HM Revenue & Customs

Great Britain National Insurance Fund Account

For the year ended 31 March 2024

HC 312

HM Revenue & Customs

Great Britain National Insurance Fund Account 2023 to 2024

Presented to Parliament pursuant to Section 161(2) of the Social Security Administration Act 1992

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Accounting Officer's foreword

1. Introduction

The National Insurance Fund (NIF) holds National Insurance Contributions (NICs), paid by employees, employers, and the self-employed. Voluntary contributions are also paid into the Fund. Receipts paid into the NIF are kept separate from all other revenue raised by national taxes and are used to pay social security benefits such as contributory benefits and the State Pension.

The NIF Account presents the receipts and payments for the financial year, as well as the balance on the Fund at the end of the year.

NICs also help to finance the National Health Service (NHS). NICs are paid into the NIF net of money allocated to the NHS.

2. Basis for the preparation of the NIF Account

The HM Treasury Accounts Direction (page 33), issued under Section 161(2) of the Social Security Administration Act 1992 requires HM Revenue and Customs (HMRC) to prepare a yearly statement of the transactions of the NIF. The Account is prepared on a receipts and payments basis, with values recognised as set out in Notes to the Account 1.3 and 1.4 on pages 18 and 19, and follows all relevant accounting and disclosure requirements given in Managing Public Money and other guidance issued by HM Treasury.

The Account is prepared on a going concern basis.

3. Statutory background

The National Insurance Act 1946 and National Assistance Act 1948 established the modern welfare state that continues today. As an important part of that, the NIF funds the State Pension as well as certain unemployment benefits, employment support benefits and other benefits in situations where the individuals meet the contributory and other qualifying conditions.

Section 161(1) of the Social Security Administration Act 1992, as amended by the Social Security Contributions (Transfer of Functions, etc.) Act 1999 moved the management of the NIF from the Contributions Agency (overseen by the then Department of Social Security) to the management of the Inland Revenue (now HMRC).

Under Section 162(1) of the Social Security Administration Act 1992, NICs received by HMRC are paid into the NIF after deducting the appropriate NHS allocation (see note 2). Section 162(6) provides that HMRC is required to consult with the Government Actuary's Department (GAD) to determine the appropriate apportionment, which is approved by HM Treasury.

The Commissioners for the Reduction of the National Debt (CRND) are responsible, in accordance with Section 161(3) of the Social Security Administration Act 1992, for the investments of the National Insurance Fund Investment Account (NIFIA). They are authorised to invest in accordance with directions given by HM Treasury and in line with the Memorandum of Understanding between HMRC and CRND.

Under Section 163 of the Social Security Administration Act 1992, benefits due under the National Insurance scheme are payable out of the NIF. The funds required for meeting the cost of these benefits are mainly provided from NICs paid by employed earners, their employers and the self-employed. The Social Security Contributions and Benefits Act 1992 sets out the conditions governing entitlement to most benefits and the basis for assessing liability to pay NICs.

In accordance with Section 88(3) of the Northern Ireland Act 1998, the Joint Authority (the Secretary of State, the Northern Ireland Minister having responsibility for social security and the Chancellor of the Exchequer) directs HMRC in making transfers between the Great Britain and Northern Ireland NIFs in order to maintain parity of balances. These transfers are made in consultation with GAD. The Joint Authority has agreed that, as far as possible, the relative balances in the Great Britain and Northern Ireland Funds should reflect the relative populations aged 16 and over, as shown in the latest Office for National Statistics (ONS) population estimates. This means that currently, the Northern Ireland balance is intended to be maintained at 2.77% of the joint balances of the two funds. The system of parity payments acts as a safeguard against serious imbalances between the Great Britain and Northern Ireland Funds.

In addition, the Social Security Act 1993 allows for money provided by Parliament to be paid into the NIF via a Treasury Grant if HM Treasury considers it expedient to do so. Current practice is to aim to maintain the level of the Fund at a working balance of at least 1/6th (16.7%) of projected annual benefit expenditure.

The amounts paid out of and received into the NIF, and the resulting balance on the Fund depend on legislation, which is the responsibility of HM Treasury Ministers and the Secretary of State for Work and Pensions. In setting contribution rates, HM Treasury Ministers are required to consider changes in the general level of earnings (Section 141 of the Social Security Administration Act 1992), the balance on the Fund and payments expected to be made from it in the future (Section 143 of the Social Security Administration Act 1992). In addition, both demographic and economic changes can affect amounts received and paid out and therefore the overall balance on the Fund.

GAD is required under Sections 142(1), 144(1), 147(2), 150(8), 150A(5) and 151A(6) of the Social Security Administration Act 1992 to report on the likely effect on the NIF of the government's annual benefits up-rating and contributions re-rating orders. These reports are laid before Parliament and debated alongside the relevant orders. GAD is also required, under Section 166 of the Act, to review the operation of the Great Britain NIF at least every 5 years. The latest Quinquennial Review of the National Insurance Fund had an effective date of April 2020 and was laid before Parliament on 17 March 2022.

There is no impact of the Health and Social Care Levy Act 2021 on the 2023 to 2024 NIF accounts. It was implemented from 6 April 2022 through a temporary 1.25 percentage point increase to Class 1, Class 1A, Class 1B, and Class 4 NICs rates in the 2022 to 2023 tax year. In September 2022 the government announced it would reduce the National Insurance rates from 6 November 2022, in effect removing the temporary 1.25 percentage point increase for the remainder of the 2022 to 2023 tax year from that date. The Health and Social Care Levy Act was repealed in October 2022.

4. Operational responsibilities

HMRC is responsible for collecting NICs and recording them against individuals' contribution records which determine entitlement to social security benefits payable from the NIF. As Accounting Officer for the NIF, I am responsible for the control and management of the Fund.

The Department for Work and Pensions (DWP) has overall responsibility for the award and payment of most benefits payable from the NIF, including those relating to retirement, bereavement, contribution-based Jobseeker's Allowance and contributory Employment and Support Allowance (ESA). Entitlement to benefit is determined by the claimant satisfying qualifying conditions. For Statutory Maternity Pay, employers reduce the amount of NICs paid to HMRC by the amount of the Statutory Maternity Pay that they are able to recover. Subsequently, DWP pays over to HMRC an amount to compensate the NIF for this shortfall in contributions, as estimated by GAD.

For Statutory Adoption Pay, Statutory Paternity Pay, Statutory Shared Parental Pay and Statutory Parental Bereavement Pay employers reduce the amount of NICs paid to HMRC by the amounts of these benefits that they are able to recover. The Department for Business and Trade (DBT) pays over to HMRC an amount to compensate the NIF for this shortfall in contributions, as estimated by GAD. Throughout 2023 to 2024, DBT was responsible for making Redundancy Payment Scheme (RPS) awards. The Insolvency Service, an executive agency of DBT, handled the payment of awards and collection of receipts.

5. Financial performance

The National Insurance scheme is financed on a pay as you go basis with contribution rates set at a level broadly necessary to meet the expected benefits expenditure in that year, after taking into account any other payments and receipts, and to maintain a working balance. Changes in contribution levels, in response to the needs of the Fund, take time to implement, therefore a working balance is necessary as the NIF has no borrowing powers. The NIF is obligated under legislation to fund any future identified underpayments or overpayments. This would include providing funds to satisfy provisions as they are settled in government departments that administer payments on behalf of the Fund.

