

# Funding the Future

There is a pot of £37 billion within the government's ...

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It seems to be little known that there is a thing called the [National Insurance Fund](#) within UK government accounts. This is what the accounts of that fund say:

Receipts and payments account 

## Receipts and payments account

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

For the year ended 31 March		2020	2019
Notes	£000	£000	£000
<b>Receipts</b>			
National Insurance Contributions	2	110,637,651	105,974,625
Compensation for statutory recoveries	3	2,241,000	2,666,000
Income from investment account	4	230,494	178,421
Redundancy receipts	5	27,835	31,728
State Scheme Premiums	6	19,917	97,843
Other receipts	7	3,734	0
		<b>113,160,631</b>	<b>108,948,617</b>
<i>Less</i>			
<b>Payments</b>			
Benefit payments	8	(104,358,890)	(101,218,724)
Administrative costs	9	(631,380)	(739,640)
Transfers to Northern Ireland NIF	10	(564,400)	(784,900)
Redundancy payments	5	(465,592)	(318,139)
Other payments	11	(143,113)	(173,480)
		<b>(106,163,375)</b>	<b>(103,234,883)</b>
Receipts less payments		<b>6,997,256</b>	<b>5,713,734</b>

  

## Statement of balances

As at 31 March		2020	2019
Notes	£000	£000	£000
Opening balance		29,934,954	24,221,220
Receipts less payments		6,997,256	5,713,734
Closing balance	12	<b>36,932,210</b>	<b>29,934,954</b>

**Jim Harra**  
Accounting Officer  
14 January 2021

*The notes on pages 14 to 23 form part of these accounts.*

The fund accounts are certified as true and fair by the Comptroller and Auditor General, who charged £136,000 for doing so. This is despite the fact that the accounts note that:

### 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 £26.5 billion in 2019 to 2020 (£25.4 billion in 2018 to 2019) and forms part of the total NHS funding.

The NHS allocation is based on the Government's [NHS funding review](#) for the year ended 31 March 2020 made in February 2020. The allocation is estimated in accordance with the requirements set out in Section 162 of the Social Security Administration Act 1992.

For reasons that are not glaringly obvious it seems that around 19% of NIC contributions are paid to the NHS. Why the accounts are true and fair without this being shown is very hard to work out.

This, however, is not my concern today. That concern relates to pensions. As note 8 to the accounts makes clear this is what this fund is really all about:

## 8. Benefit payments

For the year ended 31 March		2020	2019
	Notes	£000	£000
State Pension	i	98,751,034	95,502,013
Employment & Support Allowance (contributory)	ii	4,523,554	4,545,190
Bereavement benefits	iii	442,609	463,431
Maternity Allowance	iv	420,553	426,010
Jobseeker's Allowance (contributory)	v	104,443	158,071
Christmas Bonus	vi	124,007	125,593
Guardian's Allowance	vii	2,381	2,213
Incapacity Benefit	viii	(9,691)	(3,797)
		<b>104,358,890</b>	<b>101,218,724</b>

What is also clear is that more is being paid into this fund than is required at present to pay pensions. There is at present a surplus of £36.9 billion on the fund account. Under the provisions of the [Social Security Administration Act 1992](#) this surplus has to be identified and the use of these funds is ring-fenced.

Right now though the government is seeking to pass a Bill that will reduce state pensions by reducing the triple lock that has been in place since 2010, which provides that a pension increase in any year is the highest of:

- \* Average earnings
- \* Prices, as measured by the Consumer Prices Index (CPI)
- \* 2.5 per cent

Average earnings rose exceptionally in the last year. That was the consequence of the ending of furlough. As a result, the government want to suspend the triple lock. This is despite the fact that the UK state pension is just £9,350 a year. However, only four out of 10 retirees receives that sum. 2.1 million pensioners receive less than £100 a week in state pension, most of whom are women. The actual average state pension is £8,000 a year or roughly 25% of average earnings. This is the lowest among industrialised nations, with the average being around 60% in OECD countries.

Maintaining the triple lock would cost roughly £5 billion. There is £37 billion in the National Insurance Fund to cover not just that payment, but also the payment due for many years to come, and by continuing with the operation of this fund parliament acknowledges that the funds for this purpose are already set aside for it.

So why is the government refusing to pay what is due under the triple lock? Do we

really want to remain at the bottom of the state pension pile and leave millions in poverty as a result? It would seem so.

Instead of paying what is literally due to pensioners, it is lending their pension fund, such as it is, to the Treasury to reduce the national debt. I am sure that they are delighted about that.

I am not. This is economic callousness in action.