



Eich cyf/Your ref: ER
Ein cyf/Our ref: MDFWL/00304/25

Councillor Ioan Thomas
Chair of Gwynedd County Council
Council Office
Shirehall Street
Caernarfon
Gwynedd
LL55 1SH

18 June 2025

Dear Councillor Thomas,

Thank you for your letter regarding the increase to employer National Insurance contributions announced by the UK government.

On 30 May, I set out the Welsh Government's approach to supporting devolved public sector employers with the increase to employer National Insurance contribution. In addition to passing on in full the Barnett consequential of £185m from the UK government, I am also providing an additional £36m in 2025-26 from the Wales Reserve, creating a total package of £220 million to support our public service employers.

All public sector employers will receive funding to cover 86% of the additional National Insurance costs they face this year. We continue to press the UK Government to fully fund the National Insurance increases for public sector employers in the same way it has in England. We have gone as far as we are able to, using funding that could have been used to support frontline services, to pay a tax bill created by the UK Government. We recognise this creates difficulties for the public sector, but we cannot afford to meet this UK bill in full when the UK Government has not provided the necessary funding to do so.

In terms of the distribution of this funding between local authorities, the Distribution Sub-group considered different approaches in its last meeting and expects to confirm the methodology over the coming weeks.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

You also raise the need for further reform of the Barnett system. It is the Welsh Government's long held position that there should be a needs-based funding system operating consistently across the UK, agreed by all four Governments. We also believe that the devolved funding system should be overseen and operated by a body independent of the UK Government in order to produce a fairer and more efficient mechanism. It would help reduce the distortions and inefficiencies that arise in the current system, and it would enable a more rational, transparent allocation of public spending across the UK.

Our priority in the near term is to ensure the current funding formula delivers for Wales. We are currently seeking enhanced budget flexibilities and will continue our discussions with the UK Government on its manifesto commitments to enable us to manage our resources more effectively.

Yours sincerely,

A handwritten signature in dark ink, reading 'Mark Drakeford'. The signature is written in a cursive, flowing style. The first name 'Mark' is written with a large 'M' and the last name 'Drakeford' is written in a more compact, cursive script.

Mark Drakeford AS/MS

Ysgrifennydd y Cabinet dros Gyllid a'r Gymraeg
Cabinet Secretary for Finance and Welsh Language