

Employer National Insurance Contributions Grant – Explanatory Note

Employer National Insurance Contributions Grant

On 18 December, the government confirmed £515 million in support for local authorities (including combined authorities) in England to mitigate the additional impact of the increase in employer National Insurance Contributions (NICs) on their budgets. This amount of support provided for English local government was determined based on a national assessment of the costs for directly employed staff across the public sector.

On 3 February, the government published individual allocations of this funding for local authorities funded through the local government finance settlement, worth a combined £502 million, as part of the final settlement for 2025-26. The government also confirmed that £13m of the total £515m will be provided to Combined Authorities (CAs) and Combined County Authorities (CCAs).

The announcement on 3 February followed a data collection exercise with local authorities with unpublished Revenue Outturn data for 2023-24. A small group of councils were invited to submit their best estimate of their relevant 2023-24 net current service expenditure (defined below) directly to the department. All councils contacted by the department were able to provide the relevant net current service expenditure figures for 2023-24. The figures provided were used to determine individual LA allocations, and the size of the CA/CCA share.

On 3 February, the government also announced a change in the allocative methodology of the £502 million Employer National Insurance Contributions Grant, to include relevant HRA Management expenditure. This change was made in response to sector feedback since the provisional Settlement. This note sets out the final position, and methodology, that has been used to determine allocations of the grant.

As set out in more detail below, individual allocations of the £13 million funding for CAs/CCAs will be confirmed in due course.

Allocations methodology and timing

Individual local authority allocations within the local government finance settlement have been determined based on the methodology below, noting in some instances we lacked the relevant, published RO data, and we have therefore used councils' self-submitted expenditure data for 2023-24 where there were gaps in the data for specific authorities.

Relevant 'net current service expenditure' is measured as net current service expenditure for all in-scope services (General Fund Revenue Account Total Service Expenditure less all expenditure on Police and Education services) for each local authority, plus relevant service expenditure for in-scope housing services (Housing Revenue Account Supervision and Management (Minus CDC expenditure) for each local authority, is divided by the sum of relevant net current service expenditure and relevant HRA expenditure for all local authorities in scope of funding. This is then multiplied by the total available funding to derive allocations:

$$\text{Allocation}_{LA} = \frac{\text{Net current service expenditure}_{LA}}{\sum \text{Net current service expenditure}_{LA}} * \text{Total employer NICs funding}$$

Where:

Net current service expenditure_{LA} is the total net current service expenditure for all in-scope services (General Fund Revenue Account Total Service Expenditure (RS:699) less all expenditure on Police (RS:601) and Education services (RS:190)) for each local authority, as published in the 'revenue summary: local authority revenue expenditure and financing England: 2023 to 2024 – second release' plus relevant net current HRA Supervision and Management (RO4:122) expenditure for each local authority in scope of employer NICs funding, as published in the 'revenue outturn 4: local authority revenue expenditure and financing England: 2023 to 2024 – second release'.¹ In a small number of cases this data has been sent directly to the department by local authorities. 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 £502 million.

Funding conditions

As published at the provisional settlement in December, this funding has been excluded 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:

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](#)

- 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 CA/CCA budgets, the government has confirmed that £13 million from within the total funding available for English local government (£515m) will be reserved for CA/CCAs in 2025-26. The government also confirmed this funding would be allocated as part of a separate process taking place outside of the local government finance settlement in 2025-26 that will draw on the methodology used for local authorities described above.

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 has been 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.