

National Insurance Administration in the UK

Operational Context and Challenges

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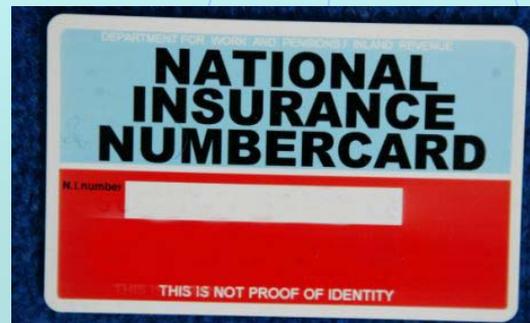
**UK National Insurance
Contributions Office**

Operational Context

- **1948 until 1975** - Department for Work & Pensions (DWP) responsible for collection of NICs and management of NICs operations
- **1975** - NICs collected with tax by Inland Revenue (now HMRC), and both reported on a single document - but NICs management and operations responsibility stayed with DWP
- **1990** - Separate Contributions Agency set up in DWP to focus on NICs
- **1999** - Responsibility for NICs management and operations transferred to Inland Revenue
- HMRC has total responsibility for NICs including records maintenance
- DWP calculate entitlement and pay benefit

National Insurance Numbers

- **National Insurance Number (NINO) is a unique personal reference number**
- **77 Million NINOs registered but 55 million active accounts**
- **Main reasons for the differences –**
 - **Records are kept for deceased people indefinitely**
 - **Records are still kept where the person has emigrated or where a migrant worker has gone home**



National Insurance Recording System

- 1948 to 1975 - paper based records for individuals
- 1975 - records computerised at the same time as integration of collection of NICs with tax - but on a separate IT system to tax records
- June 2009 - National Insurance and PAYE Service (NPS) introduced - one single IT system containing individual customer NI and tax records



National Insurance Contributions Office



With 3,400 staff and an annual budget of £70 million, each year NICO:

- Maintains **70m** NI accounts and updates **40m** of them;
- Registers **1.4m** NI customers;
- Registers **700,000** self employed;
- Processes over **55m** end of year returns;
- Deals with **14.1m** items of work by post;
- Maintains **5.7m** Personal Pension accounts;
- Accounts for **£98bn** NI Contributions; and
- Handles approx. **4m** telephone calls

Management Challenges

- Significant funding challenges from 2004 - without major IT enablers
- Lean methodology introduced late 2005 -
 - Redesigning service delivery processes to eliminate waste and variability and maximise flexibility;
 - Changing management processes to create the appropriate leadership infrastructure to sustain improvements;
 - Changing mindsets and behaviours of leaders and front line staff to support the new systems and deliver continuous improvement



Progress

- **NICO has:**
 - **Reduced staffing by over 500 people (around 15%) in the last 3 years**
 - **Improved performance, with productivity increases averaging between 15% to 30% in the main processes, along with better quality levels and reduced customer waiting times**
 - **Been awarded UK Government Customer Service Excellence Accreditation in July 2009**



Operational Challenges

- **Moving from paper to automation**
- **Ensuring the appropriate level of compliance and controls**
- **Matching NICs paid with the correct individual NI record**
- **Working with other government departments and with private sector Pensions Providers**
- **Fully exploiting new NI and PAYE System (NPS)**

Moving from paper to automation

- Significant shift over recent years from paper to electronic processing
- Following review in 2003, electronic filing of Employer End of Year

