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# 2017 2018

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National Savings and Investments  
Annual Report and Accounts and Product Accounts 2017–18

**National Savings and Investments  
Annual Report and Accounts and Product Accounts 2017–18**

National Savings and Investments is a non-ministerial government department and an Executive Agency of the Chancellor of the Exchequer.

Accounts presented to the House of Commons pursuant to section 6 (4) of the Government Resources and Accounts Act 2000.

Product Accounts presented to the House of Commons pursuant to section 7 (3) (c) of the Government Resources and Accounts Act 2000.

Annual Report presented to the House of Commons by Command of Her Majesty.  
Ordered by the House of Commons to be printed on 14 June 2018.

This is part of a series of departmental publications which, along with the Main Estimates 2018–19 and the document *Public Expenditure: Statistical Analyses 2018*, present the Government's outturn for 2017–18 and planned expenditure for 2018–19.



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ISBN 978-1-5286-0501-4

CCS0618790852 06/18

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the APS Group on behalf of the Controller of Her Majesty's Stationery Office

# Annual Report and Accounts and Product Accounts 2017–18

## Contents

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### Section 1 – Performance Report

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– Who we are	4
– What we delivered this year	5
– What we delivered 2014–18: Think Ahead	6
– Chairman’s statement	7
– Chief Executive’s overview	8
– Strategy and performance	13
– Our new strategy: Inspire & Invest	17
– Performance analysis 2017–18	19
– How we spent taxpayers’ money	22
– Our customers	24
– Business-to-business customers	30
– Our people	31
– Our operational partnership	34
– Sustainability report	36

### Section 2 – Accountability Report

---

Corporate governance report	42
– Directors’ report	42
– Statement of Accounting Officer’s responsibilities	43
– Governance statement	44
Remuneration and staff report	67
Parliamentary accountability and audit report	80
– Statement of Parliamentary Supply	80
– The certificate and report of the Comptroller and Auditor General to the House of Commons (Accounts)	85
– The certificate and report of the Comptroller and Auditor General to the House of Commons (Product Accounts)	88

## Annual Report and Accounts and Product Accounts 2017–18

### Contents (continued)

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#### Section 3 – Financial Statements

---

##### Accounts 2017–18

– Statement of comprehensive net expenditure	93
– Statement of financial position	94
– Statement of cash flows	95
– Statement of changes in taxpayers' equity	96
– Notes to the Departmental Resource Accounts	97

##### Product Accounts 2017–18

– Product Accounts background	115
– Statement of comprehensive income	117
– Statement of financial position	118
– Statement of cash flows	119
– Notes to the accounts	120
– Annex 1: Product Accounts direction	133

#### Section 4 – Other Information

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Departmental Report information	136
Glossary	141
Contacts and more information	146

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## Section 1

### Performance Report

---

– Who we are	4
– What we delivered this year	5
– What we delivered 2014–18: Think Ahead	6
– Chairman’s statement	7
– Chief Executive’s overview	8
– Strategy and performance	13
– Our new strategy: Inspire & Invest	17
– Performance analysis 2017–18	19
– How we spent taxpayers’ money	22
– Our customers	24
– Business-to-business customers	30
– Our people	31
– Our operational partnership	34
– Sustainability report	36

## Who we are

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National Savings and Investments is one of the largest savings organisations in the UK with 25 million customers and £157 billion invested. NS&I is both a government department and an Executive Agency of the Chancellor of the Exchequer. Our origins can be traced back over 150 years to 1861.

When customers invest in NS&I products, they are lending to the Government. In return, the Government pays interest or prizes for Premium Bonds. We offer 100% security on all deposits.

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### Our purpose

We want to inspire a stronger savings culture. We believe everyone should have the opportunity to save confidently.

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### Our mission

- Providing cost-effective financing for government and the public good.
  - Offering trusted savings and investments propositions.
  - Delivering valued services for the Government.
  - Supporting a fair and competitive market and balancing the interests of our savers, taxpayers and the market.
- 

### Our values

#### With our customers

**Secure** – 100% security for savings, backed by HM Treasury. Our digital security is trustworthy. We protect our business.

**Inspiring** – Acting decisively and confidently for customers, working with pace to create value and inspiring them to secure their financial future.

**Straightforward** – Clear, everyday, understandable language. Products designed simply to meet our customer needs, and easy-to-use services.

**Reassuringly human** – We listen to our customers, and understand and respond to their needs. We care for our customers, our environment and the public good.

#### With our people

**Secure** – We are responsible and do the right thing. We deliver safely and take a balanced approach to innovation and risk.

**Inspiring** – We use fresh thinking for public good. We have a willingness to learn quickly. Diversity, innovation and curiosity are welcomed.

**Straightforward** – We have integrity and work together in straightforward ways. What we say matters. We are empowered by our leadership.

**Reassuringly human** – A small organisation with a big reach. We care for colleagues, respect one another, and invest in our people and manage their talent effectively.

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### Operating framework

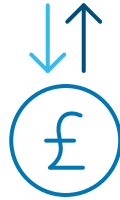
To balance the interests of our savers by offering a fair rate; the taxpayer by delivering long-term cost-effective finance; and the stability of the broader financial services sector by acting transparently and maintaining an appropriate competitive position.

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# What we delivered this year



**£43 billion**  
Sales  
(including reinvestments)



**£9.8 billion**  
Net Financing



For every **£100** held with NS&I, only **8p per year** is spent on administration (our Efficiency Ratio)



**2 new products**

(Junior ISA and Investment Guaranteed Growth Bonds)

**2 products relaunched**

(Guaranteed Income Bonds and Guaranteed Growth Bonds)



**Financial adviser advocacy**

highest ever score



**30 million**

Premium Bond prizes – more than ever before

Met target of **83%** for customer satisfaction



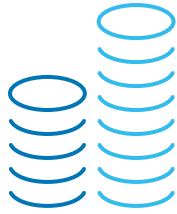
Piloted **Help to Save**





# What we delivered 2014–18: Think Ahead

Saving taxpayers over  
**£780 million**  
in the past 4 years as  
shown by our Value Indicator

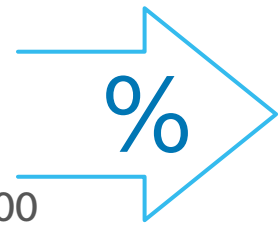


**£157 billion**  
of stock held – up  
£50+ billion from  
£106 billion

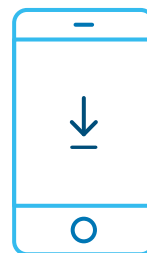
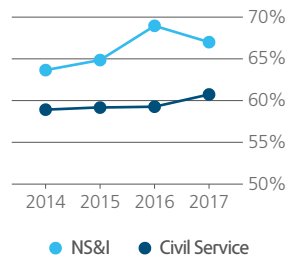


B2B revenue  
has contributed  
**£20 million**  
to NS&I's running costs

Efficiency Ratio  
improved by  
**43%**  
from 14p per £100  
to 8p per £100



Civil Service  
People  
Survey score  
against wider  
Civil Service

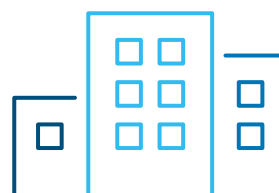


**348,000**  
app users

Ranked 3rd place or higher



banking and finance in Top 50  
Companies for Customer Service



Estates strategy  
has reduced sq ft  
office space by  
**85%**  
and our carbon  
footprint by  
**95%**

## Chairman's statement

2017–18 has been a very successful year for NS&I. The organisation met all of its performance targets and raised £9.8 billion in Net Financing for the Government (against a final target of £8 billion in a range of £5 billion to £11 billion). We have delivered for savers by offering new products and competitive interest rates; and for taxpayers by raising debt financing more cheaply than via gilts, as measured by the Value Indicator.

We have also reaffirmed and renewed our purpose, mission and values; and designed a new strategy: Inspire & Invest, which builds on the successes of our Think Ahead strategy. In the four years since Think Ahead was launched in 2014–15, NS&I has grown its business by 50% while reducing costs by 20%.

During 2017–18, we were proud to be recognised by the National Audit Office as an effective and efficient source of debt financing for the Government, in its report on government borrowing. Since the start of 2014–15, we have delivered over £780 million in value to taxpayers as measured by the Value Indicator, whilst attracting over £50 billion in Net Financing.

We have surpassed £150 billion of stock and created more choice for customers – as demonstrated by the launch this year of a Junior ISA and the return to sale of our popular Guaranteed Growth Bonds and Guaranteed Income Bonds. At the same time, we have grown our business-to-business operation and established ourselves as a trusted provider of payment processing services to other government departments.

Other sections of this report describe the objectives of NS&I's new Inspire & Invest strategy, which will start to be implemented in 2018–19. For me, the crucial fact is that it builds on such solid foundations: a highly efficient and effective business, with a clear sense of purpose and a proven ability to deliver its objectives. As the financial services sector evolves with new financial technology and the arrival of open banking, these foundations will help to ensure that we not only continue to provide cost-effective financing to the Government, but that we are also ready to do more to innovate, to inspire a stronger savings culture and to help to develop and deliver public policy.

As ever, the ability to achieve all this is a result of the dedication and expertise shown by NS&I's people and those of our partner Atos. I thank them all for their commitment and the service they provide to our customers. I would also like to thank the two directors who retired from the organisation – Risk Director, Peter Cornish and Finance Director, Rodney Norman – for their service. I welcome Paul Habershon to NS&I in a new Executive Director role for IT and Change; and thank my board colleagues for their contribution to NS&I during the year.



**Ed Anderson**  
**Chairman**  
**National Savings and Investments**

For details of the board's composition, committees and activities, please see the Governance statement on pages 44 to 66.



## Chief Executive's overview

This has been my first year as Chief Executive of NS&I. It is a real privilege to lead a business that has such an exceptional history and which still plays a key role in the UK, not only through providing savings products to millions of customers, but also because those products make a significant contribution to the public purse. I have been very impressed by the engagement and real focus on our customers, which has been demonstrated time and again by the staff of both NS&I and Atos, our service delivery partner.

I was attracted to this organisation by its track record in delivering cost-effective financing for the Government through a proposition and infrastructure which has been developed to match the changing needs of our customers. This is a perpetual challenge, but the advent of new regulations such as open banking and the rise of fintechs represent the latest opportunities for NS&I to enhance our proposition and remain competitive.

This year, we have met all our Service Delivery Measures (SDMs), including raising £9.8 billion in Net Financing for the Government (against a final target of £8 billion in a range of £5 billion to £11 billion). This was done cost-effectively, as measured by our Value Indicator, which returned a positive value of £229 million (against a target range of delivering £250 million of value, with a lower limit of -£100 million). Our cost-effectiveness was recognised in a report published by the National Audit Office in November 2017 – Evaluating the government balance sheet: borrowing – which also highlighted the flexibility that NS&I brings to government debt-financing requirements.

For savers, we launched a new Junior ISA and, on behalf of the Chancellor, Investment Guaranteed Growth Bonds, a market-leading 3-year savings bond. We brought NS&I's Guaranteed Growth Bonds and Guaranteed Income Bonds back on sale for the first time since 2009.

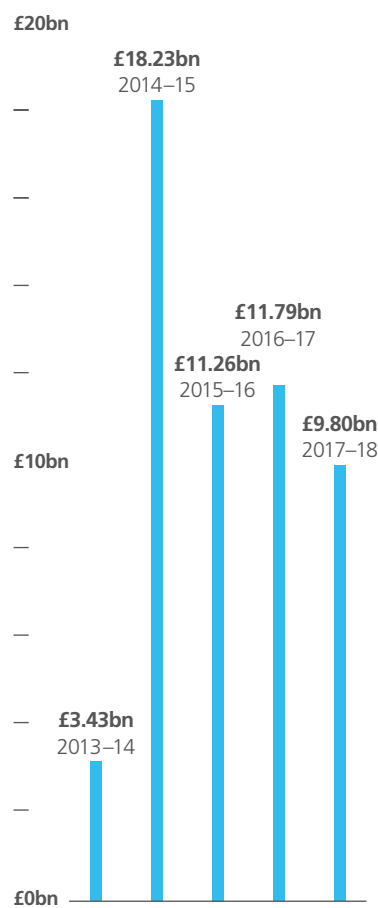
While achieving this, we reflected on where we want to take our business in the future. We have refreshed our purpose, mission and values; and have developed a new five-year strategy: Inspire & Invest. This builds on the substantial achievements of our Think Ahead strategy, which delivered cost-effective financing for government, improved services for customers and value for money for taxpayers. Inspire & Invest is designed to deliver more of this – but also aims to build a stronger savings culture and use our resources and expertise to deliver broader services for government.

### A substantial contribution to government finance

Delivering cost-effective debt financing to the Government remains NS&I's core objective. At the March 2017 Budget, our Net Financing target for 2017–18 was set at £13 billion (in a range of £10 billion to £16 billion). This was a higher target than in recent years, reflecting the launch of Investment Guaranteed Growth Bonds in April 2017. Announced by the Chancellor in the 2016 Autumn Statement, this market-leading 3-year savings bond was designed to support savers who have been affected by low interest rates.



### Net Financing



When the bonds were launched, a number of competitors had increased their rates and then offered bonds at similar interest rates, but with higher investment limits, which was a positive development for savers across the market, fulfilling Government’s aspiration to support savers and encourage choice. Investment Guaranteed Growth Bonds remained on sale for a full year and attracted over 178,000 customers.

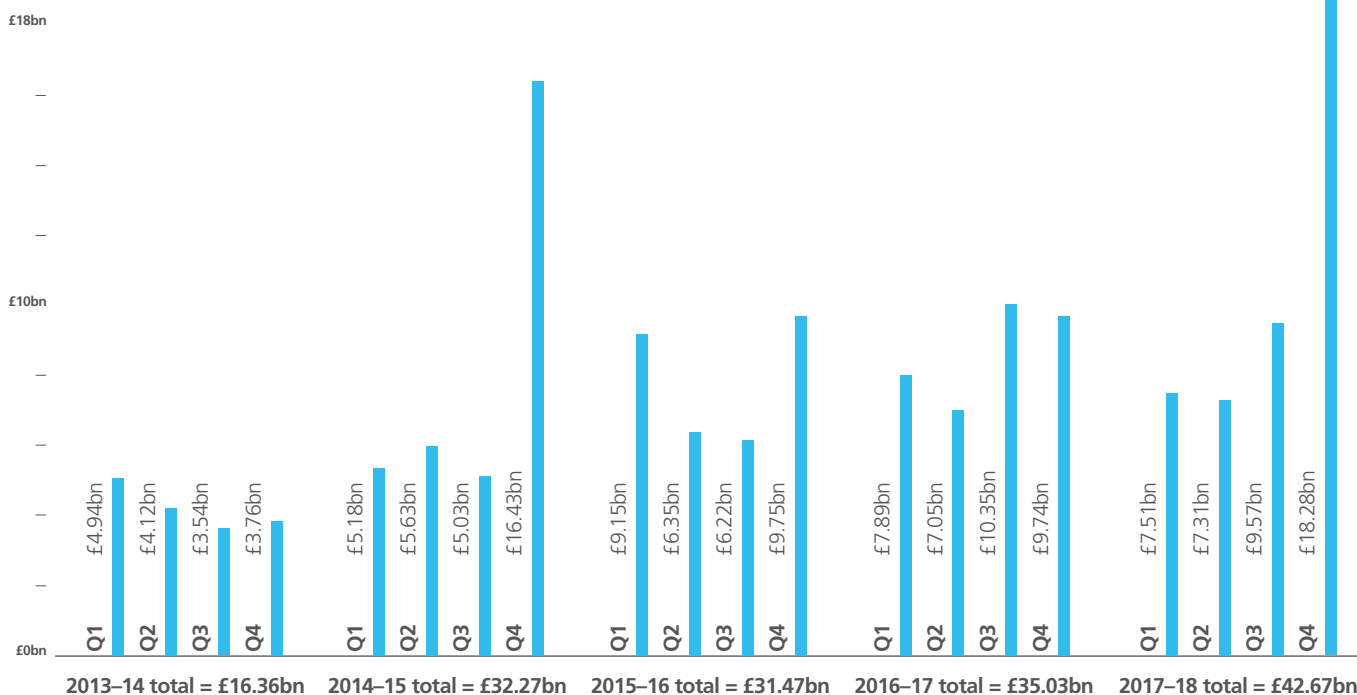
At the Autumn Budget in November 2017, our Net Financing target was reduced to £8 billion (in a range of £5 billion to £11 billion). The change to the target reflected lower than expected Net Financing being delivered in the first half of 2017–18, partly as a result of these changes in the savings market.

In December, we brought back on sale two of our most popular products, Guaranteed Growth Bonds and Guaranteed Income Bonds. These had not been on sale for nine years and both were available as 1-year and 3-year bonds. As expected, both products proved popular.

The new rates available on Guaranteed Growth Bonds and Guaranteed Income Bonds were also available to maturing 65+ Bonds and proved attractive, with nearly three-quarters of holders opting to reinvest with NS&I. Some £9 billion of 3-year 65+ Bonds matured from mid-January 2018.

Together with sales of Premium Bonds, these factors contributed to a Net Financing contribution of £9.8 billion to HM Treasury. This was within the range of our revised target. It also took the total amount invested in NS&I products to more than £150 billion for the first time. In the 2018 Spring Statement, it was confirmed that NS&I will have a 2018–19 Net Financing target of £6 billion, within a range of £3 billion to £9 billion.

### Gross inflows to NS&I (including reinvestments)



### Delivering value

For taxpayers, we delivered £229 million of savings as measured by our Value Indicator. This compares the relative cost-effectiveness for the taxpayer of the Government raising money on the gilt markets with raising money through NS&I. This was lower than the target range set at the March 2017 Budget to deliver £250 million of value for the taxpayer but above the lower limit of -£100 million (excluding Investment Guaranteed Growth Bonds and 65+ Bonds). NS&I's 2018–19 Value Indicator target is £125 million, with a lower limit of £0 (zero).

The Value Indicator is not the only way that we assess our cost-effectiveness for taxpayers. Our Efficiency Ratio measures the ratio of our total administrative costs to total customer investments held by NS&I. This improved last year from 9.4 basis points to 8.0 basis points, meaning that in 2017–18 it cost NS&I 8p a year to manage each £100 of stock we hold.

This means that, since 2014–15, our business has grown by 50% in terms of total customer holdings, but our total operating costs have decreased by 20%. We remain firmly on track to achieve our 2015 Spending Review target to reduce real-term costs by 25% by 2020.

### Supporting savers

The return to sale of Guaranteed Growth Bonds and Guaranteed Income Bonds was welcomed by savers, but it was just one of several positive developments this year. In addition to Investment Guaranteed Growth Bonds, in August 2017 we launched a Junior ISA, as a successor to Children's Bonds.

Launching two new products and bringing two popular products back on sale has meant it has been an extremely busy year for NS&I operationally; despite this our systems have performed smoothly for our customers. This operational performance was also demonstrated in early 2018 when some 885,000 customers had their 3-year 65+ Bonds mature. Again, this process was a smooth experience for our customers.

NS&I sets interest rates to balance the needs of savers, taxpayers and the stability of the wider financial services sector, while meeting our Net Financing requirement. Within a week of the Bank of England announcing a 0.25% rise in the Base Rate in November 2017 – the first rise in a decade – we announced that we would increase interest rates on some of our variable rate products by the same amount. We were in a position at this time to make this change and these interest rate rises took effect on 1 December.

While our total holdings have grown over the year, our overall share of the savings market remains broadly the same. This is important as we continue to balance the interests of our customers, taxpayers and the stability of the broader financial services sector.

### Business-to-business services

The broader role of NS&I is demonstrated by the services we provide to the rest of government, particularly our role in the delivery of the childcare service, a new digital service through which parents can apply for both Tax-Free Childcare and 30 hours free childcare. Tax-Free Childcare is a new government policy led by HM Revenue and Customs (HMRC), which offers financial support for childcare for working parents. Thirty hours free childcare is a Department for Education (DfE) policy and an extension for working families of the existing 15 hours free childcare for three and four year olds in England.



Junior  
ISA  
launched



**370,000**  
Tax-Free Childcare  
registrations



The childcare service launched in April 2017 and by the end of March 2018 there were more than 370,000 customers registered to use the service. While the vast majority of parents have been able to apply successfully for Tax-Free Childcare and 30 hours, some customers have experienced problems using the service.

We have worked closely with HMRC to identify the cause of these problems and, by working together, a series of incremental improvements have been made to the service. We recognise the frustration and inconvenience that these issues caused some parents and we are sorry that this happened. We are continuing to work with HMRC to further improve the service to make it as simple and straightforward as possible for parents.

We applied the lessons learned from Tax-Free Childcare to the development of another service we are delivering in partnership with HMRC: Help to Save. This is a government-backed saving scheme to support working people on low incomes to build their savings. The pilot scheme is working well and full roll-out is planned to start in October 2018.

### Key issues and risks

NS&I's approach to risk management is guided by the provisions set out in the Financial Conduct Authority (FCA) Handbook and *Management of Risk – Principles and Concepts* (the Orange Book) issued by HM Treasury. Central to the integrity of NS&I's risk management is a 'three lines of defence' arrangement, ensuring that risks are managed at the most appropriate place and that robust assurance is achieved. More detail is set out on pages 54 to 55 in the Accountability Report.

### From Think Ahead to Inspire & Invest

Think Ahead has been a successful strategy. Since the start of 2014–15, we have delivered more than £50 billion in Net Financing for the Government; and cumulative savings of more than £780 million for taxpayers, as shown by the Value Indicator. We are now a 100% direct business and our online customer experience has been transformed. Since 2014–15, NS&I has grown its business-to-business services to other parts of government and also supported specific areas of government policy – delivering products such as 65+ Bonds and Investment Guaranteed Growth Bonds to support savers who have been affected by low interest rates.

Our new strategy, Inspire & Invest, maintains our strategic focus of raising cost-effective financing for the Government by offering savings and investment products to retail customers, but also prepares NS&I for the potential impact of new regulatory changes.

In addition, it formalises and builds on two emergent areas of Think Ahead – providing payment processing services to other parts of government, which in turn helps fund NS&I's core retail savings business; and the delivery of retail financial products and services to support specific government policy objectives. These activities help increase awareness of NS&I and attract new customers – and could reduce the cost of raising financing for government and leverage our considerable expertise.

We have embraced open banking, which will allow customers to manage accounts and investments from multiple providers through a single portal. For relevant products, customers will be able to choose to view their NS&I holdings via other providers' websites.

As part of our new strategy, we have launched a Welcoming Diversity at Work plan, which consists of 10 core initiatives that are designed to make a difference to our culture, our people and our customers. They are built on employee input and seek to ensure that we maximise the contribution of the diverse talent within NS&I.

One catalyst for the development of the plan was the Women in Finance Charter, which we signed up to in 2017. We reviewed our performance against its four core actions and confirmed that we already had close to 50:50 representation of men and women at senior management level. The plan includes commitments to publish more detailed and accurate diversity statistics, as a basis for improving our diversity in the coming year.

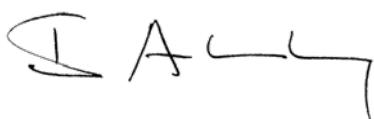
In recognition of the importance that NS&I attaches to employee engagement and diversity, we have created two new SDMs, applicable from 2018–19, to capture performance: an employee engagement SDM and a diversity index SDM.

### A customer-focused culture

NS&I has always been committed to customer service and customer focus. Our new strategy reaffirms and renews that commitment. Inspire & Invest looks firmly to the future, but its purpose reminds us why we were founded more than 150 years ago. Back in 1861, the idea of a national savings movement was to inspire everybody in the UK to think about how to secure their financial future: to inspire individuals to invest. Millions of people were inspired by this simple idea – and 25 million still are today.

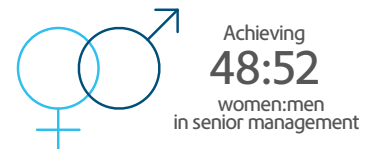
Two Directors, who have contributed in many ways to the success of NS&I, are leaving the business and I thank them for their contribution and service. Peter Cornish has been with NS&I for 20 years and helped to shape our current product range before becoming Risk Director in 2011. In that role, he was responsible for the implementation of our shadow FCA compliance regime and strengthening the Risk and Compliance directorate. Rodney Norman joined NS&I in 2012 as Finance Director and has been integral to helping us become the highly efficient and effective business we are today. Rodney has also made a significant contribution to the broader development of NS&I as a direct business focused on outstanding customer service. The success of NS&I has been built on the efforts of everyone who works for the business and the infrastructure which supports it. I thank all NS&I staff and our Atos colleagues for their dedication this year.

In an increasingly competitive market with rapidly changing customer needs and expectations, we must make changes and invest in the business to ensure that it can continue to be successful at inspiring our customers to save, and our staff and partners to perform.



**Ian Ackerley**  
**Chief Executive**  
**National Savings and Investments**

08 June 2018



## Strategy and performance

### At a glance

- All Service Delivery Measures (SDMs) met in 2017–18.
- Think Ahead strategy for 2014–15 to 2018–19 delivered.
- New strategy, Inspire & Invest, developed for 2018–19 to 2023–24.

### Delivering Think Ahead

In 2013–14, we set our Think Ahead strategy for the five years from 2014–15 to 2018–19. It focused on meeting our core remit of delivering cost-effective financing for government while setting out what we had to achieve to meet the targets of successive Spending Reviews.

Having delivered Think Ahead, this year we developed a new strategy: Inspire & Invest. The new strategy, which officially began in April 2018, is summarised on page 17. This section reviews our progress against the objectives of Think Ahead.

**Objective: Meet NS&I's core remit to help reduce the cost to the taxpayer of government borrowing now and in the future**

### Progress in 2017–18

This year we delivered £9.8 billion of Net Financing to the Government, within the range of our revised target of £8 billion (+/- £3 billion). According to our Value Indicator, which indicates the costs of using NS&I compared with the costs of government borrowing via the gilt markets, it was £229 million cheaper to use NS&I this year. The NAO report, *Evaluating the government balance sheet: borrowing*, published in November 2017, commented: *NS&I gives the government flexibility, by providing an alternative source of cost-effective borrowing to gilts. NS&I continues to meet its remit while keeping running costs low.*

### Progress since 2014–15

Since the start of 2014–15, we have delivered more than £50 billion in Net Financing. Every year, we have delivered positive value for taxpayers, as measured by the Value Indicator – with a cumulative value of more than £780 million.



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**Objective: Deliver an easy and appealing retail digital customer experience**

**Progress in 2017–18**

We continued to improve and enhance our digital customer experience, with more than 50 changes, often reflecting specific issues raised by customers. We also saw ongoing growth in the use of Twitter as a customer service channel: satisfaction with @nsandihelp is more than 96%, and satisfaction with the website continues to rise.

**Progress since 2014–15**

Our website is a secure and straightforward way to invest with NS&I. Over the past four years, we have significantly redesigned nsandi.com, making it more attractive and intuitive and it is now mobile-friendly. We have also added social media channels and a Prize Checker app for Premium Bonds, which now has 348,000 users. In total, more than 3.6 million customers are now registered to use our online services and 1.8 million customers choose to have the convenience of their Premium Bond prizes paid directly into their bank accounts. In addition, since 2014 our contact centre has been open 24 hours a day, seven days a week.

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**Objective: Achieve retail channel shift to digital channels (phone and online) of at least 75% by 2018–19**

**Progress in 2017–18**

Overall, 73% of all retail interactions are now digital, up from 68% last year. More of our services are now online and 1.5 million customers have opted to go 'paperless'. More than 95% of incoming customer communications to NS&I this year were via digital channels (phone and online).

**Progress since 2014–15**

In the year before our Think Ahead strategy began, 43% of our sales were either by post or via the Post Office®. Moving to digital channels offers faster, more flexible and lower-cost ways of interacting with NS&I. Each year, the improvements we have made to our retail digital customer experience have helped us to increase the use of digital channels and, in 2015, we achieved our ambition of becoming a 100% direct business. We continue to offer sales by post, as we know that some customers still prefer to use that channel – but the proportion continues to reduce as more customers choose the convenient digital routes.

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## Objective: Identifying customer needs, developing new products and targeted propositions

### Progress in 2017–18

This year, we made several changes to our product portfolio which have proved popular with customers. We launched a Junior ISA in August – an online-only product for under-18s – as a successor to Children’s Bonds, which we closed to new customers in September. After launching Investment Guaranteed Growth Bonds in April 2017, in December we brought Guaranteed Growth Bonds and Guaranteed Income Bonds back on sale for the first time since 2009.

### Progress since 2016–17 (objective introduced in 2016–17)

Having made substantial changes to our product portfolio in 2012–13, our product range has remained largely unchanged until this year. One exception was the launch of 65+ Bonds in 2014–15, in response to the Chancellor’s 2014 Budget commitment to support older savers. This product became the biggest selling retail financial product in Britain’s modern history, with £13 billion of bonds sold to 1.1 million customers.

Premium Bonds remain one of the UK’s most popular savings products, with 21 million customers and more than £75 billion invested. In June 2014, we raised the maximum investment limit from £30,000 to £40,000 and then in June 2015, we raised it again, to £50,000.

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## Objective: Move progressively towards a self-funding model

### Progress in 2017–18

Revenues from business-to-business services we provide to other government departments have continued to grow. The Government’s Tax-Free Childcare Scheme launched in April 2017. As part of this, we deliver 30 free hours for HMRC and the DfE. More than 370,000 parents are now registered to use the service. We are also piloting Help to Save with full roll-out planned for October 2018.

### Progress since 2014–15

Over the past four years, we have more than doubled the proportion of our total costs that we fund through revenues from our business-to-business services. We have retained and extended two contracts during this period – with the Court Funds Office and the Home Office. We completed the delivery of the Equitable Life Payment Scheme, issuing payments of more than £1.1 billion to more than 930,000 policyholders.

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## Objective: Live our values in everything we do

### Progress in 2017–18

This year, we continued to embed our voluntary shadow compliance with the (FCA) Senior Managers Regime and signed the Government's Women in Finance Charter. We also reaffirmed and renewed our purpose, mission and values, together with developing our new strategy, Inspire & Invest. We have also developed a new Corporate Social Responsibility strategy, which will run concurrently with our business strategy.

### Progress since 2015–16

We have continued to implement shadow compliance for the relevant (FCA) regulations and supported its Treating Customers Fairly agenda. We seek to respond swiftly to customer complaints and now resolve 73% within four days. We have also made a range of changes to the way we support our people, focused on improving their work/life balance, promoting wellbeing and offering good careers. We're proud that we remain among the high-performing Civil Service departments, with an employee engagement score of 67%.

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## Objective: Reduce our operating cost and build a flexible and sustainable operating model

### Progress in 2017–18

We continue to streamline processes and operations across the business and we have been able to improve our Efficiency Ratio – the ratio of our total administrative costs to total stock – from last year's figure of 9.4 basis points to 8.0 basis points. This means that it costs NS&I 8p a year to manage each £100 of stock we hold.

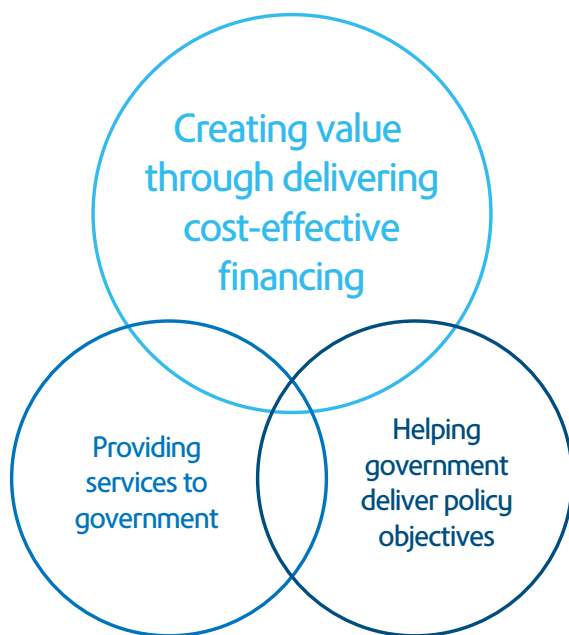
### Progress since 2014–15

At the start of our strategy, our Efficiency Ratio was 14 basis points. In the past four years, through channel shift, efficiency savings across the business and an estates strategy which has focused on moving to premises that better fit our operation, we have been able to reduce this further, to 8.0 basis points. Over the same period, our total holdings have grown from £106 billion to £157 billion. Put another way, over this period our business has grown by around 50% while our operating costs have reduced by around 20% – illustrating our efficient, flexible and scalable operating model.

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## Our new strategy: Inspire & Invest

Delivering sustainable cost-effective financing for the Government remains at the core of NS&I's new strategy. To ensure that we continue to do so in a highly competitive and innovative savings market, NS&I is embracing emerging opportunities such as open banking and improving our customer proposition through working with fintech organisations. We are also growing our business-to-business offer, which provides payment processing services to other parts of government; and we are seeking opportunities to help develop and deliver retail financial services policies for the Government. Our new strategy, Inspire & Invest, is built around six cross-cutting strategic aims that reflect our joined-up approach to delivering these objectives, underpinned by our refreshed purpose and mission.



### Delivering for government

We raise public finances sustainably and efficiently, fully reflecting costs and risks. We build reliable and innovative services delivered at pace, which are valued by government. Delivering with us is a compelling choice.

### Delivering digital-first products and services for our customers

Our customers are at the heart of our business. We support savers in securing their financial future with straightforward services, products, information, guidance and choices. We move quickly to adopt fintech-enabled services and solutions. By 2021, we will have embraced open banking and be a truly digital-first business.

### Using our insight and policy expertise to meet our customers' needs

We learn quickly and are passionate about insight. We make decisions confidently, grounded in knowing our customers and their savings needs. We put our data, insight, intelligence and fresh thinking to work for our customers and government partners, and to help government develop and deliver effective policy. Our savings policy expertise, services and products are relevant and inspire a stronger savings culture.



**Delivering efficiently**

We are alert, commercial and efficient. We work in partnership with supplier and government partners to create sustainable value. We are alive to our competitors and operate fairly in the market.



**Doing the right thing**

We are responsible and trustworthy, and we deliver safely, taking a balanced approach to innovation and risk. We will always be known for the highest standards of conduct. We are fair and honest and do the right thing. We aim to comply with FCA requirements where applicable on a voluntary basis and protect our business from threats and risks. We protect the interests of taxpayers.



