

National insurance hike compensation uncertainty for public bodies in Wales

Public bodies in Wales may not receive full compensation from the UK Government for the cost of employer national insurance increases, unlike in England, a committee heard.

Finance Secretary Mark Drakeford told the Senedd's finance committee the cost of workers within the Office for National Statistics definition of a public-sector employee will be covered by the UK Treasury.

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Andrew Jeffreys, director of the Welsh Treasury, explained that the UK Government plans to use the Barnett Formula to decide how much Wales will receive based on the costs in England.

But Mr Drakeford said: "That's not my position... if public authorities in England are getting 100% compensation then public authorities in Wales should have 100%. The Barnett share may turn out to be less than we need in Wales.

"That would seem to me unfair if English public authorities know they're getting everything covered and in Wales we're left filling gaps."

He added: "If things worked out in the way we just described... I won't simply be leaving it there."

Peredur Owen Griffiths, who chairs the committee, raised a warning from Ynys Môn council of a "gaping hole" in the budget that leaves local authorities facing an existential crisis.

He said councils could be put in an invidious position of having to balance books, potentially making jobs redundant, in the interim before clarity on compensation in May or June.

Pointing to the example of extra cash from UK pay deals, Mr Drakeford stated that ministers took a risk-based decision to plan for the funding coming to Wales despite uncertainty.

He said: "I think local authorities will want to do that. They will look to see the ONS definition and make assumptions against that. I equally think there will be organisations who will need to plan on the basis they won't get help from the Treasury."

Mr Drakeford, who was appointed Finance Secretary in September, said he would be loath to use money that comes to Wales to "substitute for responsibilities held elsewhere".

Giving evidence after unveiling his £26bn draft budget,

including a £6bn planned settlement for councils in 2025/26, Mr Drakeford said local government funding will increase by 4.3%.

The former first minister told Senedd Members headline figures on how much funding each council receives often disguise the fact some are doing well on a per-head basis.

Mr Drakeford said he would look to see if anything more can be done to assist councils at the bottom end before the final budget is published on February 25.

He said the mission has not simply been to restore the position before wide-ranging cuts across almost every Welsh Government department were announced in October 2023.

He told the committee: "I've resisted with my colleagues suggestions that what we should be doing with the money we've got available next year is go back and fill the holes that we had to create in order to make this year's budget viable."

Pressed about tough decisions he has had to make, Mr Drakeford said: "There's very little in this budget where people have had to deprioritise ... Last year we were using that term to denote the fact we were having to cut budgets, there's very little of that in this budget."

He suggested he would have liked to allocate more than an extra £20m for childcare due to pressures to raise the hourly rate for providers and extend the Flying Start scheme.

Conservative Peter Fox questioned whether or not enough funding would be provided to the NHS in the draft budget to tackle the record 618,000 people in Wales on waiting-lists.

Mr Drakeford replied: "There's no ceiling here where you could say 'well, the health service has now got everything it needs' because there is always more demand... I am satisfied that there is adequate funding ... to make inroads into those

waiting-lists.”

Mike Hedges asked for an update on introducing a vacant land tax after talks with the Tory UK Government on devolving powers requested nearly five years ago broke down.

Mr Drakeford told his Labour colleague plans for a vacant land tax had completely stalled but that he had a positive meeting with James Murray, exchequer secretary to the UK Treasury.

He said he was given a commitment to revisit the proposal, which aims to test arrangements set out in the 2014 Wales Act to devolve powers for new taxes to Wales.

Pressed about talks with the UK Treasury on the Welsh Government’s borrowing powers and flexibility with reserves, Mr Drakeford warned the issue becomes more pressing every year.

He said if capital borrowing continues at the current rate of £150m a year, the Welsh Government will hit the £1bn cap during the next Senedd term from 2026.