# Wales faces £70 million public sector funding shortfall amid rising NICs



Wales is facing a critical financial crisis as the UK Government's funding falls woefully short of addressing the increased National Insurance Contributions (NICs) imposed on public sector employers. Finance Minister Mark Drakeford has revealed that the £185 million from Westminster is not even close to covering the £257 million needed to meet these new employer NIC costs, leading to a damaging £70 million shortfall. This glaring gap threatens vital public services that are essential for Welsh citizens.

While Drakeford has pledged to pass on the funding to devolved public sector employers, he has been forced to tap into the limited reserves of the Welsh Government, curtailing its ability to respond to other mounting financial pressures. The situation underscores a broader, reckless approach taken by Westminster, which has failed to deliver adequate resources for Wales. “We need fair funding to safeguard public services," he asserted, clearly pointing to the inadequacies of the current UK Government's financial policy.

Criticism is mounting from various fronts, reflecting a growing discontent with both the Labour-led Welsh Government and their counterparts in Westminster. Plaid Cymru’s finance spokesperson, Heledd Fychan MS, hit hard at the funding shortfall, indicating that Wales is yet again being neglected. The Barnett formula, which allocates funding based on population rather than actual costs, is at the heart of the issue, leaving Wales at a clear disadvantage. “Until we stand up for our rights, Wales will always be short-changed,” she declared, calling for an assertive government that demands fairness from the UK.

Welsh Conservative Shadow Cabinet Secretary for Finance, Sam Rowlands MS, shifted some blame onto the Labour Government’s resource management, accusing them of waste on frivolous projects that exacerbate the funding crisis. He contended that this glaring mismanagement reveals a deep-seated disregard by the UK Labour Government for the needs of Wales, stressing the urgency for competent financial leadership amidst a dire fiscal situation.

The financial outlook for Welsh public services is grim, with estimates predicting that increased NICs could impose costs ranging from £272 million to £380 million. This shocking burden puts essential services at serious risk. UNISON Cymru/Wales has joined the call for fair funding, urging the UK Government to reassess its funding methodologies to truly reflect the financial realities faced by public sector bodies in Wales. Ongoing advocacy is critical to ensuring that the foundational services Welsh communities depend on remain intact.

As this funding crisis unfolds, it raises pressing questions about the ongoing effectiveness of the financial arrangements between Wales and Westminster. There is an urgent need to revise the Barnett formula and to conduct a thorough review of funding allocations based on actual costs. Without such reforms, Wales will continue to encounter significant financial challenges, highlighting the inadequacies of the current government structure and a failure to properly support the nation’s needs.

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

1. <https://wrexham.com/news/uk-government-does-not-cover-welsh-nic-funding-gap-with-significantly-short-funding-271181.html> - Please view link - unable to able to access data
2. <https://www.herald.wales/senedd/wales-could-miss-out-on-65m-to-cover-national-insurance-hikes/> - Finance Secretary Mark Drakeford has warned that Wales could face a £65 million shortfall due to increased employer National Insurance Contributions (NICs). The UK Government's decision to distribute funding via the Barnett formula, based on population size, may not fully cover the actual costs incurred by Welsh public sector employers. Drakeford has expressed concerns over this approach, advocating for compensation based on actual costs rather than a population-based share. ([herald.wales](https://www.herald.wales/senedd/wales-could-miss-out-on-65m-to-cover-national-insurance-hikes/?utm_source=openai))
3. <https://cymru-wales.unison.org.uk/news/press-release/2025/04/play-fair-on-welsh-funding-says-unison/> - UNISON Cymru/Wales has called on the UK Government to ensure fair funding for Welsh public services, highlighting a potential £65 million shortfall due to increased employer NICs. The union criticises the use of the Barnett formula, which may not fully compensate Welsh public sector employers for the additional costs, urging the UK Government to provide adequate funding to prevent further strain on essential services. ([cymru-wales.unison.org.uk](https://cymru-wales.unison.org.uk/news/press-release/2025/04/play-fair-on-welsh-funding-says-unison/?utm_source=openai))
4. <https://www.standard.co.uk/business/business-news/welsh-public-services-face-ps65m-black-hole-due-to-tax-hike-senedd-hears-b1220379.html> - Mark Drakeford, the Welsh Finance Secretary, has criticised Chancellor Rachel Reeves's decision to use the Barnett formula to distribute funding for increased employer NICs. He argues that this approach could result in a £65 million shortfall for Welsh public services, advocating for compensation based on actual costs rather than a population-based share. ([standard.co.uk](https://www.standard.co.uk/business/business-news/welsh-public-services-face-ps65m-black-hole-due-to-tax-hike-senedd-hears-b1220379.html?utm_source=openai))
5. <https://www.independent.co.uk/business/welsh-public-services-face-ps65m-black-hole-due-to-tax-hike-senedd-hears-b2726163.html> - Welsh public services are facing a £65 million shortfall due to increased employer NICs, as warned by Finance Secretary Mark Drakeford. The UK Government's use of the Barnett formula to distribute funding may not fully cover the actual costs incurred by Welsh public sector employers, leading to concerns over the adequacy of compensation. ([independent.co.uk](https://www.independent.co.uk/business/welsh-public-services-face-ps65m-black-hole-due-to-tax-hike-senedd-hears-b2726163.html?utm_source=openai))
6. <https://nation.cymru/news/plaid-cymru-calls-for-welsh-public-sector-employers-to-be-compensated-in-full-for-national-insurance-hike/> - Plaid Cymru has urged the UK Government to fully compensate Welsh public sector employers for the National Insurance hike announced in the Budget. The party estimates that the increase could cost public sector organisations in Wales between £272 million and £380 million, and calls for full compensation to prevent further strain on essential services. ([nation.cymru](https://nation.cymru/news/plaid-cymru-calls-for-welsh-public-sector-employers-to-be-compensated-in-full-for-national-insurance-hike/?utm_source=openai))
7. <https://www.cwmbranlife.co.uk/wales-could-miss-out-on-65m-to-cover-national-insurance-hikes> - Finance Secretary Mark Drakeford has warned that Wales could face a £65 million shortfall due to increased employer NICs. The UK Government's decision to distribute funding via the Barnett formula may not fully cover the actual costs incurred by Welsh public sector employers, leading to concerns over the adequacy of compensation. ([cwmbranlife.co.uk](https://www.cwmbranlife.co.uk/wales-could-miss-out-on-65m-to-cover-national-insurance-hikes?utm_source=openai))