**Being inspired and empowered**

We care for colleagues, respect one another, and invest in our people and manage their talent efficiently. Diversity, curiosity and innovation are welcomed. We care for customers, our environment and the public good.



**Our values**

**With our customers**

**Secure** – 100% security for savings, backed by HM Treasury. Our digital security is trustworthy. We protect our business.

**Inspiring** – Acting decisively and confidently for customers, working with pace to create value and inspiring them to secure their financial future.

**Straightforward** – Clear, everyday, understandable language. Products designed simply to meet our customer needs, and easy-to-use services.

**Reassuringly human** – We listen to our customers, and understand and respond to their needs. We care for our customers, our environment and the public good.

**With our people**

**Secure** – We are responsible and do the right thing. We deliver safely and take a balanced approach to innovation and risk.

**Inspiring** – We use fresh thinking for public good. We have a willingness to learn quickly. Diversity, innovation and curiosity are welcomed.

**Straightforward** – We have integrity and work together in straightforward ways. What we say matters. We are empowered by our leadership.

**Reassuringly human** – A small organisation with a big reach. We care for colleagues, respect one another, and invest in our people and manage their talent effectively.

## Performance analysis 2017–18

The table below shows our performance against our SDMs. These were agreed by NS&I and HM Treasury as part of our reporting process and measure our performance in relation to our overall objectives.

Delivering for government and Using our insight and policy expertise to meet our customers' needs	<p><b>1</b></p> <p><b>Net Financing</b></p> <p><b>Goals and objectives</b> To raise an amount of Net Financing within an agreed range</p> <p><b>Measure</b> Absolute amount of Net Financing from NS&amp;I products</p>	<p><b>2016–17</b></p> <p><b>Performance</b> £11.8 billion</p>	<p><b>2017–18</b></p> <p><b>Target</b> £8 billion (+/–£3 billion)<sup>(1)</sup></p> <p><b>Performance</b> £9.8 billion</p>	<p><b>2018–19</b></p> <p><b>Target</b> £6 billion (+/–£3 billion)</p>
	<p><b>2</b></p> <p><b>Value Indicator<sup>(2)</sup></b></p> <p><b>Goals and objectives</b> To deliver value to government when compared with equivalent wholesale funding costs</p> <p><b>Measure</b> Absolute amount of value from NS&amp;I products as calculated by the Value Indicator</p>	<p><b>2016–17</b></p> <p><b>Performance</b> £74 million</p>	<p><b>2017–18</b></p> <p><b>Target</b> To deliver £250 million of value for the taxpayer with a lower limit of minus £100 million (excluding Investment Guaranteed Growth Bonds and 65+ Bonds)</p> <p><b>Performance</b> £229 million</p>	<p><b>2018–19</b></p> <p><b>Target</b> £125 million with a lower limit of zero (excluding Investment Guaranteed Growth Bonds and 65+ Bonds)</p>
	<p><b>3</b></p> <p><b>Customer satisfaction<sup>(3)</sup></b></p> <p><b>Goals and objectives</b> To exceed a threshold level of satisfaction with customer service and overall experience received from NS&amp;I</p> <p><b>Measure</b> Overall satisfaction with NS&amp;I's service – as measured through 'EvaluAgent'</p>	<p><b>2016–17</b></p> <p><b>Performance</b> 82.1%</p>	<p><b>2017–18</b></p> <p><b>Target</b> At least 1% higher than our 2016 performance benchmark of 82%</p> <p><b>Performance</b> 83.5%</p>	<p><b>2018–19</b></p> <p><b>Target</b> At least 84%</p>
	<p><b>4</b></p> <p><b>Customer service – operational delivery</b></p> <p><b>Goals and objectives</b> To exceed the threshold level of both timeliness and accuracy</p> <p><b>Measure</b> Average performance against contractual key performance indicators (KPIs)</p>	<p><b>2016–17</b></p> <p><b>Performance</b> 99.76%</p>	<p><b>2017–18</b></p> <p><b>Target</b> At least 95%</p> <p><b>Performance</b> 99.71%</p>	<p><b>2018–19</b></p> <p><b>Target</b> At least 95%</p>

## Footnotes:

(1) The original Net Financing target for 2017–18 published in the NS&I 2016–17 Annual Report was £13 billion (+/– £3 billion). However, in the Autumn Budget in November 2017, this was revised to £8 billion (+/–£3 billion) due to lower than expected financing delivered in the first half of 2017–18.

(2) For an explanation of how the Value Indicator is calculated, please see the Glossary.

(3) Customer satisfaction is measured as the average level of satisfaction against the question 'Taking everything into account, how would you rate NS&I's customer service?' Customers are asked this via a tool called EvaluAgent, immediately after they have completed a transaction.

Delivering digital-first products and services for our customers	<p><b>5</b></p> <p><b>Customer service – online availability</b></p> <p><b>Goals and objectives</b> To exceed the threshold level of online availability</p> <p><b>Measure</b> Percentage of time, including planned downtime, that customer-facing marketing and transactional websites are available</p>	<p><b>2016–17</b></p> <p><b>Performance</b> 99.78%</p>	<p><b>2017–18</b></p> <p><b>Target</b> At least 97%</p> <p><b>Performance</b> 99.85%</p>	<p><b>2018–19</b></p> <p><b>Target</b> At least 99%</p>
Delivering efficiently	<p><b>6</b></p> <p><b>Efficient administration of funds</b></p> <p><b>Goals and objectives</b> To improve the efficiency of administering total funds</p> <p><b>Measure</b> Ratio of total NS&amp;I administrative costs that are funded by Resource DEL to average funds invested by customers</p>	<p><b>2016–17</b></p> <p><b>Performance</b> 9.4 basis points</p>	<p><b>2017–18</b></p> <p><b>Target</b> Less than 12 basis points</p> <p><b>Performance</b> 8.0 basis points</p>	<p><b>2018–19</b></p> <p><b>Target</b> Less than 9 basis points</p>
Delivering digital-first products and services for our customers	<p><b>7</b></p> <p><b>Customer Contact Association (CCA) Global Standard® V6 accreditation</b></p> <p><b>Goals and objectives</b> To maintain our current CCA Global Standard® Version 6 accreditation following the annual external assessment</p> <p><b>Measure</b> A respected independent customer service standard, widely used by other organisations with a contact centre operation</p>	<p><b>2016–17</b></p> <p><b>Performance</b> Met</p>	<p><b>2017–18</b></p> <p><b>Target</b> Maintain accreditation</p> <p><b>Performance</b> Met</p>	<p><b>2018–19</b></p> <p><b>Target</b> Maintain accreditation</p>
Doing the right thing	<p><b>8</b></p> <p><b>Financial Ombudsman Service (FOS)</b></p> <p><b>Goals and objectives</b> To minimise the incidence where FOS intervention is justified</p> <p><b>Measure</b> The ratio of the number of complaints upheld by the FOS in favour of the complainant to the total number of complaints closed by NS&amp;I</p>	<p><b>2016–17</b></p> <p><b>Performance</b> 0.23%</p>	<p><b>2017–18</b></p> <p><b>Target</b> Less than 0.5% of total complaints raised found against us by the FOS</p> <p><b>Performance</b> 0.15%</p>	<p><b>2018–19</b></p> <p><b>Target</b> Less than 0.5%</p>
	<p><b>9</b></p> <p><b>Fraud<sup>(4)</sup></b></p> <p><b>Goals and objectives</b> To minimise the cost of fraud</p> <p><b>Measure</b> The cost of fraud as a percentage of total average stock</p>	<p><b>2016–17</b></p> <p><b>Performance</b> 0.00019%</p>	<p><b>2017–18</b></p> <p><b>Target</b> Below 0.001% of average funds invested by customers</p> <p><b>Performance</b> 0.00016%</p>	<p><b>2018–19</b></p> <p><b>Target</b> Less than 0.001%</p>

**Footnote:**

(4) Following the commencement of the new contract on 1 April 2014, Atos, NS&I's operational services provider, is liable for any fraud losses that are incurred. The fraud losses borne by Atos in the financial year 2017–18 were £236,595. Compared on a like-for-like basis against 2016–17, net fraud losses in 2017–18 were 12% lower. In addition, the controls we have in place to combat fraud have resulted in attempts with a total value of £11,200,000 being prevented, up by £4,500,000 from prevented losses in 2016–17. The contractual arrangements with Atos have no impact on how customers are reimbursed in the event of a fraud. While recoveries may follow, the customer is not disadvantaged.

Being inspired and empowered	<p><b>10</b> <b>New SDM: Employee engagement</b></p> <p><b>Goals and objectives</b> To fulfil our Inspire &amp; Invest aim of being 'Inspiring and Empowering'</p> <p><b>Measure</b> Level of employee engagement in the anonymous Civil Service employee survey, independently run and validated by the Cabinet Office</p>	<p><b>2016-17</b> <b>Performance</b> n/a</p>	<p><b>2017-18</b> <b>Target</b> n/a</p>	<p><b>2018-19</b> <b>Target</b> NS&amp;I to be a high-performing department for employee engagement</p>
	<p><b>11</b> <b>New SDM: Diversity index</b></p> <p><b>Goals and objectives</b> To embed diversity and inclusion at the heart of our business</p> <p><b>Measure</b> 50 per cent Women in Finance – gender diversity of Executive Committee and Bands 2 and 3. 50% improvement in ethnic diversity at bands 4 and above – via employee survey data</p>	<p><b>2016-17</b> <b>Performance</b> n/a</p>	<p><b>2017-18</b> <b>Target</b> n/a</p>	<p><b>2018-19</b> <b>Target</b> 50% – to achieve gender balance in our management and leadership (within a range of +/- five posts) 50% – to improve our ethnic diversity at Bands 4 and above</p>



## How we spent taxpayers' money

### At a glance

- Our net resource requirement for 2017–18 was £120.4 million, £11.7 million lower than 2016–17.
- We stayed within all spending limits set by Parliament.
- Efficiency Ratio improved to 8 basis points – keeping us on track to reduce our real-term costs by 25% by 2020, as set out in our 2015 Spending Review settlement.

The financial resources available to NS&I are determined by Parliament through the Supply Estimates procedure. These resources are used to deliver the products and customer service discussed throughout this report. Our operating costs include our internal costs and the payments made to Atos, our operational delivery partner, under a Public Private Partnership contract.

As in previous years, NS&I stayed within all the spending limits set by Parliament. In 2017–18, NS&I's actual net resource requirement was £120.4 million, which is £13.5 million lower than the net resource requirement approved by Parliament in the 2017–18 Estimate, and £11.7 million lower than the net resource outturn in 2016–17.

The following table provides a more detailed comparison of NS&I's 2017–18 outturn with the 2017–18 Estimate.

### Comparison of outturn with Estimate<sup>(1)</sup>

	2017–18 Outturn £m	2017–18 Savings compared with Estimate £m	2016–17 Outturn £m	2016–17 Savings compared with Estimate £m
Net resource requirement	120.4	13.5	132.1	9.8
<i>of which:</i>				
Departmental Expenditure Limit (DEL) <sup>(2)</sup>	121.1	9.5	132.3	6.7
Annually Managed Expenditure (AME) <sup>(2)</sup>	(0.7)	4.0	(0.2)	3.1
Non-budget adjustments <sup>(3)</sup>	0.2	(0.2)	6.3	(6.3)
<b>Net operating cost (Accounts)</b>	<b>120.6</b>	<b>13.3</b>	<b>138.4</b>	<b>3.5</b>
Capital expenditure (CDEL)	0.0	2.0	(12.5)	4.8
Non-budget adjustments <sup>(3)</sup>	17.8	(17.8)	21.6	(21.6)
<b>Total capital expenditure (Accounts)</b>	<b>17.8</b>	<b>(15.8)</b>	<b>9.1</b>	<b>(16.8)</b>
<b>Net cash requirement</b>	<b>116.0</b>	<b>21.4</b>	<b>125.5</b>	<b>16.8</b>

#### Footnotes:

More information on the use of our resources is contained in the Statement of Parliamentary Supply (SoPS) and the Accounts.

(1) Figures are presented here to the nearest £0.1 million. Note SoPS1.1 on page 81 provides figures to the nearest £1,000.

(2) See the Glossary on pages 141 to 145 for definitions of these terms.

(3) Non-budget adjustments reflect the different treatment of items between DELs set by Parliament and the Accounts, which are prepared in accordance with International Financial Reporting Standards.

### Underspend against the approved net resource requirement

The variance against the net resource requirement is mainly due to a combination of lower project costs, lower office costs and lower volume relative costs reflecting the in-year reduction in the Net Financing target. The following table provides a more detailed breakdown of the variance.

#### Difference between resource outturn and Estimate<sup>(1)</sup>

	2017–18	2017–18
	£m	£m
Lower project costs	5.5	
Lower office costs	1.7	
Lower depreciation costs	0.8	
Lower volume relative costs	1.6	
Other differences	(0.1)	
<b>Total DEL underspend</b>		<b>9.5</b>
Lower requirements for provisions	0.3	
Lower revaluation charge for NS&I properties	3.7	
<b>Total AME underspend</b>		<b>4.0</b>
<b>Total underspend against Estimate</b>		<b>13.5</b>

#### Footnote:

(1) Figures are presented here to the nearest £0.1 million. Note SoPS1.1 on page 81 provides figures to the nearest £1,000.

### Financial position

The Statement of financial position on page 94 shows that, at 31 March 2018, total assets less total liabilities were £38.6 million, £4.1 million lower than at 31 March 2017.

Non-current assets decreased by £3.5 million, primarily due to a reduction in longer-term receivables following receipt of proceeds from property disposals completed in prior years.

Current assets, excluding client funds, fell by £1.6 million. Total liabilities, excluding client funds, fell by £1.0 million.

### Payment of suppliers: policy and performance

NS&I is committed to a policy of prompt payment and to the Government's Prompt Payment Initiative. We endeavour to pay all suppliers within 30 days of acceptance of the relevant goods and services, or receipt of a legitimate invoice if that is later. In 2017–18, NS&I paid 96.5% (2016–17: 95.3%) of bills within this standard.

Details of all expenditure over £25,000 can be found on our website along with a list of all contracts with a value of more than £75,000, in line with government guidelines.

## Our customers

### At a glance

- Two new products launched and two popular products returned to sale.
- 95% of incoming customer interactions now via digital channels.
- More than 50 improvements to our website and online customer experience.
- 83.5% customer satisfaction.

In 2017, NS&I launched two new products and brought two popular products back on sale. Customer satisfaction with NS&I increased at the same time that we improved the digital customer experience; and the proportion of interactions via digital channels continued to rise.

We were pleased to launch a Junior ISA in August 2017. We also brought back on sale two of our most popular products, Guaranteed Growth Bonds and Guaranteed Income Bonds, in December 2017. Once the Junior ISA was launched, we closed Children's Bonds to new customers and wrote to all existing customers as they approached the end of their term to offer them the opportunity to transfer to the new product. The majority of Children's Bonds customers have done so.

We also launched Investment Guaranteed Growth Bonds in April 2017 on behalf of HM Treasury, which were designed to support savers who have been affected by low interest rates. The product was launched smoothly and on schedule in April 2017 and closed as planned in April 2018. Sales were online only and the process was explicitly designed as 'digital-first', reflecting our ongoing shift towards digital channels.

### Interest rates

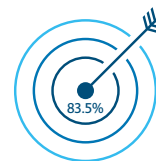
NS&I sets interest rates in line with our operating framework to balance the interests of our savers, taxpayers and the stability of the broader financial services sector; and to meet our Net Financing target each year. After taking the difficult decision to reduce interest rates on some of our variable rate products in May 2017 to reflect market conditions at the time, we were able to improve rates for our customers following the Bank of England raising the Base Rate by 0.25% in November 2017. We announced that we would raise interest rates on some of our variable products by the same amount, taking effect on 1 December; and we increased the prize fund rate on Premium Bonds by 0.25%. This meant that the number of prizes paid out each month increased from 2.3 million to approximately 2.9 million – the highest ever number at the time.

### Improving customer satisfaction

We met our customer satisfaction target this year, recording a score of 83.5%, against a target of 83%. Satisfaction with our contact centre continues to be very high and satisfaction with our Twitter channel @nsandihelp, which was launched in 2015, is also very high.

Importantly, customer satisfaction with our website has also improved. This year, in response to customer and staff feedback, we have made many changes to specific aspects of the online customer journey – making it easier to complete different tasks, such as registering a change of address. We also redesigned the page for downloading forms, making it easier to find the relevant information and highlighting where the process can be carried out online instead.

Met target of  
**83%**  
for customer  
satisfaction



**96%**  
customer satisfaction  
on social media



We have also introduced new ways to encourage customers to use digital channels where these offer a potentially easier customer experience. For instance, when customers phoning us had not yet opted to have Premium Bonds prizes paid directly into a nominated bank account – a faster way to receive the prize money – our contact centre advisers asked them if they would like us to enable this facility for them. We now have 1.8 million Premium Bonds customers registered to receive their prizes by BACS.

NS&I was awarded a Gold Ribbon by Fairer Finance for its savings accounts in 2017–18 and was voted the most transparent savings provider, ensuring straightforward language and communicating useful and relevant information.

### Encouraging channel shift

Simple changes to online services make it even easier for customers to use digital channels to interact with us. We are also streamlining and automating older, paper-based communication with customers.

We continue to invest in new technology that enhances the customer experience. We have prepared our systems for open banking – enabling our customers to have the choice of viewing their NS&I holdings via other providers' websites, if they opt to do so.

This year, we also launched two products as online only: Junior ISA and Investment Guaranteed Growth Bonds. This reflects our customers' growing preference for investing through our website and wider trends within the savings market, where online-only products are typical and well adopted in all age groups. Though customers can access assistance on their investments through our call centre, launching online only products enables NS&I to offer attractive interest rates for savers, while also minimising costs and therefore benefiting taxpayers.

### Supporting customers across channels

Our contact centres are also crucial to our service to vulnerable customers and the digitally excluded. NS&I is committed to choice of channels for our customers, and helping them access channels appropriate to their needs. As a growing proportion of interactions are conducted online, it is essential that we are able to serve those customers who cannot interact in this way. Together with our operational partner Atos, we have focused on training customer service staff to assist vulnerable customers effectively and identify those who may need additional support.

### Managing complaints

The number of complaints we received in 2017–18 remained low, with just 0.036% of transactions resulting in a complaint. We resolved 73.34% of these within two working days. We have changed the method of reporting in line with changes to the Financial Conduct Authority Dispute Resolution Rules. We have to issue a summary resolution letter for all complaints closed within three days, following day of receipt, as all complainants have the right to refer their complaint to the Financial Ombudsman Service (FOS) if they remain dissatisfied. In 2017–18, 169 complaints were referred to the FOS (2016–17: 151) and, of these, 18.93% were upheld against NS&I.

While this meant we achieved our main performance target for complaints, an audit of our complaints handling process, conducted by the Government Internal Audit Agency, identified areas for improvement around the process. We have taken steps to address the issues raised, which includes new Quality Assurance Frameworks for Complaint Handling, new guidelines for assessing and identifying complaints at first point of contact; and new induction and refresher training for complaint handling.



348,000  
app users

## Reuniting customers with assets

We currently hold more than £2.8 billion in unclaimed assets and see it as an important responsibility to try and reunite customers with their money. With older savings products and where customers have moved and not informed us of changes to address and other personal details, it is possible that we will lose contact with these customers, which can lead to assets (including Premium Bonds prizes) going unclaimed. We run regular campaigns around unclaimed Premium Bond prizes and we also support the MyLostAccount service and include details of how to trace unclaimed assets in many of our media releases, including in every monthly Premium Bond release. This year, we reunited customers with over £53 million of lost assets, bringing the total amount reclaimed through the service to more than £750 million and we encourage customers to use our online services such as payment of Premium Bond prizes by BACS, so that we can avoid further assets becoming unclaimed.

## Unclaimed assets

NS&I defines unclaimed assets as all holdings in closed products (which are held in the Residual Account) and holdings in open products with no customer financial transactions for a period of 15 years or more.

Of the £2,844 million unclaimed assets in 2017–18, £1,276 million (£897 million in 2016–17) of customer holdings in Certificates and Accounts have other recorded contact which has resulted in general changes in personal details across the customer's portfolio of products.

**£750 million reclaimed**  
through MyLostAccount  
and our own  
tracing service



£m	Unclaimed assets 2016–17	Unclaimed assets 2017–18
Accounts	452	479
Certificates <sup>(1)</sup>	1,228	1,690
Income Bonds <sup>(2)</sup>	16	17
Unclaimed Premium Bonds prizes <sup>(3)</sup>	18	19
Residual Account <sup>(4)</sup>	639	639
<b>Total</b>	<b>2,353</b>	<b>2,844</b>

### Footnotes:

(1) Certificates (Saving Certificates) are used by many holders as long-term savings products. The majority of customers choose to renew their holdings at the end of their term and thus we would not expect customers to be in regular contact with NS&I.

(2) Customers of Income Bonds receive monthly interest payments. Therefore, for holdings to be classed as unclaimed assets, they must have been held for 15 years and postal communications must have been flagged as returned undelivered.

(3) Premium Bonds prizes unclaimed for 15 years.

(4) More details on the Residual Account are provided in the Product Accounts on pages 115 to 133 of this report.

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NS&I was exempted from involvement in the Dormant Assets Reclaim Fund following a review carried out in 2017 for dormant bank and building society accounts. Unclaimed assets held by NS&I are different to those held by banks and building societies in that they are already invested in society. NS&I's objective is to raise cost-effective financing for the Government. All funds raised from our customers go to the National Loans Fund and are used by the Government to help finance expenditure on public services and investment for the general good of the public. We assure all of our customers that any holdings they have, or have ever had with us, as well as any prizes won, will always be available for them or their beneficiaries to access and reclaim.

### **Working with advisers**

We continue to improve our services to financial advisers, enabling them to do more on their customers' behalf and receive targeted information from us. In February 2018, we launched new services for financial advisers via our Adviser Helpline (0800 092 1228). Where customers have agreed, financial advice firms now have access to information on their clients' NS&I holdings via the phone, meaning that we are able to provide a faster and more comprehensive service. We plan to follow up these phone enhancements with online access to clients' NS&I holdings later in 2018.

This year, the adviser advocacy score – based on the question: 'How likely are you to recommend NS&I products to your clients?' – was 8.5 out of 10, the highest score recorded since the measure was introduced in 2015.

## Our product range

Our full product range and the key benefits of each product are shown below.

### Our product range

	Status (at 31 March 2018)	Tax-free	Fixed rate	Monthly income	Manage online and by phone	Manage by post	Annual statement
<b>Children's Bonds<sup>(1)</sup></b>	Closed	●	●		●	●	●
<b>Direct ISA</b>	On sale	●			●		●
<b>Direct Saver</b>	On sale				●		●
<b>Fixed Interest Savings Certificates<sup>(2)</sup></b>	Not currently on sale	●	●		●	●	●
<b>65+ Guaranteed Growth Bonds</b>	Not currently on sale		●		●	●	●
<b>Guaranteed Growth Bonds (purchase online only)</b>	On sale		●		●	●	●
<b>Guaranteed Income Bonds (purchase online only)</b>	On sale		●	●	●	●	●
<b>Income Bonds</b>	On sale			●	●	●	●
<b>Index-linked Savings Certificates<sup>(2)</sup></b>	Not currently on sale	●			●	●	●
<b>Investment Account</b>	On sale				Holdings can be viewed online but no trans- actions can be carried out	●	●
<b>Investment Guaranteed Growth Bonds (purchase online only)</b>	On sale 11 April 2017 to 10 April 2018		●		●	●	●
<b>Junior ISA (purchase online only)</b>	On sale	●			●		●
<b>Premium Bonds</b>	On sale	●			●	●	

(1) Closed to new sales on 24 September 2017. Closed to renewals at maturity from 26 April 2018.

(2) Renewals at maturity still permitted.

Sales performance by principal channels

NS&I phone sales

2013-14	£1.62bn
2014-15	£4.17bn
2015-16	£4.39bn
2016-17	£4.15bn
2017-18	£2.79bn

NS&I internet sales

2013-14	£4.38bn
2014-15	£11.15bn
2015-16	£10.66bn
2016-17	£14.17bn
2017-18	£16.66bn

NS&I postal sales

2013-14	£4.23bn
2014-15	£8.70bn
2015-16	£6.63bn
2016-17	£7.20bn
2017-18	£6.25bn

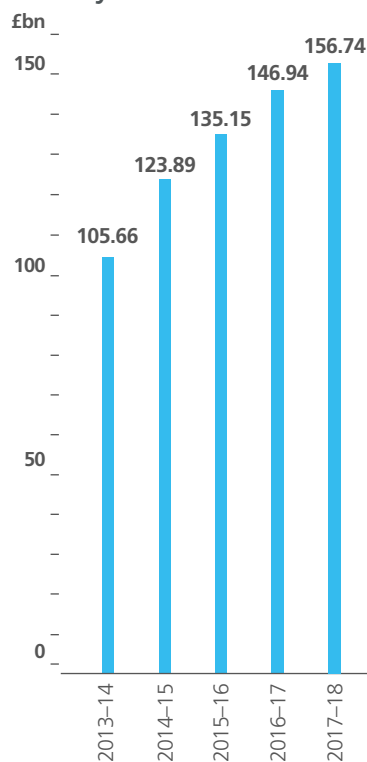
NS&I electronic transfers<sup>(1)</sup>

2013-14	£2.36bn
2014-15	£3.20bn
2015-16	£4.36bn
2016-17	£5.51bn
2017-18	£6.17bn

NS&I sales via Post Office® branches<sup>(2)</sup>

2013-14	£2.18bn
2014-15	£3.90bn
2015-16	£1.47bn
2016-17	£0
2017-18	£0

Total amount invested by customers at the end of the year



Footnotes:

(1) This is BACS, CHAPS and Faster Payments.

(2) NS&I sales via Post Office® branches stopped on 31 July 2015.



## Business-to-business customers

### At a glance

- Completed the roll-out of Tax-Free Childcare and 30 hours free childcare.
- More than 370,000 eligible parents registered and able to use Tax-Free Childcare and 30 free hours.
- Help to Save pilot started and on course for full roll-out in October 2018.
- Continued to meet the majority (98%) of KPIs for existing long-term clients.

Tax-Free Childcare, which we are delivering in partnership with HM Revenue and Customs (HMRC), is by some distance the most complex business-to-business service that we have undertaken.

The aim of the service is to enable working parents to apply for both Tax-Free Childcare and 30 hours of free childcare via a single portal. While from the outset the majority of parents were applying successfully, it was clear that the service was not working adequately for all.

Working with HMRC and our operational partner Atos, we made a series of improvements to the service and, by 31 March 2018, more than 370,000 parents had registered for the service. In the vast majority of cases, they were able to do so online. We completed the roll-out of Tax-Free Childcare to the final under-12s age group in February 2018.

### Preparing for Help to Save

In January 2018, we began the pilot programme for Help to Save, which is designed to encourage working people on lower incomes to save. For Help to Save, we are again working in partnership with HMRC to deliver the scheme, which is planned to launch in October 2018.

### Extending contracts, developing services

We continue to provide cost-effective and reliable payment processing services for the Court Funds Office and Home Office in-country immigration applications. We work closely with both organisations to develop the service we provide while meeting the majority of key performance indicators (KPIs). During 2017–18, our contract with the Home Office was extended for a further 2 years.

### An integral part of our strategy

In our Think Ahead strategy, business-to-business services were identified as a means of helping us move progressively towards a self-funding model.

As we deliver our new strategy – Inspire & Invest – in the next five years, we anticipate our business-to-business services being one of the ways that we achieve our strategic aim of delivering for government, helping government partners reduce the cost of payment processing services and developing effective policies relating to payments and personal finance. This in turn will make an important contribution to our funding, which ultimately benefits taxpayers – who in many cases will also be the users of the services.

**370,000**  
Tax-Free Childcare  
registrations



Piloted  
**Help to  
Save**



## Our people

### At a glance

- Extensive employee involvement in development of refreshed purpose, mission and values; and our new strategy, Inspire & Invest.
- Launched a Welcoming Diversity at Work plan.
- Reviewed our support for employee mental health against Thriving at Work recommendations, with NS&I displaying much good practice.
- Overall employee engagement 67% – in the Civil Service high-performing category.

Our employees are at the heart of every success at NS&I and ensuring a valuable, inspiring and enriched employee experience is a priority for us. We act on the insight and contributions of everyone in the business, and staff at all levels were involved in the development of our new purpose, mission and values, together with our new strategy, Inspire & Invest.

The importance of staff engagement is also integral to our new strategic aim of 'being inspiring and empowered' and we have agreed two new people-focused Service Delivery Measures (SDMs) (on engagement and diversity from 2018–19) in order to drive progress and accountability in our culture and working practices. See page 21 for further details. Our new values are set out from two perspectives: our customers and our people. We have set ourselves the aim of using fresh thinking for the public good and to welcome even greater diversity in our workplace.

### Welcoming Diversity at Work

This year, we developed and launched a Welcoming Diversity at Work plan, which consists of 10 core initiatives that are designed to make a difference to our culture, our people and our customers. They are built on employee input amongst other factors and seek to ensure that we attract, retain and develop diverse talent within NS&I. For example, as well as extending diversity and inclusion training and promoting diverse ways of working, we will encourage work shadowing, with a view to supporting diverse careers. The plan includes a commitment to have a diversity index as an SDM for the organisation and, in the first year, we are committed to improving our ethnic diversity across management.

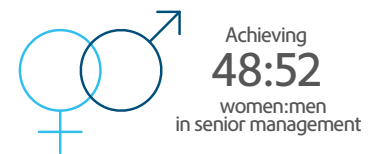
### Women in Finance

One catalyst for the development of the Welcoming Diversity at Work plan was the Women in Finance Charter, which we signed up to last year. When we signed the charter, we reviewed our performance against its four core actions:

- having one member of our senior executive team who is responsible and accountable for gender diversity and inclusion
- setting internal targets for gender diversity in our senior management
- publishing progress annually against these targets in reports on our website
- having an intention to ensure the pay of the senior executive team is linked to delivery against these internal targets on gender diversity.

At the time, we confirmed that we already had close to 50:50 representation of men and women at senior management level (ExCo, Assistant Directors and Heads of Department). NS&I set a target to maintain gender balance in our management and leadership of 50:50% (+/- 5 roles). The table below shows that, as at 31 March 2018, NS&I continues to meet its Women in Finance target.

Female		Male	
Headcount	%	Headcount	%
23	48%	25	52%



### Our organisational structure

This year, we have had significant changes within our executive team. In order to help drive operational change and develop digital expertise within NS&I, we created a new IT and Change directorate, appointing Paul Habershon to lead this as interim director from March 2018. This year, two other directors (Risk and Finance) announced their retirement and interim appointments were made, with Sarah Tebbutt moving across from People and Strategy Director to Acting Risk Director; and with Chloe Bowes becoming Acting Finance Director and Gareth Headon becoming Acting People and Strategy Director.

### Our workplace

Last year, we stated that we would move to new London offices by spring 2018. However, we were able to negotiate a new lease on our current premises. We are introducing changes to our physical workspace and ways of working, including a reduction in total space and a technology refresh that supports more flexible activity-based working.

### Learning and development

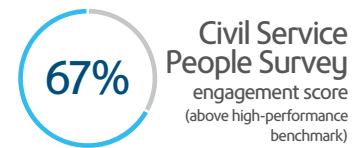
NS&I has a long track record of investing in learning and development. The generous and rich learning and development offer at NS&I encompasses formal training, leadership development, peer learning, mentoring and e-learning that equip our staff with skills and expertise in a range of areas, including conduct and compliance. As well as taking a full role in wider Civil Service professional development, NS&I's own learning and development team run regular events such as Learning at Work Week and Digital Awareness Fortnight with events on subjects ranging from cyber security to open banking, the General Data Protection Regulations and artificial intelligence.

### Thriving at Work

The Government published *Thriving at Work*, the report of the Stevenson/Farmer review of mental health and employees, in October 2017. We found that we already offered much of the support and policies it recommended, and we are now bringing our support together into a comprehensive mental health at work plan. We continue to invest in programmes to support employee mental health and promote mental wellbeing. These range from training of mental health first aiders, regular promotion of our employee assistance provision (which includes a range of support, including counselling) and providing flexible working options to enable staff to have a better work/life balance, to providing counselling and coaching for staff where appropriate.

### Employee engagement

We continue to benefit from high levels of employee engagement, as reflected in the responses to the Civil Service People Survey, where 66% of respondents stated they would recommend NS&I as a great place to work. This was above the Civil Service high-performance benchmark, as was as our overall engagement score of 67%. Our plan for welcoming diversity is part of our response to the survey. One area where we continued to score extremely highly was around understanding of NS&I's objectives and how people's work contributes to them. This was pleasing, especially in the context of a new strategy being developed. NS&I's approach to supporting work/life balance is highly valued by our people. For example, our nine day fortnight scheme (where employees complete 10 days' work in nine days) has been popular, with positive feedback from staff.



### Our corporate social responsibility (CSR) strategy

NS&I's CSR strategy sets the direction for the kind of organisation we wish to be and the way we believe a good corporate citizen should act. It also focuses on responsible business, which emphasises our collective goal to maintain good governance standards and adhere to FCA conduct rules. Our vision is to be recognised as an organisation which continues to behave ethically and responsibly in delivering our business.

A key part of this is supporting our staff charity, the Honeypot Children's Charity, which works with young carers and vulnerable children. As well as raising funds through a range of activities, we also repeated a staff-led initiative to buy Christmas presents for the children the charity supports. In addition, the business encouraged individuals to fundraise as part of the Chase Corporate Challenge charity run.

## Our operational partnership

### At a glance

- Continued to enhance service while improving efficiency.
- Met targets for customer service accuracy and timeliness.
- Retained number one position in banking and finance in Top 50 Companies for Customer Service awards.

At a time when Public Private Partnerships are under scrutiny, our operational services partnership with Atos continues to provide a high level of customer service, evidenced by excellent performance against our Service Delivery Measures for customer satisfaction and customer complaints. Our customer contact centre, managed by Atos, retained Customer Contact Association Global Standard® V6 accreditation and we were very proud to be ranked number one in the banking and finance sector in the Top 50 Companies for Customer Service awards for the second consecutive year.