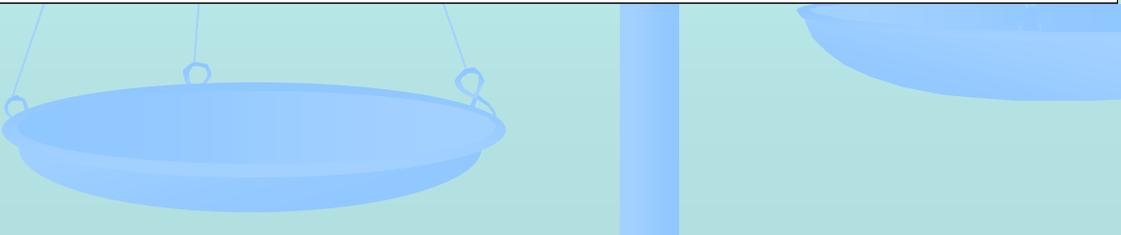
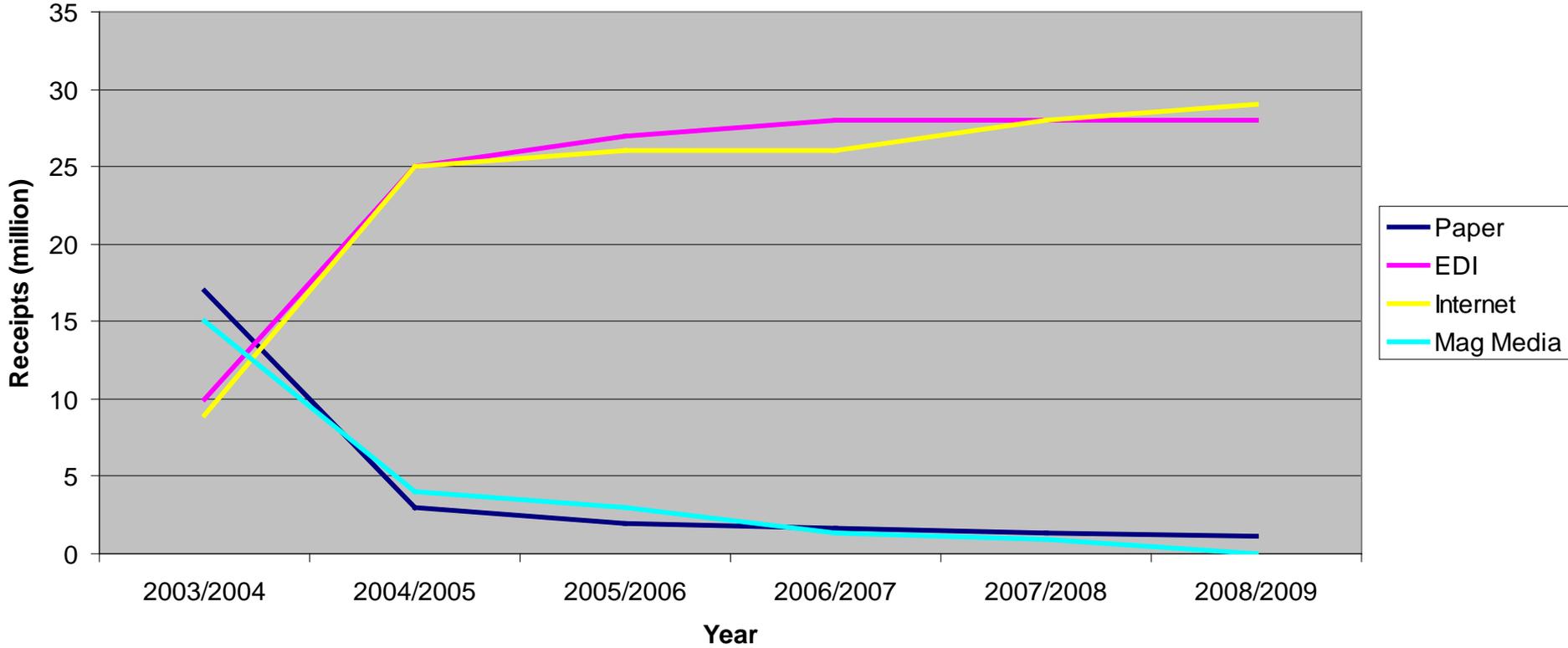
Returns was made mandatory for:

- large employers - 250 or more employees - with effect from 2004/05 Tax Year;
- medium employers - between 50 and 250 employees - from the 2005/06 Tax Year;
- small employers - less than 50 employees - by March 2010



National Insurance Contributions Office

End of Year Return Receipt methods



Compliance and Controls

- **Compliance approach**
- **NPS automatic checks at Employer End of Year scheme level:**
 - **Schemes that fail automatic checks returned to the employer for correction electronically without need for human intervention**
- **When scheme accepted checks applied to individual NICs:**
 - **Category of NICs paid;**
 - **Latest recorded information about customer's NIC liability;**
 - **Customer's personal details**
- **Future checks under review – possible risk based approach**

Matching NICs paid with the correct individual NI record

- Where not matched, and NICs value is over a specified tolerance level, investigated by NICO
- Over last 4 years the average success rate for tracing non-matched NICs has been between 55% to 60%
- Untraced NICs recorded on a Suspense File
- Analysis of 2007- 08 year showed -
 - 58.3 million annual returns for individual employees
 - 1.9 million items (3.3 per cent), with a value of £259 million

