolves to:

1. Call on the Scottish Government to seize this historic opportunity and prioritise frontline services, ensuring that every penny of the funding settlement is used to improve the lives of the people of Scotland.
2. Welcome the Labour Government's leadership in fostering fairness, protecting small businesses, and delivering the resources required to strengthen public services and local economies.
3. Challenge the SNP Government to fulfil their responsibility to govern effectively, ensuring that Scotland's record budget is invested wisely, with transparent and measurable impact.
4. Reaffirm this Council's commitment to a vision for Scotland where public services are fully funded, businesses thrive, and communities prosper, and continue to advocate for policies that meet these goals.

Councillor Anderson, seconded by Councillor Bruce, moved as an amendment that:-

After paragraph 2 ending “…businesses with £25bn hike.”, insert 2 additional new paragraphs as follows-

“Council recognises that significant additional investment is required to tackle the climate crisis, reduce child poverty and support public services, including councils, and welcomes the Labour Government’s decision to increase investment through raising taxes. However, Council believes that raising National Insurance contributions is one of the least progressive ways to raise tax, representing a tax on work rather than wealth.

Council believes that the UK Government ought to reverse the National Insurance change, instead raising capital gains tax or corporation tax, matching Scotland’s income tax system, closing loopholes in the oil and gas windfall tax, and introducing a wealth tax.”

After original paragraph 3 ending “…leading up to November.”, insert additional new paragraph as follows:

“Council is committed to transitioning to a wellbeing economy that prioritises the collective wellbeing of current and future generations; that focuses on creating a resilient, fair and sustainable economy that operates within safe environmental limits. Council agrees that the economy should serve to improve health and overall wellbeing, rather than be an end in itself.”

In original paragraph 11 beginning “Council believes the third sector…”, between “Citizens Advice,” and “and others”, add “Violence Against Women and Girls partners” and between “lifeline” and “to the”, add “services.”

After original paragraph 11, insert new additional paragraph:

“Council notes that it is its legal responsibility and duty to work towards improving equality outcomes and to assess the impact policies have on its citizens with protected characteristics. Council agrees that in order to adequately respond to inequality within the city significant positive action needs to be taken to address socio-economic circumstances.”

In final paragraph beginning “Council instructs…”, remove “note the above” and replace with “reverse these changes to ENICs and raise tax through more progressive means”

After final paragraph, insert new additional paragraph:

“Council asks for an Equality Impact Assessment to be carried out on the implications of this UK Government policy decision on the Council family, as well as the various third sector grants like the Glasgow Communities Fund and Area Budget grants.”

During the debate, Councillor Bell and Councillor Anderson, with the approval of their seconders, agreed to combine their motion and amendments resulting in the following adjusted motion:-

“Council notes the significant negative impact that the increase in employers' National Insurance Contributions will have on the public and third sectors in the city and calls on the UK Government to rethink this measure, which has the potential to jeopardise the provision of essential services and supports to the people of this city.

Council understands that the UK Government expects this to raise money for the economy, however council believes this will be harmful to the public, private and third sectors which provide essential services and supports employment in our city. Council also understands that the majority of businesses expect negative impact from national insurance increase, and this is expected to hit businesses with '£25bn hike.

Council recognises that significant additional investment is required to tackle the climate crisis, reduce child poverty and support public services, including councils, and welcomes the Labour Government’s decision to increase investment through raising taxes. However, Council believes that raising National Insurance contributions is one of the least progressive ways to raise tax, representing a tax on work rather than wealth.

Council believes that the UK Government ought to reverse the National Insurance change, instead raising capital gains tax or corporation tax, matching Scotland’s income tax system, closing loopholes in the oil and gas windfall tax, and introducing a wealth tax.

Council is alarmed that a month after Reeves' Budget, the Confederation of British Industry (CBI) now believes expectations for UK growth have turned negative: UK economic growth has slowed to 0.1%, high interest rates take a toll, and the UK's manufacturing sector worsened last month, with activity falling to a nine-month low. CBI's growth indicator shows most UK companies are anticipating a decline in activity over the next three months, that firms are planning to reduce headcount, with hiring intentions at their weakest since the tail end of the Covid-19 pandemic and that this is a particularly bleak prediction, considering private sector activity already fell in the three months leading up to November.