### Service improvements

Our partnership contract is designed to incentivise Atos to invest in service and efficiency improvements. A number of initiatives to improve our Customer Interaction Centre are under way, including the introduction of a customer interaction centre portal which provides key links and information on one screen, helping us better meet customer needs and giving staff better insight into how to assist our customers, and improve their experience.

Our business typically has peaks in transaction volumes at different times throughout the year. To assist with preparation for these peaks, Atos has invested in additional contact centre capacity with a trusted third party to provide additional flexibility and resilience. This attention to capacity plus close working with our operational partner to plan for periods of peak demand was put to the test during December and January, as 3-year 65+ Bonds reached maturity and, during the same period, the registration deadline approached for 30 hours free childcare for the spring 2018 term. Both events passed with services maintained to a high standard.

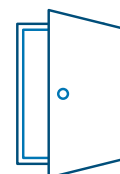
### Operational change

We continued our operational change programme to modernise our business, including deploying infrastructure changes to ensure that we are ready for open banking and the General Data Protection Regulations.

As usual, we invited an independent third party (Customer Attuned) to carry out a partnership survey which asks staff of both businesses how they view the partnership. The overall partnership score this year was 7.0 – down from 7.6 in 2016–17. The more detailed responses provided some insight into the slight drop, with feedback on areas of joint working that both Atos and NS&I will focus on going forward.

Ensuring close alignment between NS&I and our partner has been vital to the

Ready for  
**open  
banking**



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ongoing effectiveness of the partnership and requires co-operation and reciprocal behaviour at both the operational and strategic levels. We therefore ensured that the Atos team was consulted in the development of our new strategy, and it continues to be represented on our Executive Committee. As part of getting to know the business, Chief Executive Ian Ackerley visited all our partner sites during 2017. In Chennai, Ian was able to meet Damodar Menon, who retired in December. Damodar had been Head of Operations in Chennai since the site opened in 2004, demonstrating the longevity of staff on the Atos team and the efforts the partnership makes to ensure Chennai is fully integrated into our planning and strategic objectives.

# Sustainability report

## At a glance

- Maintained or improved performance against the Greening Government Commitments.
- Set our new five-year CSR strategy, including our environmental goals.
- Generated £10,000 worth of renewable energy on our sites.
- Reduced the size of our London office by 5%.

With headline targets for reduction of carbon emissions and water and energy consumption already met, this year we have focused on increasing recycling across our sites. We have also developed a new five-year Corporate Social Responsibility (CSR) strategy, which sets our ambition for the kind of responsible organisation we want to be. Responsible environmental management is one of the strategy's five themes.

As reported last year, NS&I has completed its five-year Carbon Management Plan and successfully reached all the objectives and targets we set. This year we have been working to targets set based on the principles of the Carbon Management Plan and as a holding point while we developed our new five-year CSR strategy.

In 2017–18, NS&I's carbon emissions across all our UK sites were 430 tonnes, down from 495 tonnes in 2016–17. As noted in last year's Annual Report and Accounts we had already achieved the target of reducing greenhouse gas emissions by at least 32% from a 2009–10 baseline. We continue to seek ways to further reduce emissions, for example by installing electric car charging points in the staff car park at Blackpool. All the sites run by Atos are on a green energy tariff, and at both Durham and Blackpool we have renewable energy sources. This year, these generated £10,000 worth of electricity, which was returned to the grid.

One area where we needed to improve performance was around waste and recycling. This year, more than 79% of waste was recycled and 21% sent to landfill. A particular improvement was achieved at Durham this year, where the percentage of waste recycled increased from 65% to 74%.

Our estates strategy over the last decade has been essential to our sustainability performance and this year it was anticipated that we would move to a new London office and reduce the total space we occupied. During the year, we were able to renegotiate the lease on our current office – giving us the opportunity to remain for a further five years, but with a reduced footprint. The office is around 5% smaller and all staff are on the same floor.

We have continued our progress to reduce paper use by at least 50% from a 2009–10 baseline. As noted earlier in this report, more than 95% of incoming customer interactions with NS&I are now via digital channels (phone and online). Consequently, the volume of material we post has dropped considerably over the past few years, especially as more customers are choosing to have their Premium Bonds prizes paid directly into a nominated bank account. However, we recognise the importance of retaining a postal option for some customers and, looking forward, we want to ensure that this remains part of our customer offer and is recognised as such.



Maintain performance against key sustainability targets

### Our CSR strategy

This kind of flexibility to respond to customer requirements is one of the issues considered in our new CSR strategy. Based on five pillars of environmental responsibility, responsible business, responsible customer interaction, responsible employee engagement and community involvement, the CSR strategy focuses on the kind of organisation we wish to be. It fits alongside our refreshed purpose, mission and values, and our new strategy, Inspire & Invest, and ensures that corporate, social and environmental responsibility are actively considered in all our business decision-making.

### External accreditation and assessment

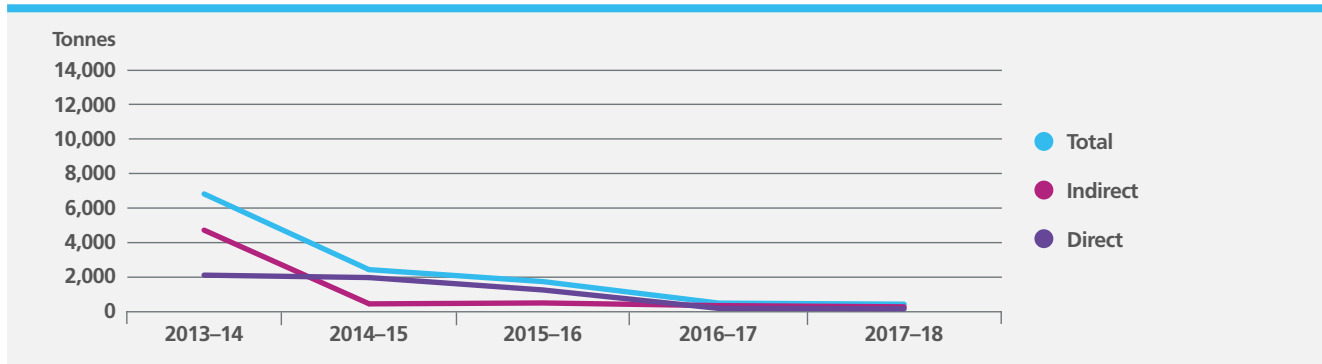
We received accreditation against the ISO 14001 standard for environmental management in February 2017.

As in previous years, the governance arrangements over our sustainability performance data for 2017–18 were assessed by the Government Internal Audit Agency. We monitor our performance closely, as part of our CSR risk policy. Our plans, policy and full sustainability report can be found at <http://nsandi-corporate.com/about-nsi/what-we-do/corporate-social-responsibility/>

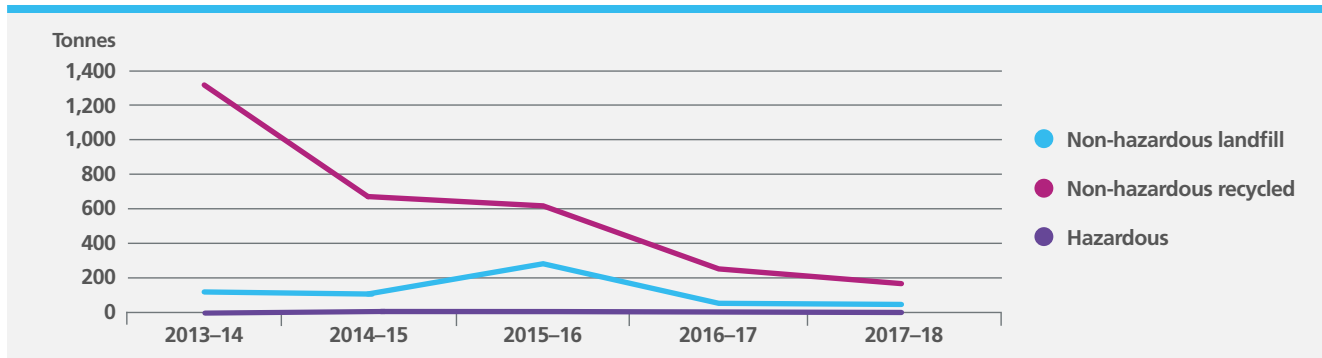


Achieved accreditation

### CO2e emissions (four sites) tonnes

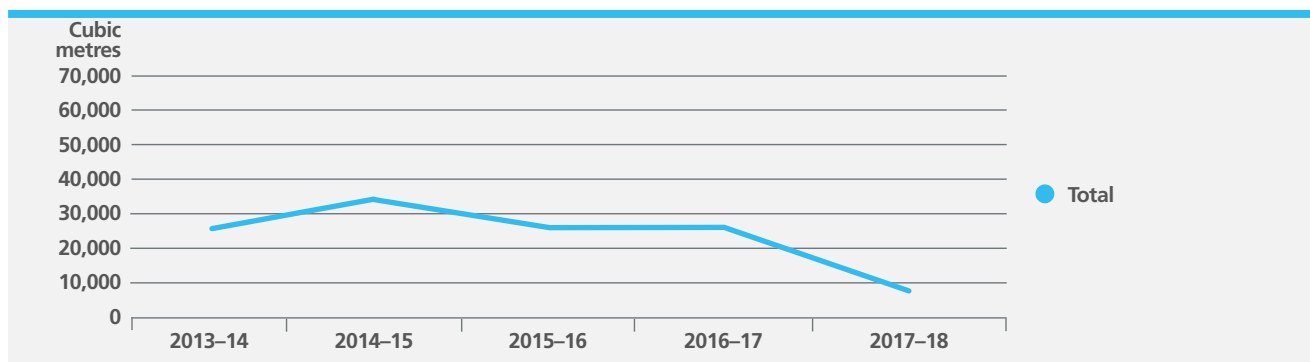


### Waste (four sites) tonnes

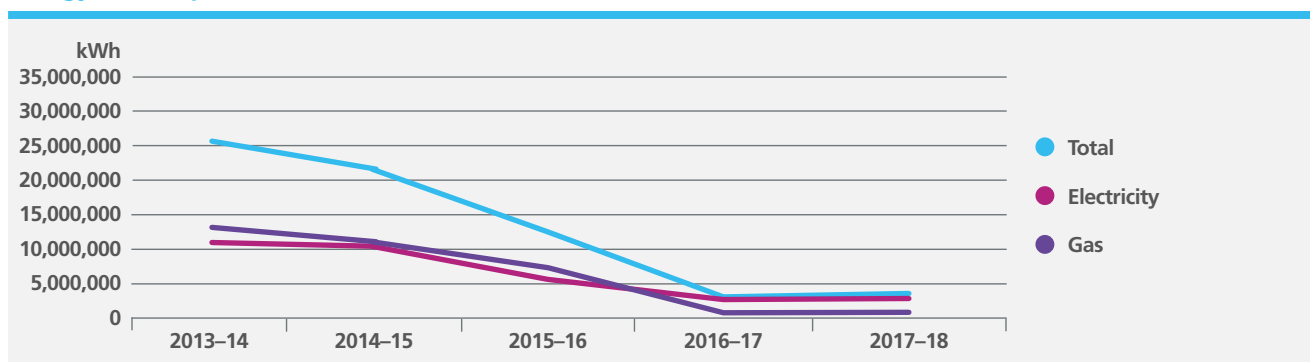




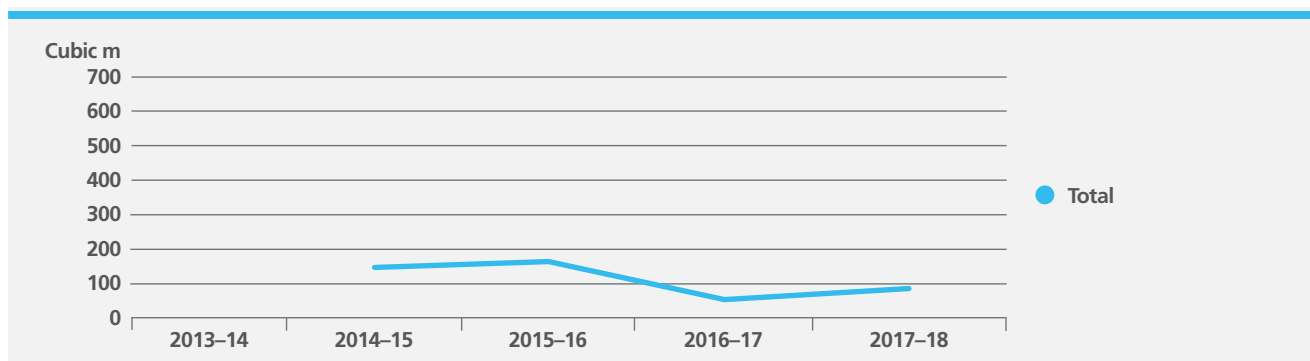
### Water consumption (four sites) cubic metres



### Energy consumption (four sites) kWh



### Travel CO2e emissions (tonnes)<sup>(1)</sup>



**Footnote:**

(1) No data was available for travel CO2e emissions for 2013-14. Conversion factors for the 2014-15 reporting year are taken from [www.ukconversionfactorscarbonsmart.co.uk/](http://www.ukconversionfactorscarbonsmart.co.uk/). Direct CO2 emissions relate to gas or diesel fuel for heating. Indirect CO2 emissions relate to electricity, water, waste and transport.

### Waste (tonnes)

	2013-14	2014-15 Restated	2015-16	2016-17	2017-18
<b>Location</b>					
Blackpool	159	91	156	63	37
Durham	296	129	368	49	38
Glasgow	884	529	333	150	114
London	38	37	35	28	27
<b>Total</b>	<b>1,377</b>	<b>786</b>	<b>892</b>	<b>291</b>	<b>216</b>

## Water (cubic metres)

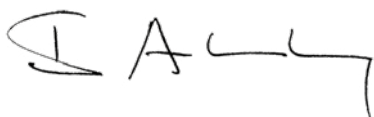
	2013-14	2014-15	2015-16	2016-17	2017-18
<b>Location</b>					
Blackpool	9,350	8,924	9,167	3,055	4,043
Durham	10,772	15,230	9,517	2,307	2,140
Glasgow	5,092	7,003	6,450	0	0
London	1,301	1,965	826	1,441	1,742
<b>Total</b>	<b>26,515</b>	<b>33,122</b>	<b>25,960</b>	<b>6,803</b>	<b>7,925</b>

## Percentage of waste recycled

	2013-14	2014-15 Restated	2015-16	2016-17	2017-18
<b>Location</b>					
Blackpool	79	70	77	82	71
Durham	86	60	49	65	74
Glasgow	93	91	82	85	78
London	100	100	100	100	100
<b>Total</b>	<b>90</b>	<b>84</b>	<b>68</b>	<b>82</b>	<b>79</b>

## Energy (CO2e) (tonnes)

	2013-14	2014-15	2015-16	2016-17	2017-18
<b>Location</b>					
Blackpool	2,091	249	59	3	3
Durham	2,692	969	956	75	97
Glasgow	1,914	775	236	0	0
London	273	317	287	273	231
<b>Total</b>	<b>6,970</b>	<b>2,310</b>	<b>1,538</b>	<b>351</b>	<b>331</b>



**Ian Ackerley**  
**Chief Executive**  
**National Savings and Investments**

08 June 2018



## Section 2

### Accountability Report

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Corporate governance report	42
– Directors’ report	42
– Statement of Accounting Officer’s responsibilities	43
– Governance statement	44
Remuneration and staff report	67
Parliamentary accountability and audit report	80
– Statement of Parliamentary Supply	80
– The certificate and report of the Comptroller and Auditor General to the House of Commons (Accounts)	85
– The certificate and report of the Comptroller and Auditor General to the House of Commons (Product Accounts)	88

## Corporate governance report – Directors' report

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### Scope of responsibility

NS&I is both a government department and an Executive Agency of the Chancellor of the Exchequer. The Chancellor of the Exchequer is responsible for determining the policy and financial framework within which NS&I operates. John Glen, the Economic Secretary to the Treasury, has been the Minister responsible for NS&I since 9 January 2018, taking over responsibility from Stephen Barclay. Tom Scholar has been the Permanent Secretary to the Treasury since 1 July 2016.

NS&I's core remit is to deliver cost-effective financing for government. Our new strategy, Inspire & Invest, has this at its heart and also sets out two new additional aims: to provide payment processing services to government and to help government deliver its policy objectives. For further information see page 17.

### NS&I board

Members of NS&I's board during the year to 31 March 2018 were:

- Ed Anderson, Independent Non-executive Director and Chairman
- Christopher Fisher, Independent Non-executive Director
- James Furse, Independent Non-executive Director and Chairman of the Appointments and Remuneration Committee
- Sharmila Nebhrajani OBE, Independent Non-executive Director and Chairman of the Audit and Risk Committee
- Mario Pisani, HM Treasury representative
- Ian Ackerley, Chief Executive and Accounting Officer
- Peter Cornish, Risk Director (to 29 March 2018)
- Paul Habershon, Interim Director, IT and Change (from 30 March 2018)
- Dax Harkins, Business-to-Business Director
- Gareth Headon, Acting People and Strategy Director (from 30 March 2018)
- Mark Keene, Acting Partnership Director
- Rodney Norman, Finance Director
- Sarah Tebbutt, People and Strategy Director (to 29 March 2018) and Acting Risk Director (from 30 March 2018)
- Jill Waters, Acting Retail Director (to 13 March 2018) and Retail Director (from 14 March 2018)

### Conflicts of interests

NS&I's Board Operating Framework includes provisions that reflect recommended practice concerning conflicts of interest. The board has procedures in place for Directors to report any potential or actual conflicts to the other members of the board for their acknowledgement where appropriate.

Any such conflicts or potential conflicts considered by the board are recorded in the board minutes and in the register of Directors' interests which is published on our website: <http://nsandi-corporate.com/wp-content/uploads/2016/03/board-members-register-of-interests.pdf>

The Product Dealing Policy and Code restricts the ability of Directors to transact in NS&I products when they have access to unpublished inside or price-sensitive information. The Board Secretary maintains a register of relevant holdings and dealings in them for Directors and persons connected or related to them.

## Corporate governance report – Statement of Accounting Officer’s responsibilities

Actions have been taken to ensure that the Statement of Accounting Officer’s responsibilities is prepared in accordance with the *Government Financial Reporting Manual*, Public Expenditure System and HM Treasury *Managing Public Money* guidance.

### Resource Accounts

Under the Government Resources and Accounts Act 2000, HM Treasury has directed NS&I to prepare for each financial year accounts detailing the resources acquired, held or disposed of during the year and the use of resources by the Department during the year. The accounts are prepared on an accruals basis and must give a true and fair view of the state of the Department’s affairs as at 31 March 2018 and of its net cash requirement, net resource outturn, net operating cost, changes in taxpayers’ equity and cash flows for the financial year.

### Product Accounts

Under the Government Resources and Accounts Act 2000, HM Treasury has directed NS&I to prepare accounts covering all its products for each financial year. The accounts are prepared on an accruals basis and must give a true and fair view of the state of the products’ balances at the year end and of the income, expenditure and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

- observe the Accounts Direction issued by HM Treasury including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed and disclose and explain any material departures in the accounts
- prepare the accounts on a going-concern basis.

The Chief Executive is appointed by the Chancellor of the Exchequer as Accounting Officer for NS&I. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding NS&I’s assets, are set out in *Managing Public Money* published by HM Treasury.

The Accounting Officer has taken all the steps that ought to have been taken to make himself aware of any relevant audit information and to establish that NS&I’s auditors are aware of that information. So far as he is aware, there is no relevant audit information of which NS&I’s auditors are unaware.

The Accounting Officer confirms that the Annual Report and Accounts, as a whole, is fair, balanced and understandable and that he takes personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

The Comptroller and Auditor General is responsible for the audit of the Resource Accounts and Product Accounts, in accordance with section 7 of the Government Resources and Accounts Act 2000. The notional external audit fees include fees for the Product Accounts statutory audit of £380,000 (2016–17: £380,000) and the Resource Accounts statutory audit of £70,000 (2016–17: £70,000).

## Corporate governance report – Governance statement

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### The purpose of the Governance statement

This Governance statement provides a clear explanation of NS&I and its control structure. It provides information on the stewardship of NS&I and how it has managed the risks it has faced during 2017–18.

### How is NS&I's governance achieved?

#### Accounting Officer

As the Accounting Officer, the Chief Executive has responsibility for maintaining sound internal governance arrangements which support the achievements of NS&I's policies, aims and objectives and are supported by the board.

#### Role of the NS&I board

Ministers decide NS&I's remit and policies, on advice from HM Treasury officials.

Until 29 March 2018, NS&I's board consisted of seven Executive Directors (including the Chief Executive), four Non-executive Directors who are independent and appointed by the Chancellor of the Exchequer following an open recruitment process (including the Non-executive Chairman) and up to two representatives of HM Treasury who are NS&I's stakeholders.

However, following the Board Effectiveness Review in 2018, it was identified that the board needed additional IT and Change expertise for the Executive and specific IT expertise at Non-executive level. Up until this stage, the Risk Director had responsibility for IT and the Director of Operations and Partnership had responsibility for Change for the Executive.

As a result, it was agreed that an Interim Director for IT and Change be appointed. The reason why the board agreed an interim post was to allow the incumbent to assess NS&I's requirements before a final decision was made on the post and its responsibilities whilst providing NS&I and the board with the additional support, advice and challenge required during the transformation programme.

Paul Habershon was appointed to this post on 12 March 2018. Paul joined the board on 30 March 2018.

At the same time, we are working with the Treasury to agree a suitable approach to recruitment at Non-executive level.

This now means the board consists of eight Executive Directors and up to five Non-executive Directors.

All Executive and Non-executive appointments to NS&I's board are made on merit, and political activity plays no part in the selection process.

The board does not decide policy or exercise the powers of the Minister. It assists in developing NS&I's strategy and advises on the operational implications and effectiveness of policy proposals, as well as scrutinising performance and challenging Executive Directors on how well NS&I is achieving its objectives. The Chief Executive will normally follow the advice of the board, except where it conflicts with their obligations as Accounting Officer.

NS&I is committed to achieving the highest standards of corporate governance, integrity and business ethics. Throughout 2017–18, NS&I complied with the Corporate Governance in Central Government Departments: Code of Good Practice (2017; the 'Code') where applicable and except as detailed in this statement. NS&I has adopted a Corporate Governance Manual (also known as the Board Operating Framework) which aims to be consistent, where applicable, with the principles of the

Code, the 2016 Financial Reporting Council (FRC) Corporate Governance Code and the Financial Conduct Authority (FCA) requirements and is reviewed on a regular basis. Because of the nature of NS&I (an Executive Agency of Government), it is not possible for it to meet all the requirements in the Code or the FCA requirements.

NS&I's aim is to voluntarily act in line with FCA requirements where they are relevant to our activities and appropriate. Its Corporate Governance Manual and Compliance Oversight Manual aim to reflect the FCA requirements for corporate governance.

Further details of NS&I's board and its committees and their compliance with the Code and the FRC Corporate Governance Code are detailed below.

#### Role of HM Treasury and the Minister

The powers governing the way in which NS&I products are structured and managed are derived from specific NS&I legislation and all strategic decisions affecting our products require Ministerial consent. NS&I is regulated by HM Treasury and aims to voluntarily act in line with FCA requirements where they are relevant to our activities. For example, as NS&I has no lending or dealing activities and offers primarily simple, deposit-based products, some of the rules that make up the FCA regulatory regime are not directly relevant.

NS&I continues to monitor changes in the regulatory landscape and adapts its processes and procedures in order to seek to act in line with relevant regulatory requirements. Progress against implementation of these changes to our processes and procedures is tracked through the Risk Management Committee with reports provided to the Audit and Risk Committee and is monitored as part of the Compliance function.

#### Partnership working

NS&I maintains good governance arrangements in respect of partnerships, particularly with its main operational services partner, Atos, by:

- fostering effective delivery relationships
- establishing appropriate arrangements to engage with partners and other parts of government to ensure that they are able to interact with NS&I on matters of mutual interest, including Atos's attendance at NS&I's Executive Committee and a majority of NS&I's sub-committees. NS&I representatives also attend a number of Atos's related committees.

#### The process of governance

NS&I's governance framework consists of the Memorandum of Understanding between NS&I and HM Treasury, a Framework Agreement, Corporate Governance Manual, Delegated Authority Manual, the Risk Management Framework, financial management systems and supporting policies and procedures, a business-to-business approvals process and new product development process. The governance framework delivers the systems and processes by which NS&I is directed and managed. It sets out how NS&I monitors the achievement of its strategic objectives and considers whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of the governance framework and is designed to manage risk to an acceptable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can, therefore, only provide reasonable and not absolute assurance of effectiveness.



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This is an ongoing process designed to identify and prioritise the risks to the achievement of NS&I's policies, aims and objectives, to evaluate the likelihood of those risks being realised and their potential impact and to manage them efficiently, effectively and economically, and it has been in place in NS&I throughout the year ended 31 March 2018 and up to the date of approval of the Accounts.

### **The governance framework**

The board oversees NS&I's governance framework. The responsibility for developing strategy and the day-to-day management of NS&I is delegated to the Chief Executive and the Executive Committee.

NS&I's governance framework is based on:

- a clear organisational structure, a strategic plan and accountability structures
- strong business planning processes, including appropriate evaluation and performance metrics
- financial management protocols, risk management and administrative procedures, including delegated authority levels
- strong financial governance and management
- rigorous appraisal of any new or changed projects prior to approval, project delivery monitoring and project evaluation
- proper management supervision, including receiving regular management information on business as usual, continuing projects, the deferment of projects and closing projects
- close monitoring of performance by the Chief Executive, the board and its committees including key performance indicators
- effective stakeholder and partner engagement and feedback mechanisms.

NS&I optimises its resources in accordance with its Corporate Plan by:

- having in place sound systems for providing management information for performance measurement purposes
- ensuring performance information is collected at appropriate intervals across all activities
- having comprehensive and understandable performance plans in place
- monitoring and reporting performance against agreed targets
- maximising its resources and allocating them according to priorities.

The Corporate Governance Manual defines and documents the roles and responsibilities of the board, committees and officers with clear delegation arrangements. The document, in addition, sets out the standards of conduct expected of the board and committee members including standards of individual behaviour; registration of financial and other interests, including offers of gifts and hospitality; and disclosure of interests and participation in the decision-making process where a member has a conflict of interest.

### **The board, committees and how we operate**

In particular, NS&I's board advises on five main areas:

- strategic clarity: setting the NS&I vision
- commercial sense: scrutinising the allocation of financial and human resources
- talented people: ensuring NS&I has secured sufficient capacity to meet current and future needs

- results focus: agreeing the Corporate Plan and monitoring its delivery
- management information: ensuring clear, consistent, comparable performance information is used to drive improvements.

Operating within instructions and guidance from HM Treasury, and in support of the Chief Executive in the achievement of the Agency's objectives, NS&I's board is responsible for:

- setting the tone from the top and monitoring conduct at NS&I through regular reporting
- approving the annual planning criteria and timetable
- assisting in developing NS&I's vision, strategy and corporate policies
- reviewing annually the five-year strategic plan to ensure it remains fit for purpose
- approving the annual business plan, ensuring consistency with the five-year strategic plan and tracking delivery
- approving NS&I's risk appetite
- ensuring that we have robust systems in place for compliance with legal, regulatory and government security requirements
- adopting the Annual Report and Accounts and giving its support to their signature by the Accounting Officer, taking into account the recommendations and comments from the Audit and Risk Committee
- ensuring the existence of adequate succession plans for senior management.

Other specific responsibilities are delegated to the board's committees (Audit and Risk Committee and the Appointments and Remuneration Committee), which operate within clearly defined terms of reference. Details of the responsibilities delegated to the committees are given on pages 51 and 52.

Terms of reference for the board can be found on our website and are reviewed annually.

No individual or group of individuals dominates the board's decision-making. In line with the Code, we reviewed the maximum number of Executive and Non-executive Directors and, given developments and the demands on NS&I, it was concluded that it was appropriate to increase the maximum number of Executive and Non-executive Directors.

Each Executive and Non-executive Director has an annual appraisal and personal development or learning plan to acquire and maintain the skills and understanding to support their competence. They are also scrutinised as Senior Managers Regime positions under the FCA Shadow Regime.

### **Chairman and Chief Executive**

As Chairman, Ed Anderson is responsible for:

- ensuring the effectiveness and successful operation of the board, its agenda and processes
- reporting annually to the board on its performance and effectiveness
- providing input as part of the Chief Executive's annual performance assessment.

As Chief Executive, Ian Ackerley is responsible for:

- fulfilling NS&I's statutory objectives, general functions and duties and exercising its legal powers

- 
- developing strategy proposals for recommendation to the board and the Minister, ensuring that agreed strategies are reflected in the business plan
  - ensuring that the board receives regular financial management and performance reports that are accurate, timely and clear
  - establishing a relationship of trust with the Chairman, informing and consulting him on key developments in a timely manner and seeking advice and support as appropriate.

The Chief Executive is also the Accounting Officer and the Director of Savings. The Statement of Accounting Officer's responsibilities is on page 43.

### **The independent Non-executive Directors**

The four independent Non-executive Directors have no cross-directorships or significant links which could materially interfere with the exercise of independent judgement.

### **Lead Non-executive board member**

The board has decided not to follow the Corporate Governance Code in relation to the appointment of a Lead Non-executive board member other than the Chairman. The Chairman meets the Non-executive Directors individually and collectively, and, if necessary, feeds views back to HM Treasury.

The board has identified HM Treasury as NS&I's main stakeholder and considers that HM Treasury representation on the board, together with agreement that the independent Non-executive Directors, if they choose, can meet the responsible Minister annually, means that there is no need for a Lead Non-executive board member other than the Chairman.

### **Board Secretary and independent advice**

The Board Secretary is responsible for advising the board on all corporate governance matters and ensuring that all board procedures are followed. All board members have access to the advice and services of the Board Secretary.

Procedures are in place for the board and its committees to take independent professional advice, if necessary, at NS&I's expense.

### **Board meetings and attendance**

Board meetings are held every two months and additional board workshops and special meetings are held to discuss urgent or specific issues such as strategy and effectiveness.

During the year, the board held a number of strategic planning sessions and received reports on issues such as the transformation programme, business-to-business work, GDPR, conduct and benefits realisation.

The attendance of the individual Directors at board and committee meetings of which they were members during 2017–18 was as follows:

Name	Board (6 meetings)		Audit and Risk Committee (5 meetings)		Appointments and Remuneration Committee (6 meetings)	
	Possible	Actual	Possible	Actual	Possible	Actual
Ed Anderson	6	6	n/a	n/a	6	6
Christopher Fisher	6	6	5	5	n/a	n/a
James Furse	6	6	n/a	n/a	6	6
Sharmila Nebhrajani OBE	6	6	5	5	n/a	n/a
Mario Pisani <sup>(1)</sup>	6	5	5	5	n/a	n/a
Ian Ackerley	6	6	n/a	n/a	6	6
Peter Cornish <sup>(2)</sup>	6	6	n/a	n/a	n/a	n/a
Paul Habershon <sup>(3)</sup>	n/a	n/a	n/a	n/a	n/a	n/a
Gareth Headon <sup>(4)</sup>	n/a	n/a	n/a	n/a	n/a	n/a
Dax Harkins	6	6	n/a	n/a	n/a	n/a
Mark Keene	6	5	n/a	n/a	n/a	n/a
Sarah Tebbutt	6	6	n/a	n/a	5	5
Rodney Norman	6	6	n/a	n/a	n/a	n/a
Jill Waters	6	6	n/a	n/a	n/a	n/a

(1) In Mario Pisani's absence, another member of HM Treasury has attended meetings.

(2) Peter Cornish retired on 29 March 2018 and therefore had been present for all the Board meetings during the financial year.

(3) Paul Habershon joined as the Interim Director of IT and Change on 12 March 2018 and therefore had not been present for any meetings during the financial year. Paul joined the board on 30 March 2018.

(4) Gareth Headon was appointed as Acting People and Strategy Director on 30 March 2018 and therefore has not been present for any meetings during the financial year.

## Board appointments

All executive board members, including the Chief Executive, were appointed, where applicable, in accordance with the Civil Service Commissioners' Recruitment Code. Each member of the board has a personal contract which stipulates the procedures for termination.

Up to two HM Treasury representatives on the board are appointed by HM Treasury by virtue of their role there.

The independent Non-executive members of the board are appointed by the Chancellor of the Exchequer and contracted by the Director of Savings (Chief Executive and Accounting Officer). Non-executive Directors have fixed-term appointments not exceeding three years. Usually they serve for two terms of office, subject to satisfactory performance and business need; and can have their term extended in exceptional circumstances.

During this financial year, James Furse, having served his two terms of office, had his contract extended exceptionally until 31 December 2018 due to the number of new Non-executive Directors appointed during 2017, to allow for continuity.

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### Board induction

On joining the board, Directors are given background information describing NS&I and its activities. They receive an induction pack which includes information on all the governance processes of NS&I, the roles and responsibilities of the board, committees and officers and a range of other appropriate information about NS&I, its activities and relationship with HM Treasury. Meetings are arranged with a range of key people from across NS&I, HM Treasury and our operations partner, Atos, on a structured basis to assist with induction.

During 2017–18, the board members were all engaged in a range of training and professional development activities as well as mandatory training, including computer-based training. The Appointments and Remuneration Committee considers the training needs of the Executive Directors, Non-executive Directors and Assistant Directors. All board members are encouraged to attend relevant training courses at NS&I's expense.

### Board evaluation

NS&I recognises the importance of a comprehensive evaluation of the effectiveness of the board, the board committees and officers. NS&I ensures that comments and recommendations are considered carefully and implemented, where appropriate, to enable its continued development.

The board has adopted the recommendation in the Code to hold an annual evaluation of the effectiveness of the board, the committees and officers. An external evaluation should take place at least once every three years.

The last external review of board effectiveness took place during 2016–17, the results of which were positive.

Since then, a further effectiveness review was completed. One major concern raised was the lack of IT expertise at board level (both at Executive and Non-executive Director level) and this is being addressed.

The board continued to propose topics for deep dives and workshops throughout the year. As well as regular discussion on strategy, this year topics included Research and Business Insight and Value Indicator.