The minimum working balance required to be held for 2023 to 2024 was estimated at £21.8 billion, being 16.7% of estimated benefit expenditure, as stated in the report on the Social Security Benefits Up-rating Order published by GAD in January 2024. HM Treasury Ministers made provision for a Treasury Grant for 2023 to 2024 of up to 5% estimated benefit payments, which can be requested if required. The balance of the Fund at 31 March 2024 was £86.4 billion and was above the estimated minimum requirement throughout the year. No Treasury Grant was therefore required in 2023 to 2024.

The report on the Up-rating Order published by GAD in January 2024 projected a decrease in the balance of the Fund in the year ending 31 March 2025. It also projected that no Treasury Grant is likely to be required in that year in order to maintain the Fund above the targeted minimum balance of 16.7% of benefit expenditure. However, as a contingency, under section 2(2) of the Social Security Act 1993 (c.3), HM Treasury Ministers have made provision for a Treasury Grant for 2024 to 2025 of up to 5% of estimated benefit payments. This equates to a provisional facility of £7.2 billion.

6. Audit

The Comptroller and Auditor General is required under Section 161(2) of the Social Security Administration Act 1992 to examine and certify the NIF Account and to lay copies of it, together with his report, before Parliament.

I have taken all steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the auditors are aware of that information. As far as I am aware, there is no relevant audit information of which the auditors are unaware.

The audit fee for 2023 to 2024 was £149,000 (£142,000 in 2022 to 2023) and will be included in the 2024 to 2025 Account. No non-audit services were undertaken in 2023 to 2024.

7. Accounting Officer's responsibilities

As Chief Executive and First Permanent Secretary of HMRC I am the Accounting Officer for the NIF, appointed by HM Treasury with effect from 29 October 2019. As Accounting Officer for the NIF, I am responsible for:

- maintaining proper accounting records
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error
- preparing financial statements, which properly present, in accordance with the Social Security Administration Act 1992 and with directions made by HM Treasury
- preparing the Accounting Officer's foreword, in accordance with the Social Security Administration Act 1992 and with directions made by HM Treasury
- ensuring that an appropriate system of internal control is in place to ensure that the expenditure and income presented in the financial statements have been applied to the purposes intended by Parliament and that the financial transactions conform to the authorities which govern them

As Accounting Officer, I am also responsible for ensuring compliance with HM Treasury's Managing Public Money, safeguarding the assets of the Fund and for the prevention and detection of fraud, error, and non-compliance with law or regulations.

In preparing this account, I am required to ensure suitable accounting policies have been applied on a consistent basis and that judgements and estimates have been made on a reasonable basis. Many of the activities relating to the transactions of the NIF are carried out by other departments (e.g. DWP and DBT) and agencies and I receive letters of assurance from them as detailed in section 4 of the governance statement on page 9.

As Accounting Officer, I confirm this account is fair, balanced and understandable. I take personal responsibility for this Account and the judgements required for determining that it is fair, balanced and understandable.

Sir Jim Harra KCB
Accounting Officer
21 November 2024

Governance Statement

1. Purpose of the Governance Statement

This Governance Statement sets out the governance and risk management arrangements for the NIF. It applies to the financial year 1 April 2023 to 31 March 2024 and up to the date of signing of the NIF Account.

2. Scope of responsibility

As Accounting Officer for the NIF, I have responsibility for ensuring its risks are effectively managed across HMRC and for safeguarding the public funds contained within it, for which I am personally responsible as departmental Accounting Officer in accordance with the responsibilities assigned to me in Managing Public Money. Accordingly, I ensure that risk management operates at all levels in HMRC, from operational decision making on individual cases, through to the identification and mitigation of strategic level risks in our departmental Risks and Issues Register.

While HMRC has overall responsibility for the control and management of the Fund (which includes allocation of funds to other departments with NIF responsibilities and the collection of NICs), DWP is responsible for the control and management of benefit payments. The Insolvency Service, an executive agency of DBT, is responsible for the control and management of RPS awards covered by the Fund and the collection of related receipts.

I receive letters of assurance from the Accounting Officer of DWP approved by their Departmental Audit and Risk Assurance Committee and from the Accounting Officer of DBT approved by the Insolvency Service's Accounting Officer and Audit and Risk Assurance Committee, which gives me confidence that they have sufficient governance arrangements in place and highlight any significant risks that may impact on their control and management of NIF-related activities. Governance arrangements are outlined in their respective Governance Statements and published within the 2023 to 2024 DWP Annual Report and Accounts (AR&A) and the 2023 to 2024 Insolvency Service Annual Report and Accounts (AR&A).

HMRC has produced a full Governance Statement setting out details of its compliance with the Corporate Governance in Central Government Departments: Code of Good Practice; the role of the Board and committees within HMRC, along with risks to HMRC's performance and how these have been managed. This includes disclosures relating to issues outside of the scope of work relating to the NIF. The Governance Statement is included in the published 2023 to 2024 HMRC Annual Reports and Accounts (AR&A).

Operational Excellence, a directorate of HMRC's Customer Services Group, has overall accountability for the control and management of the NICs processes. The Joint Management Board (JMB) is chaired by the Deputy Director responsible for NICs, Pay As You Earn (PAYE), Self Assessment (SA) and Construction Industry Scheme (CIS). It provides an escalation route and forum where process matters including risks and issues can be discussed by a wider HMRC stakeholder group, which includes the Deputy Director of NICs Policy, International, and Student Finance.

The National Insurance Fund Accounting Board (NIFAB), chaired by HMRC's Head of Tax Accounts Production, provides a forum and network for key stakeholders, including from HMRC, DWP and DBT, to work collaboratively to drive NIF policy, strategy, planning, risk and change management, and to monitor effective Fund administration.

Both the JMB and the NIFAB sit below and help support the Board and committee structures described in the 2023 to 2024 HMRC AR&A.

3. Integrity of the National Insurance records

The Chief Finance Officer for HMRC and the Finance Director General for DWP requested that HMRC's Internal Audit and the Government Internal Audit Agency conduct audits within HMRC and DWP respectively to provide assurances over the framework in place to maintain the accuracy of the NI record, where records are reliant on benefits data submissions from DWP.

It concluded that ownership, assurance and accountability for data between the departments needed significant improvement. The review made twelve recommendations in total for HMRC and DWP, and these are expected to be completed by the end of March 2025.

Both Departments operate a standard 'three lines of defence' assurance model which includes support at a business process level, internal assurance and additional independent assurance.

This has been supplemented with a new Cross Departmental National Insurance Oversight Board. Created in July 2023 and chaired jointly by the Director of Operational Excellence (HMRC) and Director of Retirement Services (DWP), the Oversight Board has accountability for delivery of cross departmental activities impacting on National Insurance.

It also provides assurance to the Permanent Secretaries of both DWP and HMRC on the integrity of the NI accounts. It has the ability to bring into scope other work that impacts on the effective administration of NI where activity spans between HMRC and DWP.

