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## **Employer NI contributions**

### **Summary**

1. At the previous DSG meeting the group considered the options for the allocations of additional national insurance funding. The group asked for various additional pieces of information before making a final decision to recommend to the Finance Sub Group.
  - The final budget available for the support to local authorities
  - Confirmation of the level of accuracy of forecast costs from local authorities, and a review against the RO data sets
  - Confirmation of the policy approach for HRA / housing associations
2. The group agreed that the National Parks should be funded by direct grant as the levies had already been set.
3. The group agreed that the same principle that is agreed for the distribution of the local authority funding is also applied to the fire service funding.
4. This paper set out the options on the distribution of any funding received from the UK Government for the increase in employer's national insurance costs with the new information that is now available.

### **Views sought**

5. DSG are asked to discuss the options presented and with the aim of agreeing a fair way forward for all authorities to be recommended to FSG on 15 July.

### **Related papers**

6. DSG (2025) Paper 01, DSG (2025) Paper 04.

### **Background**

7. The UK Government has allocated a Barnett consequential to the Welsh Government to provide funding to public sector employers to cover the increased costs of employer National Insurance contributions. It has used the official ONS definition of a public sector employer. This consequential is therefore based on the costs of relevant UK Government departmental estimates of costs provided. The size of the public sector in Wales is relatively larger. In addition, the use of

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the ONS definition means that funding does not cover the overall costs of the public sector in Wales, or in England.

8. The Welsh Government has allocated an additional £36m from the Welsh reduce to help reduce the gap in funding, which was £70m.
9. The amount allocated for local government in the first supplementary budget is £97.223m - local government NJC £67.915m (£65.092m NJC plus HRA £2.823m), teachers (less sixth forms funded through MEDR of £1.375m) £25.875m and FRAs £3.433m (other elements making up the £97.587m in the 1<sup>st</sup> supp document are programme funded WG staff and Democracy and Boundary Commission).
10. The housing policy team has confirmed that Registered Social Landlords would need to meet the costs from their existing income and there is no policy intention to treat HRAs any differently. Therefore, the element of forecast costs for HRA has been included within the general local authority funding allocation.
11. DSG are also asked to consider the impact of its recommendation on future years distribution if funding is transferred into the settlement.

### **Options and decisions**

12. Following previous DSG discussions the options are to base any allocation on actuals or to use a formula-based allocation.
13. The latest information from the WLGA on actual costs is:

	<b>£000</b>
Teachers (including 6 <sup>th</sup> form)	32,124
NJC	81,272
HRA	3,289
	<b>116,685</b>
Commissioned care	43,397
Other contracted services	12,494

14. Annex A tables 1 and 2 compare the RO outturn from 2023-24 to the actuals provided by the WLGA survey.

### **Decision 1 - schools funding**

15. As teaching, apart from the knock-on increase to supply costs, is not generally contracted out this element could be based on:
  - Actual estimates (taking the allocation for pre and post 16 and comparing to the WLGA figures above this is 85% funded) using gross costs

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- the education mainstream schools IBAs; or
  - included in the overall local authority allocation (see decision 2 below)
16. Annex B sets out the distribution based on the survey estimates compared to the education mainstream schools IBAs. This may need some fine tuning where authorities don't have 6<sup>th</sup> form provision.

### **Decision 2 – local authority NJC funding**

17. Authorities have different mixes of services delivered by in house staff, through commissioned work or through contracts. This can include provision of social care, housing services, school catering as just a few examples.
18. It is expected that although local authorities themselves will see an increase in their own staff costs, there will also be an impact on commissioned rates and contract amounts as the NI cost impact local government partners and suppliers, whether they be private companies or the third sector.
19. As discussed in previous meetings the distribution could be based on:
- actual estimates from the WLGA survey (taking the NJC estimates and comparing to the funding allocation this area is 84% funded) using gross costs.
  - The overall settlement formula.
  - The SSA areas that are predominantly driven by staff costs, excluding mainstream education if the teaching allocation is dealt with separately (education excluding mainstream school IBAs, personal social services, transport, other services).
20. Annex C sets out the distribution based on the three options above.
21. It would also be possible to include the estimated impact of commissioned and contracted services – although these figures are expected to be less accurate.
22. Annex D sets out the distribution based on the three options above but including estimates of commissioned and contracted services.