### Quality of data used by the board

As part of its effectiveness review and as a result of general discussions and challenge throughout the year, the board continually considers the quality of Management Information it receives, including the underlying data, and actions have been taken to improve this where necessary.

At the beginning of each financial year, the board receives for consideration and approval the proposed board scorecard and the related Service Delivery Measures which reflect NS&I's strategy. The performance data is updated and presented to each board meeting. Additionally, this year the board requested, and now receives, a detailed Cyber Dashboard.

The board also reviews a Culture and Conduct Dashboard (which includes both NS&I and Atos) on a six monthly basis.

### Ministerial Directions

There have been no Ministerial Directions during this financial year.

## Board committees

The board has delegated authority to three committees (Audit and Risk Committee, Appointment and Remuneration Committee, and Executive Committee), which deal with specific matters in accordance with written terms of reference. The committees all carry out annual reviews of their performance, which are reported to the board. These terms of reference are publicly available on NS&I's website.

The board considers that it receives adequate assurance from the Audit and Risk Committee and the Appointment and Remuneration Committee via a written report (including minutes) and additional oral updates after each committee meeting. It also receives a regular Chief Executive's overview and regular reports from each directorate of NS&I.

### Audit and Risk Committee

The Audit and Risk Committee consists solely of two Non-executive Directors and a representative from HM Treasury. It is chaired by Sharmila Nebhrajani OBE and comprises Christopher Fisher and Mario Pisani (HM Treasury's representative).

The main responsibilities of the Audit and Risk Committee are to assure the Accounting Officer and the board as to the adequacy of:

- the strategic processes for risk control, governance and security within NS&I, and also for NS&I work outsourced to our operational delivery partner
- the accounting policies, Annual Report and Accounts of NS&I
- internal and external audit plans and the results of this work, along with management's responses to any issues identified
- the system of internal control within both NS&I and our delivery partner, including internal audit arrangements within NS&I and the NS&I account within the partner organisation
- processes in place to ensure appropriate compliance with regulation
- anti-fraud policies, whistle-blowing processes and arrangements for special investigations.

The Audit and Risk Committee met five times during the year. At the invitation of the committee, the Chief Executive, Finance Director and Risk Director also attend, as well as the Head of Internal Audit, the director from the National Audit Office and a representative from the external audit partner (under the National Audit Office's framework agreement). The Chairman also attends as an observer, at the invitation of the committee.

During 2017–18, the Audit and Risk Committee discharged fully its responsibilities listed above and the Chairman of the Audit and Risk Committee provides a comprehensive annual report to the board as well as a report and the minutes after each meeting.

### Appointments and Remuneration Committee

The Appointments and Remuneration Committee comprises two Non-executive Directors (James Furse (as Chairman) and Ed Anderson) and two Executive Directors (the Chief Executive and the People and Strategy Director). The Government Internal Audit Agency (GIAA) as part of its internal audit function, where required, provides independent support.

Due to the nature of NS&I and the role of the Accounting Officer, the membership of this committee includes Executive Directors as well as Non-executive Directors.

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The Appointments and Remuneration Committee reviews and approves the Chief Executive's recommendations on pay and performance-related awards to confirm that they are consistent with government policy, HM Treasury pay guidance and the needs of the business. Performance-related awards are judged on two elements: NS&I's performance against its service delivery measures, which are audited, and individual performance and competency objectives which are assessed by the Chief Executive using appropriate measures of outcomes.

The Chair of the Appointments and Remuneration Committee provides a report back on its meetings to the board (including minutes), taking into account the confidential nature of the committee's business.

The committee reviews succession planning arrangements for senior staff within NS&I and succession planning for Non-executive Directors.

NS&I has a shadow FCA Senior Managers regime. In this regime, the Non-executive Chair of the Appointments and Remuneration Committee is a pseudo SMF 12 (Chair of the Remuneration Committee) role in the NS&I Senior Manager Regime with prescribed responsibility SYSC 4.7.7R(10) for overseeing the development of, and implementation of the firm's remuneration policies and practices in accordance with SYSC 19D (Remuneration Code). The Chair is also a pseudo SMF 13 (Chair of the Nominations Committee) function. The Appointments and Remuneration Committee complies with relevant requirements of SYSC 4.3A.8 (Nomination Committee). As NS&I is a government department, these functions and responsibilities are discharged subject to the Civil Service rules on pay and appointments.

Details of Directors' remuneration and emoluments are set out in the Remuneration and staff report on pages 67 to 79.

### **Executive Committee**

The Executive Committee consists of all Executive Directors and is chaired by the Chief Executive. The Account Director for our delivery partner (Atos) is also a member.

The Executive Committee met 29 times in 2017–18 (including special meetings) to discuss issues relating to strategy, people, risk and financial results. Representatives from across NS&I and our operating delivery partner are invited to the meetings, as appropriate, to discuss aspects of their business or to give presentations on specific topics.

### **Diversity and equal opportunity**

NS&I is committed to equality of opportunity in all its employment practices, policies and procedures. No employee or potential employee will therefore receive less favourable treatment due to their race, creed, colour, nationality, ethnic origin, age, language, religion, political or other opinion affiliation, gender, gender reassignment, sexual orientation, marital status, connections with a national minority, national or social origin, property, birth or other status, family connections, working pattern, membership or non-membership of a trade union or, unless justifiable, disability. NS&I is one of over 160 signatories to the Women in Finance Charter, led by HM Treasury.

In 2017–18, NS&I launched a Welcoming Diversity at Work plan, consisting of 10 core initiatives designed to make a difference to our culture, our people and our customers. To measure performance against the Welcoming Diversity at Work plan, NS&I has created two new Service Delivery Measures (SDMs), applicable from 2018–19, to capture performance: an employee engagement SDM and a diversity index SDM.

## Risk Management

NS&I operates through a comprehensive Risk Management Framework which integrates risk management in its daily business activities and strategic planning and employs the following structure and approach.

### Responsibilities and culture

The Executive Committee has responsibility for the management of NS&I's Risk Management Framework, including NS&I's risk appetite, which is agreed by the board. The board oversees NS&I's compliance with the Risk Management Framework protocols by annually reviewing NS&I's risk appetite and biannually reviewing NS&I's key operational and strategic risks as well as NS&I's compliance with corporate governance best practice.

NS&I operates within a framework for assessing risk appetite, which is laid down by Government. In April 2017, the board agreed to NS&I's corporate risk appetite for 2017–18 being 'open' – willing to consider all options and choose the one that is most likely to result in successful delivery while also providing an acceptable level of reward. In April 2018, the board agreed to maintain the 'open' corporate risk appetite for 2018–19. Additionally, the board agreed the detailed risk appetite statement which takes account of the differing appetite for different classes of risks to aid more effective risk assessment and decision-making and to show NS&I's commitment to taxpayers and its customers.

The Audit and Risk Committee is responsible for assuring the Accounting Officer and the board on the adequacy of the processes adopted for risk control, governance, security and accounting policies. In addition, the Audit and Risk Committee assures the adequacy of internal audit arrangements, including resourcing, to provide an adequate level of independent assurance.

NS&I's corporate governance structure facilitates delegation of responsibilities to ensure that there are appropriate flows of information in relation to the business, the use of resources, responses to risks and the extent to which year-end budgets and targets are met. This includes ensuring that all risks identified across NS&I are reviewed, understood and actioned at an appropriate level.

### Approach

NS&I's approach to risk management is guided by the provisions set out in the *FCA Handbook and Management of Risk – Principles and Concepts* (the Orange Book) issued by HM Treasury.

The objectives of NS&I's Risk Management Framework are to:

- increase the likelihood that strategic objectives are achieved and value is preserved and enhanced
- provide a framework, procedures and guidance to enable everyone to manage risk in the best way
- assign responsibilities and accountabilities and underpin corporate governance
- assure the Board that significant business risks are systematically identified, assessed, monitored and reduced to acceptable levels.

Updates on the operation of the Risk Management Framework are provided to each meeting of the Risk Management Committee, a formal sub-committee of the Executive Committee. This is also reviewed by the Executive Committee and the board.

NS&I's Risk Management Framework is complemented by a set of operational risk management policies which include a definition of the risk appetite specific to the policy.



NS&I's risk registers set out the results of the risk identification, assessment and control process arising from the use of the risk appetite criteria and, by exception, are the subject of review by the Risk Management Committee.

Central to the integrity of NS&I's risk management is a 'three lines of defence' arrangement, ensuring that risks are managed at the most appropriate place and that robust assurance is achieved.

The first line of defence is represented by line management which is responsible for complying and managing compliance around policies and procedures. The second line of defence incorporates responsibility for control and assurance and includes risk policy owners and managers, NS&I's risk management function and oversight and governance committees. The third line comprises the internal audit function, which is a team independent of day-to-day business who report to the Audit and Risk Committee on the effectiveness of the overall risk framework.

To gain assurance that risk management is effective and to identify when further action is necessary, the Risk Management Framework is subject to regular review.

### Managing and mitigating risk

Some of our key management controls are set out below:

- Our Delegated Authority Manual and committee governance structure reflect the principles of clear delegation of authority and segregation of duties.
- Our governance committees ensure that we have a monthly, systematic review of risks and controls across NS&I's operations, including those areas of significant expenditure, and that these risks are reviewed, understood and actioned at an appropriate level. In addition, NS&I conducts independent and objective reviews of all activities relating to budget management, cost improvements and financial performance of projects.
- The management of cyber and information risk is a key priority for NS&I based on a set of related IT and information management policies and procedures, covering corporate and personal data. Controls are in place to mitigate the risks of incorrect disclosure of, loss or misuse of, or lack of access to customer data, as well as destruction of data, in line with our obligations under the Data Protection Act 1998, General Data Protection Regulation (GDPR) and Cabinet Office guidance.
- Selective and open recruitment, succession planning and other human resource policies and practices ensure that staff skills are aligned with NS&I's current and future needs.
- Robust project management and change implementation disciplines are applied to all major projects, including new technology applications, change programmes and other major initiatives and where exceptions are found, i.e. through the Internal Audit Programme, these are addressed.
- The European Union Public Contracts Directive and the Public Contracts Regulations 2015 set out detailed procedures for the award of contracts above a specific threshold. However, NS&I applies a lower threshold of £90,000, above which either a formal or informal tender process is employed. Details of NS&I tender opportunities and contracts awarded with a value of £10,000 (ex. VAT) or more are published on Contracts Finder, which is accessible via the GOV.UK website: [www.gov.uk/contracts-finder](http://www.gov.uk/contracts-finder)
- Staff can and are actively encouraged to report perceived illegal, dishonest or unethical activities to senior management using internal arrangements or to a confidential reporting service.

- We employ a range of internal controls to mitigate our fraud risk, and these are reviewed and updated regularly.
- Business continuity and disaster recovery plans are in place to manage incidents or crisis events, and these are reviewed regularly.

### Principal risks and uncertainties

The principal risks and uncertainties facing NS&I which could cause our financial results or operational delivery to materially differ from expected results and overall SDMs are set out on pages 64 to 66 along with a summary of how we managed or mitigated these risks in 2017–18.

### Assurances

NS&I's systems of governance, management and risk control have been assessed by the Government Internal Audit Agency (GIAA) in its capacity as NS&I's internal auditors, who report to each meeting of the Audit and Risk Committee. This forms part of the annual audit programme which enables the Audit and Risk Committee to gain assurance that NS&I's risk profile is being monitored and provides independent verification on the appropriateness of the risk management and assurance processes in place.

In addition, the Audit and Risk Committee is provided with an independent evaluation of the governance, risk management and internal control through:

- the integrated assurance report, which considers the results of 2017–18 assurance activity from NS&I's 'three lines of defence' arrangement; this includes the NS&I and Atos risk-based second line assurance programme incorporating operations, compliance, IT and project assurance, and the risk-based internal audit programme
- the risk-based internal audit plan agreed by the Audit and Risk Committee and delivered during 2017–18 by GIAA; from this programme, internal audit reports including management responses to the recommendations were generated, summarised and submitted for consideration by the Audit and Risk Committee; a comprehensive tracker system is used to monitor delivery of the control improvements
- internal audit's annual report opinion for the year ended 31 March 2018
- discussion, where appropriate, with the responsible NS&I and operational partner's executives on any key control issues
- external third party evidence through, for example, NS&I measuring progress against external standards/requirements and discussions with the FCA on the compliance agenda
- provision of International Standard on Assurance Engagements (ISAE) 3402 operational controls for government payment services' clients
- the external auditors' annual audit with recommendations for improvements to the internal control environment identified during the annual audit and inspection.

As part of the review of the governance framework, each Executive Director, risk policy and senior manager provides an annual assurance statement in relation to their responsibilities for supporting the effectiveness of and highlighting exceptions in the internal control and governance environment. Significant weaknesses highlighted through this process are set out below.

The Audit and Risk Committee, in addition, receives from the external auditors an audit completion report and management letter which includes observations and recommendations on internal control arising from the annual audit of the Financial Statements.

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The Head of Internal Audit's annual opinion report to the Accounting Officer for the year ended 31 March 2018, highlighted an improving assurance trend.

He reported that:

"NS&I continues to maintain an adequately designed framework of Governance, Risk Management and Control. This underlying framework is sound, and includes a comprehensive suite of policies and processes which provides the organisation with solid foundations from which to ensure the achievement of objectives. In addition, NS&I in partnership with its contractor Atos has striven to address the key weaknesses in the design and operation of key areas of the control framework identified last year."

The report further highlighted several governance and control areas which required strengthening in the coming year.

### **Personal data-related incidents**

In June 2017 the business became aware that approximately 25,000 21 day and 14 day Children's Bonus Bonds (CBB) maturity reminder letters were incorrectly addressed to the responsible person (usually a parent), instead of the ex-minor. The letters contained the correct salutation and investment details relating to the ex-minor. This occurred between the period September 2013 to June 2017 following a systems migration.

As soon as the issue was identified, steps were taken to ensure that the letters were correctly addressed to the bond holder.

This was a specific issue with pre-2012 Children's Bonus Bonds and did not apply to any other Children's Bond product. As a precaution, ex-minor maturity processes have been reviewed for other products.

We notified the Information Commissioner's Office (ICO) of the incident on 4 August 2017, when sufficient information was available. We received a request for additional information from the ICO at the beginning of April 2018 and our response was issued approximately two weeks later. No further communication has been received from the ICO since that time.

Remedial action in respect of contacting affected customers was completed and the incident closed at the end of December 2017.

As part of NS&I's routine cyber monitoring, numerous phishing attacks and cyber-attacks have been identified but there have been no compromises or losses as a consequence.

### **Significant governance issues**

Four significant governance issues emerged during the year, which were identified by NS&I management through the internal assurance arrangements, and controls have been strengthened to minimise the risk of reoccurrence. These are detailed below:

#### **Customer holdings in excess of investment limit**

In November 2016, it was identified that some Premium Bond holdings were in excess of the £50,000 investment limit. Investigations were completed during the following months and in April 2017, it was confirmed that approximately 7,800 customers (out of just over 20 million customers) had excess amounts, the majority of which were under £100.

There were a small number of cases where suspicious activity was identified. Where this was the case, the appropriate disclosures were made to law enforcement agencies. However, the majority of excess cases were as a result of poor data quality due to the age of the customer records, e.g. a previous investment registered at an "old address", resulting in duplicate customers' records.

Remedial action was taken to enhance the controls in place to minimise the risk of reoccurrence of duplicate customer records and all excess holdings have now been brought within the investment limit. During this process we have taken care to ensure that customers affected maintain a neutral position, i.e. neither benefitting nor suffering loss.

### **Screening of sanctions and Politically Exposed Persons (PEPs)**

During 2017–18, it was identified that sanctions and PEPs screening was not being adequately completed on child accounts opened by grandparents and some historical accounts held in closed products. As soon as the issues were identified corrective action was taken including a retrospective review of any accounts originally subject to inadequate screening. In addition, a specific group of customers had been screened against out of date third party data or incomplete data, but this was immediately addressed when the issue was identified. A program of work is in progress to ensure that root cause has been fully investigated and further action taken to mitigate the risk of reoccurrence.

### **Duplication of Payments**

In October 2017 it was identified that, due to an IT incident, a BACS file containing 1,209 payments to the value of £32 million was duplicated resulting in the value and transactional volumes being credited twice to customer accounts.

Corrective measures were taken and all monies were successfully recovered.

The Root Cause Analysis and Lessons Learned exercises identified a number of areas where controls should be improved and these improvements are now in place.

### **Second Payment Services Directive (PSD2)**

While the obligations in the PSD2 do not apply to NS&I, the decision was taken to adapt our processes and procedures to reflect the conduct rules it contains. However, NS&I did not fully implement these changes by the time PSD2 fully came into force on 13 January 2018.

Specifically, while the relevant product terms and conditions were amended to reflect the requirements in PSD2, we did not notify payment account customers at least 2 months in advance of such changes to their framework contract (terms and conditions). This was primarily to enable the business to manage the extremely high volume of customer holdings maturing during the relevant time. These changes were positive and not detrimental to customers and were communicated during January and February 2018.

Furthermore, notifications in respect of subsequent changes to the framework contract for Direct ISA, Direct Saver and Income Bonds have been issued between 30 to 45 days in advance of the changes.

With regard to major operational and security incidents, while NS&I has extensive processes in place to ensure all measures are taken to mitigate the impact of any such incidents on and inform customers without undue delay, the arrangements for escalation of such incidents have not been fully aligned with the European Banking Authority Guidelines. This is currently being progressed.

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Going forward, NS&I is aware of the requirements of PSD2 and what needs to be done to act in line with it.

The Audit and Risk Committee is satisfied that the response by the business to these governance issues was appropriate and there have been no major breakdowns in internal controls that have led to material loss.

### **Quality assurance**

In October 2012, the Cabinet Secretary and the Head of the Civil Service commissioned a review of the quality assurance of analytical models that inform government policy. NS&I operates models to calculate its Net Financing and Value Indicator metrics. Robust quality assurance processes are in place around these models.

### **Other information in the public interest**

NS&I has a very clear Speaking Up (whistleblowing) policy which provides clarity as to the approach NS&I has for staff who want to raise a concern. It clearly states what to do and the how the policy protects staff under the Public Interest Disclosure Act. This means that any one uncomfortable sharing their concerns with someone within NS&I, can talk to an external helpline or prescribed body in a safe and confidential manner. The Speaking Up process guarantees the safety of colleagues raising concerns, in confidence, about any malpractice that could impact NS&I, other colleagues or customers.

The NS&I Speaking Up policy and procedures are compliant with both government requirements and with Financial Conduct Authority requirements. The Chair of the Auditor and Risk Committee, Sharmila Nebhrajani (a non-executive Director of NS&I) is the NS&I Whistleblowing Champion under the FCA Senior Managers Regime and annual reports are provided to the Audit and Risk Committee.

### **Auditors**

NS&I's internal audit service provides an independent appraisal service for the Audit and Risk Committee by measuring and evaluating the adequacy, reliability and effectiveness of management and financial control systems. Internal audit makes recommendations based on the appraisal of each system reviewed. An annual assurance report is provided to the Audit and Risk Committee and the Accounting Officer.

In line with government guidelines, and to ensure wholly independent and fully professional analysis and recommendations, NS&I's internal audit service is provided by Government Internal Audit Agency (GIAA). Work has been undertaken in accordance with Public Sector Internal Audit Standards (PSIAS) and standards of the Chartered Institute of Internal Auditors.

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## Board members' biographies

### Non-executive Directors

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#### Ed Anderson

Independent Non-executive Chairman

Ed was appointed as a Non-executive Director on 1 February 2016 and was appointed Chairman on 1 January 2017.

Ed was Chairman of the Yorkshire Building Society from 2007 to 2015. He was Managing Director of Leeds Bradford Airport for 10 years and is currently Chairman of the Airport Operators Association (AOA). He is also a former President, and Chairman, of Leeds Chamber of Commerce and is a director of a number of other public and voluntary sector organisations in Yorkshire including being a member of the University of Leeds Council and chairing its Audit and Risk Committee. Ed is an economics graduate and a qualified accountant. He is a former High Sheriff, and currently Deputy Lieutenant of West Yorkshire.



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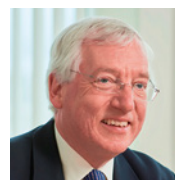
#### Christopher Fisher

Independent Non-executive Director

Christopher was appointed as a Non-executive Director in March 2017.

He chairs the Marshall Scholarship Programme on behalf of the Foreign Office, serves as a Non-executive Director of SEGRO, the FTSE 100 property company, and is a senior adviser to Penfida, the corporate finance adviser to pension scheme trustees.

Until recently he served as chairman of Bank of Ireland UK, the financial services partner of the Post Office and the AA, and as President of the Council of the University of Reading. His previous appointments include senior roles with Lazard, KPMG and Penfida, and as a trustee of the Imperial War Museum.



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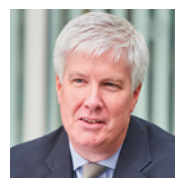
#### James Furse

Independent Non-executive Director and Chairman of the Appointments and Remuneration Committee

James was appointed as Non-executive Director in January 2012 and, having served his two terms of office during this financial year, his contract was extended exceptionally until 31 December 2018 due to the number of new appointments that were made to the board during 2017, to assist continuity.

Before joining the board, James enjoyed a long career with the John Lewis Partnership, progressing through a series of roles to become a managing director within the retail operation and subsequently Director Credit Card Services. His final role with the John Lewis Partnership was as Managing Director of greenbee.com, now John Lewis Financial Services.

In 2013 he joined the board of Ageas UK as a Non-executive Director and is Chairman of its Remuneration Committee, and James has been the Non-executive Chairman of Pukka Herbs Ltd, a wholly owned subsidiary of Unilever, since 2012.



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**Sharmila Nebhrajani OBE**

Independent Non-executive Director and Chair of the Audit and Risk Committee

Sharmila was appointed as a Non-executive Director in March 2017. Sharmila is Chief Executive of Wilton Park, an Executive Agency of the Foreign Office convening international policy discussions in areas such as peace, prosperity, defence and security.

Before this she was Chair of the Human Tissue Authority, the organisation that regulates the use of human organs and tissue for transplant and research and Director of External Affairs for the Medical Research Council.

She is a board member of the British Medical Journal and also of Lifesight, a pensions master trust, and was for 12 years Chief Operating Officer of BBC New Media and Technology, the division that built and launched the iPlayer.

A biomedical scientist by background, Sharmila is also a chartered accountant. She read Physiological Sciences at Oxford University, and was awarded an OBE in 2014 for services to Medical Research.



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**Mario Pisani**

HM Treasury representative

Mario is Deputy Director, Debt and Reserves Management at HM Treasury. In his role he is responsible for advising on debt financing issues (both wholesale, working with the Debt Management Office, and retail, working with NS&I), managing the UK's official reserves, and coinage policy. His team also has responsibility for a range of Bank of England issues (notes, market interventions and shareholder interest) as well as analysis of the public sector balance sheet. He sits on the Themes Subcommittee of the Royal Mint Advisory Committee on the Design of Coins, Medals, Seals and Decorations.

Mario was appointed to the board as HM Treasury's representative on 1 April 2016.

Since joining HM Treasury in 2005, Mario has worked on international issues, economic forecasting, macroeconomic policy and communications. Between 2008 and 2011 he was Private Secretary to the Chancellor of the Exchequer. Between 2013 and 2016 he represented HM Treasury at the G20 Framework Working Group. During 2014 he worked on the Referendum on Scottish Independence. During 2006 Mario was seconded to the Financial Times London.

He is a Senior Visiting Research Fellow at King's College London.

Mario holds degrees in Economics from the University of Kent and the University of Oxford, and is a qualified accountant.



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Executive Directors

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**Ian Ackerley**

Chief Executive

Ian Ackerley was appointed as NS&I Chief Executive on 13 March 2017.

Immediately before joining NS&I, Ian was at Barclays, which he joined in 2011 as Director of Investments, and where he was responsible for Barclays' UK retail investment business.

Ian has over 20 years' experience in the UK retail financial services industry. His previous roles include Managing Director of Investments and Pensions at Virgin Money, Managing Director of SunLife International, and working as a consultant with McKinsey & Company.

Ian has an honours degree in Psychology (BSc) from the University of St Andrews and holds an MBA from London Business School, and he began his career with Royal Dutch Shell.

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**Peter Cornish**

Director, Risk

Peter oversees the management of legal and regulatory compliance for NS&I as both a financial services organisation and a government body, in a way which is consistent and compliant with the requirements of regulators, auditors and central government, including compliance with the FCA regulations as they apply to NS&I.

Peter joined NS&I in 1998 taking responsibility for the tax-free products and savings accounts portfolios. Prior to that, he had held a number of roles in Lloyds Bank including private client wealth management, the development of savings, investment and stockbroking services and internal audit.

He took on the additional responsibility of customer management before being appointed marketing director in 2006 and continued to manage the product portfolio and overall customer offer as Director of Customer Offer until his appointment as Risk Director in 2011.

Peter holds a Law degree from the University of Manchester and an MBA from the University of Warwick. Peter retired from the board in March 2018.

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**Paul Habershon**

Interim Director of IT and Change

Paul was appointed Interim IT and Change Director in March 2018, to establish and lead this new Directorate to increase the focus on and impact of IT and business change across the business. He is responsible for realising NS&I's goals through the delivery of aligned IT strategies and the rolling programme of business-sponsored change. He and his Directorate necessarily work closely with Atos, from operational delivery through enterprise architecture.

Prior to working at NS&I, Paul defined and delivered global IT and Business transformation programmes in the Telco, Financial Services and Public Sectors with a key focus on value delivery. As a Consulting Director in Fujitsu he was responsible for numerous interventions defining IT, Business change and Outsourcing strategies. Prior to his time at Fujitsu he worked for global IT and consultancy companies taking responsibility for their largest and most complex client engagements. Paul started his career as a graduate trainee at Lloyds Bank.

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### Dax Harkins

Business-to-Business Director

Dax is responsible for the development and delivery of the business-to-business strategy. His accountabilities include the management of existing clients, winning and transitioning new clients.

A joint honours degree graduate of the University of Manchester Institute of Science and Technology, Dax has worked in financial services for over 20 years. Starting his career in sales, Dax quickly progressed into various marketing roles, with a focus on product development, customer management and customer experience.

In 2003, Dax joined NS&I and moved from marketing in 2011 to Programme Director for the retender of the NS&I outsourcing contract. After successfully awarding the contract and ensuring a smooth transition, Dax was appointed to the board in 2014 as Business-to-Business Director and became a Chartered Director in 2018.



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### Gareth Headon

Acting People and Strategy Director

Following Sarah Tebbutt's appointment as Acting Risk Director, Gareth was appointed as Acting Director, People and Strategy. He leads a range of corporate functions including strategy, communications, market research and insight, workplace, culture and human resources. Gareth also chairs the Conduct Committee at NS&I and is responsible for the Senior Managers Regime.

Previously, Gareth was Assistant Director, Communications and Strategy. Gareth joined NS&I in 2008 initially as Head of Media and then Head of Communications leading on all internal and external communications activity.

Prior to NS&I, Gareth spent six years with Eurostar where he worked across corporate and consumer PR and government relations. He was part of the team that launched Eurostar's high speed rail services from St Pancras International in 2007. Gareth also worked for two years in *Which?* magazine's press office and began his career at a PR agency working with clients in the technology sector.



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### Mark Keene

Acting Partnership Director

As Acting Partnership Director, Mark is responsible for the delivery of the NS&I outsourcing business model and the relationship with the Agency's key partner Atos, including service delivery, commercial and change assurance as well as procurement.

Mark joined NS&I in 2005 and has undertaken a variety of roles in relation to the management of the relationship with NS&I's key partners, in particular overseeing operational delivery and assurance during a period of significant change and growth for NS&I.

Mark has over 30 years' experience in procurement, relationship and operational management. Prior to joining NS&I, he held a number of senior procurement and commercial roles in London Underground and the Home Office/Police Service, including negotiation and management of Public Private Partnerships (PPP) and service contracts in a wide range of categories, including IT and communications, energy and consultancy. He is a graduate of the University of Southampton with a BSc in Politics and is a member of the Chartered Institute of Procurement & Supply.



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### Rodney Norman

Finance Director

Rodney Norman was appointed Finance Director in 2012. He is responsible for NS&I's retail and commercial finance activity and leads on the analysis of data to produce insights regarding our extensive retail customer base.

Rodney previously worked at HM Treasury where his team was responsible for public sector funding ("doing treasury for the Treasury"). It entailed managing diverse financial assets and liabilities and extensive work on schemes to provide liquidity and credit support to the banking sector during the financial crisis. He was also a Non-executive board member of the Government Banking Service.

Rodney qualified as a chartered accountant with PwC after university and worked in the City before joining HM Treasury in 2007. He became Finance Director of the banking arm of Close Brothers, where he raised institutional funding, integrated the acquisition of a wealth management group and oversaw capital and liquidity management.

Rodney has a degree in Economics and Econometrics from the University of Nottingham. Rodney retired from the board in April 2018.

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### Sarah Tebbutt

People and Strategy Director (to 29 March 2018),

Acting Risk Director (from 30 March 2018)

Following Peter Cornish's retirement, Sarah was appointed as Acting Director of Risk. She was previously Director of People & Strategy. Sarah oversees the management of legal and regulatory compliance for NS&I as both a financial services organisation and a government body in a way which is consistent and compliant with the requirements of regulators, auditors and central government, including compliance with the FCA regulations as they apply to NS&I. As Director of People and Strategy in 2017–18 she oversaw the development of the Inspire & Invest strategy, established NS&I's Innovation Group, and NS&I's Plan for Welcoming Diversity at Work

Sarah Tebbutt joined NS&I in June 2013 after a twenty year career at HM Treasury, where she was responsible for Corporate Change, and before that, Debt and Reserves Management, working closely with NS&I, The Bank of England, the Debt Management Office and the Royal Mint.

Prior to those roles she worked in a Ministers' office and as a negotiator at the Cabinet Office, European Council and World Trade Organisation.

Sarah studied Genetics at Cambridge University and has an MBA from Imperial College, London.

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### Jill Waters

Retail Director

Jill was NS&I's Acting Retail Director. Following an open recruitment exercise, Jill was appointed in the substantive position as Retail Director in March 2018 and is responsible for leading the development, management and growth of the Retail business on behalf of NS&I, which includes customer offer, marketing and sales, brand, product management, retail experience and complaints.

In her time at NS&I, Jill has also held the following roles: Head of Sales and Operational Delivery, Head of Digital Channels and Assistant Director for Retail.

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In 2001, she joined NS&I from Yorkshire Electricity where she was responsible for the Customer and Sales Strategy for the newly developed privatised consumer utility markets. Prior to that Jill was an independent financial adviser, following many years at Norwich Union advising on pensions and life insurance.

Jill is a member of the Chartered Management Institute (CMI), the Institute of Finance Services (IFS) and Association of Business Psychology.

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## Principal risks facing NS&I

### Information risk

#### Principal risk

Failure to maintain the confidentiality or integrity of information or access to it is compromised / prevented as a result of weaknesses in our management of people or system failures as a result of a cyber attack.

#### Mitigations

Existing controls to mitigate information risk include appropriate security arrangements against internal and external threats. These include relevant processes, governance arrangements, and IT solutions.

During the year, we have implemented additional processes and IT solutions to strengthen and further protect the integrity and confidentiality of corporate and customer information.

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### IT risk

#### Principal risk

Failure to maintain operational service resulting in delays to processing or access to systems for customers due to unsupported or out-of-date systems and/or software.

#### Mitigations

A range of measures have been taken during the year to ensure that our systems remain resilient and continue to operate effectively to deliver products and services to our customers. A number of existing operational and corporate systems have been upgraded or replaced, with further upgrades and replacements planned for delivery during 2018–19. We have also appointed an Interim IT and Change Director who brings additional expertise in this area.

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### Operational risk

#### Principal risk

Failure to reduce operational costs due to unexpected product delivery, limited digital transformation and channel shift, legislative or compliance constraints, lack of investment from Atos, failure of the business-to-business operation to generate enough income.

#### Mitigations

Ongoing controls that have been in place during the year, helping to mitigate this risk, include: strong joint NS&I and Atos governance arrangements to actively monitor and manage operational costs; ExCo and board continue to closely monitor delivery of the transformation programme; and an enhanced target operating model is in development to reflect the latest end to end plan.

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## Value Indicator risk

### Principal risk

Failure to demonstrate value to Government due to the rates on our products becoming higher than rates on their gilt comparators, and not delivering our core remit in the year.

### Mitigations

Mitigating actions include: close monitoring and tracking of market performance and gilt rate forecasts; reducing the rates on our products which have a negative effect on Value Indicator where this is in line with our operating framework; and closing products to new sales.

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## Budget management risk

### Principal risk

Failure to manage our spending effectively against the agreed budget.

### Mitigations

Controls to mitigate this risk include managing our finances in a controlled and commercial manner with close budget management and monitoring. We also liaise closely with HM Treasury to ensure clear understanding of issues.

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## Change management risk

### Principal risk

The business does not have the capacity or capability to deliver or absorb the required Change and maintain business as usual service.

### Mitigations

Mitigating controls include ensuring there is clear understanding of the operational model and programme and testing the assumptions including those for resources.

Maintain strong governance to ensure issues are identified and appropriate action is taken; and aim to adopt Agile methodology to implement change where it is appropriate to do so within NS&I's risk appetite.

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## Concentration risk

### Principal risk

Failure to prevent significant defunding by unexpected outflow of funds due to concentration of funds with a small number of customers and/or one product.

### Mitigations

Mitigations actions during the year have included undertaking research which has provided a clear steer for future activity and this will now form part of the new product proposition development; and Test and Learn activity completed to gain better understanding of customer needs which confirmed the primary focus was access to a call centre and security of funds.

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## Office move

### Principal risk

Delay in securing new London office due to agreement not being reached with Government Property Unit results in impact on office move project timelines and other corporate portfolio deliveries.

### Mitigations

We worked closely with the Government Property Unit and in close collaboration with HM Treasury to agree a lease extension for the existing London office for a further period of 5 years.

This has resulted in cost savings.

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## Business continuity risk

### Principal risk

Due to a disruptive incident cause by internal or external event we are unable to provide services to our customers/clients resulting in loss of stakeholder confidence and customer complaints.