The recommendations from the jointly commissioned Internal Audit review, together with the ongoing feedback from assurance activity will further support improvement in the assurance of the data.

4. Risks to the NIF and how these are managed

Control and management of NIF risks are consistent with the overarching Governance Statements published in the respective 2023 to 2024 AR&As for HMRC, DWP and DBT.

NIF specific risks are reported to, and managed throughout the year by the NIFAB which has wide representation, including from HMRC, DWP and DBT. NIF specific risks are regularly reviewed at the NIFAB, and no significant risks have been identified for 2023 to 2024 other than the matters noted below.

Matters on which I have received assurance

A letter of assurance has been received from DBT, which has been approved by the Insolvency Service Audit and Risk Assurance Committee. DBT has carried out an internal assurance before issuing the letter. It has given me confidence that there are no significant risks or control issues in the management of Redundancy Payments Scheme awards and the collection of related receipts that impact the Great Britain NIF for 2023 to 2024.

DWP has provided a letter of assurance that has been approved by its Departmental Audit and Risk Assurance Committee. It contains details about its capacity to handle risk and its risk control framework. Throughout 2023 to 2024, risks to the NIF for which DWP remains primarily accountable were reviewed and managed within DWP, and updates were regularly shared with HMRC and other key stakeholders through attendance at the NIFAB. The following matters were noted regarding DWP's management of activities financed by the NIF:

Underpayment of State Pension – Legal Entitlements and Administrative Practice (LEAP) Exercise

In early 2020, several cases came to light of DWP underpaying State Pension, which led to them undertaking detailed analysis to determine the scale of the problem. DWP formally commenced a LEAP exercise in January 2021 to identify affected cases and rectify them. Payments of arrears are to be funded and accounted for by the NIF in the period in which DWP makes the payment. Between January 2021 and the end of March 2024 the LEAP exercise has identified 99,558 underpayments affecting certain categories of recipients, notably married women, widows, and people aged 80 years and over. Up to 31 March 2024, DWP has paid arrears of £594 million and recognised a revised provision of £369 million in their 2023 to 2024 AR&A based on current estimation. DWP expects to complete this exercise by the end of 2024 to 2025.

Underpayment of State Pension – Home Responsibilities Protection (HRP)

A separate issue also causing underpayment of State Pension arose in 2021 to 2022 in connection with HRP. For people reaching State Pension age before 6 April 2010, HRP reduced the number of qualifying years needed for a basic State Pension where someone stayed at home to care for children for whom they received Child Benefit or a person who was sick or disabled. For people reaching State Pension age since 6 April 2010, previously recorded periods of HRP were converted into National Insurance credits. DWP identified administrative discrepancies in the recording of HRP on some customers' National Insurance records, which resulted in State Pension errors. Correction activity began in Autumn 2023 to identify and process customer claims and to correct the National Insurance records and State Pension entitlement. DWP has included a provision of £1.15 billion in their 2023 to 2024 AR&A to pay any arrears.

Fraud and Error

A full review of State Pension has been undertaken by DWP in 2023 to 2024, which checks for Fraud, Claimant Error, and Official Error. The NIF benefit expenditure overpayment rate for 2023 to 2024 was 0.3% (£350 million) which comprised; fraud (0.1%/£160 million) and error (0.1%/£190 million). The NIF overpayment rate in 2022 to 2023 was 0.2%. The NIF benefit expenditure underpayment rate for 2023 to 2024 was 0.4% (£520 million) comprised; fraud (nil%) and error (0.4%/£520 million). The NIF underpayment rate in 2022 to 2023 was 0.5%.

Although the Comptroller and Auditor General has qualified his opinion on the regularity of benefit expenditure administered by DWP due to the levels of fraud and error, State Pension is excluded from the qualification. This is because the Comptroller and Auditor General views the level of State Pension overpayments and underpayments as immaterial in the context of the £268.5 billion benefit and Social Fund expenditure in DWP's 2023 to 2024 AR&A. This exclusion, and the generally lower rates of fraud and error found in contributory benefits paid for by the NIF, leads me to agree with DWP and the Comptroller and Auditor General that this issue is not a significant risk to the NIF. Additional fraud and error information is provided on pages 93 to 123 and a summary of the DWP position for reducing the overall level of fraud and error can be found in the 2023 to 2024 DWP AR&A.

5. Review of effectiveness

A number of specific sources inform and contribute to my review of effectiveness including:

- individual annual Governance Statements from members of HMRC's Executive Committee (ExCom) setting out the control framework arrangements (governance, risk management, assurance, process and data management) in their business areas
- the review that underpins the production of the GB NIF Governance Statement including letters of assurance from DWP and DBT
- the annual opinion of the Director of Internal Audit, regarding the effectiveness of the framework for governance, risk management and internal control
- any matters raised by the National Audit Office (NAO) as a result of their audit work, including wider observations on HMRC relevant to the assessment and collection of NICs

Taking all of these into account, I am confident that the risks related to NIF are being identified and effectively managed.

6. Conclusion

Accordingly, based on the review I have outlined above, I conclude that in material respects there is an effective system of governance, risk management and internal control that supports the Fund's aims and objectives.

Sir Jim Harra KCB
Accounting Officer
21 November 2024

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

Opinion on financial statements

I certify that I have audited the financial statements of the Great Britain National Insurance Fund for the year ended 31 March 2024 under the Social Security Administration Act 1992.

The financial statements comprise the Great Britain National Insurance Fund's:

- Receipts and Payments Account, including Statement of Balances; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and the Social Security Administration Act 1992.

In my opinion, the financial statements:

- properly present the Great Britain National Insurance Fund's receipts and payments for the year ended 31 March 2024; and
- have been properly prepared in accordance with the Social Security Administration Act 1992 and HM Treasury directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects, the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Entities in the United Kingdom (2022)*. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2019*. I am independent of the Great Britain National Insurance Fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Great Britain National Insurance Fund's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Great Britain National Insurance Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

Other information

The other information comprises information included in the Accounting Officer's Foreword, Governance Statement and Other Financial Information, but does not include the financial statements and my auditor's certificate and report thereon. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion, based on the work undertaken in the course of the audit, the information given in the Accounting Officer's Foreword and Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Great Britain National Insurance Fund and its environment obtained in the course of the audit, I have not identified material misstatements in the Accounting Officer's Foreword and Governance Statement.