Matching NICs paid with the correct individual NI record

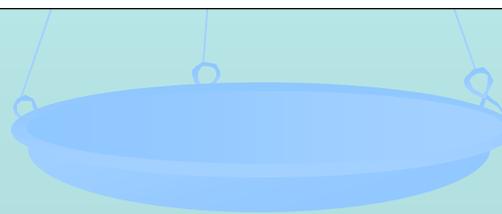
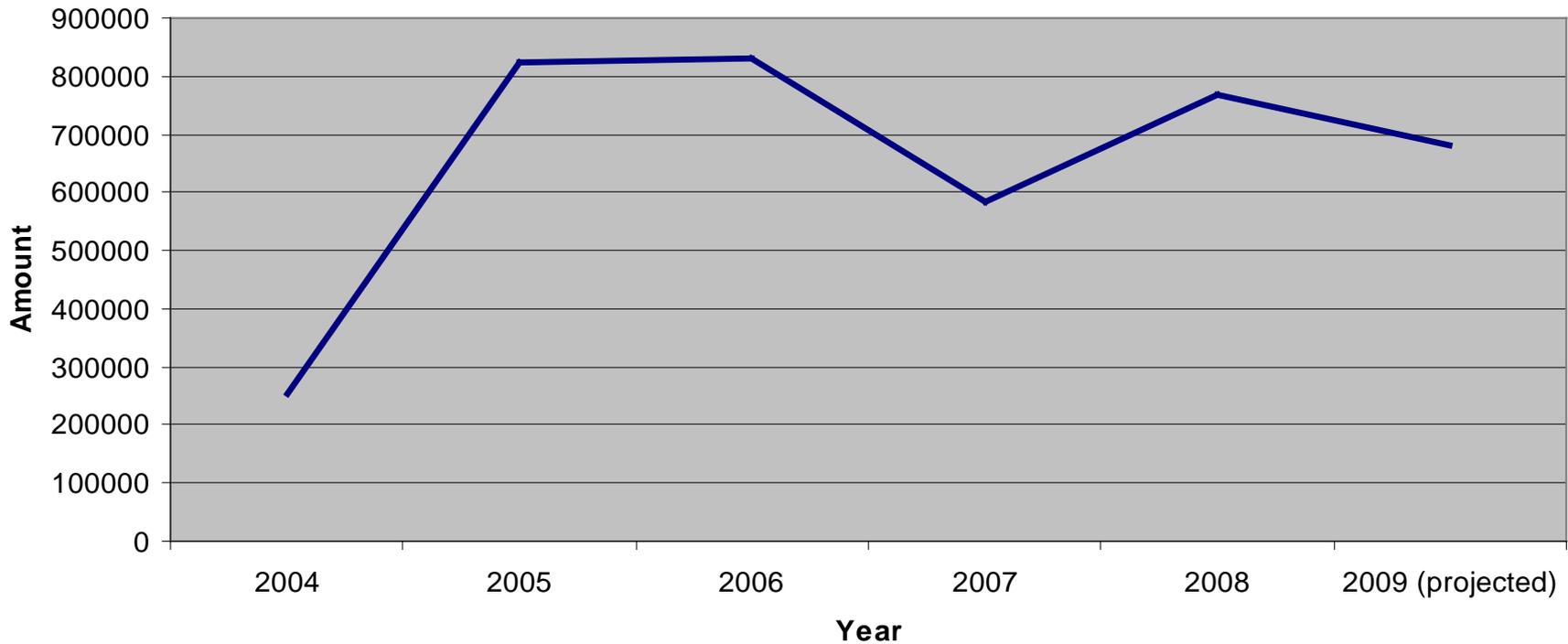
- In 2006/07, 872 employers each had more than 250 non-matched items - responsible for 783,811 (45.7%) of non-matched items
- Identity fraud – cost the UK economy £1.2 billion in one year

Future action -

- More in depth analysis of Suspense File to target problem employers
- Exploration of data-matching potential and cost benefits with private sector specialists to increase levels of successful matches
- Working with other government departments to combat identity fraud

Matching NICs paid with the correct individual NI record

Non-match items output for investigation



Working with other government departments and with private sector Pensions Providers

■ Current Issues -

- Incapacity credits
- Home Responsibilities Protection
- Contracted out NICs - guaranteed minimum pension – double provision

■ Key Learning -

- Shared objectives necessary at very senior level
- Strong governance arrangements necessary
- Transparency of joint plans necessary
- Clear escalation routes

Fully exploiting NI and PAYE System

- From June 2009 NICs and tax data on same system
- Potential for single interaction for customers on NICs and tax matters - currently dealt with separately within HMRC, except in Compliance
- First major step towards this is centralisation of tax related employer work in NICO by March 2011
- Potential for improvements for individual customers to be explored, for example citizens approaching pension age

Future Direction of NI Operations

- **Build on system with well established and firm foundations -**
 - **£98 billion collected in 2008/09**
 - **Over 55 million returns processed annually**
- **Exploring potential for greater efficiency by bringing Contact Centres and Processing together within HMRC**
- **Exploring further potential for cross government working - with DWP in particular**
- **Debate – *should individual citizens take greater responsibility for their NICs and pension entitlement relying less on government checking correctness of payments and entitlement? If so how do we help?***

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Questions?