### Mitigations

Incident management processes are in place and tested regularly to ensure they work effectively; having and following business continuity plans and rehearsing such plans regularly to ensure they are fit for purpose.

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## Tax-Free Childcare

### Principal risk

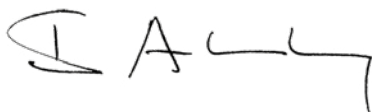
Failure to effectively manage issues resulting from Tax-Free Childcare implementation and/or service delivery results in negative impact on the end customer and reputational damage to our stakeholders and to the NS&I GPS brand.

### Mitigations

Deployment of a series of IT fixes and new functionality as well as changes to the underlying architecture;

Implementing processes to address all known and emerging issues which are regularly reviewed and updated. This includes service monitoring and ensuring adequate and appropriately trained resource both within service delivery and operations;

Completing detailed lessons learned and applying these to implementation of Help to Save.



**Ian Ackerley**  
**Chief Executive and Accounting Officer**  
**National Savings and Investments**

08 June 2018

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## Remuneration and staff report

### Appointments and Remuneration Committee

The Appointments and Remuneration Committee comprised Non-executive Directors James Furse (as Chairman) and Ed Anderson. It also comprised two Executive Directors: the Chief Executive, Ian Ackerley, and the People and Strategy Director, Sarah Tebbutt.

The committee reviews and approves the Chief Executive's recommendations on pay and performance-related awards to confirm that they are consistent with government policy, HM Treasury pay guidance and the needs of the business. Performance measures were assessed by the Government Internal Audit Agency, our internal auditors. Individual performance objectives are assessed by the Chief Executive using appropriate measures of outcomes.

The committee also advises on the role and appointment of executive NS&I board members. The committee reviews succession planning arrangements for senior staff and Non-executive Directors within NS&I for the board.

### Remuneration policy

The remuneration arrangements for senior staff are set out in their contracts and are subject to annual review in line with awards recommended by the Chief Executive.

The notice period for the majority of senior staff at NS&I is three months, with the exception of the Chief Executive which is six months. The arrangements for early termination of senior staff contracts are made in accordance with the service contract of the relevant individual. Compensation for early termination is determined by the Civil Service Compensation Scheme.

With the exception of the Chief Executive, whose remuneration is determined by HM Treasury, executive board members' pay awards and performance-related pay are approved by the NS&I Appointments and Remuneration Committee, based on performance against targets of both NS&I and the individual Director.

Under the Chief Executive's contract, provided performance is satisfactory, their salary is adjusted by HM Treasury, with reference to the annual increase in salary bands for the Senior Civil Service (SCS) laid down by the Cabinet Office in accordance with the Senior Salaries Review Body report. The position of Chief Executive could qualify for a performance award, depending on the achievement of targets set by HM Treasury.

Non-executive Directors have fixed-term appointments not exceeding three years. Normally, they can serve for two terms of office. Their remuneration is accounted for in 'other costs'. The details of their payments are shown in Table B on page 70.

### Salary and pension entitlements

The salary and pension entitlements of the executive board members are shown in Tables A and C on pages 69 and 71. There were no taxable benefits in kind paid.

### Salary and performance-related pay

'Salary' includes gross salary and any other allowance to the extent that it is subject to UK taxation. Performance-related payments are made as part of NS&I's performance management system. The payments reported in 2017–18 relate to performance in 2016–17 and the comparative payments reported for 2016–17 relate to performance in 2015–16.

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**Pay multiples** (Audited)

Reporting bodies are required to disclose the relationship between the total remuneration of the highest-paid Director in their organisation and the median total remuneration of the organisation's workforce.

'Total remuneration' includes salary and non-consolidated performance-related pay. It does not include employer pension contributions and the cash equivalent transfer value (CETV) of pensions. 'Workforce' includes agency/temporary workers covering staff vacancies.

The total remuneration of the highest-paid Director in NS&I in the financial year 2017–18 was £195,000–£200,000 (annualised equivalent).

No employee received remuneration in excess of the highest-paid Director (including the Chief Executive) in 2017–18. Remuneration bands ranged from £17,000–£24,000 to £195,000–£200,000 (annualised equivalent) in 2017–18. In 2016–17, remuneration bands ranged from £19,000–£24,000 to £210,000–£215,000 (annualised equivalent).

The ratio of the highest-paid Director (2017–18 annualised equivalent) was 4.3 times (2016–17: 4.7 times) the median remuneration of the workforce, which was £45,879 (2016–17: £45,461).

Table A: Salary and performance-related pay entitlements of the executive board members of NS&amp;I (Audited)

	2017-18 Salary	2017-18 Performance- related pay	2017-18 Benefits in kind	2017-18 Pension benefits	2017-18 Total	2016-17 Salary	2016-17 Performance- related pay	2016-17 Benefits in kind	2016-17 Pension benefits	2016-17 Total
	£000	£000 <sup>(1)</sup>	£000 <sup>(10)</sup>	£000 <sup>(4)</sup>	£000	£000	£000 <sup>(1)</sup>	£000 <sup>(10)</sup>	£000 <sup>(4)</sup>	£000
<b>Ian Ackerley</b> <sup>(7)</sup> Chief Executive	180-185	n/a	-	69	245-250	10-15 (180-185 annualised equivalent)	-	-	4	10-15
<b>Jane Platt CBE</b> <sup>(6)</sup> Chief Executive	n/a	n/a	n/a	n/a	n/a	80-85 (195-200 annualised equivalent)	15-20	-	-	95-100
<b>Peter Cornish</b> <sup>(12)</sup> Risk Director	115-120	15-20	0.3	13	145-150	115-120	15-20	0.3	25	155-160
<b>Paul Habershon</b> <sup>(14)</sup> Interim IT and Change Director	10-15 (195-200 annualised equivalent)	n/a	n/a	n/a	10-15 (195-200 annualised equivalent)	n/a	n/a	n/a	n/a	n/a
<b>Dax Harkins</b> Business-to-Business Director	105-110	15-20	0.6	34	160-165	105-110	15-20	0.6	41	160-165
<b>Gareth Headon</b> <sup>(13)</sup> Acting People and Strategy Director	0-5 (105-110 annualised equivalent)	n/a	-	-	0-5 (105-110 annualised equivalent)	n/a	n/a	n/a	n/a	n/a
<b>Julian Hynd</b> <sup>(2)</sup> Retail Director	n/a	n/a	n/a	n/a	n/a	n/a	10-15	-	n/a	n/a
<b>Mark Keene</b> <sup>(9)</sup> Acting Partnership Director	115-120	15-20	-	66	195-200	65-70 (110-115 annualised equivalent)	n/a	-	99	165-170
<b>Rodney Norman</b> Finance Director	125-130	20-25	-	26	175-180	125-130	20-25	-	31	175-180
<b>Steve Owen</b> <sup>(8)</sup> Partnership Director/Acting Chief Executive	n/a	n/a	n/a	n/a	n/a	130-135	20-25	-	134	290-295
<b>Sarah Tebbutt</b> <sup>(11)</sup> Acting Risk Director	110-115 (115-120 annualised equivalent)	15-20	-	30	160-165 (165-170 annualised equivalent)	105-110	15-20	-	42	170-175
<b>Jill Waters</b> <sup>(3)</sup> Retail Director	115-120	10-15	-	54	185-190	105-110	10-15	-	72	190-195
<b>Band of highest-paid Director</b>	<b>10-15 (195-200 annualised equivalent)</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>10-15 (195-200 annualised equivalent)</b>	<b>80-85 (195-200 annualised equivalent)</b>	<b>15-20</b>	<b>-</b>	<b>-</b>	<b>95-100 (210-215 annualised equivalent)</b>
<b>Remuneration median for workforce</b> <sup>(5)</sup>		<b>£45,879</b>						<b>£45,461</b>		
<b>Ratio of highest-paid Director to median salary of the workforce</b> <sup>(5)</sup>		<b>4.3</b>						<b>4.7</b>		

(1) Performance-related payments are based on performance levels attained and are made as part of the appraisal process. Given the timing of the appraisal process, performance-related payments relating to 2017-18 are yet to be finalised. As a result, disclosure is based on the period in which payments are made rather than the performance year to which they relate. Performance-related payments in this report for 2017-18 are performance-related payments for the 2016-17 performance year, which were paid in July 2017. Performance-related payments for 2016-17 are performance-related payments for the 2015-16 performance year.

(2) Julian Hynd left NS&I on 4 January 2016.

(3) Jill Waters was appointed as Acting Retail Director on 19 October 2015. Jill was appointed as permanent Retail Director on 14 March 2018.

(4) The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) less (the contributions made by the individual). The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

(5) Calculations for remuneration median for workforce and ratio of highest-paid Director to median salary of the workforce are based on salary and performance-related pay. Includes Interim IT and Change Director.

(6) Jane Platt left NS&I on 31 August 2016.

(7) Ian Ackerley was appointed Chief Executive on 13 March 2017.

(8) Steve Owen was appointed Acting Chief Executive on 1 September 2016 and stepped down on 12 March 2017. He left NS&I on 31 March 2017.

(9) Mark Keene was appointed Acting Partnership Director on 1 September 2016.

(10) Benefits in kind are disclosed to the nearest £100.

(11) Sarah Tebbutt was appointed as Acting Risk Director on 30 March 2018. Sarah was People and Strategy Director until 29 March 2018.

(12) Peter Cornish stepped down as Risk Director on 29 March 2018 and retired from NS&I on 31 March 2018.

(13) Gareth Headon was appointed as Acting People and Strategy Director on 30 March 2018.

(14) Paul Habershon was appointed Interim IT and Change Director on 12 March 2018. Paul was appointed on an interim basis under an off-payroll engagement, which will run to 3 August 2018. In addition to Paul Habershon's remuneration outlined above, the recruitment agency cost to NS&I is £3,600 for 2017-18. Paul joined the board on 30 March 2018.



**Table B: The remuneration of Non-executive Directors**

Audited

	2017–18 £000	2016–17 £000
Ed Anderson <sup>(1)</sup>	20–25	15–20
Sir John de Trafford Bt. <sup>(2)</sup>	n/a	15–20 (20–25 annualised equivalent)
James Furse	15–20	15–20
Christopher Fisher <sup>(3)</sup>	15–20	0–5 (15–20 annualised equivalent)
Sharmila Nebhrajani OBE <sup>(4)</sup>	15–20	0–5 (15–20 annualised equivalent)
Cheryl Millington <sup>(5)</sup>	n/a	10–15 (15–20 annualised equivalent)

(1) Ed Anderson became the Chairman on 1 January 2017.

(2) Sir John de Trafford Bt. left NS&I on 31 December 2016.

(3) Christopher Fisher joined NS&I on 1 March 2017.

(4) Sharmila Nebhrajani joined NS&I on 1 March 2017.

(5) Cheryl Millington left NS&I on 30 November 2016.

**Table C: Pension benefits of the executive board members of NS&I**

Audited

	Accrued pension at pension age at 31 March 2018 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31 March 2018	CETV at 31 March 2017	Real increase in CETV	Employer contribution to partnership pension account
	£000	£000	£000	£000	£000	Nearest £100
<b>Ian Ackerley</b> Chief Executive	0.5	2.5–5	54	3	37	0
<b>Peter Cornish<sup>(3)</sup></b> Risk Director	25–30 plus a lump sum of 80–85	0–2.5 plus a lump sum of 2.5–5	616	564	12	0
<b>Dax Harkins</b> Business-to-Business Director	25–30	0–2.5	361	324	11	0
<b>Gareth Headon<sup>(4)</sup></b> Acting People and Strategy Director	15–20	0–2.5	164	164	0	n/a
<b>Mark Keene</b> Acting Partnership Director	50–55 plus a lump sum of 150–155	2.5–5 plus a lump sum of 7.5–10	1,098	973	61	0
<b>Rodney Norman</b> Finance Director	20–25	0–2.5	457	401	23	0
<b>Steve Owen</b> Partnership Director/ Acting Chief Executive	n/a	n/a	n/a	1,390	n/a	n/a
<b>Sarah Tebbutt<sup>(2)</sup></b> Acting Risk Director	30–35 plus a lump sum of 80–85	0–2.5 plus a lump sum of 0	565	517	10	0
<b>Jill Waters<sup>(1)</sup></b> Retail Director	20–25 plus a lump sum of 70–75	2.5–5 plus a lump sum of 7.5–10	539	454	51	0

(1) Jill Waters was appointed as permanent Retail Director on 14 March 2018.

(2) Sarah Tebbutt was appointed as Acting Risk Director on 30 March 2018. Sarah was People and Strategy Director until 29 March 2018.

(3) Peter Cornish stepped down as Risk Director on 29 March 2018 and retired from NS&I on 31 March 2018.

(4) Gareth Headon was appointed as Acting People and Strategy Director on 30 March 2018.

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## Civil Service pensions

Pension benefits are provided through the Civil Service pension arrangements. A new career average pension arrangement, called Alpha, came into effect on 1 April 2015. The majority of Classic, Premium, Classic Plus and Nuvos members joined the new scheme.

From 30 July 2007, civil servants may be in one of five defined benefit schemes: either a final salary scheme (Classic, Premium or Classic Plus); or a whole career average scheme (Nuvos and Alpha). These statutory arrangements are unfunded, with the cost of benefits met by monies voted by Parliament each year.

Pensions payable under Classic, Premium, Classic Plus, Nuvos and Alpha are increased annually in line with pensions increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary related and range between 3% and 8.05% of pensionable earnings for Classic and between 4.6% and 8.05% for Premium, Classic Plus, Nuvos and Alpha. Benefits in Classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For Premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike Classic, there is no automatic lump sum. Classic Plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per Classic and benefits for service from October 2002 worked out as in Premium. In Nuvos, a member builds up a pension based on pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March), the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with pensions increase legislation. In Alpha, a member builds up a pension based on pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March), the member's earned pension account is credited with 2.32% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with pensions increase legislation. Alpha benefits will be effective from Normal Pension Age without any early payment reduction. In all cases, members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of two providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill-health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of Classic, Premium and Classic Plus and 65 for members of Nuvos. Alpha will be effective from normal state pension age.

Further details of the Civil Service pension arrangements are available at [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk)

### Cash equivalent transfer values

Table C on page 71 shows each executive board member's CETV accrued at the beginning and the end of the reporting period. The table reflects the increase in CETV effectively funded by the employer.

A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational and Personal Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

### Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation or contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement), and uses common market valuation factors for the start and end of the period.

### Staff report

In total, we made 34 external permanent and fixed-term appointments in the year. These are summarised in the table below. Full details of staff numbers can be found in Table 5 of the Departmental Report on page 140.

### New permanent and fixed-term appointments made in 2017–18<sup>(1)</sup>

	Non-executive Directors	Senior Civil Servants	Pay band 1	Pay band 2	Pay band 3	Pay band 4	Pay band 5	Pay band 6	Pay band 7
Male	–	–	–	–	3	4	2	2	1
Female	–	–	–	–	1	11	4	5	1
White	–	–	–	–	2	7	4	3	1
BAME (Black Asian and minority ethnic)	–	–	–	–	–	6	–	2	1
Non-declared	–	–	–	–	2	2	2	2	–
Disabled	–	–	–	–	–	–	–	–	–

(1) New employees who commenced employment between 1 April 2017 and 31 March 2018.

## NS&I Executive Directors, senior managers and all employees at 31 March 2018

	Male	Female
The number of persons of each sex who were Executive Directors of NS&I at year end <sup>(1)</sup>	6	2
The number of persons of each sex who were senior managers at year end <sup>(2)</sup>	21	19
The total number of persons who were employed at year end	90	101

(1) Gareth Headon was appointed Acting People and Strategy Director on 30 March 2018. Peter Cornish left NS&I on 31 March 2018 and is included in the above figures.

(2) NS&I pay bands 2 and 3 combined.

### Staff and related costs

Staff costs comprise:

	2017–18 Permanently employed UK staff £000	2017–18 Others £000	2017–18 Ministers £000	2017–18 Special advisers £000	2017–18 Total £000	2016–17 Total £000
Wages and salaries	9,922	456	–	–	10,378	9,889
Social security costs	1,145	–	–	–	1,145	1,038
Other pension costs	1,920	–	–	–	1,920	1,727
<b>Sub total</b>	<b>12,987</b>	<b>456</b>	<b>–</b>	<b>–</b>	<b>13,443</b>	<b>12,654</b>
Less recoveries in respect of outward secondments	–	–	–	–	–	–
<b>Total net costs</b>	<b>12,987</b>	<b>456</b>	<b>–</b>	<b>–</b>	<b>13,443</b>	<b>12,654</b>

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) – known as ‘Alpha’ – are unfunded multi-employer defined benefit schemes but NS&I is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2012. Further details are available in the Resource Accounts of the Cabinet Office: Civil Superannuation at [www.civilservice.gov.uk/pensions](http://www.civilservice.gov.uk/pensions)

For 2017–18, employer contributions of £1,800,849 were payable to the PCSPS (2016–17: £1,620,719) at one of four rates in the range 20.0% to 24.5% (2016–17: 20.0% to 24.5%) of pensionable earnings, based on salary bands. The scheme actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2016–17 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a Partnership Pension Account, a stakeholder pension with an employer contribution. Employer contributions of £113,903 (2016–17: £102,005) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.75% (2016–17: 8.0% to 14.75%) of pensionable earnings.

Employers also match employee contributions up to 3.0% of pensionable earnings. In addition, employer contributions of £4,209, 0.5% of pensionable earnings, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill-health retirement of these employees (2016–17: £3,809, 0.5% of pensionable earnings). Contributions due to the partnership pension providers at the Statement of financial position date was Nil (2016–17: Nil). Contributions prepaid at that date were Nil.

### Average number of persons employed

The average number of whole-time equivalent persons employed during the year was as follows:

Activity	2017–18	2017–18	2017–18	2017–18	2017–18	2016–17
	Permanently employed UK staff	Others	Ministers	Special advisers	Total	Total
Staff engaged on capital projects	–	–	–	–	–	–
<b>Total</b>	<b>188</b>	<b>4</b>	<b>–</b>	<b>–</b>	<b>192</b>	<b>178</b>
<i>of which:</i>	–	–	–	–	–	–
Core department	188	4	–	–	192	178
Agencies	–	–	–	–	–	–
Other designated bodies	–	–	–	–	–	–
<b>Total</b>	<b>188</b>	<b>4</b>	<b>–</b>	<b>–</b>	<b>192</b>	<b>178</b>

All NS&I staff costs are charged to administration costs as defined under the FReM. There are no staff costs charged to programme costs.

### Reporting of Civil Service and other compensation schemes – exit packages (Audited)

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
	2017–18	2017–18	2017–18	2016–17	2016–17	2016–17
<£10,000	0	0	0	0	0	0
£10,000–£25,000	0	0	0	0	0	0
£25,000–£50,000	0	1	1	0	0	0
£50,000–£100,000	0	1	1	0	0	0
£100,000–£150,000	0	0	0	0	0	0
£150,000–£200,000	0	0	0	0	0	0
Total number of exit packages by type	0	2	2	0	0	0
<b>Total cost</b>	<b>0</b>	<b>£92,285.03</b>	<b>£92,285.03</b>	<b>0</b>	<b>0</b>	<b>0</b>

### Recruitment monitoring

We operate fair and open competition for all recruitment in line with the Civil Service Commissioners' guidelines. Appointments are made against robust criteria, which are applied throughout the recruitment and assessment process. Of the 34 new employees who commenced employment during 2017–18, six were short-term appointments to meet short-term business needs (maternity cover or roles to cover a short-term resource requirement) and were recruited through permitted exceptions to the recruitment principle of fair and open competition.

We compare CVs against the selection criteria, anonymise personal details and educational dates and establishments. We review diversity breakdowns to ensure that the criteria are fair and robustly applied. We submit an annual audit return to the Office of the Civil Service Commissioners which summarises campaigns, policy and processes. All activities may then be subject to a further audit review by the Civil Service Commissioners, and campaign files are kept for two years to comply with these requirements.

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## Pay and reward

Upon the release of the Civil Service pay guidance 2018–19, we will agree a salary budget from HM Treasury called our delegated pay remit, which we allocate in line with our reward principles (available on request) and within Civil Service guidelines. This includes performance-related pay. As part of the Government's deficit reduction strategy, and in line with the approach being taken across the public sector, our pay remit increased by 1% during the year – the same as the last four years.

Details of executive pay and performance-related pay can be found on page 69. Details of our board Directors' expenses can also be found online at [www.nsandicorporate.com/about-nsandi/who-we-are/our-board-and-committees/](http://www.nsandicorporate.com/about-nsandi/who-we-are/our-board-and-committees/). Reward for individual senior staff members is approved by our Appointments and Remuneration Committee.

## Pension liabilities

During 2016–17, the majority of our current and previous employees were covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The rate of employer's contribution to this is determined by the Government Actuary and advised by HM Treasury. For 2017–18, the rates were between 20.0% and 24.5% (2016–17: 20.0% and 24.5%) of pensionable pay, depending on salary. From 1 April 2015, a new pension scheme known as Alpha was introduced across the Civil Service. Of our current staff, the majority moved to this scheme. However, most of those who were within 10 years of retirement stayed with the PCSPS. See pages 72 to 74 for further details.

## Diversity and equal opportunity

NS&I actively promotes a culture that values difference and recognises that diversity enriches the economy and society and is an essential ingredient of change and progress.

NS&I seeks to be open and inclusive in its management policies and processes and seeks to recruit and develop a diverse and talented workforce that is representative of the society it serves. Our refreshed Equality and Diversity Information Statement provides full details of the diversity of NS&I's employees. It is available here: <https://nsandicorporate.com/about-nsi/fuelling-finance-with-purpose/how-we-recruit/>. NS&I is one of over 160 signatories to the Women in Finance Charter, led by HM Treasury.

## Gender Pay Gap

In 2017 the Government introduced legislation that made it statutory for organisations with 250 or more employees to report annually on their gender pay gap, the first reporting deadline was 4 April 2018. Civil Service departments and arms-length bodies, with 250 or more employees on 31 March 2017 are covered by these regulations. NS&I employs under 250 employees, however NS&I voluntarily published our gender pay gap data in our Equality and Diversity Information Statement <http://nsandi-corporate.com/wp-content/uploads/2017/05/equality-and-diversity-information-statement.pdf>

Based on the 'snapshot' date of 31 March 2017, NS&I's gender pay gap data is as follows:

<b>Gender pay gap</b>	<b>%</b>	
Mean gender pay gap – Ordinary pay	11.5	
Median gender pay gap – Ordinary pay	6.5	
Mean gender pay gap – Bonus pay in the 12 months ending 31 March	20.0	
Median gender pay gap – Bonus pay in the 12 months ending 31 March	13.0	
<b>The proportion of male and female employees paid a bonus in the 12 months ending 31 March</b>		
Male	94.0	
Female	97.0	
<b>Proportion of male and female employees in each quartile</b>		
Quartile	Female %	Male %
Lower quartile	64.4	35.6
Lower middle quartile	54.3	45.7
Upper middle quartile	34.8	65.2
Upper quartile	53.3	46.7

This year NS&I has a new diversity service delivery measure which commits the organisation to maintaining our Women In Finance target of 50:50 gender diversity at senior management. NS&I also has a Welcoming Diversity at Work action plan which covers gender diversity and inclusion.

#### **Sick absence data**

The average number of sick days per person in the 12 months ending 31 March 2018 was 3.54 days (2016–17: 4.84). This figure covers all absences including long-term absence. Short-term absences were 2.28 days (2016–17: 2.87). Overall, sickness absence levels at NS&I are below the Civil Service benchmark.



## Trade Union Facility Time

**Table 1: Relevant union officials**

What was the total number of your employees who were relevant union officials during the relevant period?

Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
2	1.75

**Table 2: Percentage of time spent on facility time**

How many of your employees who were relevant union officials employed during the relevant period spent a) 0%, b) 1%-50%, c) 51%-99% or d) 100% of their working hours on facility time?

Percentage of time	Number of employees
0%	
1-50%	2
51-99%	
100%	

**Table 3: Percentage of pay bill spent on facility time**

Provide the figures requested in the first column of the table below to determine the percentage of your total pay bill spent on paying employees who were relevant union officials for facility time during the relevant period.

Provide the total cost of facility time	£1,680
Provide the total pay bill	£13,441,882
Provide the percentage of the total pay bill spent on facility time, calculated as: (total cost of facility time ÷ total pay bill) x 100	0.012%

**Table 4: Paid trade union activities**

As a percentage of total paid facility time hours, how many hours were spent by employees who were relevant union officials during the relevant period on paid trade union activities?

Time spent on paid trade union activities as a percentage of total paid facility time hours calculated as: (total hours spent on paid trade union activities by relevant union officials during the relevant period ÷ total paid facility time hours) x 100	100%
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## Off-payroll engagements

**Table 1: For all off-payroll engagements as of 31 March 2018, for more than £245 per day and that last for longer than six months**

<b>Number of existing engagements at 31 March 2018</b>	<b>2</b>
<i>of which:</i>	
Number that have existed for less than one year at time of reporting	0
Number that have existed for between one and two years at time of reporting	2
Number that have existed for between two and three years at time of reporting	0
Number that have existed for between three and four years at time of reporting	0
Number that have existed for four or more years at time of reporting	0

**Table 2: For all new off-payroll engagements, or those that reached 6 six months in duration, between 1 April 2017 and 31 March 2018, for more than £245 per day and that last for longer than six months**

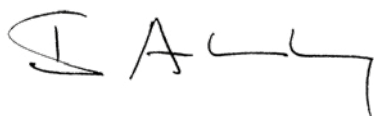
<b>Number of new engagements, or those that reached six months in duration, between 1 April 2017 and 31 March 2018</b>	<b>0</b>
Number of the above that include contractual clauses giving the Department the right to request assurance in relation to income tax and National Insurance obligations	–
<i>of which:</i>	
Number assessed as caught by IR35	–
Number assessed as not caught by IR35	–
Number engaged directly (via PSC contracted to department) and are on the departmental payroll	–
Number of engagements reassessed for consistency / assurance purposes during the year	–
Number of engagements that saw a change to IR35 status following the consistency review	–

**Table 3: For any off-payroll engagements of board members, and/or senior officials with significant financial responsibility, between 1 April 2017 and 31 March 2018**

Number of off-payroll engagements of board members, and/or senior officials with significant financial responsibility, during the financial year	1 <sup>(1)</sup>
Total number of individuals on payroll and off-payroll that have been deemed "board members, and/or, senior officials with significant financial responsibility", during the financial year. This figure should include both on payroll and off-payroll engagements.	13 <sup>(2)</sup>

(1) The Executive Committee identified a need for IT and Change expertise on the Committee. An interim Director for IT and Change was appointed. The post will allow the incumbent to assess NS&I's requirements before a final decision is made on the post and its responsibilities, while providing NS&I and the Board with the additional support, advice and challenge required during the transformation programme.

(2) This includes Executive and Non-executive Directors as detailed on pages 69 and 70 in Tables A and B relating to 2017–18.



**Ian Ackerley**  
**Chief Executive**  
**National Savings and Investments**

08 June 2018

## Parliamentary accountability and audit report – Statement of Parliamentary Supply

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FRM) requires National Savings and Investments to prepare a Statement of Parliamentary Supply (SoPS) and supporting notes to show resource outturn against the Supply Estimate presented to Parliament, in respect of each budgetary control limit. The SoPS and related notes are subject to audit.

### Summary of resource and capital outturn

		2017–18			2016–17				
	SoPS note	Estimate			Outturn			Voted outturn compared with Estimate: savings/ (excess)	Outturn
		Voted	Non-voted	Total	Voted	Non-voted	Total	Total	
		£000	£000	£000	£000	£000	£000	£000	£000
<b>Departmental Expenditure Limit (DEL)</b>									
– Resource	1.1	130,611	–	<b>130,611</b>	121,109	–	<b>121,109</b>	9,502	<b>132,333</b>
– Capital	1.2	2,020	–	<b>2,020</b>	–	–	–	2,020	<b>(12,482)</b>
<b>Annually Managed Expenditure (AME)</b>									
– Resource	1.1	3,300	–	<b>3,300</b>	(739)	–	<b>(739)</b>	4,039	<b>(262)</b>
– Capital		–	–	–	–	–	–	–	–
<b>Total budget</b>		<b>135,931</b>	–	<b>135,931</b>	<b>120,370</b>	–	<b>120,370</b>	<b>15,561</b>	<b>119,589</b>
<b>Total</b>		<b>135,931</b>	–	<b>135,931</b>	<b>120,370</b>	–	<b>120,370</b>	<b>15,561</b>	<b>119,589</b>
Total resource	1.1	133,911	–	133,911	120,370	–	120,370	13,541	132,071
Total capital	1.2	2,020	–	2,020	–	–	–	2,020	(12,482)
<b>Total</b>		<b>135,931</b>	–	<b>135,931</b>	<b>120,370</b>	–	<b>120,370</b>	<b>15,561</b>	<b>119,589</b>

### Net cash requirement

	SoPS note	2017–18		2016–17	
		Estimate	Outturn	Estimate	Outturn
		£000	£000	£000	£000
	3	<b>137,391</b>	<b>115,968</b>	21,423	125,534

### Administration costs

	2017–18	2017–18	2016–17
	Estimate	Outturn	Outturn
	£000	£000	£000
	<b>130,611</b>	<b>121,109</b>	<b>132,333</b>

Figures in the areas outlined in bold are voted totals or other totals subject to Parliamentary control. In addition, although not a separate voted limit, any breach of the Administration Budget will also result in an excess vote.

Explanations of variances between Estimate and outturn are given in SoPS Note 1 and in the Management Commentary.

The notes on pages 81 to 84 form part of these Accounts.

## Notes to the Statement of Parliamentary Supply

### SoPS1 Net outturn

#### SoPS1.1 Analysis of net resource outturn by section

	2017-18									2016-17
	Outturn						Estimate			Outturn
	Administration			Programme			Total	Net total	Net total compared with Estimate	£000
	Gross £000	Income £000	Net £000	Gross £000	Income £000	Net £000				
<b>Spending in Departmental Expenditure Limit (DEL)</b>										
<b>Voted</b>										
Administration	176,878	(55,769)	121,109	-	-	-	121,109	130,611	9,502	132,333
<b>Spending in Annually Managed Expenditure (AME)</b>										
<b>Voted</b>										
Administration	-	-	-	(739)	-	(739)	(739)	3,300	4,039	(262)
<b>Total</b>	<b>176,878</b>	<b>(55,769)</b>	<b>121,109</b>	<b>(739)</b>	<b>0</b>	<b>(739)</b>	<b>120,370</b>	<b>133,911</b>	<b>13,541</b>	<b>132,071</b>

	2017-18	
Difference between resource outturn and Estimate	£000	£000
Lower project costs	5,533	
Lower office costs	1,689	
Lower depreciation costs	843	
Lower volume related costs	1,559	
Other difference	(122)	
<b>Total DEL underspend</b>		<b>9,502</b>
Lower requirement for provisions	300	
Lower revaluation charge for NS&I properties	3,739	
<b>Total AME underspend</b>		<b>4,039</b>
<b>Total underspend against Estimate</b>		<b>13,541</b>

#### SoPS1.2 Analysis of net capital outturn by section

	2017-18					2016-17
	Outturn			Estimate		Outturn
	Gross £000	Income £000	Net £000	Net £000	Net total compared with Estimate £000	Net £000
<b>Spending in Departmental Expenditure Limit (DEL)</b>						
<b>Voted</b>						
Administration	-	-	-	2,020	2,020	(12,482)
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,020</b>	<b>2,020</b>	<b>(12,482)</b>

The capital outturn disclosed above excludes capitalised PPP provider assets that are brought onto NS&I's Statement of financial position through the application of IFRIC 12.

Difference between capital outturn and Estimate was due to revised planning of capital expenditure which resulted in no expenditure.

## SoPS2 Reconciliation of outturn to net operating expenditure

	SoPs note	2017–18 £000	2016–17 £000
<b>Total resource outturn in Statement of Parliamentary Supply</b>		120,370	132,071
	SoPS1.1	<b>120,370</b>	<b>132,071</b>
<b>Add</b>			
Income recognised in budget but transferred to deferred income		6,927	11,892
Income transferred from deferred income to operating income		(5,819)	(3,391)
PPP asset depreciation		2,075	2,786
PPP asset amortisation		13,280	10,725
PPP asset revaluation loss		535	108
PPP asset impairment		–	4,865
PPP asset loss on disposal		1,105	4,623
		<b>18,103</b>	<b>31,608</b>
<b>Less</b>			
Transfer of PPP costs to capital		(17,836)	(21,616)
Profit on disposal taken through CDEL		–	(3,636)
		<b>(17,836)</b>	<b>(25,252)</b>
<b>Net operating cost in Statement of comprehensive net expenditure</b>		<b>120,637</b>	<b>138,427</b>

## SoPS3 Reconciliation of net resource outturn to net cash requirement

	Note	Estimate £000	2017–18 Outturn £000	Net total outturn compared with Estimate: saving/ (excess) £000	2016–17 Outturn £000
<b>Resource outturn</b>	SoPS1.1	133,911	120,370	13,541	132,071
<b>Capital outturn</b>					
– Addition of property, plant and equipment	SoPS1.2	2,020	–	2,020	(12,482)
<b>Accruals to cash adjustments</b>					
Adjustments to remove non-cash items:					
– Depreciation		(4,600)	(19)	(4,581)	(489)
– New provisions and adjustments to previous provisions		(300)	–	(300)	–
– Other non-cash items		(640)	(450)	(190)	(450)
Adjustments to reflect movements in working balances:					
– Increase/(decrease) in receivables		4,000	(6,090)	10,090	17,502
– Decrease/(increase) in payables		3,000	2,157	843	(10,618)
<b>Net cash requirement</b>		<b>137,391</b>	<b>115,968</b>	<b>21,423</b>	<b>125,534</b>

## SoPS4 Income payable to the Consolidated Fund

### SoPS4.1 Analysis of income payable to the Consolidated Fund

In addition to income retained by the Department, the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in *italics*)

	2017–18		2016–17	
	Outturn		Outturn	
	Income £000	<i>Receipts</i> £000	Income £000	<i>Receipts</i> £000
Operating income outside the ambit of the Estimate	252	<i>252</i>	97	<i>97</i>
Excess cash surrenderable to the Consolidated Fund	–	<i>–</i>	–	<i>–</i>
<b>Total income payable to the Consolidated Fund</b>	<b>252</b>	<b><i>252</i></b>	<b>97</b>	<b><i>97</i></b>

## Parliamentary Accountability Disclosures

### 1 Losses and special payments

#### 1.1 Losses statement

At 31 March 2018, NS&I has no losses to report (2016–17: Nil).

