



Ministry of Housing,
Communities &
Local Government

Jim McMahon OBE MP

*Minister of State for Local Government and
English Devolution*
2 Marsham Street
London
SW1P 4DF

Our reference: MC2025/06119

Shelley Kipling

Via email

17 March 2025

Dear Shelley,

Thank you for your email of 27 January regarding the council motion of 20 January 2025, social care funding crisis and NI contributions.

With regards to overall funding, taken together, the additional funding announced by the Chancellor at the Autumn Budget and through the 2025-26 Local Government Finance Settlement will provide over £5 billion of new funding for local services over and above local council tax. This includes an additional £2 billion of grant through the Settlement in addition to a guarantee that local authorities in England will receive at least £1.1 billion in total in 2025-26 from the new Extended Producer Responsibility for packaging (pEPR) scheme, and a further £233 million of additional funding for homelessness services.

We have delivered a Settlement that begins to fix the foundations of local government by providing significant investment redirecting funding towards the services and places that need it most. The Settlement for 2025-26 makes available over £69 billion for local government, which is a 6.8% cash terms increase in councils' Core Spending Power on 2024-25.

In relation to Adult Social Care, we will make available up to £3.7 billion of additional funding for social care authorities in the Settlement in 2025-26.

The Government recognises the important role councils have in commissioning and delivering adult and children's social care services. To support social care authorities to deliver these key services in light of pressures, the Social Care Grant will increase by £880 million 2025-26 to 5.9 billion.

Concerning NICs, we recognise the challenges that local authorities are facing as demand increases for critical services. That is why the government is providing an additional £2 billion of grant funding through the Settlement, which includes £502 million of additional grant funding to manage the impact of employer National Insurance Contributions (NICs) changes on council budgets.

Payments will be unringfenced to allow funding to be used to mitigate the additional costs of employer National Insurance Contributions within direct, commissioned, and externally provided local services.

Additional funding for employer NICs has been determined based on a national assessment of the costs for directly employed staff and the grant distribution methodology has been published in an explanatory note on the government website: <https://www.gov.uk/government/publications/updated-explanatory-note-on-the-employer-national-insurance-contribution-grant-2025-to-2026>.

We are delivering a Settlement that begins to fix the foundations of local government by providing significant investment redirecting funding towards the services and places that need it most. The final Settlement for 2025-26 makes available over £69 billion for local government, which is a 6.8% cash-terms increase in councils' Core Spending Power on 2024-25. □

The Government is under no illusions about the scale of financial issues facing councils, and the potential for continued instability. That is why we have a framework in place to support councils in the most difficult positions, and why we will work on a collaborative basis to help councils manage financial challenges.

Thank you again for writing to me on this important matter.

Yours sincerely,

A handwritten signature in blue ink that reads "Jim McMahon".

JIM MCMAHON OBE MP

Minister of State for Local Government and English Devolution