### **Decision 3 – NJC and teaching funding together**

23. If the education and NJC allocations are not split, then the three options in Decision 2 can also be repeated for the total amount.
- actual estimates from the WLGA survey (taking the NJC and teaching estimates and comparing to the funding allocation this is 84% funded) using gross costs.
  - The overall settlement formula

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- The SSA areas that are predominantly driven by staff costs, excluding mainstream education if the teaching allocation is dealt with separately (education, personal social services, transport, other services).

24. Annex E sets out the distribution based on the three options above.

### **Decision 4 – fire authority funding**

25. Following the options presented above for teachers and NJC funding the options for the fire service are:

- collect exact information from fire authorities and fund specific amounts pro rata to the total available to the relevant authorities.
- fund on the total Fire SSA

### **Way forward**

26. The proposed distribution will be presented to the next FSG meeting for agreement.

Local Government Finance Policy and Sustainability

**Welsh Government**

**Table 1: Comparison of 2023-24 RO pay data with WLGA survey - teachers**

	<b>Teachers RO</b>	<b>Teachers WLGA</b>	<b>Percentage of total RO form</b>	<b>Percentage of total survey</b>	<b>Difference</b>
Isle of Anglesey	38,733	40,020	2.1%	2.3%	0.2%
Gwynedd	70,074	76,822	3.8%	4.4%	0.6%
Conwy	66,124	83,984	3.6%	4.8%	1.2%
Denbighshire	62,508	68,057	3.4%	3.9%	0.5%
Flintshire	89,272	87,988	4.8%	5.0%	0.2%
Wrexham	82,649	74,482	4.5%	4.2%	-0.3%
Powys	71,524	68,855	3.9%	3.9%	0.0%
Ceredigion	29,459	44,800	1.6%	2.5%	0.9%
Pembrokeshire	62,613	69,707	3.4%	4.0%	0.6%
Carmarthenshire	102,902	107,687	5.6%	6.1%	0.5%
Swansea	131,835	146,041	7.2%	8.3%	1.1%
Neath Port Talbot	79,069	83,632	4.3%	4.7%	0.5%
Bridgend	91,114	94,486	4.9%	5.4%	0.4%
Vale of Glamorgan	88,978	79,896	4.8%	4.5%	-0.3%
Rhondda Cynon Taff	137,419	143,626	7.5%	8.2%	0.7%
Merthyr Tydfil	31,305	31,326	1.7%	1.8%	0.1%
Caerphilly	117,927	-	6.4%	0.0%	-6.4%
Blaenau Gwent	36,190	36,526	2.0%	2.1%	0.1%
Torfaen	55,138	41,122	3.0%	2.3%	-0.7%
Monmouthshire	38,847	45,873	2.1%	2.6%	0.5%
Newport	133,861	106,567	7.3%	6.1%	-1.2%
Cardiff	224,357	229,199	12.2%	13.0%	0.8%
<b>Total</b>	<b>1,841,898</b>	<b>1,760,696</b>			

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**Table 2: Comparison of 2023-24 RO pay data with WLGA survey – NJC staff**