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- Adequate accounting records have not been kept by the Great Britain National Insurance Fund or returns adequate for my audit have not been received from third parties; or

- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Accounting Officer's responsibilities, the Accounting Officer is responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Great Britain National Insurance Fund from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error; and
- preparing financial statements and Accounting Officer's Foreword, Governance Statement and Other Financial Information which are in accordance with the applicable financial reporting framework.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Social Security Administration Act 1992.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of the Great Britain National Insurance Fund's accounting policies.
- inquired of management, the Great Britain National Insurance Fund's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Great Britain National Insurance Fund's policies and procedures on:
  - identifying, evaluating and complying with laws and regulations;
  - detecting and responding to the risks of fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Great Britain National Insurance Fund's controls relating to the Great Britain National Insurance Fund's compliance with the Social Security Administration Act 1992 and Managing Public Money.
- inquired of management, the Great Britain National Insurance Fund's head of internal audit and those charged with governance whether:
  - they were aware of any instances of non-compliance with laws and regulations;
  - they had knowledge of any actual, suspected, or alleged fraud,
- discussed with the engagement team and the relevant internal specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Great Britain National Insurance Fund for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals and benefits expenditure. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Great Britain National Insurance Fund's framework of authority and other legal and regulatory frameworks in which the Great Britain National Insurance Fund operates, I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Great Britain National Insurance Fund. The key laws and regulations I considered in this context included the Social Security Administration Act 1992, Managing Public Money and relevant benefits and pensions legislation.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, and the Audit and Risk Committee concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board; and internal audit reports;
- I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements on estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and

- I sought assurance from my audits of the Department for Work and Pensions Resource Account and Department for Business and Trade Resource Account on the regularity of benefits payments and the level of fraud and error, and HM Revenue & Customs Trust Statement on the receipt of national insurance contributions.

I communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

Other auditor's responsibilities

I am required to obtain sufficient appropriate evidence to give reasonable assurance that the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General

25 November 2024

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Receipts and payments account

Prepared in accordance with Section 161(2) of the Social Security Administration Act 1992.

For the year ended 31 March	Notes	2024 £000	2023 £000
Receipts			
National Insurance Contributions	2	138,649,520	129,067,592
Compensation for statutory pay recoveries	3	2,969,000	2,729,000
Income from NIF Investment Account	4	3,881,306	1,227,798
Redundancy receipts	5	29,634	45,755
State Scheme Premiums	6	1	15
Personal pension receipts	7	8	37
		145,529,469	**133,070,197**
Less			
Payments			
Benefit payments	8	(129,827,870)	(115,704,759)
Administrative costs	9	(491,201)	(420,565)
Transfers to Northern Ireland NIF	10	(672,856)	(906,644)
Redundancy payments	5	(494,374)	(315,862)
Other payments	11	(110,493)	(110,980)
		(131,596,794)	**(117,458,810)**
Receipts less payments		**13,932,675**	**15,611,387**

Statement of balances

As at 31 March	Notes	2024 £000	2023 £000
Opening balance		72,486,113	56,874,726
Receipts less payments		13,932,675	15,611,387
Closing balance	12	**86,418,788**	**72,486,113**

Sir Jim Harra KCB
Accounting Officer
21 November 2024

The notes on pages 18 to 28 form part of these accounts.

Notes to the Account

Notes to the account provide additional information and accounting conventions to explain a particular feature of the financial statements. The notes which follow will also provide explanations and additional disclosure to assist readers' understanding and interpretation of the financial statements.

1. Statement of accounting policies

1.1 Basis of preparation of the Account

This Account has been prepared in accordance with Section 161(2) of the Social Security Administration Act 1992. It has been prepared on a receipts and payments basis in a form directed by HM Treasury, shown on page 33 of this Account and the policies outlined below.

1.2 Net accounting

NICs, State Scheme Premiums, personal pensions and benefit payments are all shown net of refunds or recoveries.

An allocation for the NHS is paid over by HMRC before the contributions are paid into the NIF and therefore the NICs in the NIF are shown net of the NHS element (see note 2).

1.3 Receipts recognition

NICs

The Account shows NICs received by HMRC during the year. Contributions are recognised in the accounting period in which they are allocated.

The contributions are collected and administered on a UK-wide basis for Great Britain and Northern Ireland and HMRC is required to allocate the total contributions between the two Funds. A scan of the National Insurance and Pay As You Earn Service (NPS) is used to extract postcode data of taxpayers to estimate the ratio of individuals living in each area who have paid NICs. HMRC then applies this ratio, rounded to the nearest 0.1%, to the UK-wide receipts figures to split the contributions between the two Funds. A split is also applied to Class 4 receipts using an analysis of postcodes of the self-employed with Class 4 liabilities.

The amounts received are after recoveries by employers of amounts due in respect of any Statutory Maternity Pay, Statutory Adoption Pay, Statutory Paternity Pay, Statutory Shared Parental Pay and Statutory Parental Bereavement Pay made to their employees, and after deduction of contributions allocated to the NHS.

Employers are responsible for calculating their own and their employees' contributions. National Insurance records are subject to examination by HMRC. These checks and other checks on contributors may result in additional receipts or repayments in future years in respect of contribution liabilities for 2023 to 2024.

Class 1 NICs

Almost all amounts received in respect of Class 1 NICs are captured via the monthly PAYE process by the Real Time Information (RTI) system. There is a small degree of estimation involved in this process where the exact split between Income Tax and NICs receipts cannot be identified.

Class 1A and 1B NICs

All amounts received in respect of Class 1A and 1B NICs are recorded on the Enterprise Tax Management Platform (ETMP) and are separately identifiable.

Class 2 and Class 4 NICs

Class 2 and Class 4 NICs are mostly collected via Self Assessment (SA). The collection of receipts for Income Tax, Class 2 and Class 4 NICs through SA involves long time lags. Receipts in any one year will relate to payments on account for that year and the settlement of liabilities for previous years. SA receipts are allocated between Income Tax, Class 2, Class 4 NICs, and Capital Gains Tax using estimates based on an annual analysis of individuals' records in the SA system.

NICs received outside of the RTI PAYE and SA processes

A small amount of NICs, mostly Class 3 voluntary contributions, are received each year outside of the RTI PAYE and SA processes. The class breakdown for these cash receipts is estimated using a scan of records held on NPS.

Compensation for statutory pay recoveries

Compensation payments for employer recoveries of Statutory Maternity Pay, Statutory Paternity Pay, Statutory Shared Parental Pay, Statutory Adoption Pay and Statutory Parental Bereavement Pay receipts are estimated by GAD and recognised in the NIF when those payments are received from DWP and DBT (see note 3). GAD estimates are adjusted on an annual rolling cycle once the actual amounts recovered are available after the financial year has ended.

Income from NIF Investment Account

In 2023 to 2024, the NIF Investment Account (NIFIA) was entirely invested in the Debt Management Account, which pays a rate equal to the Bank of England's Bank Rate (also known as the 'base rate'). Interest on this investment is accrued daily and paid on a monthly basis. Interest is received by the NIF in the month following that in which it is earned and recognised on a cash basis.

1.4 Payments recognition

Benefit payments

DWP administers most of the contribution-based benefit payments that are financed from the NIF. The payment of these benefits is recognised in the NIF Account in the accounting period in which the benefit is paid to the claimant by the administering department.

HMRC administers payment of Guardian's Allowance to eligible recipients. The Guardian's Allowance payments that are recognised in the NIF accounts reflect the funding that is paid from the NIF to reimburse HMRC for the payments that the department has made.

Administrative costs

The costs related to services provided to the NIF are recognised on the date the amount is paid either directly to the service providers or reimbursed to HMRC by NIF.

Transfers to Northern Ireland Fund

To ensure the balance of the Northern Ireland and Great Britain Funds reflect, as far as practicable, the relative sizes of the populations aged 16 and over, regular transfers are made between the Great Britain and Northern Ireland NIFs. The parity payments are based on estimates provided by GAD using the latest population estimates published by ONS and are recognised in the accounting period when they are paid (see note 10).