Following the commencement of the new contract on 1 April 2014, Atos, NS&I's operational services provider, is liable for any fraud losses that are incurred under the new contract. Previously, the liability was shared equally once the amount of the fraud exceeded £300,000.

#### 1.2 Special payments

NS&I made two severance payments to employees totalling £92,285.03 during 2017–18 following agreement with the Cabinet Office and HM Treasury (2016–17: Nil).

### 3.2 Fees and charges

NS&I is required in accordance with HM Treasury's Managing Public Money to disclose results for the areas of its activities where fees and charges are levied. The analysis provided below is for fees and charges purposes and is not intended to meet the requirements of IFRS 8 *Operating Segments*. Business-to-business activities are not managed as a separate division but as a series of independent projects.

	2017-18			2016-17		
	Gross income	Full cost	Surplus	Gross income	Full cost	Surplus
	£000	£000	£000	£000	£000	£000
Business-to-business	54,527	46,819	7,708	28,166	23,525	4,641

The financial objective of business-to-business is to recover the costs of providing payment services and make a contribution towards financing other costs. Investments that have been made in NS&I's capabilities have enabled NS&I to offset some of its costs by offering Government and third parties payment processing services within agreed spending limits. From 2010-11, NS&I started developing its business-to-business activities with HM Treasury with the Ministry of Justice (Office of Accountant General (OAG)) with regard to the Court Funds Service. NS&I acquired a further client for its business-to-business activities, Home Office Payment Processing (HOPP), during 2013-14. During 2015-16, the Supreme Court ruled that the Government could use NS&I's business-to-business services to deliver its Tax-Free Childcare Scheme. The Tax-Free Childcare implementation has been delivered. NS&I has also delivered the 30 hours free childcare scheme which went live in 2017-18. It also completed work on the pilot scheme for Help to Save which went live in 2017-18.

## The certificate and report of the Comptroller and Auditor General to the House of Commons (Accounts)

### Opinion on financial statements

I certify that I have audited the financial statements of National Savings and Investments for the year ended 31 March 2018 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them.

I have also audited the Statement of Parliamentary Supply and the related notes, and the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of National Savings and Investments' affairs as at 31 March 2018 and of its net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

### Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2018 and shows that those totals have not been exceeded; and
- 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 of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. 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 2016. I am independent of National Savings and Investments in accordance with the ethical requirements that are relevant to my audit and 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.

### Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

### 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 Government Resources and Accounts Act 2000.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.



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.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of National Savings and Investments' internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on National Savings and Investments' ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 that I identify during my audit.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income 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.

### Other Information

The Accounting Officer is responsible for the other information. The other information comprises information included in the Annual Report, other than the parts of the Accountability Report described in that report as having been audited,

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the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, 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, 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:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- in the light of the knowledge and understanding of National Savings and Investments and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which I report by exception

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 or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; 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.

### Report

I have no observations to make on these financial statements.

**Sir Amyas C E Morse**

**Date 11 June 2018**

**Comptroller and Auditor General**

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

## The certificate and report of the Comptroller and Auditor General to the House of Commons (Product Accounts)

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### Opinion on financial statements

I certify that I have audited the financial statements which constitute the Product Accounts of National Savings and Investments for the year ended 31 March 2018 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Income, Financial Position, Cash Flows, and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them.

In my opinion:

- the financial statements give a true and fair view of the state of the affairs of the Product Accounts of National Savings and Investments as at 31 March 2018 and of the net operating results for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 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 of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. 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 2016. I am independent of National Savings and Investments in accordance with the ethical requirements that are relevant to my audit and 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.

### Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

### 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 Government Resources and Accounts Act 2000.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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.

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As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of National Savings and Investments' internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on National Savings and Investments' ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 that I identify during my audit.

I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income 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.

### Other Information

The Accounting Officer is responsible for the other information. The other information comprises information included in the Performance Report and Corporate Governance Report. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, 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, 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.

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### Opinion on other matters

In my opinion:

- in the light of the knowledge and understanding of National Savings and Investments and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Corporate Governance Report; and
- the information given in the Performance and Corporate Governance Reports for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which I report by exception

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 or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements are not in agreement with the accounting records and returns; 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.

### Report

I have no observations to make on these financial statements.

**Sir Amyas C E Morse**

**Date 11 June 2018**

**Comptroller and Auditor General**

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



## Section 3

### Financial Statements

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#### Accounts 2017–18

– Statement of comprehensive net expenditure	93
– Statement of financial position	94
– Statement of cash flows	95
– Statement of changes in taxpayers' equity	96
– Notes to the Departmental Resource Accounts	97

#### Product Accounts 2017–18

– Product Accounts background	115
– Statement of comprehensive income	117
– Statement of financial position	118
– Statement of cash flows	119
– Notes to the accounts	120
– Annex 1: Product Accounts direction	133

## Statement of comprehensive net expenditure for the year ended 31 March

This account summarises the income generated and expenditure consumed on an accruals basis. It also includes other comprehensive income and expenditure, which include changes to the values of non-current assets and other financial instruments that cannot yet be recognised as income or expenditure.

	Note	2017-18 £000	2016-17 £000
Income from sale of goods and services	4	(54,527)	(28,166)
Other operating income	4	(135)	(185)
<b>Total operating income</b>		<b>(54,662)</b>	<b>(28,351)</b>
Staff costs	2	13,443	12,654
Purchase of goods and services	3	144,393	133,921
Depreciation and impairment charges	3	17,013	19,753
Other operating expenditure	3	450	450
<b>Total operating expenditure</b>		<b>175,299</b>	<b>166,778</b>
<b>Net operating expenditure</b>		<b>120,637</b>	<b>138,427</b>
<b>Other comprehensive net expenditure</b>			
Items that will not be reclassified to net operating costs:			
– Net (gain) on revaluation of non-current assets	13	(165)	(84)
<b>Comprehensive net expenditure for the year</b>		<b>120,472</b>	<b>138,343</b>

All income and expenditure are derived from continuing operations.  
The notes on pages 97 to 114 form part of these accounts.

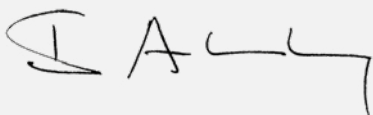


## Statement of financial position at 31 March

This statement presents the financial position of the Department. It comprises three main components: assets owned or controlled; liabilities owed to other bodies; and equity, the remaining value of the entity.

	Note	2018 £000	2018 £000	2017 £000	2017 £000
<b>Non-current assets</b>					
Property, plant and equipment	5	10,035		11,729	
Intangible assets	6	60,430		57,748	
			70,465		69,477
Other receivables	9	3,091		7,593	
<b>Total non-current assets</b>			73,556		77,070
<b>Current assets</b>					
Trade and other receivables	9	14,443		16,031	
Cash and cash equivalents	10	23		2	
Client funds	11	9,633		482	
<b>Total current assets</b>			24,099		16,515
<b>Total assets</b>			97,655		93,585
<b>Current liabilities</b>					
Trade and other payables	12	(28,284)		(29,688)	
Client funds: Liability to HM Treasury	11	(9,633)		(482)	
<b>Total current liabilities</b>			(37,917)		(30,170)
<b>Total current assets less current liabilities</b>			59,738		63,415
<b>Non-current liabilities</b>					
Trade and other payables	12	(21,095)		(20,718)	
<b>Total non-current liabilities</b>			(21,095)		(20,718)
<b>Total assets less total liabilities</b>			<b>38,643</b>		<b>42,697</b>
<b>Taxpayers' equity</b>					
General Fund			38,052		42,266
Revaluation reserve	13		591		431
<b>Total equity</b>			<b>38,643</b>		<b>42,697</b>

The notes on pages 97 to 114 form part of these accounts.



**Ian Ackerley**  
Chief Executive  
National Savings and Investments

08 June 2018

## Statement of cash flows for the year ended 31 March

The Statement of cash flows shows the changes in cash and cash equivalents of the Department during the reporting period. The statement shows how the Department generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of service costs and the extent to which these operations are funded by way of income from the recipients of services provided by the Department. Investing activities represent the extent to which cash inflows and outflows have been made for resources which are intended to contribute to the Department's future public service delivery.

	Note	2017-18 £000	2016-17 £000
<b>Cash flows from operating activities</b>			
Net operating expenditure		(120,637)	(138,427)
Adjustment for non-cash	3	17,463	20,203
Decrease/(increase) in trade and other receivables	9	6,090	(17,502)
(Decrease)/increase in trade and other payables	12	(3,878)	18,564
<b>Net cash outflow from operating activities</b>		<b>(100,962)</b>	<b>(117,162)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	5	(988)	(658)
Purchase of intangible assets	6	(16,848)	(20,962)
Increase in capital payables	12	2,830	552
Proceeds of disposal of property, plant and equipment	8	–	12,695
<b>Net cash flows from investing activities</b>		<b>(15,006)</b>	<b>(8,373)</b>
<b>Cash flows from financing activities</b>			
From the Consolidated Fund (Supply) – current year		115,991	125,535
To the Consolidated Fund (Supply) – prior year		(1)	(13)
<b>Net cash flows from financing activities</b>		<b>115,990</b>	<b>125,522</b>
<b>Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund</b>			
		<b>22</b>	<b>(13)</b>
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		252	98
Payments of amounts due to the Consolidated Fund		(253)	(99)
<b>Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund</b>	10	<b>21</b>	<b>(14)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	10	<b>2</b>	<b>16</b>
<b>Cash and cash equivalents at the end of the period</b>	10	<b>23</b>	<b>2</b>

Cash flows regarding client funds are not included as those monies are not accounted for through the Consolidated Fund.

The notes on pages 97 to 114 form part of these accounts.

## Statement of changes in taxpayers' equity at 31 March

This statement shows the movement in the year on the different reserves held by National Savings and Investments, analysed into 'General Fund and the revaluation reserve' (i.e. those reserves that reflect a contribution from the Consolidated Fund). The revaluation reserve reflects the change in asset values that have not been recognised as income or expenditure. The General Fund represents the total assets less liabilities of a department, to the extent that the total is not represented by other reserves and financing items.

	Note	General Fund £000	Revaluation reserve £000	Taxpayers' equity £000
<b>Balance at 1 April 2016</b>		<b>48,364</b>	<b>6,692</b>	<b>55,056</b>
<b>Changes in taxpayers' equity 2016–17</b>				
Net Parliamentary Funding – drawn down		125,522	–	125,522
Net Parliamentary Funding – deemed		13	–	13
Supply payable adjustment		(1)	–	(1)
		<b>125,534</b>	<b>–</b>	<b>125,534</b>
Net operating costs for the year		(138,427)	–	(138,427)
<b>Non-cash adjustments</b>				
Auditor's remuneration	3	450	–	450
Net gain on revaluation of non-current assets	13	–	84	84
		(137,977)	84	(137,893)
<b>Movements in reserves</b>				
Transfer between reserves	13	6,345	(6,345)	–
<b>Balance at 31 March 2017</b>		<b>42,266</b>	<b>431</b>	<b>42,697</b>
<b>Changes in taxpayers' equity 2017–18</b>				
Net Parliamentary Funding – drawn down		115,990	–	115,990
Net Parliamentary Funding – deemed		1	–	1
Supply payable adjustment		(23)	–	(23)
		<b>115,968</b>	<b>–</b>	<b>115,968</b>
Net operating costs for the year		(120,637)	–	(120,637)
<b>Non-cash adjustments</b>				
Auditor's remuneration	3	450	–	450
Net gain on revaluation of non-current assets	13	–	165	165
		(120,187)	165	(120,022)
<b>Movements in reserves</b>				
Transfer between reserves	13	5	(5)	–
<b>Balance at 31 March 2018</b>		<b>38,052</b>	<b>591</b>	<b>38,643</b>

The notes on pages 97 to 114 form part of these accounts.

## Notes to the Departmental Resource Accounts

### 1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2017–18 Government *Financial Reporting Manual* (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of NS&I for the purpose of giving a true and fair view has been selected. The particular policies adopted by NS&I for the accounts are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

In addition to the primary statements prepared under IFRS, the FReM also requires the Department to prepare one additional primary statement. The Statement of Parliamentary Supply and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement. These are included in the Accountability Report.

Accounts direction for these departmental accounts is given by HM Treasury in accordance with section 5 (2) of the Government Resources and Accounts Act 2000. NS&I also prepares the Product Accounts covering transactions and balances on all NS&I products, which are prepared under a separate direction issued by HM Treasury (disclosed in Annex 1 to the Product Accounts).

#### 1.1 Standards in issue but not in force

Certain standards, amendments and interpretations to existing standards have been published that may be mandatory for NS&I's accounting periods beginning on or after 1 April 2018 or later periods. NS&I has not early adopted the standards, amendments or interpretations described below.

**1.1.1** IFRS 15 *Revenue from Contracts with Customers* – describes how and when an entity will recognise contract revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers (effective 1 January 2018). The impact on NS&I is not expected to be significant as NS&I already recognises income over the life of each contract in line with the delivery of contractual obligations.

**1.1.2** IFRS 9 *Financial Instruments* – the first phase of IFRS 9 addresses the classification and measurement of financial instruments. IFRS 9 does not have an impact on NS&I's accounts, given that IAS 39 classification and measurement requirements used by NS&I have largely been carried forward into IFRS 9 (effective 1 January 2018).

**1.1.3** IFRS 16 *Leases* – specifies how an entity will recognise, measure, present and disclose leases. The standard provides a single lease accounting model, requiring lessees to recognise assets and liabilities for all leases unless the term is 12 months or less or the underlying asset has a low value. Lessors will continue to classify leases as operating or finance with IFRS 16's approach to lessor accounting unchanged from the previous standard International Accounting Standard (IAS) 17 *Leases*. It is expected that this standard will have a material impact on NS&I and bring the majority of the operating leases (as disclosed in note 14) onto the Statement of financial position. The standard becomes effective for annual reporting periods beginning on or after 1 January 2019.

#### 1.1.4 Other amendments to the FReM

Other amendments to the FReM due to come into effect on or after 1 April 2018 are considered to have no impact on NS&I.

## 1.2 Accounting convention

These accounts have been prepared under the historical cost convention, modified to account for the revaluation of property, plant and equipment and intangible assets.

## 1.3 Accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based on amounts which differ from those estimates. Estimates, judgements and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The accounting policies set out areas involving a higher degree of judgement, complexity, assumptions and estimation techniques, such as note 1.4 (Service concession arrangements (Public Private Partnership)), note 1.6 (Depreciation and amortisation), note 1.7 (Impairments of non-current assets) and note 1.13 (Provisions). In the application of NS&I's accounting policies, management has made a number of judgements that have a significant effect on the amounts recognised in the financial statements. The most significant judgements are:

- Intangible assets – substantial amounts of software development costs have been capitalised since International Financial Reporting Interpretations Committee (IFRIC) 12 was implemented. Capitalisation of these costs requires considerable judgement. Development work is being carried out to modernise NS&I's infrastructure, simplify its products and develop its business-to-business capability. NS&I capitalises the implementation costs of developments where future benefits will accrue. Management judgement has been applied in quantifying the benefit expected to accrue to NS&I over the useful life of the relevant assets. The benefits relate to the fact that such software allows NS&I to carry out its functions more efficiently and to leverage its capability. Where the software does not produce the expected benefits in terms of NS&I achieving its objectives or is no longer being used for the purpose it was developed for, then the carrying value would require adjustment.
- Impairments – NS&I carries out a comprehensive review of the value of all asset categories with a particular focus on assets whose initial cost was over £50,000. The review is carried out at year end. The majority of these assets are included under information technology software. Asset values are assessed as to whether the carrying value on the Statement of financial position is overstated in comparison with fair value, usually market value. In addition, an assessment is carried out to ensure that the assets are performing to the levels determined in business cases and also on the organisation as a whole. This includes an assessment of assets under construction. NS&I management ensures as far as possible that asset carrying values reflect current values.
- Intangible asset impairments – for software development assets under construction, where there are significant changes to the proposed project solution, management judgement is applied in assessing the ongoing carrying value of the capitalised assets. Detailed assessments are carried out by technical experts with extensive experience within NS&I's outsourced provider, Atos, to identify work of ongoing benefit. These assessments are reviewed and considered by NS&I

in forming its view on the value of its assets. Where carrying values are higher than the assessed current value, an impairment is recognised in the Statement of comprehensive net expenditure.

The most significant estimates are:

- Depreciation and amortisation – under IFRIC 12, depreciation costs have risen substantially since NS&I has included these assets on its Statement of financial position. Depreciation is dependent on the carrying values and useful economic lives that NS&I uses for its assets. NS&I management ensures as far as possible that the values used reasonably reflect NS&I's position.

#### 1.4 Service concession arrangements (Public Private Partnership)

NS&I follows the principles provided in IFRIC 12 *Service Concession Arrangements*, as interpreted and adapted by HM Treasury.

Service concession arrangements fall within the scope of IFRIC 12 where the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and the price; and the grantor controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the infrastructure at the end of the service arrangement.

Following a review of IFRIC 12, it was determined that NS&I's Public Private Partnership contract with Atos falls within the scope of the FReM interpretation of this standard. Accordingly, the assets created or acquired under the contract are treated as assets of NS&I and recorded as non-current assets in the accounts.

NS&I capitalises all assets that are used by Atos for carrying out NS&I work. The main source of asset information is provided by Atos through its asset register. NS&I reviews all additions and disposals on a monthly basis and also ensures that carrying values of the assets brought onto the Statement of financial position are not in excess of their recoverable value. NS&I also brings onto its Statement of financial position project implementation work that is carried out by Atos, which provides future economic benefits to NS&I.

Assets are recognised at an amount equal to the value of work performed by Atos where:

- it is probable that future economic benefits associated with the asset will flow to NS&I and
- the cost of the asset can be measured reliably.

Further information regarding NS&I's service concession arrangements with Atos is provided in note 15.

#### 1.5 Non-current assets

Property, plant and equipment and intangible assets are initially recognised at cost. The threshold for capitalising non-current assets is £2,000 (2016–17: £500). Where a significant purchase of individual assets that are individually below the prescribed capitalisation limit arises then these assets are grouped together for capitalisation purposes.

Assets under construction are valued at historical cost within non-current assets and are not depreciated or amortised. An asset ceases to be classified as an asset under construction when it is ready for use. Its carrying value is then removed from assets under construction and transferred to the respective asset category. Depreciation or amortisation is then charged on the asset in accordance with the stated accounting policy.

Land and buildings are subsequently measured at fair value, as interpreted by the FReM, on the basis of professional valuations. A full valuation is carried out each year by NS&I's professional valuers, Cushman and Wakefield, in accordance with the RICS Valuation Standards.

Information technology software assets and the website are subsequently measured at fair value. As no active market exists for these asset categories, information technology software and website are revalued at each reporting date using the Computer Service Producer Price Index produced by the Office for National Statistics.

Other non-current assets are carried at historical cost less accumulated depreciation. This is a suitable proxy for fair value and is allowable as per the FReM for those assets with short useful economic lives or low values. This includes assets held as fixtures and fittings, plant and machinery, IT equipment and intangible assets other than information technology software.

Any surplus arising on revaluation is credited to the revaluation reserve and any loss arising is debited to the revaluation reserve to the extent of the gains that have been recorded previously, with any balance being charged to the Statement of comprehensive net expenditure, within other comprehensive net expenditure. Components of an asset are separated where their value is significant in relation to the total value of the asset and where those components have different useful lives from the remainder of the asset.

### 1.6 Depreciation and amortisation

The charge for depreciation or amortisation is calculated to write down the cost or valuation of property, plant and equipment, and intangible assets to their estimated residual values by equal instalments over their estimated useful lives. The useful lives of buildings are reviewed annually. Where a change in asset life is determined, the asset is depreciated on a straight-line basis over its remaining assessed life.

#### Property, plant and equipment

Freehold buildings	20 to 50 years
Information technology	3 to 10 years
Plant and machinery	5 to 15 years
Furniture and fittings	Shorter of remaining lease term or 5 to 20 years

#### Intangible assets

Information technology software	3 to 10 years
Software licences	3 to 10 years
Website	3 to 5 years
Assets under construction	Not depreciated

#### Other

Assets available for sale	Not depreciated
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### 1.7 Impairment of non-current assets

Impairments are permanent diminutions in the service potential of non-current assets. All assets are assessed annually for indications of impairment. If an indication of impairment exists, the assets in question are tested for impairment by comparing the carrying value of those assets with their recoverable amounts. Where the recoverable amount of an asset is less than its carrying value, the carrying value of the asset is reduced to its recoverable amount.

The recoverable amount of an asset is the higher of its 'fair value less costs to sell' and 'value in use'. Within the public sector, the FReM defines 'value in use' of a non-cash generating asset as the present value of the asset's remaining service potential, which can be assumed to be at least equal to the cost of replacing that service potential.

An impairment loss is recognised in the Statement of comprehensive net expenditure to the extent that it cannot be offset against the revaluation reserve. Any reversal of an impairment charge is recognised in the Statement of comprehensive net expenditure to the extent that the original charge, adjusted for subsequent depreciation, was previously recognised in the Statement of comprehensive net expenditure. The remaining amount is recognised in the revaluation reserve.

### 1.8 Non-current assets held for sale

Non-current assets are classified as 'held for sale' when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. Assets held for sale are stated at the lower of their carrying amount prior to classification as 'held for sale' and their fair value less the costs of selling the asset. Any subsequent impairment or reversal is recognised in the Statement of comprehensive net expenditure. Assets classified as held for sale are not depreciated.

### 1.9 Leases

Leases are accounted for as operating leases, as a significant portion of the risks and rewards of ownership is retained by the lessor.

The total payments made under operating leases are charged to the Statement of comprehensive net expenditure on a straight-line basis over the period of the lease. When discounts are provided, the discount is treated as deferred income and is used to offset costs over the operating lease term.

### 1.10 Employee benefits

Short-term employee benefits (those payable within 12 months after service is rendered in a period, such as wages, bonuses, paid vacation and sick leave) are recognised in the period service is rendered. In the case of accumulating absences, such as paid annual leave, any days not taken are accrued into the relevant period.

### 1.11 Early departure costs

NS&I is required to meet the additional cost of benefits beyond the normal Civil Service pension benefits in respect of employees who retire early unless the retirement is on approved medical grounds. NS&I provides for this cost when it has entered into contractual arrangements with the early retirees and creates a corresponding provision for its future payments in the Statement of financial position. In accordance with the requirements of IAS 37, this provision would be discounted. NS&I may, in certain circumstances, settle some or all of its liability in advance by making a payment for the credit of the Civil Superannuation Vote.

### 1.12 Pensions

Pension benefits are provided through Civil Service pension arrangements. Civil servants may be in one of five defined benefit schemes: either a final salary scheme (Classic, Premium or Classic Plus); or a whole career average scheme (Nuvos and Alpha). A defined contribution scheme (Partnership) is also available. The defined benefit schemes are unfunded. NS&I recognises the expected cost of these elements



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on a systematic basis over the period during which it benefits from employees' services by payment to the Civil Service pension scheme of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the scheme. In respect of the defined contribution scheme, NS&I recognises the contributions payable for the year.

### 1.13 Provisions

Provisions are recognised for present obligations arising as consequences of past events where it is likely that a transfer of economic benefit will be necessary to settle the obligation and it can be reliably estimated.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the Statement of financial position date, taking into consideration the risks and uncertainties surrounding the obligation. Where a provision is measured using cash flows over a number of accounting periods to settle the present obligation, its carrying amount is the present value of those cash flows, where the effect of the time value of money is material.

### 1.14 Contingent liabilities

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is uncertain or cannot be reliably measured. Contingent liabilities are not recognised but are disclosed unless they are remote.

In addition to contingent liabilities disclosed in accordance with IAS 37, NS&I discloses for Parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of *Managing Public Money*.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

### 1.15 Financial instruments

All financial instruments are recognised at fair value. Fair value of financial instruments is determined by using the discounted future cash flow method. Financial assets and financial liabilities, including derivative financial instruments if any, are recognised in the Statement of financial position when NS&I becomes a party to the contractual provisions of the instrument. Gains and losses are dealt with through the Statement of comprehensive net expenditure.

### 1.16 Operating income

All income received is assessed on receipt to determine whether it is appropriate to recognise as operating income or whether it is recognised as deferred income. Income that is deferred represents payments for implementation costs from business-to-business clients. This is accumulated over the period an asset is being developed. When the asset is ready to be used, deferred income is transferred to operating income over the useful economic life of the asset.

### 1.17 Value added tax

NS&I's retail activities are exempted under the terms of the value added tax (VAT) legislation and therefore input VAT is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase of non-current assets. Most of NS&I's business-to-business activities are also exempted from VAT under the same terms of the VAT legislation. However, one business-to-business contract that NS&I operates is not exempt from VAT and in this case VAT is recovered on the costs of the activity and paid on income received. In this case, the net cost and income are charged to the relevant expenditure categories and VAT to the Statement of financial position.

### 1.18 Operating segments

Within the definitions of IFRS 8 *Segmental Reporting*, NS&I is an entity with a single reportable segment, since NS&I's financial planning and reporting is based on NS&I being one single entity. The chief operating decision-maker as defined by IFRS 8 is NS&I's Management Board, and financial information that is required regularly by the Management Board to make decisions about planning and resource allocation and performance assessment is reported on an NS&I entity basis. Accordingly, NS&I does not report separately for the costs of its business-to-business activities and as such does not segment business-to-business from its overall activities in these Accounts.

NS&I's Product Accounts are reported separately in this report but are deemed not to be a separate operating segment as they relate to NS&I's core activity, with all head office functions being incidental to delivering this.

### 1.19 Client funds

NS&I is holding client funds on behalf of HM Revenue and Customs (HMRC) for payments under the Tax-Free Childcare Scheme and Help to Save. These amounts are held in separate bank accounts and segregated from NS&I's voted monies. Client funds held are recognised as current assets in the Statement of financial position, with the corresponding liability in current liabilities.

As part of HMRC's Tax-Free Childcare Scheme, NS&I holds monies on behalf of parents. It also holds funds on behalf of savers as part of Help to Save. In both cases, these funds are classed as third party assets and are not recognised in NS&I's Statement of financial position.

## 2 Staff and related costs

Staff costs comprise:

	2017–18 £000	2016–17 £000
Wages and salaries	10,378	9,889
Social security costs	1,145	1,038
Other pension costs	1,920	1,727
<b>Total staff costs</b>	<b>13,443</b>	<b>12,654</b>

Full details of staff costs, staff numbers and superannuation are included in the Remuneration and staff report.

## 3 Expenditure

	Note	2017–18 £000	2017–18 £000	2017–18 £000	2016–17 £000	2016–17 £000	2016–17 £000
Public Private Partnership provider costs <sup>(1)</sup>		144,864			139,633		
Transfer of PPP provider costs to capital		(17,836)			(21,616)		
<b>Net PPP costs</b>			127,028			118,017	
Goods and services			15,521			14,233	
Rentals under operating leases			1,916			1,671	
Unwinding discount on property debtor <sup>(2)</sup>			(72)			–	
<b>Total goods and services</b>				<b>144,393</b>			<b>133,921</b>
<b>Non-cash items</b>							
Depreciation	5		2,764			3,443	
Amortisation	6		13,348			10,821	
Loss on disposal of property, plant and equipment, intangible assets	5,6		1,105			4,623	
Profit on disposal of assets held for sale	8		–			(3,845)	
Reversal of previous downward revaluation	5		(739)			(259)	
Revaluation of non-current assets and assets held for sale	5,6,13		535			105	
Impairment	6		–			4,865	
<b>Depreciation and impairment</b>			<b>17,013</b>			<b>19,753</b>	
Auditor's remuneration and expenses <sup>(3)</sup>			450			450	
<b>Total non-cash items</b>				<b>17,463</b>			<b>20,203</b>
				<b>161,856</b>			<b>154,124</b>

(1) Public Private Partnership (PPP) gross costs were £144,864,000 (2016–17: £139,633,000). These are reduced by infrastructure and development work which are transferred to capital under IFRIC 12. The impact of the transfer is to reduce NS&I's operating costs but increase NS&I's assets on its Statement of financial position. The transfer during the year was £17,836,000 (2016–17: £21,616,000). The treatment is outlined in note 1.4.

(2) The unwinding discount relates to the recalculation of the property debtor. This represents an increase in the debtor through the timing of the receipts.

(3) The Auditor's remuneration costs include fees for the Product Accounts statutory audit of £380,000 (£380,000 in 2016–17) and for the Resource Accounts statutory audit fees of £70,000 (£70,000 in 2016–17).

## 4 Income

	2017–18 £000	2017–18 £000	2016–17 £000	2016–17 £000
Operating income comprises:				
Business-to-business	54,527		28,166	
<b>Income from sale of goods and services</b>		54,527		28,166
Other receipts	135		185	
<b>Other operating income</b>		135		185
<b>Total operating income</b>		<b>54,662</b>		<b>28,351</b>

## 5 Property, plant and equipment

### 5(a) Current year

	Land £000	Buildings £000	Information technology £000	Plant and machinery £000	Furniture and fittings £000	Assets under construction £000	Total £000
<b>Cost or valuation</b>							
At 1 April 2017	600	1,598	22,807	1,246	5,000	22	31,273
Additions	–	–	854	1	133	–	988
Transfer from 'Assets under construction'	–	–	22	–	–	(22)	–
Disposals	–	–	(2,163)	(5)	(11)	–	(2,179)
Reclassification	–	–	–	(5)	5	–	–
Revaluation <sup>(1)</sup>	150	739	–	–	–	–	889
<b>At 31 March 2018</b>	<b>750</b>	<b>2,337</b>	<b>21,520</b>	<b>1,237</b>	<b>5,127</b>	<b>–</b>	<b>30,971</b>
<b>Depreciation</b>							
At 1 April 2017	–	(198)	(16,286)	(337)	(2,723)	–	(19,544)
Charged in year	–	(139)	(1,981)	(109)	(535)	–	(2,764)
Disposals	–	–	1,361	5	6	–	1,372
Reclassification	–	–	–	3	(3)	–	–
Revaluation	–	–	–	–	–	–	–
<b>At 31 March 2018</b>	<b>–</b>	<b>(337)</b>	<b>(16,906)</b>	<b>(438)</b>	<b>(3,255)</b>	<b>–</b>	<b>(20,936)</b>
<b>Carrying amount</b>							
<b>At 31 March 2018</b>	<b>750</b>	<b>2,000</b>	<b>4,614</b>	<b>799</b>	<b>1,872</b>	<b>–</b>	<b>10,035</b>
<b>Owned assets</b>	<b>750</b>	<b>2,000</b>	<b>4</b>	<b>762</b>	<b>825</b>	<b>–</b>	<b>4,341</b>
<b>IFRIC 12 assets</b>	<b>–</b>	<b>–</b>	<b>4,610</b>	<b>37</b>	<b>1,047</b>	<b>–</b>	<b>5,694</b>
<b>Total</b>	<b>750</b>	<b>2,000</b>	<b>4,614</b>	<b>799</b>	<b>1,872</b>	<b>–</b>	<b>10,035</b>

(1) The freehold land and building at NS&I's Moorlands site in Blackpool was revalued as at 31 March 2018 by our professional valuers, chartered surveyors Cushman and Wakefield.

## 5(b) Prior year

	Land	Buildings	Information technology	Plant and machinery	Furniture and fittings	Assets under construction <sup>(2)</sup>	Total
	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation</b>							
At 1 April 2016	600	1,339	21,810	1,567	4,879	795	30,990
Additions	–	–	603	1	32	22	658
Transfer from 'Assets under construction' <sup>(1)</sup>	–	–	671	–	124	(795)	–
Disposals	–	–	(277)	(322)	(35)	–	(634)
Revaluation <sup>(2)</sup>	–	259	–	–	–	–	259
<b>At 31 March 2017</b>	<b>600</b>	<b>1,598</b>	<b>22,807</b>	<b>1,246</b>	<b>5,000</b>	<b>22</b>	<b>31,273</b>
<b>Depreciation</b>							
At 1 April 2016	–	(137)	(13,790)	(550)	(2,190)	–	(16,667)
Charged in year	–	(61)	(2,721)	(109)	(552)	–	(3,443)
Disposals	–	–	225	322	19	–	566
<b>At 31 March 2017</b>	<b>–</b>	<b>(198)</b>	<b>(16,286)</b>	<b>(337)</b>	<b>(2,723)</b>	<b>–</b>	<b>(19,544)</b>
<b>Carrying amount</b>							
<b>At 31 March 2017</b>	<b>600</b>	<b>1,400</b>	<b>6,521</b>	<b>909</b>	<b>2,277</b>	<b>22</b>	<b>11,729</b>
<b>Owned assets</b>	<b>600</b>	<b>1,400</b>	<b>133</b>	<b>837</b>	<b>1,172</b>	<b>–</b>	<b>4,142</b>
<b>IFRIC 12 assets</b>	<b>–</b>	<b>–</b>	<b>6,388</b>	<b>72</b>	<b>1,105</b>	<b>22</b>	<b>7,587</b>
<b>Total</b>	<b>600</b>	<b>1,400</b>	<b>6,521</b>	<b>909</b>	<b>2,277</b>	<b>22</b>	<b>11,729</b>

(1) Assets originally classified as 'Assets under construction' were transferred to Information technology (£671,000) and furniture and fittings (£124,000) as the Tax-Free Childcare Scheme went live.

(2) The freehold land and building at NS&I's Moorlands site in Blackpool was revalued as at 31 March 2017 by our professional valuers, chartered surveyors Cushman and Wakefield.