	<b>NJC RO</b>	<b>NJC WLGA</b>	<b>Percentage of total RO form</b>	<b>Percentage of total survey</b>	<b>Difference</b>
Isle of Anglesey	98,673	70,348	3.2%	2.0%	-1.2%
Gwynedd	137,039	183,558	4.4%	5.1%	0.7%
Conwy	102,592	136,479	3.3%	3.8%	0.5%
Denbighshire	93,236	115,856	3.0%	3.2%	0.2%
Flintshire	97,651	141,008	3.2%	3.9%	0.8%
Wrexham	109,819	133,493	3.6%	3.7%	0.2%
Powys	121,260	155,658	3.9%	4.3%	0.4%
Ceredigion	90,072	98,500	2.9%	2.7%	-0.2%
Pembrokeshire	97,887	144,736	3.2%	4.0%	0.8%
Carmarthenshire	284,991	194,256	9.2%	5.4%	-3.8%
Swansea	261,433	346,054	8.5%	9.6%	1.1%
Neath Port Talbot	180,658	206,125	5.8%	5.7%	-0.1%
Bridgend	134,408	138,118	4.3%	3.8%	-0.5%
Vale of Glamorgan	114,602	113,393	3.7%	3.1%	-0.6%
Rhondda Cynon Taff	240,119	291,504	7.8%	8.1%	0.3%
Merthyr Tydfil	59,309	71,512	1.9%	2.0%	0.1%
Caerphilly	181,410	172,479	5.9%	4.8%	-1.1%
Blaenau Gwent	89,363	91,517	2.9%	2.5%	-0.4%
Torfaen	108,997	110,913	3.5%	3.1%	-0.4%
Monmouthshire	98,883	110,018	3.2%	3.1%	-0.1%
Newport	96,870	158,175	3.1%	4.4%	1.3%
Cardiff	293,427	422,270	9.5%	11.7%	2.2%
<b>Total</b>	<b>3,092,700</b>	<b>3,605,970</b>			

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**Distribution of teachers allocation**

**Annex B**

	Teachers WLGA survey £000	Allocation based on survey £000	2025-26 mainstream schools IBAS £000s	Allocation based on IBAs £000	Difference £000
Isle of Anglesey	40,020	551	65,644	572	21
Gwynedd	76,822	1,058	113,306	987	-71
Conwy	83,984	1,157	100,044	872	-285
Denbighshire	68,057	937	101,899	888	-49
Flintshire	87,988	1,212	147,402	1,285	73
Wrexham	74,482	1,026	124,766	1,087	61
Powys	68,855	948	117,633	1,025	77
Ceredigion	44,800	617	62,985	549	-68
Pembrokeshire	69,707	960	114,679	999	39
Carmarthenshire	107,687	1,483	181,931	1,585	102
Swansea	146,041	2,011	225,594	1,966	-45
Neath Port Talbot	83,632	1,152	136,369	1,188	37
Bridgend	94,486	1,301	136,191	1,187	-115
Vale of Glamorgan	79,896	1,100	133,417	1,163	62
Rhondda Cynon Taf	143,626	1,978	238,826	2,081	103
Merthyr Tydfil	31,326	431	58,898	513	82
Caerphilly*	117,927	1,624	176,126	1,535	-89
Blaenau Gwent	36,526	503	62,315	543	40
Torfaen	41,122	566	93,288	813	247
Monmouthshire	45,873	632	76,394	666	34
Newport	106,567	1,468	166,111	1,448	-20
Cardiff	229,199	3157	335,256	2,922	-235
<b>Total</b>	<b>1,878,623</b>	<b>25,875</b>	<b>2,969,077</b>	<b>25,875</b>	<b>-0</b>
Total allocation £000	25,875				
*Used RO figure for Caerphilly as survey not available					

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## **Distribution of NJC allocation**

