

Up-rating report 2022 published



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Focus on the National Insurance Fund

The Government Actuary has published his annual report on the National Insurance Fund (NIF) for Great Britain. The report:

projects contribution income, benefit payments and the balance of the NIF over the coming financial years

is a source of information for MPs who scrutinise the government's draft legislation for up-rating social security benefits and pensions and updating National Insurance contribution (NIC) terms

National Insurance contributions are split between the NHS and the NIF.

Headline results

The Up-rating report shows the NIF is projected to be in surplus in each of next 5 years, although that surplus will generally decrease each year. The surplus in the next financial year (2022 to 2023) is projected to be £7.8 billion, which would take the NIF's balance to £60.5 billion at 31 March 2023.

These figures mean that it's not anticipated there will be any payment required to the NIF from HM Treasury over the next 5 years.

GAD's findings for 2022 to 2023

The majority of benefits payable from the NIF (predominantly state pension payments), are proposed to increase by 3.1% in April in line with the September 2021 CPI increase. This results in additional NIF costs of £3.4 billion in 2022-2023.

The cost to the NIF of uprating National Insurance contribution thresholds is around £1.4 billion in 2022-2023.

Health and social care

As a result of the Health and Social Care Levy Act 2021, for the 2022 to 2023 financial year there will be a temporary 1.25% rise in National Insurance contributions to raise money for the NHS.

Due to the way the calculation is performed, the extra amount paid to the NHS will be around £2.9 billion higher than the extra contributions collected. This means the NIF will lose this income in that financial year. This effect on the NIF will stop once a dedicated levy is introduced from April 2023.

Looking ahead

The upcoming longer-term Quinquennial Review, which also focuses on the NIF, is due out later this year.

This more in-depth report has a 65-year projection as opposed to the 5-year outlook for the Up-rating report. GAD undertakes this more detailed review every 5 years and it looks at factors such as changes in the age structure of the UK population and changes in state pension age.

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