Redundancy payments

The Insolvency Service, an agency of DBT, administers RPS awards financed from the NIF. The payment of these awards is recognised in the NIF Account in the accounting period in which the award is paid by the administering department.

2. National Insurance Contributions

For the year ended 31 March		2024	2023
Contributions - breakdown by class	Notes	£000	£000
Class 1 (employed earners)	i	133,968,708	124,203,146
Class 1A	ii	1,242,005	1,225,881
Class 1B	iii	424,641	153,846
Class 2 (self-employed flat rate)	iv	323,266	427,759
Class 3 (voluntary contributions)	v	318,725	391,973
Class 4 (self-employed earnings related)	vi	2,372,175	2,664,987
		138,649,520	**129,067,592**

Different groups of people pay different classes of contributions. These can be summarised as follows:

i **Class 1 contributions** comprise two parts: primary contributions payable by employees which are approximately 40% of the total Class 1 figure, and secondary contributions payable by employers, which are approximately 60%.

ii **Class 1A contributions** are paid by employers on most benefits-in-kind (BIKs) provided to employees and on termination awards above £30,000 per annum. Employers pay Class 1A contributions on BIKs in July of the following tax year and on termination awards to HMRC via the PAYE scheme with their Income Tax and Class 1 contributions.

iii **Class 1B contributions** are paid by employers where they have entered into a PAYE settlement agreement for tax enabling them to settle their Income Tax and NICs liability in a lump sum after the end of the tax year.

iv **Class 2** flat rate weekly contributions are paid by self-employed persons.

v **Class 3** voluntary flat rate contributions are paid to maintain contributors' National Insurance records to qualify for certain benefits and/or State Pension.

vi **Class 4** contributions are paid by self-employed persons on their profits.

NHS allocation

The NHS allocation is paid over by HMRC to the NHS before any contributions are paid into the NIF and so the figures shown are net of this NHS allocation. The NHS allocation was £33.5 billion in 2023 to 2024 (£41.8 billion in 2022 to 2023) and forms part of the total NHS funding.

The NHS allocation is based on GAD's estimates made in December 2022 and revised in December 2023 for the year 2023 to 2024. The allocation is estimated in accordance with the requirements set out in Section 162(5) of the Social Security Administration Act 1992.

In 2022 to 2023 the NHS allocation was high for comparatively lower NICs than 2023 to 2024. This was mainly due to the Health and Social Care Levy (a temporary 1.25 percentage point increase to certain NICs rates).

3. Compensation for statutory pay recoveries

For the year ended 31 March	Notes	2024 £000	2023 £000
Statutory Maternity Pay	i	2,881,000	2,629,000
Statutory Adoption Pay, Statutory Paternity Pay, Statutory Shared Parental Pay and Statutory Parental Bereavement Pay	ii	88,000	100,000
		2,969,000	**2,729,000**

The government compensates the NIF for loss of revenue due to contribution receipts being reduced by employers recovering Statutory Maternity Pay, Statutory Adoption Pay, Statutory Paternity Pay, Statutory Shared Parental Pay and Statutory Parental Bereavement Pay. The compensation is drawn down from the Consolidated Fund and then paid over to the NIF by DWP and DBT, as the NIF has no facility to do so. The amounts paid over are based on estimates produced by GAD in accordance with Section 1(5) of the Social Security Contributions and Benefit Act 1992 using information on past recoveries taken from systems administered by HMRC.

i Compensation for Statutory Maternity Pay recoveries is paid to recipients by DWP.

ii Compensation for Statutory Adoption Pay, Statutory Paternity Pay, Statutory Shared Parental Pay, and Statutory Parental Bereavement Pay recoveries are paid to recipients by DBT.

4. Income from NIF Investment Account

For the year ended 31 March	2024 £000	2023 £000
Interest received	**3,881,306**	**1,227,798**

By virtue of SI 1978 No. 1839, surplus funds paid over to the NIFIA may be invested by CRND in any manner specified in paragraphs 1, 2, 3, 8, 9 and 9A of Part II of Schedule 1 to the Trustee Investments Act 1961. In practice this means exposure is limited to UK government or government-guaranteed instruments and/or cash deposits.

In 2023 to 2024, as in the previous year, the NIFIA was entirely invested in the Debt Management Account, which pays a rate equal to the Bank of England's Bank Rate (also known as the 'base rate'). Interest on investment is accrued daily and paid on a monthly basis. Investments in the Debt Management Account allow instant access to funds as well as capital protection, an investment approach deemed by HMRC and CRND as best suited to the needs and risk appetite of the Fund.

The Debt Management Account is an Exchequer Fund, which is owned by HM Treasury, and carries the full guarantee of the UK government.

Interest is received in the following month of which it is earned. In 2022 to 2023 the Bank of England's base rate changed from 0.75% to 4.25% over the course of the year but for the financial year 2023 to 2024, the rate increased to 5.25% by 31 March 2024, resulting in significantly higher interest received compared to the prior year.

The interest received is also placed on deposit with the NIFIA.

The value of the monies held in the NIFIA at 31 March 2024 increased to £87.7 billion (£72.7 billion at 31 March 2023) (see note 12).

5. Redundancy payments and receipts

For the year ended 31 March	Notes	2024 £000	2023 £000
Redundancy payments	i	494,374	315,862
Redundancy receipts	ii	(29,634)	(45,755)
		464,740	**270,107**

The Insolvency Service, an agency of DBT, administers the Redundancy Payments Scheme (RPS) which ensures that employees who have been made redundant receive their statutory redundancy entitlement where their employers are unable to make such payments, usually because of insolvency. In doing so, the scheme also protects the taxpayers' interests by ensuring that it does not make payments which can and should be made by the employers themselves.

i Section 182 of the Employment Rights Act 1996 provides the statutory basis for the NIF to make redundancy payments to employees who have been made redundant but whose former employers are unable to make appropriate redundancy payments, usually because of insolvency.

ii The receipts represent amounts recovered from employers.

6. State Scheme Premiums

For the year ended 31 March	2024 £000	2023 £000
State Scheme Premiums	**1**	**15**

State Scheme Premiums are payable to the Fund in respect of employed persons who cease to be covered, in certain specified circumstances, by contracted-out pension schemes. The premiums buy back the persons' additional pension entitlement in the Additional State Pension scheme.

Although the system of contracting out ended in April 2016, Contributions Equivalent Premiums continued to be payable until April 2019. In addition, a contracted-out scheme reconciliation exercise was carried out within HMRC with tax bills being generated and also some refunds sent out where appropriate, including legacy pension schemes, which has resulted in a small amount of receipts being received.

7. Personal pension receipts

For the year ended 31 March	2024 £000	2023 £000
Personal pension receipts	**8**	**37**

The Pension Scheme Act 1993, supplemented by the Pensions Act 1995, entitled employed earners with a personal pension to have a "minimum contribution" paid to their plan from the NIF. In April 2012, all contracted-out defined contribution based schemes were abolished and any other contracted-out defined benefit based schemes came to an end in April 2016 resulting in the reduction of the contributory entitlement.

Although all contracting-out schemes have ended, there are still queries being dealt with which has resulted in a small amount of receipts being received.