## 6 Intangible assets

### 6(a) Current year

	Information technology software £000	Software licences £000	Website £000	Assets under construction <sup>(1)</sup> £000	Total £000
<b>Cost or valuation</b>					
<b>At 1 April 2017</b>	55,851	17,052	16,700	5,981	95,584
Additions <sup>(1)</sup>	9	2,760	–	14,079	16,848
Transfer from 'Assets under construction'	14,792	386	–	(15,178)	–
Revaluation	(706)	–	(245)	–	(951)
Disposals	(92)	(777)	–	–	(869)
<b>At 31 March 2018</b>	<b>69,854</b>	<b>19,421</b>	<b>16,455</b>	<b>4,882</b>	<b>110,612</b>
<b>Amortisation</b>					
<b>At 1 April 2017</b>	(26,177)	(9,985)	(1,674)	–	(37,836)
Charged in year	(8,143)	(1,880)	(3,325)	–	(13,348)
Revaluation	372	–	59	–	431
Disposals	92	479	–	–	571
<b>At 31 March 2018</b>	<b>(33,856)</b>	<b>(11,386)</b>	<b>(4,940)</b>	<b>–</b>	<b>(50,182)</b>
<b>Carrying amount</b>					
<b>At 31 March 2018</b>	<b>35,998</b>	<b>8,035</b>	<b>11,515</b>	<b>4,882</b>	<b>60,430</b>
<b>Owned assets</b>	<b>474</b>	<b>–</b>	<b>–</b>	<b>38</b>	<b>512</b>
<b>IFRIC 12 assets</b>	<b>35,524</b>	<b>8,035</b>	<b>11,515</b>	<b>4,844</b>	<b>59,918</b>
<b>Total</b>	<b>35,998</b>	<b>8,035</b>	<b>11,515</b>	<b>4,882</b>	<b>60,430</b>

(1) 'Assets under construction' totalled £4.88 million. The main components relate to preparatory work for financial services industry-wide changes. Assets under construction transferred to live (£15.2 million) included implementation work for business-to-business clients.

(2) Information technology software and the website were revalued during the year using an appropriate Office for National Statistics (ONS) index. This was the Computer Services Producer Price Index produced by the ONS. The net decrease in value of the assets was £0.52 million.

## 6 Intangible assets

### 6(b) Prior year

	Information technology software £000	Software licences £000	Website £000	Assets under construction <sup>(1)</sup> £000	Total £000
<b>Cost or valuation</b>					
<b>At 1 April 2016</b>	107,165	16,598	880	37,890	162,533
Additions	48	1,528	–	19,386	20,962
Transfer from 'Assets under construction'	27,182	2,484	16,764	(46,430)	–
Revaluation <sup>(2)</sup>	1,889	–	(50)	–	1,839
Disposals <sup>(3)</sup>	(80,433)	(3,558)	(894)	–	(84,885)
Impairment <sup>(4)</sup>	–	–	–	(4,865)	(4,865)
<b>At 31 March 2017</b>	<b>55,851</b>	<b>17,052</b>	<b>16,700</b>	<b>5,981</b>	<b>95,584</b>
<b>Amortisation</b>					
<b>At 1 April 2016</b>	(95,596)	(9,009)	(880)	–	(105,485)
Charged in year	(6,574)	(2,568)	(1,679)	–	(10,821)
Revaluation <sup>(2)</sup>	(1,851)	–	(9)	–	(1,860)
Disposals <sup>(3)</sup>	77,844	1,592	894	–	80,330
<b>At 31 March 2017</b>	<b>(26,177)</b>	<b>(9,985)</b>	<b>(1,674)</b>	<b>–</b>	<b>(37,836)</b>
<b>Carrying amount</b>					
<b>At 31 March 2017</b>	<b>29,674</b>	<b>7,067</b>	<b>15,026</b>	<b>5,981</b>	<b>57,748</b>
<b>Owned assets</b>	<b>550</b>	<b>–</b>	<b>–</b>	<b>38</b>	<b>588</b>
<b>IFRIC 12 assets</b>	<b>29,124</b>	<b>7,067</b>	<b>15,026</b>	<b>5,943</b>	<b>57,160</b>
<b>Total</b>	<b>29,674</b>	<b>7,067</b>	<b>15,026</b>	<b>5,981</b>	<b>57,748</b>

(1) 'Assets under construction' totalled £5.98 million. The main components of this balance related to implementation work for a business-to-business client and new product development work. More than £46.4 million of completed projects were transferred from Assets under construction to: 'Information technology software' (£27.1 million), 'Software licences' (£2.5 million) and 'Website' (£16.8 million).

(2) Information technology software was revalued during the year using an appropriate ONS index. This was the Computer Services Producer Price Index produced by the ONS. The net increase in value of the assets was £0.038 million.

(3) Information technology software assets with a gross value of £80.4 million were disposed during 2016–17. The carrying value of these assets was £2.6 million, as the majority were fully amortised. The losses on disposal were on assets transferred onto NS&I's balance sheet through the application of IFRIC 12. There is no cost to the taxpayer for these disposals.

(4) Some impairment of 'Assets under construction' arose in 2016–17 as a result of the development of revised software project solutions. The costs arising from these revised solutions were borne by Atos under the previously agreed fixed price contract in place with NS&I.

## 7 Financial instruments

As the cash requirements of NS&I are met through the estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size. The financial instruments that NS&I has are cash, trade receivables and trade payables. They are in line with NS&I expectations in terms of purchase and usage requirements. NS&I is therefore exposed to little credit, liquidity or market risk.

NS&I's net revenue resource requirements, including capital expenditure, are financed by resources voted annually by Parliament, which include income and expenditure on its business-to-business activities. NS&I's Resource Accounts are not, therefore, exposed to significant liquidity risks.

There are no differences between the book value of receivables, payables or cash held and their fair value.

NS&I is not exposed to any credit or liquidity risk in its performance of business-to-business services. Customers are central government departments.

## 8 Assets held for sale

	2018 £000	2017 £000
<b>Balance at 1 April</b>	–	8,851
Transfer from 'Property, plant and equipment'	–	–
Sale of property	–	(8,851)
<b>Balance at 31 March</b>	–	–

NS&I completed the sales of the Blackpool Tower Stock and Computer Buildings site (December 2016) and the Glasgow site (October 2016) during 2016–17. The sales resulted in an overall profit on disposal of more than £3,845,000. In addition, £6,287,000 of upward revaluation was realised from the revaluation reserve. The Glasgow site was sold for £9,458,000 after taking account of costs of sale and discounting. The value of the sale of the Blackpool Main Building after taking account of costs of sale and discounting was £3,237,000.



## 9 Trade and other receivables

at 31 March

	2018 £000	2017 £000
<b>Amounts falling due within one year:</b>		
Trade receivables	–	5,026
Deposits and advances	77	66
Prepayments	134	219
Accrued income	9,677	8,056
Proceeds from the sale of property	4,555	2,659
Other receivables	–	5
<b>Total trade and other receivables falling due within one year</b>	<b>14,443</b>	<b>16,031</b>
<b>Amounts falling due after more than one year</b>		
Proceeds from the sale of property	3,091	7,593
<b>Subtotal</b>	<b>3,091</b>	<b>7,593</b>
<b>Total trade and other receivables</b>	<b>17,534</b>	<b>23,624</b>

As described in note 8, NS&I sold two properties during 2016–17. It will receive the full proceeds of the sale over a three-year period from the end of 2016–17. At 31 March 2018, more than £5,235,000 had been received. A total of £4,555,000 will be received during 2018–19, with a further £3,091,000 to be received in 2019–20.

## 10 Cash and cash equivalents

	2018 £000	2017 £000
<b>Balance at 1 April</b>	2	16
Net change in cash and cash equivalent balances	21	(14)
<b>Closing cash and cash equivalent balance</b>	<b>23</b>	<b>2</b>
<b>The following balances are held at:</b>		
Government Banking Service	23	2
<b>Balance at 31 March</b>	<b>23</b>	<b>2</b>

## 11 Client funds

	2018 £000	2017 £000
<b>Balance at 1 April</b>	482	34,487
Net change in client funds balances	9,151	(34,005)
<b>Closing Client funds balance</b>	<b>9,633</b>	<b>482</b>
<b>The following balances are held at:</b>		
Government Banking Service	9,633	482
<b>Balance at 31 March</b>	<b>9,633</b>	<b>482</b>
<b>Corresponding liability for payments to be made on behalf of HMRC, HM Treasury</b>	<b>(9,633)</b>	<b>(482)</b>

Client funds are being held on behalf of HMRC for the operation of the Tax-Free Childcare Scheme which was launched in 2017. The balance held in the account for HMRC was £9,628,000 (2017: £365,000). NS&I is also holding £18,019,000 (2017: £114,000) of contributions from parents. These parent monies are excluded from NS&I's Statement of financial position as third party assets.

NS&I is also holding £5,000 on behalf of HMRC for the operation of Help to Save which was launched in 2018. It is also holding £121,500 of customer's funds. These funds are also excluded from NS&I's Statement of financial position as third party assets.

Client funds were held on behalf of HM Treasury for the payment of sums to Equitable Life savers as part of business-to-business activities under the Equitable Life Payment Scheme. This scheme closed in 2016–17. At 31 March 2018, NS&I was holding £Nil (2017: £117,000).

## 12 Trade payables and other liabilities

at 31 March

	2018 £000	2017 £000
<b>Amounts falling due within one year:</b>		
VAT	55	554
Taxation and social security	295	271
Trade payables	3,397	5,188
Other payables	215	202
Accruals	17,850	17,753
Deferred income	6,449	5,718
Consolidated Fund extra receipts due to be paid to the Consolidated Fund	–	1
Amounts issued from the Consolidated Fund for supply but not spent at year end	23	1
<b>Total trade payables and other liabilities due within one year</b>	<b>28,284</b>	<b>29,688</b>
<b>Amounts falling due after more than one year:</b>		
Deferred income <sup>(1)</sup>	21,095	20,718
<b>Non-current liabilities</b>	<b>21,095</b>	<b>20,718</b>
<b>Total trade payables and other liabilities</b>	<b>49,379</b>	<b>50,406</b>

(1) Amounts falling due after more than one year refer to deferred income that will be brought into operating income over the life of business-to-business services that NS&I operates for its clients.

### 13 Movement in revaluation reserve

	Note	2018 £000	2017 £000
<b>Revaluation reserve changes:</b>			
Balance in revaluation reserve 1 April		(431)	(6,692)
Total downward revaluation of non-current assets	6	520	59
Charged to expenditure	3	204	154
Upward revaluation	5,6	(889)	(297)
<b>Revaluation movement</b>		<b>(165)</b>	<b>(84)</b>
Sale of assets		–	6,287
Depreciation adjustment		5	58
<b>Subtotal</b>		<b>5</b>	<b>6,345</b>
<b>Balance at 31 March</b>		<b>(591)</b>	<b>(431)</b>

### 14 Commitments under leases

The future minimum lease payments under operating leases are given in the table below, discounted to present value and analysed between future years.

	2018 £000	2017 £000
<b>Obligations under operating leases comprise:</b>		
Buildings:		
Not later than one year	1,745	1,493
Later than one year and not later than five years	7,164	3,578
Later than five years	6,723	7,856
<b>Total</b>	<b>15,632</b>	<b>12,927</b>

## 15 Commitments under the Public Private Partnership contract

In May 2013, following a competitive tender, NS&I entered into a new seven-year PPP contract with Atos for the provision of operational services, which came into effect on 1 April 2014. The contract is to design, develop, procure, finance and operate, including maintaining, certain assets over the period of the contract to enable the provision of a back office function and Customer Interaction Centre. The contract value is more than £600 million for the seven-year operational term in nominal terms; however, this will vary depending on the level of stock and business-to-business activity.

If Atos meets the performance standards in the contract, the service charge payable under the contract at constant price levels would be:

	£000
Amounts falling due within one year	82,809
Net present value of amounts falling due within two to five years	149,743
	<b>232,552</b>

	£000
Comparable figures at March 2017 were:	
Amounts falling due within one year	87,219
Net present value of amounts falling due within two to five years	212,991
	<b>300,210</b>

The total amount payable to Atos will vary depending on the levels of stock and business-to-business activity. These amounts cannot be predicted with any certainty.

## 16 Other financial commitments

There were no other financial commitments at 31 March 2018 (31 March 2017: Nil).

## 17 Contingent liabilities disclosed under IAS 37

There were no material contingent liabilities at 31 March 2018 (31 March 2017: Nil). NS&I did not have any provisions at 31 March 2018 (31 March 2017: Nil).

## 18 Related party transactions

NS&I is an Executive Agency of the Chancellor of the Exchequer and a government department. The Chancellor of the Exchequer is regarded as a related party. NS&I has not undertaken any material transaction with the Chancellor of the Exchequer during the year.

NS&I carried out a number of significant transactions with the Government Banking Service, Ministry of Justice (Office of Accountant General), the Office for National Statistics, the Home Office, HM Treasury, HMRC and a small number of immaterial transactions with other government departments: Treasury Solicitor's Department, the Cabinet Office, Ministry of Justice National Archives, Department for Work and Pensions, FCO Services and the Financial Ombudsman Service. All related party transactions undertaken were at arm's length.

Neither the Economic Secretary to HM Treasury nor any board member, nor any key manager or other related party, has undertaken any material transactions with NS&I during the year. Investments in NS&I products are not considered to be related party transactions and are therefore excluded from this declaration. Ministers, board members and key managers are judged to be related parties as they have authority and responsibility for planning, directing and controlling the activities of the entity.

The following table relates to deposits (excluding Premium Bond holdings) held by key management personnel and persons connected to them in NS&I.

	<b>2018</b>	<b>2017</b>
<b>Balance at 31 March</b>	<b>£000</b>	<b>£000</b>
Executive Directors and Non-executive Directors	801	2,173

In relation to holdings in Premium Bonds, the Premium Bond Regulations 1972 (Statutory Instrument (SI) 1972 No 765) prohibit the disclosure of the number of bonds purchased or held by any person. The Accounting Officer and persons connected with him are prohibited under NS&I's policies from holding Premium Bonds.

### 19 Events after the reporting period date

There are no reportable events between the Statement of financial position date and 11 June 2018, the date of authorisation of these accounts. The financial statements do not reflect events after that date.

## Product Accounts background

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### Accounts

These accounts have been prepared under a direction issued by HM Treasury in accordance with section 7 (2) of the Government Resources and Accounts Act 2000. This direction is at Annex 1 to these accounts on page 133.

### Scope of the Product Accounts

These accounts record transactions for the year ended 31 March 2018 on retail savings and investment products administered by NS&I and balances in respect of these products as at that date. They do not include:

- *The investment or use of funds.* Customer funds are not directly invested by NS&I. They are passed to the National Loans Fund (NLF) to fund public sector activity.
- *NS&I's administration costs.* These are funded by Parliamentary vote. They are accounted for separately in the Accountability Report section of this report and in the Resource Accounts. However, the interest and prizes costs on NS&I products are included in the total cost of servicing the national debt, and these costs are therefore reflected as a charge on both the NLF account and these accounts.
- *Business-to-business activities.* NS&I holds funds on behalf of other government departments as part of its business-to-business activities. These monies are included in NS&I's Resource Accounts, where relevant, and do not form part of the Product Accounts.

### The National Loans Fund

The NLF is central government's main borrowing and lending account. The NLF undertakes borrowing and uses the proceeds to meet any deficits on the Consolidated Fund. Most of the NLF's borrowing needs are met indirectly through borrowing on its behalf by NS&I and the Debt Management Office (DMO). The NLF ends each day with a Nil balance on its bank account because any cash surpluses or deficits are offset by transfers to or from the Debt Management Account. HM Treasury is responsible for the operation of the NLF and guarantees to honour NS&I's products' terms and conditions. In legal terms, section 120 of the Finance Act 1980 (in respect of investment deposits) and section 12 of the National Loans Act 1968 (for other NS&I payments) both make provision for such repayments to be issued from the NLF with recourse to the Consolidated Fund. Should the NLF prove insufficient, payment (customer liability) will be a charge on the Consolidated Fund and against the tax revenue being raised.

## NS&I's products and regulation

### NS&I's products and regulation

NS&I's Product Accounts cover transactions and balances on all NS&I's products.

The products covered by these accounts and their governing legislation and regulations are as follows:

#### Products governed by the National Debt Act 1972

Children's Bonds (previously known as Children's Bonus Bonds)	The National Savings (No.2) Regulations 2015
65+ Guaranteed Growth Bonds	The National Savings (No.2) Regulations 2015
Guaranteed Income Bonds and Guaranteed Growth Bonds (previously known as Fixed Rate Savings Bonds)	The National Savings (No.2) Regulations 2015
Investment Guaranteed Growth Bonds	The National Savings (No.2) Regulations 2015
Income Bonds	The National Savings (No.2) Regulations 2015
Premium Bonds	The National Savings (No.2) Regulations 2015
Savings Certificates	The National Savings (No.2) Regulations 2015

#### Products governed by the National Savings Bank Act 1971

Direct Saver Account	The National Savings Regulations 2015
Individual Savings Account	The National Savings Regulations 2015
Investment Account	The National Savings Regulations 2015
Junior Individual Savings Account	The National Savings Regulations 2015
Residual Account	The National Savings Regulations 2015

As part of NS&I's dormancy strategy, matured funds that remain unclaimed after 30 days are transferred to the Residual Account in order to continue earning interest for customers.

Savings Certificates, Children's Bonds, Guaranteed Income Bonds and Guaranteed Growth Bonds have had unclaimed matured funds transferred to the Residual Account in order to continue earning interest for customers.

#### Notable events during the year ended 31 March 2018

The year ended 31 March 2018 saw the strengthening of our customer proposition with the addition of Investment Guaranteed Growth Bonds and Junior Individual Savings Account, a tax-free savings account for children under 18, to the product range. Investment Guaranteed Growth Bonds were launched on 11 April 2017 and Junior Individual Savings Account on 15 August 2017, with both products being made available for online purchase only.

The financial year also saw notable changes in existing products. Children's Bonds were taken off general sale on 24 September 2017. Guaranteed Growth Bonds and Guaranteed Income Bonds, which were last on sale in 2009, were reintroduced to general sale on 1 December 2017, with customers having an option to purchase either 1 or 3-year term bonds online only.

On 15 January 2018, 3-year 65+ Guaranteed Growth Bonds began to mature. Customers with maturing investments in these bonds were given an option to cash in their investments, or reinvest into Guaranteed Growth Bonds or any other NS&I products currently on sale. The maturity process continued until 16 May 2018, at which point all 3-year bond holdings have either been repaid or reinvested in other NS&I products.

#### Audit

These accounts have been audited by the Comptroller and Auditor General, whose Certificate and Report appears on pages 88 to 90.

## Statement of comprehensive income for the year ended 31 March

	Note	2017-18 £000	2016-17 £000
<b>Income</b>			
Interest and prizes financed by the NLF	4	2,487,349	2,333,765
Interest and prizes financed by the NLF		2,487,349	2,333,765
<b>Cost</b>			
Interest and prizes earned by investors		(2,487,349)	(2,333,765)
Interest and prizes earned by investors	2	(2,487,349)	(2,333,765)
<b>Income less cost</b>		-	-

The notes on pages 120 to 132 form part of these accounts.

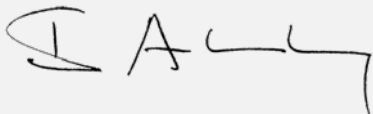
An analysis of interest and prizes by product is disclosed in note 2.



## Statement of financial position at 31 March

	Note	2018 £000	2017 £000
<b>Current assets</b>			
Held by the NLF	4	155,170,333	146,042,880
Other receivables	5	368,642	236,342
Cash and cash equivalents	9	1,203,769	663,663
<b>Total current assets</b>	10	<b>156,742,744</b>	<b>146,942,885</b>
<b>Current liabilities</b>			
Liability to investors	6	(156,736,736)	(146,940,258)
Other payables	7	(6,008)	(2,627)
<b>Total current liabilities</b>	10	<b>(156,742,744)</b>	<b>(146,942,885)</b>
<b>Net current assets</b>		<b>-</b>	<b>-</b>
<b>Assets less liabilities</b>		<b>-</b>	<b>-</b>

The notes on pages 120 to 132 form part of these accounts



**Ian Ackerley**  
Chief Executive  
National Savings and Investments

08 June 2018

## Statement of cash flows for the year ended 31 March

	Note	2017-18 £000	2016-17 £000
<b>Cash flows from operating activities</b>			
Income less cost		–	–
Increase in net funds held by the NLF	8	(9,127,453)	(12,053,525)
Increase in other receivables	5	(132,300)	(3,530)
Increase in total funds invested	2	9,796,478	11,791,807
Increase/(decrease) in other payables	7	3,381	(1,961)
<b>Net cash flow from operating activities</b>		<b>540,106</b>	<b>(267,209)</b>
<b>Net increase/(decrease) in cash and cash equivalents in the period</b>	9	540,106	(267,209)
<b>Cash and cash equivalents at the beginning of the period</b>	9	<b>663,663</b>	<b>930,872</b>
<b>Cash and cash equivalents at the end of the period</b>	9	<b>1,203,769</b>	<b>663,663</b>

The notes on pages 120 to 132 form part of these accounts.

## Notes to the Product Accounts

### 1 Statement of accounting policies

These accounts are prepared in accordance with the Government 2017–18 *Financial Reporting Manual (FReM)* issued by HM Treasury subject to exemptions outlined in clause 3 of the Product Accounts direction issued by HM Treasury, which is disclosed at Annex 1. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of NS&I for the purpose of giving a true and fair view has been selected. The particular policies adopted by NS&I for the Product Accounts are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

#### 1.1 Accounting convention

These accounts have been prepared under the historical cost convention.

#### 1.2 Standards in issue but not in force

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for NS&I's accounting periods beginning on or after 1 April 2018. NS&I has not early adopted the standards, amendments and interpretations described below.

##### 1.2.1 IFRS 9 - Financial instruments (effective from annual periods beginning on or after 1 January 2018)

In July 2014 the International Accounting Standards Board (IASB) issued the finalised version of IFRS 9, replacing the earlier accounting standard for financial instruments IAS 39, in response to concerns raised during the last financial crisis about the timeliness of impairment recognition.

The new standard introduces changes to the following three key areas:

- Classification and measurement
- Hedge accounting
- Impairment

The recognition and measurement of impairment in IFRS 9 is intended to be more forward looking than under IAS 39 and therefore may lead to greater volatility in impairment charges.

##### Classification and measurement

IFRS 9 requires classification of financial assets into one of three measurement categories, based on the business model and the contractual cash flow characteristics of the financial instruments including:

- Fair value through other comprehensive income (FVOCI)
- Fair value through profit and loss (FVTPL), or
- Amortised cost

In compliance with IFRS 9, NS&I has completed an assessment of the cash flow characteristics of its financial assets to establish which business model they should be held under. The assessment has determined that the cash flows are solely payments of principal and interest (SPPI) and financial assets will be held at amortised cost under IFRS 9.

Following the SPPI assessment, NS&I has carried out a classification and measurement review of its financial assets and liabilities and determined that there will be no material impact on the current classification of financial asset and liabilities upon adoption of IFRS 9.

### Hedge accounting

When initially applying IFRS 9, an organisation may choose as its accounting policy to continue to apply the hedge accounting requirements of IAS 39, instead of the requirements prescribed in chapter 6 of IFRS 9. NS&I does not apply hedge accounting, hence there is no impact from the IFRS 9 revised hedge accounting requirements.

### Impairment

IFRS 9 replaces the IAS 39 'incurred loss' impairment recognition framework with a three stage 'expected credit loss' (ECL) approach. The IFRS 9 approach results in earlier recognition of potential future losses. IFRS 9 requires a loss allowance to be recognised at an amount equal to either 12-month ECLs or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

It is not expected that the impairment recognition framework from the adaptation of IFRS 9 will have any impact on the results or net assets of NS&I, as the assets are held by the NLF.

#### 1.2.2 IFRS 15 – Revenue from contracts (effective from annual periods beginning on or after 1 January 2018)

IFRS 15 describes how and when an entity will recognise contract revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers.

This standard exempts financial instruments and therefore has no impact on the Product Accounts.

#### 1.2.3 Other amendments to the FReM

Other amendments to the FReM due to come into effect on or after 1 April 2018 are considered to have no impact on NS&I.

### 1.3 Interest and prizes recognition

Interest and prizes are earned by investors in accordance with the terms and conditions applicable to each product. Interest is recognised using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense over the expected life of a financial instrument.

Capitalised and accrued interest is included in interest and prizes payable to investors in the Statement of comprehensive income, and liability to investors in the Statement of financial position. Capitalised interest is interest that has been added to the customer's investment and may now be earning further interest in accordance with the terms and conditions of the product. Accrued interest is interest which has been earned but not yet capitalised. Interest, where applicable, is accrued from the date of funds received or most recent capitalisation to the end of the accounting period.

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The monthly Premium Bonds prizes are drawn on the first day of the following month. The prizes are accrued for Premium Bonds which are eligible and still held at the end of each month.

Interest has been recognised and disclosed in accordance with IAS 18 and IAS 1 in these accounts.

#### **1.4 Financed by the NLF**

The interest and prizes payable to investors are funded by the NLF. The accounting policy for the NLF interest and prizes is as outlined in note 1.3.

#### **1.5 Cash and cash equivalents**

Cash and cash equivalents include cash at bank and amounts due from banks with an original maturity of less than three months.

#### **1.6 Financial liabilities**

Financial liabilities primarily comprise the deposits and investments made by customers in NS&I's products. All financial liabilities are measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest over the relevant period up to the date of maturity. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial liability or, where appropriate, a shorter period. Financial liabilities include other payables. Financial liabilities are derecognised when the obligation is discharged.

A receipt from an investor is recognised as a liability when NS&I or one of its agents receives a payment for a valid investment. Repayments to investors are recognised as a reduction in the liability to the investor on the date of the payment instrument. Where payment instruments are not cashed by the investor within their stipulated time limit, the liability to the investor is reinstated.

If an investor decides to reinvest funds in the same or another product, this is termed a reinvestment and is recognised as a payment and new receipt. An automatic or default rollover of funds within the same product, which requires no action by the investor, is not recognised as a payment or receipt. The undiscounted maturity profiles for the total liability for all products are disclosed in note 12.

#### **1.7 Relationship with the NLF**

NS&I is the Government's retail savings agency. All funds from investors are payable to the NLF, and all liabilities to investors are discharged from funds payable by the NLF, on a statutory basis. Risks relating to liabilities to investors are met wholly by the NLF. Further, the Product Accounts present only a part of the Government's overall financing requirement managed by HM Treasury through the NLF, and which is financed ultimately from the Government's tax revenues or borrowings.

Due to the nature of these arrangements, some of the risk management and capital disclosure requirements of IFRS 7 are not applicable to these accounts. The risk management disclosure requirements of IFRS 7 comprise qualitative and quantitative disclosures that show the extent of risks arising from financial instruments and how that risk is managed by an entity during the period and at the reporting date. The capital disclosures of IFRS 7 are disclosures that enable users of financial statements to evaluate the significance of financial instruments for an entity's financial position and performance.

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The analysis of the total funds held or financed by the NLF (note 4) does not equal the total funds invested by product (note 6), i.e. liability to investors. This is due to timing differences in the flow of funding and defunding movements between NS&I, its agents, the Government Banking Service and the NLF (via HM Treasury's bank account at the Bank of England). This difference is represented by net cash plus receivables minus other payables.

### **1.8 Financial assets**

Financial assets comprise the loan with the NLF and other receivables, based on deposits and investments made by customers. On initial recognition, financial assets are classified as loans and receivables.

Loans and receivables are assets with fixed or determinable repayments that are not quoted in an active market. Loans and receivables are initially recognised at fair value. Due to the agency nature of the business, the loan with the NLF is derived from the value of the financial liabilities upon which it is based (see note 1.6).

Derecognition of financial assets only occurs when NS&I transfers both its contractual right to receive cash flows from the financial assets and substantially all of the risks and rewards of ownership.

## 2 Transactions with investors by product

### 2(a) Current year

	Received from investors	Interest and prizes earned by investors	Paid to investors	Transfer to Residual Account	Increase/ (decrease) in investors' funds	Invested 31 March 2018
	£000	£000	£000	£000	£000	£000
Children's Bonds	8,380	10,193	(79,861)	(11,904)	(73,192)	386,530
Direct Saver	8,462,271	86,265	(6,481,335)	–	2,067,201	11,812,523
65+ Guaranteed Growth Bonds	10	326,566	(7,857,078)	–	(7,530,502)	1,937,191
Guaranteed Bonds	12,140,542	151,172	(1,282,561)	(2)	11,009,151	17,628,988
Income Bonds	5,595,640	158,611	(7,667,640)	–	(1,913,389)	17,463,768
Individual Savings Account	721,607	38,780	(636,814)	–	123,573	4,598,207
Investment Account	355,111	13,678	(430,306)	–	(61,517)	2,572,315
Investment Guaranteed Growth Bonds	600,197	9,985	(2,857)	–	607,325	607,325
Junior Individual Savings Account	3,508	19	(29)	–	3,498	3,498
Premium Bonds	14,509,759	894,868	(9,440,737)	–	5,963,890	75,520,514
Residual Account	26,012	610	(39,166)	11,952	(592)	638,811
Savings Certificates	248,903	796,602	(1,444,427)	(46)	(398,968)	23,567,066
<b>Total</b>	<b>42,671,940</b>	<b>2,487,349</b>	<b>(35,362,811)</b>	<b>–</b>	<b>9,796,478</b>	<b>156,736,736</b>

### 2(b) Prior year

	Received from investors	Interest and prizes earned by investors	Paid to investors including tax deducted at source	Transfer to Residual Account	Increase/ (decrease) in investors' funds	Invested 31 March 2017
	£000	£000	£000	£000	£000	£000
Children's Bonds	22,752	12,010	(93,375)	(18,594)	(77,207)	459,722
Direct Saver	6,858,983	72,506	(4,718,717)	–	2,212,772	9,745,322
65+ Guaranteed Growth Bonds	20	368,876	(1,181,746)	–	(812,850)	9,467,693
Guaranteed Bonds	1,008,638	130,912	(790,498)	(4)	349,048	6,619,837
Income Bonds	9,967,730	165,888	(4,321,594)	–	5,812,024	19,377,157
Individual Savings Account	761,355	45,098	(621,011)	–	185,442	4,474,634
Investment Account	361,039	13,892	(426,271)	–	(51,340)	2,633,832
Premium Bonds	15,219,121	807,320	(8,330,052)	–	7,696,389	69,556,624
Residual Account	36,253	608	(51,056)	27,446	13,251	639,403
Savings Certificates	790,022	716,655	(5,033,551)	(8,848)	(3,535,722)	23,966,034
<b>Total</b>	<b>35,025,913</b>	<b>2,333,765</b>	<b>(25,567,871)</b>	<b>–</b>	<b>11,791,807</b>	<b>146,940,258</b>

Amounts received from investors include cash received in the period plus reinvestments into the same or another product due to an investor instruction. They exclude automatic or default rollovers within the same product that require no action from an investor.

Amounts paid to investors include both capital and interest payments.

Guaranteed Bonds comprise Guaranteed Income Bonds and Guaranteed Growth Bonds.

Up until 5 April 2016, interest earned on Guaranteed Bonds and 65+ Guaranteed Growth Bonds had 20% tax deducted at source and paid directly by NS&I to HM Revenue and Customs (HMRC) on behalf of investors. Effective 6 April 2016, tax is no longer deducted at source on these products and any capitalised interest is paid in full to investors. The total tax deducted in 2017–18 was Nil (2016–17: £781,000).

The notable events section on page 116 of these accounts discloses notable occurrences in the product range during the period.

### 3 Interest and prizes

	Note	2017–18 £000	2016–17 £000
Total interest and prizes earned in year	2	(2,487,349)	(2,333,765)
Add accrued interest and prizes opening balance		(712,536)	(552,434)
Less interest capitalised in year		1,585,641	1,372,862
Less interest and prizes paid in year		879,329	804,500
Add movements in out-of-date warrants and outstanding prizes in year		(4,362)	(3,699)
<b>Accrued interest and prizes at 31 March</b>	<b>6</b>	<b>(739,277)</b>	<b>(712,536)</b>

This table reconciles the interest and prizes earned in note 2 with those accrued in note 6.

### 4 Amounts held by the NLF

	Note	2017–18 £000	2016–17 £000
Balance at 1 April		146,042,880	133,989,355
Interest and prizes financed by the NLF		2,487,349	2,333,765
Received from the NLF	8	(34,724,138)	(24,462,793)
Paid to the NLF	8	41,364,242	34,182,553
<b>Balance at 31 March</b>		<b>155,170,333</b>	<b>146,042,880</b>

The amount held by the NLF includes interest and prizes accrued in 2017–18 of £654,279,000 (2016–17: £631,901,000).

The difference in the amounts held by the NLF and the total amount invested (note 2) is explained in note 1.7.

### 5 Other receivables

	2018 £000	2017 £000
Agents	368,201	236,183
Other receivables	441	159
<b>Total</b>	<b>368,642</b>	<b>236,342</b>

NS&I uses agents, such as Barclays Merchant Acquirer, to process debit card transactions.



## 6 Liability to investors

### 6(a) Current year

	Principal liability	Accrued interest and prizes	Liability
	£000	£000	31 March 2018 £000
<b>Current liabilities</b>			
Children's Bonds	382,071	4,459	386,530
Direct Saver	11,812,523	–	11,812,523
65+ Guaranteed Growth Bonds	1,875,528	61,663	1,937,191
Guaranteed Bonds	17,564,961	64,027	17,628,988
Income Bonds	17,437,614	26,154	17,463,768
Individual Savings Account	4,561,119	37,088	4,598,207
Investment Account	2,567,960	4,355	2,572,315
Investment Guaranteed Growth Bonds	597,366	9,959	607,325
Junior Individual Savings Account	3,479	19	3,498
Premium Bonds	75,364,092	156,422	75,520,514
Residual Account	635,595	3,216	638,811
Savings Certificates	23,195,151	371,915	23,567,066
<b>Total liability to investors</b>	<b>155,997,459</b>	<b>739,277</b>	<b>156,736,736</b>

Principal liability comprises initial investment plus capitalised interest that has been added to the holding where applicable. Accrued interest and prizes comprise only interest and prizes earned that have not been paid out or capitalised and added to the holding. The accrued interest disclosed above (£739,277,000) is accrued interest in respect of the principal liability to investors. Note 4 discloses accrued interest (£654,279,000) in respect of balances held by the NLF. The difference between these amounts is due to outstanding interest liabilities (£84,998,000) which have been drawn down from the NLF and are pending settlement, such as prizes and interest warrants.

All products are repayable on demand and therefore are classified as current liabilities.

