

Employer National Insurance Contributions funding – Explanatory Note

Employer National Insurance Contributions funding

On 18 December, the government confirmed £515 million in support for local authorities in England to mitigate the additional impact of the increase in employer National Insurance Contributions (NICs) on their budgets.

The government announced the majority of this funding would be delivered through a dedicated fund within the local government finance settlement, with allocations to local authorities due to be confirmed as part of the final local government finance settlement for 2025-26.

In recognition of the impact of increased employer NICs on combined authority and combined county authority budgets, the government expects that a proportionate share of the £515 million will be reserved for combined authorities and combined county authorities (CA/CCAs) in 2025-26, and that this funding will be allocated to CA/CCAs as part of a separate process taking place outside of the local government finance settlement in 2025-26.

This additional £515 million made available by the government to compensate local government in England as a whole for the impact of changes to employer NICs has been determined based on a national assessment of the costs for directly employed staff across the public sector.

The government is publishing this note to assist local councils' financial planning for 2025-26. It provides further detail on how funding will be allocated to local authorities in England through the local government finance settlement for 2025-26. Individual funding allocations will be published as early as possible but this is dependent on the quality and timeliness of outstanding data returns as set out below. Final allocations will be provided at the latest as part of the final local government finance settlement in early 2025.

Allocations methodology and timing

Individual local authority allocations will broadly follow the methodology below, noting in some instances we lack the relevant data for individual local authority allocations and we have yet to determine the exact amount that will be reserved for CA/CCAs.

Net current expenditure for each local authority is divided by the sum of net current expenditure for all local authorities in scope of funding. This is then multiplied by the total available funding to derive allocations:

$$Allocation_{LA} = \frac{Net\ current\ expenditure_{LA}}{\sum Net\ current\ expenditure_{LA}} * Total\ employer\ NICs\ funding$$

Where:

Net current expenditure_{LA} is the total net current expenditure for each local authority in scope of employer NICs funding, as published in the ‘local authority revenue expenditure and financing England: 2023 to 2024 – second release’.¹ Police and education services are excluded from this calculation.

Total employer NICs funding is the total employer NICs funding available for local government in England in 2025-26. This is £515 million.

We are aware a minority of local councils do not currently have published 2023-24 Net Current Expenditure data within the 2023-24 local authority revenue expenditure and financing England: 2023 to 2024 – second release. For this reason, we are currently unable to confirm each local authority’s expected allocation of this funding. Exact figures will not be confirmed until the final Settlement in early 2025. The amount of funding reserved for CA/CCAs will depend on further analysis of the latest relevant net current expenditure figures.

Final allocations to local authorities will be published by the final local government finance settlement in early 2025.

[Funding allocations for police and crime commissioners](#) were published by the Home Office on 17 December 2024. Confirmation of the government’s approach to supporting education services to meet additional costs will be provided in due course.

Data

The Department will make an exception for the local authorities concerned on this occasion but are clear that all councils must prioritise their completion of the Revenue Outturn data collection.

We are inviting local authorities with missing data to submit their best estimate of their relevant 2023-24 Net Current Expenditure directly to the Department by 10th January 2025. This must be accompanied by written confirmation from the authority’s section 151 officer that the figure provided can be supported by internal accounting information and other evidence, should it be needed. We will write to the local authorities concerned to set out next steps.

Local authorities must be prepared to comply with any request from the Department for further information. For instance, we may request copies of internal accounting information or other evidence to corroborate any figures that have been provided. If for any reason the Department has concerns about the legitimacy or validity of any figures provided by a local authority, and the local authority is unable to support this

¹ Local authority revenue expenditure and financing England: 2023 to 2024 – second release: [Local authority revenue expenditure and financing England: 2023 to 2024 – second release - GOV.UK](#)

figure with their own evidence, the Department may choose to use an earlier year's Net Current Expenditure data for that local authority.

Funding conditions

We will exclude this additional funding from the calculation of the funding floor payment in 2025-26. Payments to councils will be unringfenced to give local authorities discretion over the use of funds in their area. This funding can be used to support councils to mitigate the additional costs of employer National Insurance Contributions within direct, commissioned, and externally provided local services, for example.

Local authorities funded through the Local Government Finance Settlement

Every local council that ordinarily receives a funding allocation through the Local Government Finance Settlement will receive a share of employer NICs funding in 2025-26.

The following local authorities are in scope of this funding:

- London boroughs
- Metropolitan districts
- County councils
- Shire districts
- Unitary authorities
- The Greater London Authority
- Standalone Fire and Rescue Authorities
- Greater Manchester Combined Authority (GMCA) (for the part of their expenditure that relates to fire and rescue services).

The following local authorities are out of scope of receiving funding through the settlement:

- Parish and town councils
- Park authorities
- Waste authorities
- Transport authorities
- Combined authorities and combined county authorities other than the GLA and the GMCA's fire and rescue services (see below).

Combined authorities and combined county authorities

In recognition of the impact of increased employer NICs on combined authority and combined county authority (CA/CCAs) budgets, the government expects that a proportionate share of the £515 million funding available for English local government will be reserved for CA/CCAs in 2025-26, and that this funding will be allocated to CA/CCAs as part of a separate process taking place outside of the local government finance settlement in 2025-26.

Combined authorities and combined county authorities other than the GLA and the GMCA will receive a share of the funding delivered outside of the settlement for their functions excluding police and education services.

The GMCA will receive a share of the funding delivered outside of the settlement for their functions excluding police and education services; funding for its fire services will be delivered through the settlement. The government has confirmed it will provide support to mitigate the additional impact of the increase in employer National Insurance Contributions within police and education services separately.