8. Benefit payments

For the year ended 31 March	Notes	2024 £000	2023 £000
State Pension	i	123,809,641	110,110,934
Employment & Support Allowance (contributory)	ii	4,904,586	4,558,104
Maternity Allowance	iii	412,379	390,362
Bereavement benefits	iv	408,075	392,867
Jobseeker's Allowance (contributory)	v	166,726	122,021
Christmas Bonus	vi	127,858	125,817
Guardian's Allowance	vii	4,090	7,423
Incapacity Benefit	viii	(5,485)	(2,769)
		129,827,870	**115,704,759**

i The State Pension age is currently 66 and is in the process of increasing:

- under the Pensions Act 2014 the State Pension age for men and women will increase incrementally from 66 to 67 between 2026 and 2028
- under the Pensions Act 2007 the State Pension age for men and women will increase from 67 to 68 between 2044 and 2046

Under Section 27 of the Pensions Act 2014 the Secretary of State has a statutory duty to periodically review whether the existing rules about State Pension age are appropriate. To date, there have been two statutory Government reviews. The next review of State Pension age must be completed by March 2029.

The State Pension is for people who have reached State Pension age and is based on NICs paid, treated as paid or credited.

ii As part of the government's welfare reform programme, from 27 October 2008 DWP introduced Employment Support Allowance (ESA) to improve employment opportunities for those with a health condition or disability which limits their capability for work. ESA (contributory) for those in the work-related activity group has been limited to 52 weeks. This does not apply to people placed in the support group or to those receiving income-related ESA which is payable by DWP.

New Style ESA can be received along with Universal Credit and continues to be funded from the NIF.

iii Maternity Allowance is paid for up to 39 weeks at a standard weekly rate, dependent upon earnings, to a person who is not entitled to Statutory Maternity Pay. It is payable from a maximum of 11 weeks before the expected week of childbirth and is subject to qualifying conditions.

iv Bereavement benefits consist of: Bereavement Allowance, which is a regular payment for 52 weeks; Bereavement Payment, which is a lump sum payment; Widowed Parent's Allowance which is a regular payment while the customer has dependent children for whom they receive (or could receive) Child Benefit.

Bereavement Support was introduced 6 April 2017 and will eventually replace the other bereavement benefits by combining lump sums and regular payments into one benefit. Bereavement Support is payable for 18 months and there are two rates of lump sum and weekly payments dependent on whether the customer has a dependent child for whom they receive (or could receive) Child Benefit.

These benefits are based on the NICs paid by the deceased spouse or cohabiting partner.

In February 2023 Parliament approved the Bereavement Benefits (Remedial) Order 2023. The Remedial Order extends eligibility for Widowed Parent's Allowance (WPA) and Bereavement Support Payment (BSP) to surviving cohabiting partners with dependent children, who were not in a legal union with the deceased on the date of death. Previously it was only available to eligible bereaved parents who were married or in a civil partnership. Retrospective claims can be made in the twelve month period from when the Remedial Order came into effect, that is from 09 February 2023 to 08 February 2024. Claims can be made after this period (until November 2024) however entitlement will be reduced.

v Contributory Jobseeker's Allowance is payable to people who are capable of working, available for work and actively seeking work, who have paid or are treated as having paid sufficient NICs. It is payable for 182 days and no additional benefit is payable for dependants.

New Style Jobseeker's Allowance can be received along with Universal Credit and continues to be funded from the NIF.

vi Christmas Bonus is a tax-free payment of £10 paid to people in receipt of a qualifying benefit during the relevant week, normally the first full week in December.

vii Guardian's Allowance, administered by HMRC, is payable to eligible people bringing up a child because one or both of the parents has died. Due to the timing of the reimbursements being requested from the NIF, the payments made in 2022 to 2023 relate to the two financial years ending 2022 and 2023.

viii Incapacity Benefit is paid at three different rates, dependent on age and term of incapacity, to a person who has paid NICs and whose Statutory Sick Pay has ended or is not applicable. It has been replaced by ESA (see note ii) for new claims from October 2008. The benefit recoveries from claimants paying back overpayments exceeded the value of the small number of existing claims.

All benefit recoveries (including compensation payments) are offset against benefit payments and therefore included in this note. Recoveries for those benefits which are no longer in existence are offset against an appropriate best fit current benefit.

For administrative convenience, as well as paying Great Britain pensioners living abroad, DWP pays state pension and bereavement benefits on behalf of Northern Ireland pensioners living abroad. However, the costs for these Northern Ireland overseas NIF payments are charged back to the Department for Communities (DfC) and the Northern Ireland NIF monthly, so the cost is borne by the Northern Ireland NIF and not included in the figures above.

For details of fraud and error in benefit payments, refer to Other financial information, section c.

9. Administrative costs

For the year ended 31 March	Notes	2024 £000	2023 £000
Department for Work & Pensions	i	300,703	211,347
HM Revenue & Customs	ii	141,269	159,474
HM Courts and Tribunal Service (first tier)	iii	36,914	36,914
The Insolvency Service (DBT)	iv	8,923	9,602
HM Courts and Tribunals Service (upper tribunal)	v	1,668	1,668
HM Passport Office (General Register Office)	vi	919	919
Government Actuary's Department	vii	581	423
National Audit Office - Audit Fees	viii	142	136
Commissioners for Reduction of National Debt	ix	73	73
Scottish Executive Justice Department	x	9	9
		491,201	**420,565**

Administration costs relate to the services directly provided to the NIF for the reasons stated below. The costs were agreed at the start of the year and paid to the respective service provider and are monitored on a regular basis.

i Award and payment of contributory benefits on behalf of the Fund.

ii Collection of NICs, maintenance of individual records and associated tasks.

iii Administration, organisation, and holding of appeals in respect of National Insurance related benefits arising from decisions made by DWP.

iv Administration of the Redundancy Payments Scheme as required under the Employment Rights Act 1996, including the cost of disputes referred to an employment tribunal.

v Processing of applications for leave to appeal, and for appeals on points of law from decisions of the Appeals Service in respect of National Insurance benefits.

vi Maintenance of accurate deaths data which are made available to service DWP and HMRC requirements.

vii Actuarial services relating to the NIF.

viii Audit of the 2022 to 2023 NIF Account.

ix Costs relating to the investment of NIF monies paid over to CRND.

x General costs in relation to the administration of the National Insurance scheme i.e. consider and issue decisions held on applications and appeals in relation to National Insurance benefits and medical appeal tribunals in Scotland.

10. Transfers to Northern Ireland NIF

For the year ended 31 March	2024 £000	2023 £000
Payments to Northern Ireland NIF	**672,856**	**906,644**

The amount shown in this account is in respect of financial adjustments made between the Great Britain NIF and the Northern Ireland NIF in accordance with Section 88(3) of the Northern Ireland Act 1998. Transfers between the Great Britain and Northern Ireland NIFs are made so that, as far as practicable, the balance in the Northern Ireland NIF is maintained at 2.77% of the joint balance of the two Funds. This percentage split is based on the relative proportions of population aged 16 and over, as shown in the most recent data published by ONS.