Council is committed to transitioning to a wellbeing economy that prioritises the collective wellbeing of current and future generations; that focuses on creating a resilient, fair and sustainable economy that operates within safe environmental limits. Council agrees that the economy should serve to improve health and overall wellbeing.

Council notes that Cosla has estimated that these changes will cost £265m to Local Government in Scotland, of which Glasgow City Council is the largest local authority with the largest workforce. Council estimates that the cost to GCC will be £30m.

Council notes that £4.7billion will be allocated to public sector organisations, however we understand that Scotland will receive a Barnett Consequential allocation of that money which will be much lower due to the significant size differentials between our public sectors. Council agrees that the approximate

£300m offer by the UK Treasury to the Scottish Government to cover National Insurance increases is "austerity through the back door" and agree that the Scottish purse would require more than £500m to fully mitigate the increase due to the better paid and better valued workforce in Scotland.

Council regrets the introduction of further uncertainty into the public finances at a time of higher inflation and a cost-of-living crisis which has severely affected the public and third sectors as well as residents of this city.

Council notes with alarm the Fraser of Allander Institute estimate that the change may cost £931 on average for each public sector worker, after using data from the Annual Survey of Hours and Earnings, which is the most comprehensive data source on earnings, and includes a split between the public and private sector in Scotland.

Council further notes the Fraser of Allander Institute estimate the Total Devolved Public Sector costs to be £509m which does not include Arm's Length Organisations (or ALEOs).

Council believes that as well as the burden on public finances, the increase will place a huge burden on the third sector, which provides such fantastic and essential services to the people of our city, and which is already coping with increased running costs due to the economic decisions of the last UK Government. SCVO estimate that the national insurance increase will costs the voluntary sector in Scotland around £75m and that given the challenging financial context, any increase in costs will be hard for voluntary organisations to meet. Council agrees with SCVO and the child and social care sector that Reeves reckless National Insurance Contributions increase only increases the risks faced by these sectors and their service users.

Council shares the concern of the social housing association movement and other RSLs who have indicated that to meet their increased NIC costs they are faced with either increasing rents, scaling back repairs and maintenance, and limiting their ambitions to provide affordable housing in Glasgow.

Council believes the third sector is a vital part of our city and applauds the work of the many organisations like Citizens Advice, Violence Against Women and Girls partners and others, who provide lifeline services to the people of Glasgow and which are reliant on charitable funding, with no other source of income to meet an increased NIC bill, and deplores a situation where these organisations could be forced into making service or staff cuts which will reduce their ability to assist the community due to the decisions of the UK Government, and which are ultimately to the detriment of the people.

Council agrees with COSLA and LGA that "Councils are facing unprecedented financial challenges, with the increases to employer National Insurance Contributions likely to add significant costs for councils and the wider sector. These pressures, compounded by inflation rises, are putting vital services at significant risk of collapse."

Council believes the UK Labour Government had a clear opportunity to create a fairer, economy and instead have repackaged failed ideas and policies that do not offer any hope for the urgent economic transformation required and instead have proven to be incompetent bookkeepers instead of changemakers.

Council instructs the Chief Executive to write to the Chancellor of the Exchequer to reverse these changes to ENICs and raise tax through more progressive means and make clear that the UK Labour budget and the National Insurance hike are calamitous for Councils.

Council believes the UK Government's decision will negatively impact equality (particularly in the public and third sectors), notes that all politicians need to be cognisant of equalities impacts in decision-making and requests the UK Government prepare and publish an Equality Impact Assessment on the change to employers National Insurance contributions."

On a vote being taken electronically and by roll call, 31 members voted for the amendment by Councillor Brown and 45 for the motion as adjusted with 1 abstention.

The motion as adjusted was accordingly declared to be carried.