

TITLE OF REPORT: Rise in National Insurance Contributions

Purpose of the Report

1. The purpose of this report is to provide information to Schools Forum on the announced rise in National Insurance Contributions (NICs) that will increase by 1.25% from April 2022.

Background

2. The Government have announced that NICs will increase by 1.25% from 6 April 2022.
3. The changes are expected to raise £12bn a year, which will go towards the NHS and social care in the UK.

The increase will apply to:

- Class 1 (paid by employees)
- Class 4 (paid by self-employed)
- Secondary Class 1, 1A and 1B (paid by employers)

4. The increase will not apply to persons over the State Pension age.
5. Workers currently pay 12% National Insurance on earnings between £9,564 and £50,268. However, anything earned above this amount attracts a rate of just 2%.
6. People earning under £9,564 a year, or £797 a month, don't have to pay National Insurance and won't have to pay the new levy.
7. Employers pay Class 1 NICs of 13.8% on all earnings above the secondary threshold for almost all employees, the threshold is currently £8,840 per year. The increase will see contributions rise to 15.05% from April 2022.
8. The Government intends to compensate departments and other public sector employers in England at the Spending Review for the increased cost of the Levy. This is to ensure the spending power of public services is not reduced.

9. As with the teachers pay and pension increases (that were later mainstreamed into the dedicated schools grant (DSG)) the additional cost will most probably be allocated via a Section 31 grant.
10. Section 31 is part of the Local Government Act 2003 that gave wide-ranging powers to Ministers to make grants without the need for additional legislation.
11. It is not yet known on what basis the grant will be allocated or the payment dates for this additional grant.

Proposal

12. It is proposed that Schools Forum notes the contents of the report and that it is probable that a further additional grant will be allocated to schools to cover the increased costs of the additional NICs.

Recommendations

13. It is recommended that Schools Forum notes the content of the report.

For the following reasons:

To ensure Schools Forum is informed on financial implications for schools for the increase in NICs.

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