The payments are based on GAD's estimates made in February 2023 and revised in February 2024 for the year 2023 to 2024. The transfers are based on the fund balances of the Great Britain and Northern Ireland NIFs, which are themselves based on the differences between the levels of receipts and payments and therefore the results are subject to considerable variability year-on-year. This system of parity payments acts as a final safeguard against serious imbalances between the two Funds.

11. Other payments

For the year ended 31 March	Notes	2024 £000	2023 £000
State Pension deferred lump sum tax payments	i	58,784	58,700
Payments to Isle of Man	ii	46,230	42,565
Statutory payments	iii	5,479	9,715
		110,493	**110,980**

i State pension deferred lump sum is assessed as taxable income. Tax is deducted from the State Pension deferred lump sum every time a payment is made to a customer and is paid to HMRC monthly in arrears.

ii Payments to the Isle of Man (Manx Insurance Fund) relate to net settlements in respect of insured people who have paid NICs into one Fund but have received benefit from the other Fund.

iii Payments made to recipients by HMRC where their employer has failed to make the payments required under legislation. The NIF reimburses HMRC upon request. The payment for the year ended 31 March 2023 relates to reimbursement requests from HMRC covering three financial years (years ending 2021, 2022 and 2023). The payment for the year ending 31 March 2024 relates to reimbursement requests from HMRC for that year only.

12. Closing balance

As at 31 March	Notes	2024 £000	2023 £000
Monies held by the NIFIA	i	87,727,789	72,658,751
Funds held at bank (incl. uncleared payments)	ii	(654)	(902)
Due from other government departments	iii	9,435	25,301
Due to other government departments	iii	(1,317,782)	(197,037)
		86,418,788	**72,486,113**

i CRND is responsible, in accordance with Section 161(3) of the Social Security Administration Act 1992, for the investments of the NIFIA. They are authorised to invest in accordance with directions given by HM Treasury and in line with the Memorandum of Understanding between HMRC and CRND.

ii Although the funds held at bank are shown as negative, this is not an overdrawn position because the balance includes payments issued that have not yet been cashed.

iii These figures represent any amounts owed to or from HMRC, the Northern Ireland NIF, DWP and DBT. They arise as there is a timing difference between what is paid to and from the NIF and what is recognised in the Account, which is based on the amounts paid out or received by other government departments. The comparatively high balance (due to other government departments) in 2023 to 2024 is mainly driven by money owed to HMRC (£891m). This is due to payment mechanism between NIF and HMRC, which is based on cashflow estimation and adjusted in the following month.

Other financial information

Details of losses, payments and fraud and error are included below to provide further information on the Fund. This information is subject to audit. Additional information can be found in the published AR&As for HMRC and DWP.

a. Losses

For the year ended 31 March		2024		2023	
	Notes	Amount £000	No. of cases (where available)	Amount £000	No. of cases (where available)
Contribution losses	i	654,332	–	323,282	–
Redundancy losses	ii	454,365	–	263,128	–
Benefit losses	iii	49,545	131,071	68,436	201,281
		1,158,242	**131,071**	**654,846**	**201,281**

i Contribution losses include remissions, write-offs and insolvency debts. Remissions in respect of unpaid contributions are granted when HMRC has decided not to pursue the liability, for example on the grounds of value for money or Official Error. Write-offs occur when there is no practical means of pursuing the liability. The figures are the estimated value of losses attributable to the NIF.

ii Redundancy losses include payments made to individuals on behalf of insolvent companies, which ultimately prove irrecoverable. Debt is recovered by Insolvency Service's Redundancy Payments Service from dividend distributions made by the officeholders, from the sale of the assets of the insolvent company. A small part of the debt is preferential but most ranks with ordinary creditors and therefore most of the debt is irrecoverable.

iii Benefit losses include customer fraud and administrative write-offs from DWP.

b. Special payments

For the year ended 31 March	2024		2023	
	Amount £000	No. of cases (where available)	Amount £000	No. of cases (where available)
Special payments	**103**	**1,828**	**79**	**2,016**

These are ex gratia payments made to customers for loss of statutory entitlement to a benefit or where customers have suffered a financial loss. For example, where Official Error has led to a customer losing entitlement to a benefit that would have been received had the error not occurred or had the case been actioned in an appropriate timescale; or actual financial loss in cases where maladministration has directly caused the customer to incur additional expenditure that would not otherwise have been incurred.

c. Fraud and error in benefit payments

Background

The Social Security Contributions and Benefits Act 1992 and related legislation sets out the basis on which DWP calculates and pays benefits from the NIF.

In many instances Parliament has targeted benefits to customers' needs and circumstances to ensure an efficient use of overall resources. However, this introduces complexity and an inherent risk of fraud and error which, as a consequence, can result in incorrect payments being made in a minority of cases. Despite these complexities, DWP correctly pays approximately 96% of total benefit payments and over 99% of total NIF funded payments.

Overall performance analysis

The estimated level of overpayments from the NIF due to fraud and error was 0.3% of total NIF benefit payments in 2023 to 2024, compared with 0.2% in 2022 to 2023. The monetary value of the overpayments was £350 million in 2023 to 2024, compared with £260 million in 2022 to 2023. The estimated level of underpayments was 0.4% in 2023 to 2024, compared with 0.5% in 2022 to 2023. The monetary value of underpayments was £520 million in 2023 to 2024, compared with £630 million in 2022 to 2023.

In context, the total NIF benefit payments administered by DWP stands at £130.1 billion.

Table 1: Estimated levels of overpayment and underpayment due to fraud and error (2022-23 *restated figures)

	Fraud		Error		Total	
	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23
Overpayments	0.1%	0.1%	0.1%	0.2%	0.3%	0.2%
	£160m	£70m	£190m	£190m	£350m	£260m
Underpayments	0.0%	0.0%	0.4%	*0.5%	0.4%	*0.5%
	£0m	£0m	£520m	*£630m	£520m	*£630m

Table 2: Estimated levels of overpayment and underpayment due to fraud and error, by benefit (2022-23 *restated figures)

	Overpayments Fraud and Error		Underpayments Fraud and Error	
	2023-24	2022-23	2023-24	2022-23
State Pension	0.1%	0.1%	0.4%	*0.5%
	£170m	£100m	£470m	*£580m
Bereavement Benefits	0.1%	0.1%	0.1%	0.1%
	£0m	£0m	£0m	£0m
Employment & Support Allowance (contributory) & Incapacity Benefit	3.4%	3.4%	1.1%	*1.1%
	£170m	*£160m	£50m	*£50m
Jobseeker's Allowance (contributory)	4.6%	4.6%	1.2%	*1.2%
	£10m	£10m	£0m	£0m
Other	0.9%	0.9%	0.0%	0.0%
	£0m	£0m	£0m	£0m
Total	**0.3%**	**0.2%**	**0.4%**	***0.5%**
	£350m	**£260m**	**£520m**	***£630m**

Source: DWP - DWP National Statistics: Fraud and Error in the Benefit System (2022 to 2023 estimates and 2023 to 2024 estimates).
All monetary overpayment and underpayment figures have been rounded to the nearest £10m.
Rows, columns and percentages may not sum due to rounding.
* Note that DWP's fraud and error estimates are based on a revised methodology with some of the 2022 to 2023 figures being restated.