## 6(b) Prior year

	Principal liability £000	Accrued interest and prizes £000	Liability 31 March 2017 £000
<b>Current liabilities</b>			
Children's Bonds	452,754	6,968	459,722
Direct Saver	9,745,322	–	9,745,322
65+ Guaranteed Growth Bonds	9,355,699	111,994	9,467,693
Guaranteed Bonds	6,584,977	34,860	6,619,837
Income Bonds	19,349,548	27,609	19,377,157
Individual Savings Account	4,431,507	43,127	4,474,634
Investment Account	2,630,940	2,892	2,633,832
Premium Bonds	69,420,181	136,443	69,556,624
Residual Account	636,383	3,020	639,403
Savings Certificates	23,620,411	345,623	23,966,034
<b>Total liability to investors</b>	<b>146,227,722</b>	<b>712,536</b>	<b>146,940,258</b>

## 7 Other payables

	2018 £000	2017 £000
NLF	171	257
Other payables including sales repayments and evidence of identity repayments	5,837	2,370
<b>Total</b>	<b>6,008</b>	<b>2,627</b>

## 8 Movement in net funds held by the NLF

	2017–18 £000	2016–17 £000
Received from the NLF	34,724,138	24,462,793
Paid to the NLF	(41,364,242)	(34,182,553)
Net inflow to the NLF	(6,640,104)	(9,719,760)
Interest and prizes payable to investors	(2,487,349)	(2,333,765)
<b>Increase in net funds held by the NLF</b>	<b>(9,127,453)</b>	<b>(12,053,525)</b>

Cash received from investors is not invested by NS&I but is passed daily to the NLF for all products. Cash is drawn from the NLF for payments to investors as and when required.

## 9 Cash and cash equivalents

	2018 £000	2017 £000
<b>Balance at 1 April</b>	663,663	930,872
Net change in cash and cash equivalent balances	540,106	(267,209)
<b>Balance at 31 March</b>	<b>1,203,769</b>	<b>663,663</b>

All balances were held by the Exchequer. No cash balances were held with commercial banks.

## 10 Categorisation of financial assets and liabilities

	2018 £000	2017 £000
<b>Assets</b>		
Loans and receivables	155,538,975	146,279,222
Cash and cash equivalents	1,203,769	663,663
<b>Total</b>	<b>156,742,744</b>	<b>146,942,885</b>
<b>Liabilities</b>		
Financial liabilities measured at amortised cost	(156,742,744)	(146,942,885)
<b>Total</b>	<b>(156,742,744)</b>	<b>(146,942,885)</b>

## 11 Market, liquidity and credit risk

NS&I is an Executive Agency of the Chancellor of the Exchequer. NS&I's principal activity is to finance a part of the Government's borrowing by selling savings and investment products to retail savers and investors. Monies received by NS&I are passed to the NLF, which guarantees to honour the product terms and conditions in the form of a 100% HM Treasury guarantee.

NS&I's banking services provider is the Government Banking Service (GBS). GBS has contracted the Royal Bank of Scotland Group (RBSG) to provide transaction processing services for NS&I. Monies held at RBSG are transferred to the Government's accounts at the Bank of England during, and/or at the end of, each day to mitigate credit risks to both NS&I and HM Treasury. In the event that RBSG is unable to meet its obligations, HM Treasury would step in to provide NS&I with the necessary funds to meet its liabilities to investors as part of the HM Treasury underwritten guarantee. Therefore, NS&I does not face any material credit risk. Credit risk relating to the agents and other debtors is not material and is mitigated by the short settlement periods, which are typically less than seven days.

NS&I has no liquidity risk in respect of customer sales and repayments, as liquidity risk is managed through a main bank account held at the Bank of England and linked to the Ways and Means account at the NLF to ensure a smooth flow of funds between the NLF and NS&I. Interest rate risk belongs to the UK Government and is managed by the NLF in conjunction with the DMO. There is no currency exposure, as all assets and liabilities are denominated in sterling.

## 12 Product maturity profile

### 12(a) Current year

All products are repayable on demand. As required by IFRS 7, the undiscounted maturity profile for the total liability for all products is as follows:

	2018 Variable rate, prize-based and index-linked products £000	2018 Fixed rate products £000	2018 Non-interest bearing products £000	2018 Total £000
Maturing in one year or less or repayable on demand	132,933,572	23,719,154	84,010	156,736,736
<b>Total</b>	<b>132,933,572</b>	<b>23,719,154</b>	<b>84,010</b>	<b>156,736,736</b>

### 12(b) Prior year

	2017 Variable rate, prize-based and index-linked products £000	2017 Fixed rate products £000	2017 Non-interest bearing products £000	2017 Total £000
Maturing in one year or less or repayable on demand	126,894,614	19,976,823	68,821	146,940,258
<b>Total</b>	<b>126,894,614</b>	<b>19,976,823</b>	<b>68,821</b>	<b>146,940,258</b>

Variable rate products include Direct Saver, Income Bonds, Individual Savings Account, Junior Individual Savings Account, Investment Account and interest-earning balances in the Residual Account. Other products are prize-based Premium Bonds and Index-linked Savings Certificates.

Fixed rate products include Children's Bonds, 65+ Guaranteed Growth Bonds, Guaranteed Bonds, Investment Guaranteed Growth Bonds and Fixed Interest Savings Certificates. These are classified according to the earliest period when a customer can demand repayment.

Non-interest bearing products are historical balances on products which have been closed and maturities which are temporarily awaiting customer instruction. These historical balances are held within the Residual Account.

## 13 Fair values of assets and liabilities

### 13(a) Current year

	2018 Total per accounts £000	2018 Fair value £000
<b>Assets</b>		
Held by the NLF	155,170,333	155,676,371
Other receivables	368,642	368,642
Cash and cash equivalents	1,203,769	1,203,769
<b>Total</b>	<b>156,742,744</b>	<b>157,248,782</b>
<b>Liabilities</b>		
Fixed rate products	(23,719,154)	(24,225,192)
Variable rate products	(132,933,572)	(132,933,572)
Non-interest bearing products	(84,010)	(84,010)
Other payables	(6,008)	(6,008)
<b>Total</b>	<b>(156,742,744)</b>	<b>(157,248,782)</b>

### 13(b) Prior year

	2017 Total per accounts £000	2017 Fair value £000
<b>Assets</b>		
Held by the NLF	146,042,880	146,679,401
Other receivables	236,342	236,342
Cash and cash equivalents	663,663	663,663
<b>Total</b>	<b>146,942,885</b>	<b>147,579,406</b>
<b>Liabilities</b>		
Fixed rate products	(19,976,823)	(20,613,344)
Variable rate products	(126,894,614)	(126,894,614)
Non-interest bearing products	(68,821)	(68,821)
Other payables	(2,627)	(2,627)
<b>Total</b>	<b>(146,942,885)</b>	<b>(147,579,406)</b>

Note 12 states which products are in each of the above categories.

There is no material difference between the carrying value and the fair value of the variable rate products, non-interest bearing products, other payables and receivables. The variable rate products in the fair value table include all variable rate, prize-based and index-linked products. The rates for variable rate products are determined by our operating framework and are closely linked to current retail savings rates; therefore they are deemed to be at fair value. The fixed rate products are products with rates being fixed for the duration of the products' term. The fair value of the fixed rate products is derived by discounting future expected cash flows using relevant gilt rates. Any impact of early repayments is ignored, as their impact is immaterial. Subject to timing differences, the fair value of the assets held by the NLF is a mirror of the related liabilities, which it guarantees.

## 14 Fair value hierarchy disclosures

IFRS 13 *Fair Value Measurement* applies when another IFRS, in this case IFRS 7, requires an entity to disclose the fair value of its assets and liabilities. It sets out how to fair value assets and liabilities and requires an entity to classify these into fair value hierarchy levels, based on the significance of inputs used in the measurement. These fair value hierarchy levels are as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or the liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table presents financial assets and liabilities measured at fair value in accordance with the fair value hierarchy.

### 14(a) Current year

	Level 1 2018 £000	Level 2 2018 £000	Total 2018 £000
<b>Assets</b>			
Held by the NLF – fixed rate products	–	23,935,004	23,935,004
Held by the NLF – variable rate products	–	131,660,345	131,660,345
Other assets <sup>(1)</sup>	1,653,433	–	1,653,433
	<b>1,653,433</b>	<b>155,595,349</b>	<b>157,248,782</b>
<b>Liabilities</b>			
Liability to investors – fixed rate products	–	(24,225,192)	(24,225,192)
Liability to investors – variable rate products	–	(132,933,572)	(132,933,572)
Other liabilities <sup>(2)</sup>	–	(90,018)	(90,018)
	–	<b>(157,248,782)</b>	<b>(157,248,782)</b>

### 14(b) Prior year

	Level 1 2017 £000	Level 2 2017 £000	Total 2017 £000
<b>Assets</b>			
Held by the NLF – fixed rate products	–	20,719,887	20,719,887
Held by the NLF – variable rate products	–	125,892,672	125,892,672
Other assets <sup>(1)</sup>	966,847	–	966,847
	<b>966,847</b>	<b>146,612,559</b>	<b>147,579,406</b>
<b>Liabilities</b>			
Liability to investors – fixed rate products	–	(20,613,344)	(20,613,344)
Liability to investors – variable rate products	–	(126,894,614)	(126,894,614)
Other liabilities <sup>(2)</sup>	–	(71,448)	(71,448)
	–	<b>(147,579,406)</b>	<b>(147,579,406)</b>

(1) Other assets include non-interest bearing products, cash and cash equivalents, and other receivables.

(2) Other liabilities include non-interest bearing products and other payables.

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## 15 Related party transactions

NS&I is an Executive Agency of the Chancellor of the Exchequer and a government department. The Chancellor of the Exchequer is regarded as a related party. NS&I has not undertaken any material transactions with the Chancellor of the Exchequer during the year.

The DMO, NLF and HM Treasury are related parties. NS&I's relationships with these parties are mentioned in the Product Accounts background section, pages 115 and 116. In addition, note 4 contains details of the NLF transactions.

Up until 5 April 2016, NS&I carried out transactions with HMRC on behalf of investors, in respect of tax deducted at source (2017–18: Nil; 2016–17: £0.78 million) on interest earned on 65+ Guaranteed Growth Bonds and Guaranteed Bonds. In this regard as a public body, HMRC is a related party.

Neither the Economic Secretary to HM Treasury, nor any board member, nor any key manager or other related party, has undertaken any material transactions with NS&I during the year. Investments in NS&I products by members of staff are not considered to be related party transactions and are therefore excluded from this declaration. Ministers, board members and key managers are judged to be related parties as they have authority and responsibility for planning, directing and controlling the activities of the entity.

The deposits of Executive and Non-executive Directors, with the exception of Premium Bonds, are disclosed on page 114 of this report.

In relation to holdings in Premium Bonds, the Premium Bond Regulations 1972 (Statutory Instrument (SI) 1972 No 765) prohibit the disclosure of the number of bonds purchased or held by any person. The Accounting Officer and persons connected with him are prohibited under NS&I's policies from holding Premium Bonds.

## 16 Events after the reporting period date

There are no reportable events between the Statement of financial position date and 11 June 2018, the date on which these accounts are authorised. The financial statements do not reflect events after that date.

## Annex 1: Product Accounts direction

### ACCOUNTS DIRECTION GIVEN BY HM TREASURY IN ACCORDANCE WITH SECTION 7 (2) OF THE GOVERNMENT RESOURCES AND ACCOUNTS ACT 2000

1. This direction applies to the Department of National Savings and Investments.
2. The Department of National Savings and Investments shall prepare accounts for its Product Accounts for the year ending 31 March 2016 (and each subsequent financial year) that give a true and fair view of the state of affairs of the Product Accounts at the reporting date and of their income and expenditure and cash flows for the year then ended.
3. The accounts shall be prepared in accordance with applicable accounting standards, and shall be consistent with relevant requirements of the extant Government *Financial Reporting Manual (FReM)* except to the extent set out below:
  - a. a Statement of Comprehensive Income shall be prepared instead of a Statement of comprehensive net expenditure; and
  - b. the Statement of Parliamentary Supply and the Statement of Changes in Taxpayers' Equity are not relevant to the Product Accounts.
4. Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the Accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed in the first instance with HM Treasury.
5. This Accounts Direction shall be reproduced as an Appendix to the Product Accounts.
6. This Accounts Direction supersedes all previous directions.



**Michael Sunderland**  
**Acting Deputy Director**  
**Government Financial Reporting**  
**HM Treasury**  
**19 April 2016**





## Section 4

### Other Information

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Departmental Report information	136
Glossary	141
Contacts and more information	146

## Departmental Report information

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The 2017–18 Departmental Report information shown in the tables on the following pages is not consistent with the information shown in the 2017–18 Accounts. As a result, there is no direct link to the Statement of comprehensive net expenditure found in the Accounts.

The differences in the information below and the Accounts are a result of HM Treasury guidance on Departmental Report content leading to a divergence of treatment of a number of items in Departmental budgets, Supply Estimates and the Accounts.

The main difference is that Departmental budgets are not adjusted for IFRS and hence they do not reflect the assets brought onto the Statement of financial position following the application of the HM Treasury adaptation of IFRIC 12 *Service Concession Arrangements*. The Departmental Report tables provide information on NS&I's expenditure within resource and capital DEL and resource AME limits. Table 1, total departmental spending does not include any spending that is classified as non-budget.

There are also further differences brought about by treatments in HM Treasury's required budgetary framework which are not used in the IFRS accounts. The main items of this type are shown below:

- Creation and increases in provisions are within the resource AME limit and also in programme costs.
- Cash payments related to paying off the obligation recognised by a provision are transferred from resource AME to resource DEL. These payments are not recognised as costs in the Accounts.
- Revaluations to properties owned by NS&I are accounted for in resource AME and also in programme costs.
- IFRIC 12 adjustments for depreciation, impairment of assets and transfers to IFRIC 12 capital are accounted for under non-budget and programme costs. They do not feature in the Departmental Report tables.

The above treatments have been used for the figures shown in each year of the Departmental Report. As a result, the data shown in this Departmental Report does not directly reconcile to the Accounts.

Table 1: Total departmental spending

	Outturn 2013–14 £000	Outturn 2014–15 £000	Outturn 2015–16 £000	Outturn 2016–17 £000	Outturn 2017–18 £000	Plans 2018–19 £000	Plans 2019–20 £000
<b>Resource DEL</b>							
Section A: Administration	146,990	223,865	155,453	132,333	121,109	132,700	120,300
<b>Total resource DEL</b>	<b>146,990</b>	<b>223,865</b>	<b>155,453</b>	<b>132,333</b>	<b>121,109</b>	<b>132,700</b>	<b>120,300</b>
<b>of which:</b>							
Pay	11,327	10,811	11,236	11,731	12,987	12,800	12,800
Net current procurement <sup>(1)</sup>	132,978	211,725	142,848	119,401	106,914	116,860	104,360
Current grants and subsidies to the private sector and abroad	–	–	–	–	–	–	–
Current grants to local government	–	–	–	–	–	–	–
Depreciation <sup>(2)</sup>	1,872	583	734	751	758	2,400	2,500
Other	813	746	635	450	450	640	640
<b>Resource AME</b>							
Section B: Administration	347	420	(682)	(262)	(739)	3,300	3,300
<b>Total resource AME</b>	<b>347</b>	<b>420</b>	<b>(682)</b>	<b>(262)</b>	<b>(739)</b>	<b>3,300</b>	<b>3,300</b>
<b>of which:</b>							
Pay	–	–	–	–	–	–	–
Net current procurement <sup>(1)</sup>	–	–	–	–	–	–	–
Current grants and subsidies to the private sector and abroad	–	–	–	–	–	–	–
Current grants to local government	–	–	–	–	–	–	–
Net public service pensions <sup>(3)</sup>	–	–	–	–	–	–	–
Take-up of provisions	–	683	(296)	–	–	300	300
Release of provisions	(77)	(45)	(397)	–	–	–	–
Depreciation <sup>(2)</sup>	424	(218)	11	(262)	(739)	3,000	3,000
Other	–	–	–	–	–	–	–
<b>Total resource budget</b>	<b>147,337</b>	<b>224,285</b>	<b>154,771</b>	<b>132,071</b>	<b>120,370</b>	<b>136,000</b>	<b>123,600</b>
<b>of which:</b>							
Depreciation	2,296	365	745	489	19	5,400	5,500

Table 1: Total departmental spending (continued)

	Outturn 2013–14 £000	Outturn 2014–15 £000	Outturn 2015–16 £000	Outturn 2016–17 £000	Outturn 2017–18 £000	Plans 2018–19 £000	Plans 2019–20 £000
<b>Capital DEL</b>							
Section A: Administration	1,517	1,383	(1,585)	(12,482)	–	630	650
<b>Total capital DEL</b>	<b>1,517</b>	<b>1,383</b>	<b>(1,585)</b>	<b>(12,482)</b>	<b>–</b>	<b>630</b>	<b>650</b>
<b>of which:</b>							
Net capital procurement <sup>(4)</sup>	1,517	1,383	(1,585)	(12,482)	–	630	650
Capital grants to the private sector and abroad	–	–	–	–	–	–	–
Capital support for local government	–	–	–	–	–	–	–
Capital support for public corporations	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–
<b>Capital AME</b>							
<b>Total capital AME</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>of which:</b>							
Capital grants to the private sector and abroad	–	–	–	–	–	–	–
Net lending to the private sector	–	–	–	–	–	–	–
Capital support for public corporations	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–
<b>Total capital budget</b>	<b>1,517</b>	<b>1,383</b>	<b>(1,585)</b>	<b>(12,482)</b>	<b>–</b>	<b>630</b>	<b>650</b>
<b>Total departmental spending<sup>(5)</sup></b>	<b>146,558</b>	<b>225,303</b>	<b>152,441</b>	<b>119,100</b>	<b>120,351</b>	<b>131,230</b>	<b>118,750</b>
<b>of which:</b>							
Total DEL	146,635	224,665	153,134	119,100	120,351	130,930	118,450
Total AME	(77)	638	(693)	–	–	300	300

(1) Net of income from sales of goods and services.

(2) Includes impairments.

(3) Pension schemes report under IAS 19 accounting requirements. The figures therefore include cash payments made and contributions received, as well as certain non-cash items.

(4) Expenditure on tangible and intangible fixed assets net of sales.

(5) Total departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly, total DEL is the sum of the resource budget DEL and capital budget DEL less depreciation in DEL, and total AME is the sum of resource budget AME and capital budget AME less depreciation in AME.

Table 2: Public spending control

Resources	Supply Estimate			Supplementary Estimate			Final provision	Final outturn	Differences		
	Admin	Other current	Gross total	A in A	Net total	Change in gross provision	Change in A in A	Change in net provision			
	£000	£000	£000	£000	£000	£000	£000	£000	£000		
Spending in DEL	213,911	–	213,911	(76,000)	137,911	(7,300)	–	(7,300)	130,611	121,109	9,502
Spending in AME	–	3,300	3,300	–	3,300	–	–	–	3,300	(739)	4,039
<b>Total</b>	<b>213,911</b>	<b>3,300</b>	<b>217,211</b>	<b>(76,000)</b>	<b>141,211</b>	<b>(7,300)</b>	<b>–</b>	<b>(7,300)</b>	<b>133,911</b>	<b>120,370</b>	<b>13,541</b>

Capital	Supply Estimate		Supplementary Estimate			Final provision	Final outturn	Differences
	Capital	Change in gross provision	Change in A in A	Change in net provision	£000	£000	£000	
	£000	£000	£000	£000	£000	£000	£000	
Spending in DEL	620	1,400	–	1,400	2,020	–	2,020	

Table 3: NS&amp;I capital employed

	Outturn 2013–14	Outturn 2014–15	Outturn 2015–16	Outturn 2016–17	Outturn 2017–18	Plans 2018–19	Plans 2019–20
	£000	£000	£000	£000	£000	£000	£000
Assets on balance sheet at end of year							
<b>Non-current assets</b>							
Intangible	50,645	61,615	57,048	57,748	58,678	60,000	60,000
<b>Property, plant and equipment</b>	20,281	23,047	14,323	11,729	10,022	12,400	12,300
<b>of which:</b>							
Land and buildings	11,959	12,279	1,802	2,000	2,750	2,700	2,700
Information technology	4,662	6,379	8,020	6,521	4,601	6,000	6,000
Plant and machinery	214	468	1,017	909	799	1,100	800
Furniture and fittings	2,700	2,370	2,689	2,277	1,872	2,600	2,800
Assets under construction	746	1,551	795	22	–	–	–
Other receivables	–	–	–	7,593	3,091	–	–
Current assets	23,318	3,758	49,476	16,515	24,099	15,000	16,000
Creditors <1 year	(41,830)	(36,061)	(50,992)	(30,170)	(38,671)	(30,000)	(25,000)
Provisions <1 year	(56)	(16)	–	–	–	–	–
Creditors >1 year	(4,601)	–	(14,799)	(20,718)	(20,339)	(15,000)	(10,000)
Provisions >1 year	–	(677)	–	–	–	–	–
<b>Capital employed within main department</b>	<b>47,757</b>	<b>51,666</b>	<b>55,056</b>	<b>42,697</b>	<b>36,880</b>	<b>42,400</b>	<b>53,300</b>

Table 4: Administration Budget

	Outturn 2013–14 £000	Outturn 2014–15 £000	Outturn 2015–16 £000	Outturn 2016–17 £000	Outturn 2017–18 £000	Plans 2018–19 £000	Plans 2019–20 £000
Section A: Administration	146,990	223,865	155,453	132,333	121,109	132,700	120,300
<b>Total Administration Budget</b>	<b>146,990</b>	<b>223,865</b>	<b>155,453</b>	<b>132,333</b>	<b>121,109</b>	<b>132,700</b>	<b>120,300</b>
<b>of which:</b>							
Pay	11,327	10,811	11,236	11,731	12,987	12,800	12,800
Expenditure	175,198	227,337	175,127	157,453	163,891	220,900	228,500
Income	(39,535)	(14,283)	(30,910)	(36,851)	(55,769)	(101,000)	(121,000)

Table 5: NS&amp;I staff numbers

Staff numbers at:	1 April 2013	1 April 2014	1 April 2015	1 April 2016	1 April 2017	1 April 2018 <sup>(1)</sup>
Permanent	170	164	173	166	184	191
Others	25	14	12	11	3	9
<b>Total</b>	<b>195</b>	<b>178</b>	<b>185</b>	<b>177</b>	<b>187</b>	<b>200</b>

(1) The staff numbers shown in the table above for 1 April do not agree with the table in note 2 of the Remuneration Report. The figures in the Accounts are calculated by averaging the staff numbers over the year while the numbers above are shown on spot dates.

Table 6: NS&amp;I consultancy and professional services

	Outturn 2013–14 £000	Outturn 2014–15 £000	Outturn 2015–16 £000	Outturn 2016–17 £000	Outturn 2017–18 £000
Consultancy services	789	80	–	–	–
Professional services	6,222	2,149	2,491	1,919	2,180
Contract staff	451	1,487	853	923	456
Other services	1,920	1,704	1,691	1,900	1,304
<b>Total</b>	<b>9,382</b>	<b>5,420</b>	<b>5,035</b>	<b>4,742</b>	<b>3,940</b>

# Glossary

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## Accounting Officer

A person appointed by HM Treasury or designated by a department to be accountable for the operations of an organisation and the preparation of its accounts. The appointee is, by convention, usually the head of a department or other organisation or the Chief Executive.

## Accrued interest

Interest earned by the customer that has not yet been paid out or capitalised.

## Annually Managed Expenditure (AME)

Spending which does not fall within Departmental Expenditure Limits (DEL). Expenditure in AME is generally less predictable and controllable than expenditure in DEL.

## Application Programming Interface (API)

An API is a means of allowing different computer applications to communicate in a controlled fashion. In the context of open banking, financial services providers are required to provide APIs to a standard format, so that other providers can connect to their systems and access customer data (with the customer's consent) in a consistent way.

## Appropriations in aid (A in A)

Income received by a government department which it is authorised to retain to finance related expenditure. Such income is voted by Parliament and accounted for in departmental accounts.

## Basis point

This is one-hundredth of a percentage point (0.01%).

## Bonds

Apart from specific bonds issued by NS&I, a bond is another name given to fixed term securities, including those issued by governments.

## Business-to-business services

Payment processing services provided to other government departments, agencies and arm's-length bodies, by NS&I Government Payment Services. The 'client' department pays NS&I to manage the payments on its behalf; payments are processed using NS&I's established technology, skills and processes, reducing the cost to the Department and ultimately the taxpayer.

## Capitalised interest

Interest that has been added to the customer's investment and may now be earning further interest in accordance with the terms and conditions of the product.

## Consolidated Fund

The Consolidated Fund is the Government's general bank account for revenue and expenditure. It is held at the Bank of England.

## Contact Centre Association (CCA)

The CCA is the leading independent authority on customer contact strategies and operations. It offers accreditation under the CCA Global Standard® – a set of key contact centre operations and customer service principles, which have been defined and agreed by industry experts and stakeholders. Retaining accreditation under CCA Global Standard V6 is one of NS&I's Service Delivery Measures.

## Court Funds Office

The Court Funds Office provides a banking and administration service for some 184,000 customers with a total of £2.3 billion cash and £0.1 billion securities held under the control of the civil courts in England and Wales, including the Court of Protection.



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### **Customer Interaction Centre (CIC)**

NS&I's CIC manages all telephone sales and enquiries, as well as handling customer emails and social media queries. It is operated and managed in partnership with Atos and is open all year, 24 hours a day.

### **Departmental Expenditure Limit (DEL)**

The expenditure limit within which a government department has responsibility for resource allocation. See also RDEL below.

### **Digital**

In the context of channels available for customers to interact with NS&I, digital refers to all non-postal direct channels – including telephone.

### **Director of Savings**

The person appointed by HM Treasury to manage NS&I in accordance with the statutory functions set out in the National Debt Act 1972 and the National Savings Bank Act 1971. Since we became an Executive Agency, the Director of Savings has also been the Chief Executive and the Accounting Officer.

### **Executive Agency**

NS&I is both a government department and an Executive Agency of the Chancellor of the Exchequer. Executive agencies have greater autonomy in making management decisions to ensure the effective delivery of their services.

### **Financial Conduct Authority (FCA)**

The FCA is the UK's independent body responsible for regulation of conduct in retail and wholesale financial markets and some prudential regulation.

### **Financial Ombudsman Service (FOS)**

The independent service for settling disputes between businesses that provide financial services and their customers.

### **Fixed term**

The period of time for which the interest rate is fixed.

### **Gilts (or gilt-edged stock)**

Gilts are UK Government securities issued by HM Treasury and listed on the London Stock Exchange.

### **Gross inflows**

The total inflows from all deposits including retention of maturing monies.

### **65+ Guaranteed Growth Bonds (65+ Bonds)**

A special savings measure announced by HM Treasury in the 2014 Budget, designed to offer market-leading interest rates to support savers who rely on their savings during retirement. The 65+ Bonds were based on NS&I's Guaranteed Growth Bonds product, with rates set by HM Treasury. 1-year and 3-year 65+ Bonds were on sale from January to May 2015, with the final Issue reaching maturity in May 2018.

### **Help to Save**

A government-backed saving scheme to support working people on low incomes to build their savings. NS&I is delivering the scheme in partnership with HM Revenue and Customs. It is currently being trialled and is scheduled to open in full in October 2018.

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### **Index-linked**

For Index-linked Savings Certificates, this means that the value of a certificate moves in line with inflation.

### **Inflows**

Annual flows of total sales and repayments on NS&I products and investments.

### **Investment Guaranteed Growth Bonds**

A special savings measure announced by HM Treasury in the 2016 Autumn Statement, designed to offer a market-leading interest rate to help savers who have been affected by low interest rates. Investment Guaranteed Growth Bonds are based on NS&I's Guaranteed Growth Bonds product, with interest rates set by HM Treasury. Investment Guaranteed Growth Bonds were on sale from 11 April 2017 to 10 April 2018.

### **ISO 14001**

ISO 14001 is the international standard that specifies requirements for an effective environmental management system. It provides a framework that an organisation can follow, rather than establishing environmental performance requirements.

### **Issue**

Our fixed rate products are sold in Issues, each with its own guaranteed interest rate. We periodically bring out a new Issue and always do so when the fixed rate on offer changes.

### **Main Estimate/Supply Estimate**

The means through which government departments seek parliamentary approval for their spending plans for the year ahead. Presented to Parliament within five weeks of the Budget Statement.

### **National Loans Fund (NLF)**

The NLF is the Government's main account for borrowing and lending. It is administered by HM Treasury with the bank account maintained at the Bank of England.

### **Net Financing**

Net Financing is the measure of the net change of NS&I funds, meaning total inflows from deposits, retention of maturing monies, and capitalised and accrued interest less the total outflows from withdrawals and interest or Premium Bond prize draw payments.

### **Open banking**

A means of enabling personal customers and small businesses to share their data securely with other banks and with third parties, enabling them to manage their accounts with multiple providers through a single digital app, to take more control of their funds (for example, to avoid overdraft charges and manage cash flow) and to compare products on the basis of their own requirements. Under a directive from the Competition and Markets Authority, the largest retail banks in the UK are all required to make this possible. NS&I has voluntarily done so, too.

### **Public Private Partnership (PPP)**

A long-term partnership between a public sector organisation and a private sector organisation, designed for mutual benefit. Our PPP encompasses the provision of transaction processing together with front and back office operations. Some PPPs are based on, or include, a Private Finance Initiative (PFI); NS&I's partnership does not.

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### **Reserve Claim**

As part of the spending plans announced in Spending Reviews, the Government allocates a Reserve for genuinely unforeseen contingencies that departments cannot absorb within their DEL. Where a department makes a Reserve Claim, it is subject to an assessment of need, realism and affordability at the time at which the funds are released and requires approval by the Chief Secretary to HM Treasury. Support from the Reserve to departments' Resource or Capital DELs is non-recurrent, i.e. it will not affect departments' Spending Review baselines.

### **Resource Departmental Expenditure Limit (RDEL)**

Forms part of voted limits on departmental spending in line with budgetary controls along with Resource AME and Capital DEL. RDEL can either be in administration costs or programme costs. NS&I's RDEL matches its administration costs. NS&I does not have any RDEL in programme costs. CDEL and AME are included in programme costs.

### **Retail Prices Index (RPI)**

A measure of price inflation, calculated by the Office for National Statistics (ONS) each month.

### **Spending Review**

Spending Reviews set budgets for government departments. They outline the improvements that the public can expect from government spending.

### **Supplementary Estimate**

How departments can seek to amend parliamentary authority provided through Main Estimates by altering the limits on resources, capital and/or cash or varying the way in which provision is allocated. Normally presented in January of each year.

### **Tax foregone**

As NS&I's tax-free products potentially deprive HM Treasury of tax revenue, this tax foregone is taken into account when calculating the Value Indicator.

### **Tax-free**

When used in the context of NS&I products, this means that interest earned or prizes won are exempt from UK Income Tax and Capital Gains Tax.

### **Tax-Free Childcare**

A government scheme that allows eligible working parents to receive up to £2,000 per year towards the costs of registered childcare. NS&I is delivering the scheme in partnership with HMRC.

### **Treasury Bills**

Treasury Bills are ultra-short-term government bonds. They do not earn interest. Instead, they are sold at a discount to their face value.

### **UK Debt Management Office (DMO)**

Part of the HM Treasury group responsible for cash management on behalf of the Chancellor of the Exchequer and the sale of government stock (gilts) and Treasury Bills.

### **UK Government securities**

Our bonds and certificates are UK Government securities issued by HM Treasury under the National Loans Act 1968.

**Unclaimed assets**

Savings or investments belonging to a customer with whom we have lost contact. Customers who think they have unclaimed assets can contact us to trace them through [www.mylostaccount.org.uk](http://www.mylostaccount.org.uk)

**Value Indicator**

An indication of our cost-effectiveness in raising finance for the Government. In general, it compares the total cost of delivering Net Financing and servicing existing customers' deposits with how much it would cost the Government to raise funds through the wholesale market via equivalent gilts. Some adjustments and assumptions are made to the calculation, including in identifying and applying an equivalent gilt, in response to specific NS&I product issues. The Value Indicator methodology is agreed with HM Treasury and is reviewed and revised periodically, with their agreement, to support a long-term approach to product strategy.

**Calculating the Value Indicator**

Calculation	Includes
Notional cost of delivering NS&I's borrowing through wholesale markets	<ul style="list-style-type: none"> <li>• This is the cost of raising the funds in the gilt market of an equivalent term. For variable-term products, the average length of time the product is held by the customer is used.</li> </ul>
Less: cost of borrowing through NS&I <sup>(1)</sup>	<ul style="list-style-type: none"> <li>• Interest on NS&amp;I investments and Premium Bond prizes.</li> <li>• Management costs of NS&amp;I over and above those of the DMO.</li> <li>• Tax foregone on NS&amp;I's tax-free products.</li> </ul>

**Note**

(1) Costs associated with 65+ Guaranteed Growth Bonds are not included in the Value Indicator calculation. The Investment Guaranteed Growth Bond introduced in April 2017 is also excluded from the Value Indicator calculation for 2017–18 onwards.

Source: HM Treasury, *Debt management report 2016–17*, March 2016

**Variable rate products**

Savings and investments where the rate of interest can be changed from time to time, in accordance with the terms and conditions.

**Warrant**

A type of payment similar to a cheque.

## Contacts and more information

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We want to make it as easy as possible for you to contact us at any time in a way that is convenient to you.

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### Internet

Visit our website



[nsandi.com](http://nsandi.com)

Visit our YouTube channel



[youtube.com/nsandi](http://youtube.com/nsandi)

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### Email



[enquiries@nsandi.com](mailto:enquiries@nsandi.com)

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### Twitter

For customer enquiries



[@nsandihelp](https://twitter.com/nsandihelp)

For media enquiries



[@nsandi](https://twitter.com/nsandi)

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### Telephone

For sales and general enquiries, call us free on



**08085 007 007**

Our customer service team is available 24 hours a day, seven days a week. Calls may be recorded.

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### Textphone

Use our free textphone service if you have Minicom equipment



**0800 056 0585**

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### Post

Write to us at



**NS&I, Glasgow G58 1SB**

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### Thank you

NS&I would like to thank all colleagues for their contribution to the 2017–18 Annual Report and Accounts.

