

No decision on whether Westminster will meet N.I. costs likely for two months

Edinburgh City Council will not know whether National Insurance costs increases will be met by the Scottish or UK Government before it makes its budget decisions in the next two weeks, officials have admitted.

The council's finance chief told councillors that it had to budget to meet the £35m in extra costs because of the change to contributions.

And a decision on whether the Labour government will fund these increases is unlikely to come before the Chancellor's Spring statement at the end of March.

Richard Lloyd-Bithell, the city's Director of Finance and Procurement told a meeting of the council's Finance and Resources Committee the situation remains: "very challenging."

Councillor Alex Staniforth, who had raised a motion on NI funding for extra staffing costs in Arm's Length External Organisations (ALEO) said: "In a recent briefing you mentioned that, since this report was written, we are now getting an offer from the Scottish Government of half our direct National Insurance contribution being paid for."

“Is that likely to be agreed by budget time. Is it like to change if it does change after the budget what will be the process of allocating those funds?”

Mr Lloyd-Bithell replied: “To be clear it is not a formal offer. It is still the position of the Scottish Government to lobby for full funding for direct and indirect commission costs.

“Our assumption we have made in terms of budget setting is based on a mixture of what has been said in briefings to us as officers in discussions with CoSLA [the local authorities umbrella group] and the Scottish Government, to look at what would be a prudent assumption.”

“Discussions are still ongoing. In terms of setting a budget it is very, very challenging because we do not anticipate that we will know the full extent of the funding until the Spring review which is where the chancellor said in her budget it would be addressed. So, it does create a level of uncertainty for us going into the budget.

“One of the things we’ll have to make sure we do is ensure that we set aside a prudent amount which of course increases financial constraints in budget setting without knowing the extent of the funding but also manage that risk effectively through a mixture of budget and reserves.”

Papers before the committee revealed the council is facing an £18.9m add on to its staffing bill, with a further £16.7m impact on indirect services, including nearly £3m in extra staffing costs for Edinburgh Leisure.

However, it warns the indirect services affected may not be covered by any additional funding provided to local authorities to cover the costs.

In its first Labour Government budget at Westminster the UK Government increased the percentage of National Insurance

employees must pay for its staff as well as reducing the threshold for when it kicks in.

The report said at its own finance committee meeting last November it had noted that the Scottish Government would receive additional funds from the increases and “can and should” use part of it to increase funds to local authorities to help cover the costs.

However, it said the situation was unclear, particularly when it comes to arm’s length services like Edinburgh Leisure and indirect services such as contracted and commissioned services and external providers.

By Stuart Sommerville, Local Democracy Reporter