The above tables (Tables 1 & 2) are based on DWP's estimates and are subject to a degree of statistical uncertainty. They are prepared to within a stated range of accuracy, described as confidence intervals. DWP has prepared the estimates to a 95% confidence level, it estimates for 2023 to 2024 that the levels of overpayment lie in the range from £240 million to £490 million; whilst the corresponding range of underpayments is £360 million and £700 million.

For additional information relating to the above figures refer to the 2023 to 2024 DWP AR&A (Note 19 - Incorrect Payments, page 380).

DWP methodological changes

When any methodological changes are made to DWP's fraud and error estimates, these are accounted for in the NIF estimates to allow for direct comparisons between the two years. The NIF estimates for 2022 to 2023 have been restated to ensure the methodology is identical to that for 2023 to 2024. The restated figures are marked with an asterisk in the tables above.

A planned review of DWP's 'Fraud and error in the benefit system' statistics determined that the estimates previously published as Claimant Error underpayments should not be defined as underpayments. In benefit legislation, claimants are not eligible for increases in their benefit until they accurately report their circumstances and provide evidence to DWP. As the statistics feed directly into DWP's accounts and the NIF accounts, it was decided that the methodology should measure in line with the legislation. Due to this, estimates that were previously reported as Claimant Error underpayments have been removed from the fraud and error estimates. This means that underpayment estimates are now for Official Error only. In the tables above, overpayments are due to Fraud, Claimant Error and Official Error, whereas underpayments are only due to Official Error. All restated underpayment estimates marked in the tables are due to the removal of Claimant Error underpayments from the 2022 to 2023 estimates.

This change affected the netting adjustment that is made to the fraud and error estimates, where overpayments and underpayments on the same claim are netted off each other, to calculate the net effect of each claim. As Claimant Error underpayments are no longer netted off, there was a minimal increase in overpayments. This affected the NIF monetary overpayment for Employment and Support Allowance.

DWP continuing action and strategy

The monetary value of fraud and error is the estimate of the amount of annual benefit expenditure that was paid out incorrectly in overpayments or underpayments. Estimates show that the level of overpayments due to fraud and error in 2023 to 2024 was 3.7% (or £9.7bn) of total benefit expenditure. DWP estimates that they underpaid benefits by 0.4% (or £1.1bn).

Around £1.1 billion in benefit debt (this is debt accrued over time) was recovered by DWP and Local Authorities in 2023 to 2024, meaning that the overall fraud and error loss to the exchequer was 3.2% (or £8.6bn).

DWP's accounts continue to be qualified by the Comptroller and Auditor General on the basis of the monetary value of fraud and error (MVFE) in the benefit system. The majority of both over and under payments relate to means-tested benefits, which are not paid from the NIF, whilst State Pension, the single largest element of NIF related benefit expenditure, has a fraud and error overpayment rate of just 0.1%, and an underpayment rate of 0.4%, giving a combined value of £640 million. The Comptroller and Auditor General considers this to be immaterial in the context of the £124.1 billion gross benefit expenditure related to State Pension in DWP's accounts, which is why the qualification excludes State Pension. He notes that if the estimated gross level of incorrect payment for State Pension rises in the future, it could mean that State Pension would be included in any future regularity qualification.

The sampling exercise does not break down the error rate for the contributory elements of other benefits administered by DWP.

DWP's fraud and error results continue to show certain themes across benefits, the incidences of which depend on their eligibility rules. Means-tested benefits offer more potential risk, owing to rules on savings thresholds, living with partners, and earnings. DWP's initiatives are primarily targeted to address key risk areas. For the State Pension, DWP's

Legal Entitlements Administrative Practice (LEAP) exercise continues to identify and reimburse those people affected by historic underpayments. Activity has (in addition) been underway in HMRC, closely supported by DWP, to understand more about the scale, potential causes, and options to correct historical errors relating to Home Responsibilities Protection (HRP) for customers who claimed Child Benefit. Work on correcting missing HRP claims started in Autumn 2023.

Accounts Direction given by HM Treasury in accordance with Section 161(2) of the Social Security Administration Act 1992

1. This direction applies to HM Revenue and Customs ("HMRC").
2. HMRC shall prepare a statement of the transactions on the National Insurance Fund of Great Britain for the year ended 31 March 2016, and subsequent financial years, in compliance with all relevant accounts and disclosure requirements in *Managing Public Money* and any other guidance issued by HM Treasury which is in force for that financial year.
3. This statement shall be prepared so as to properly present the state of affairs for the year then ended and shall comprise:
   a. a foreword which shall state that the account has been prepared in accordance with the direction issued by HM Treasury in pursuance of Section 161(2) of the Social Security Administration Act 1992. The foreword will also include details of the following:
      i. statutory background;
      ii. operational responsibilities;
      iii. financial performance;
      iv. audit arrangements; and
      v. responsibilities of the Accounting Officer.
   b. an account of receipts and payments conforming to the format shown in the Appendix.
   c. a statement of balances conforming to the format shown in the Appendix.
   d. such notes as may be necessary for the purpose referred to below:
      i. analysis of the payments and receipts including any explanation or background that may be necessary to understand the account;
      ii. in the note on administrative costs, the estimated costs for the current year and the adjustments for previous years separately identified;
      iii. a statement of the securities in which the National Insurance Fund is invested by the National Debt Commissioners in accordance with Section 161(3) of the Social Security Administration Act 1992; and
      iv. details of any irregular, uncertain or special payments.
   e. disclosures of any material payments or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.
4. The foreword and the Account shall be signed by the Accounting Officer.
5. This Accounts Direction shall be reproduced (but with the exception of the related Appendix) as an annex to the account.
6. This direction supersedes the Accounts Direction dated 12 October 2010.

Michael Sunderland
Acting Deputy Director, Government Financial Reporting
His Majesty's Treasury

3 June 2016

Glossary

Comptroller and Auditor General	An officer of the House of Commons and head of the National Audit Office, responsible for the audit of the Fund's Accounts
Managing Public Money	A publication giving guidance on how to handle public funds written by HM Treasury
Quinquennial	Occurring once every five years
A&RC	Audit & Risk Committee
AR&A	Annual Report & Accounts
CIS	Construction Industry Scheme
CRND	Commissioners for the Reduction of the National Debt
DBT	Department for Business & Trade
DfC	Department for Communities
DWP	Department for Work and Pensions
ESA	Employment and Support Allowance
ETMP	Enterprise Tax Management Platform
ExCom	Executive Committee
GAD	Government Actuary's Department
HMRC	His Majesty's Revenue & Customs
ISA UK	International Standards on Auditing (UK)
JMB	Joint Management Board
NAO	National Audit Office
NHS	National Health Service
NICs	National Insurance Contributions
NICO	National Insurance Collection Office
NIF	National Insurance Fund
NIFAB	National Insurance Fund Accounting Board
NPS	An IT system used to support the National Insurance & Pay As You Earn Service
ONS	Office of National Statistics
PAYE	Pay As You Earn
RPS	Redundancy Payment Scheme
RTI	Real Time Information
SA	Self Assessment
SIRO	Senior Information Risk Owner

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