## **Annex C**

	<b>NJC WLGA survey £000</b>	<b>Option 1 Allocation based on survey £000</b>	<b>Total SSA £000</b>	<b>Option 2 Allocation based on total SSA £000</b>	<b>Difference between option 1 and 2</b>	<b>Staff costs related SSA excluding mainstream education £000</b>	<b>Option 3 Allocation based on staff costs related SSA excluding mainstream education £000</b>	<b>Difference between option 1 and 3</b>
Isle of Anglesey	70,348	1,325	189,846	1,545	220	108,114	1,590	265
Gwynedd	183,558	3,457	334,877	2,726	-731	193,497	2,846	-611
Conwy	136,479	2,570	307,759	2,505	-65	175,763	2,585	15
Denbighshire	115,856	2,182	286,939	2,336	154	153,980	2,265	83
Flintshire	141,008	2,656	389,538	3,171	515	210,356	3,094	438
Wrexham	133,493	2,514	345,249	2,810	296	190,644	2,804	290
Powys	155,658	2,932	360,773	2,937	5	212,009	3,118	187
Ceredigion	98,500	1,855	200,299	1,631	-225	116,988	1,721	-134
Pembrokeshire	144,736	2,726	332,246	2,705	-21	189,371	2,785	59
Carmarthenshire	194,256	3,659	508,820	4,142	483	282,962	4,162	503
Swansea	346,054	6,518	633,123	5,154	-1,364	351,340	5,168	-1,350
Neath Port Talbot	206,125	3,882	392,274	3,193	-689	217,040	3,192	-690
Bridgend	138,118	2,601	374,109	3,045	444	202,895	2,984	383
Vale of Glamorgan	113,393	2,136	335,488	2,731	595	175,085	2,575	440
Rhondda Cynon Taf	291,504	5,490	661,039	5,381	-109	359,619	5,290	-201
Merthyr Tydfil	71,512	1,347	166,384	1,354	8	91,289	1,343	-4
Caerphilly*	172,479	3,248	482,931	3,931	683	261,332	3,844	595
Blaenau Gwent	91,517	1,724	192,490	1,567	-157	108,828	1,601	-123
Torfaen	110,913	2,089	253,122	2,061	-28	137,125	2,017	-72
Monmouthshire	110,018	2,072	217,775	1,773	-299	122,313	1,799	-273
Newport	158,175	2,979	438,624	3,571	591	233,271	3,431	452
Cardiff	422,270	7,953	939,280	7,646	-307	523,449	7,699	-254
<b>Total</b>	<b>3,605,970</b>	<b>67,915</b>	<b>8,342,986</b>	<b>67,915</b>	<b>-0</b>	<b>4,617,270</b>	<b>67,915</b>	<b>0</b>
Total allocation £000	67,915							



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**Distribution of NJC plus commissioned plus contracted allocation (based on NI impact estimates)**

**Annex D**

	<b>NJC / COMMISSIONED / CONTRACTED WLGA survey - NI IMPACT NOT TOTAL COST £000</b>	<b>Option 1 Allocation based on survey £000</b>	<b>Total SSA £000</b>	<b>Option 2 Allocation based on total SSA £000</b>	<b>Difference between option 1 and 2</b>	<b>Staff costs related SSA excluding mainstream education £000</b>	<b>Option 3 Allocation based on staff costs related SSA excluding mainstream education £000</b>	<b>Difference between option 1 and 3</b>
Isle of Anglesey	2,358	1,168	189,846	1,545	378	108,114	1,590	423
Gwynedd	4,930	2,441	334,877	2,726	285	193,497	2,846	405
Conwy	6,334	3,136	307,759	2,505	-631	175,763	2,585	-551
Denbighshire	4,804	2,379	286,939	2,336	-43	153,980	2,265	-114
Flintshire	4,092	2,026	389,538	3,171	1,145	210,356	3,094	1,068
Wrexham	6,829	3,381	345,249	2,810	-571	190,644	2,804	-577
Powys	6,155	3,048	360,773	2,937	-111	212,009	3,118	71
Ceredigion	3,570	1,768	200,299	1,631	-137	116,988	1,721	-47
Pembrokeshire	5,807	2,875	332,246	2,705	-171	189,371	2,785	-90
Carmarthenshire	8,991	4,452	508,820	4,142	-310	282,962	4,162	-290
Swansea	9,951	4,927	633,123	5,154	227	351,340	5,168	241
Neath Port Talbot	9,476	4,692	392,274	3,193	-1,499	217,040	3,192	-1,500
Bridgend	5,077	2,514	374,109	3,045	532	202,895	2,984	471
Vale of Glamorgan	5,903	2,923	335,488	2,731	-192	175,085	2,575	-347
Rhondda Cynon Taf	11,258	5,574	661,039	5,381	-193	359,619	5,290	-285
Merthyr Tydfil	1,922	952	166,384	1,354	403	91,289	1,343	391
Caerphilly*	5,605	2,775	482,931	3,931	1,156	261,332	3,844	1,069
Blaenau Gwent	2,872	1,422	192,490	1,567	145	108,828	1,601	179
Torfaen	3,177	1,573	253,122	2,061	487	137,125	2,017	444
Monmouthshire	5,580	2,763	217,775	1,773	-990	122,313	1,799	-964
Newport	7,250	3,590	438,624	3,571	-19	233,271	3,431	-159
Cardiff	15,222	7,537	939,280	7,646	109	523,449	7,699	162
<b>Total</b>	<b>137,163</b>	<b>67,915</b>	<b>8,342,986</b>	<b>67,915</b>	<b>-0</b>	<b>4,617,270</b>	<b>67,915</b>	<b>0</b>
Total allocation £000	67,915							

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### Distribution of NJC plus teachers allocation

### ANNEX E

	NJC and Teachers £000	Option 1 Allocation based on survey £000	Total SSA £000	Option 2 Allocation based on total SSA £000	Difference between option 1 and 2	Staff costs related SSA £000	Option 3 Allocation based on staff costs related SSA e £000	Difference between option 1 and 3
Isle of Anglesey	110,368	1,887	189,846	2,134	247	173,759	2,148	261
Gwynedd	260,380	4,453	334,877	3,765	-688	306,803	3,793	-660
Conwy	220,463	3,770	307,759	3,460	-310	275,808	3,410	-360
Denbighshire	183,913	3,145	286,939	3,226	81	255,879	3,163	18
Flintshire	228,996	3,916	389,538	4,379	463	357,758	4,423	507
Wrexham	207,975	3,557	345,249	3,881	325	315,409	3,899	343
Powys	224,513	3,839	360,773	4,056	216	329,643	4,075	236
Ceredigion	143,300	2,451	200,299	2,252	-199	179,973	2,225	-226
Pembrokeshire	214,443	3,667	332,246	3,735	68	304,050	3,759	92
Carmarthenshire	301,943	5,163	508,820	5,720	557	464,893	5,747	584
Swansea	492,095	8,415	633,123	7,117	-1,298	576,935	7,133	-1,282
Neath Port Talbot	289,757	4,955	392,274	4,410	-545	353,409	4,369	-586
Bridgend	232,604	3,978	374,109	4,206	228	339,086	4,192	214
Vale of Glamorgan	193,289	3,305	335,488	3,771	466	308,502	3,814	509
Rhondda Cynon Taf	435,130	7,441	661,039	7,431	-10	598,445	7,399	-42
Merthyr Tydfil	102,838	1,759	166,384	1,870	112	150,187	1,857	98
Caerphilly*	290,406	4,966	482,931	5,429	463	437,459	5,408	442
Blaenau Gwent	128,043	2,190	192,490	2,164	-26	171,143	2,116	-74
Torfaen	152,035	2,600	253,122	2,846	246	230,413	2,849	249
Monmouthshire	155,891	2,666	217,775	2,448	-218	198,707	2,457	-209
Newport	264,742	4,527	438,624	4,931	404	399,382	4,938	410
Cardiff	651,469	11,141	939,280	10,559	-581	858,705	10,616	-524
<b>Total</b>	<b>5,484,593</b>	<b>93,790</b>	<b>8,342,986</b>	<b>93,790</b>	<b>0</b>	<b>7,586,347</b>	<b>93,790</b>	<b>0</b>
Total allocation £000	93,790							