

Inspiring a stronger savings culture

National Savings and Investments
Annual Report and Accounts and Product Accounts 2019–20

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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.

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This is part of a series of departmental publications which, along with the Main Estimates 2020–21 and the document *Public Expenditure: Statistical Analyses 2020*, present the Government's outturn for 2019–20 and planned expenditure for 2020–21.



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National Savings and Investments (NS&I) is one of the largest savings organisations in the UK with 25 million customers and more than £179 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 savings, backed by HM Treasury.

Must reads

Chairman's statement, page 8

Chief Executive's overview, pages 9 to 13

Our performance in 2019–20, pages 14 to 16

Our online report is available at nsandi.com

01

Performance Report

Our strategy	4
2019–20 at a glance	6
Chairman's statement	8
Chief Executive's overview	9
Our performance in 2019–20	14
How we spent taxpayers' money	17
Delivering for government	19
Delivering digital-first products and services for our customers	20
Using our insight and policy expertise to meet our customers' needs	24
Delivering efficiently	26
Doing the right thing	27
Being inspiring and empowered	29
Corporate social responsibility	32

02

Accountability Report

Corporate governance report	38
– Directors' report	38
– Statement of Accounting Officer's responsibilities	39
– Governance Statement	40
Remuneration and staff report	55
Parliamentary accountability and audit report	67

03

Financial Statements

Accounts 2019–20	78
Product Accounts 2019–20	95
Annex 1: Product Accounts Direction	110

04

Other Information

Departmental report information	113
Glossary	118
Contacts and more information	122

01

Performance Report

Our strategy	4	Using our insight and policy expertise to meet our customers' needs	24
2019–20 at a glance	6		
Chairman's statement	8	Delivering efficiently	26
Chief Executive's overview	9	Doing the right thing	27
Our performance in 2019–20	14	Being inspiring and empowered	29
How we spent taxpayers' money	17	Corporate social responsibility	32
Delivering for government	19		
Delivering digital-first products and services for our customers	20		

£100

**For every £100 we hold,
we spend less than 7p
a year on administration.**

7p

Our strategy: Inspire & Invest

At a glance

25 million

customers

100%

security backed
by HM Treasury

1861

NS&I launched
150+ years ago

Our purpose

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

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 customers' 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 the 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.

This was the second year of our strategy Inspire & Invest. Developed in 2017–18 in line with our refreshed purpose, mission and values, Inspire & Invest is designed to help us to achieve three related objectives:



Our strategic aims



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.

Page 19



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.

Page 20



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.

Page 26



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 to develop and deliver effective policy. Our savings policy expertise, services and products are relevant and inspire a stronger savings culture.

Page 24



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. NS&I is not regulated by the Financial Conduct Authority. However, we seek to incorporate best practice principles relating to FCA regulated financial institutions into our processes where it is appropriate to do so. We protect the interests of taxpayers.

Page 27



Being inspiring 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.

Page 29

2018–19
£10.8 billion

2019–20
£11.6 billion

**£11.6
billion**

We met the Net Financing target for 2019–20, up from £10.8 billion in 2018–19.

// Let's look at how we've done

Retail products and business-to-business highlights

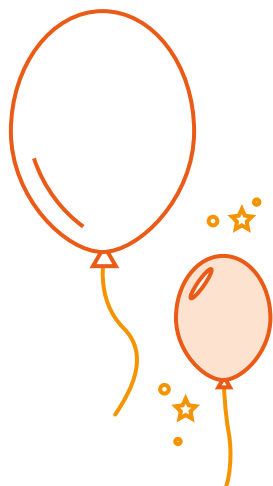
£1 billion

of Premium Bonds prizes
paid out in 2019–20.



Buying Premium Bonds as a
gift started in August 2019.

Premium Bonds minimum £25 investment takes off



£2.3 million

Since the minimum investment in Premium Bonds was lowered from £100 to £25 in February 2019, more than 94,000 customers have invested £25, with a total value of more than £2.3 million by the end of March 2020.

Help to Save



As at 29 March 2020,
175,000 people had signed
up, depositing £55 million.

175,000

2018–19
£37.3 billion

2019–20
£38.2 billion

**£38.2
billion**

Gross inflows.

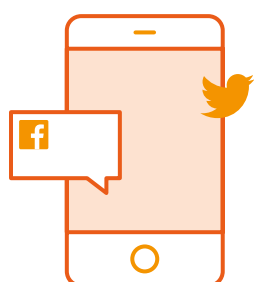
2018–19
£167.6 billion

2019–20
£179.2 billion

**£179.2
billion**

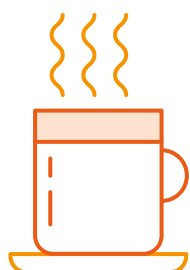
Total amount invested
by customers as at
31 March 2020.

Customer highlights



96.4%

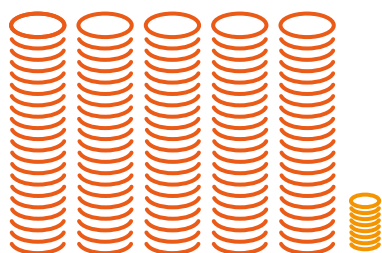
of incoming customer
interactions now via digital
channels (online and telephone).



330,000

webchats in 2019–20.

Delivering efficiently



6.9_p

For every £100 held with
NS&I, only 6.9p was spent on
administration in 2019–20.

Online services launched



'Alexa'

In 2019–20, more than
32,000 customers used the
Alexa Premium Bonds prize
checker skill.



Since our financial adviser
online portal went live in
May 2019, more than 600
firms have registered
to use it.

Welcome to our 2019–20 annual report – a year of stable performance for NS&I in a fast-moving external environment, not least the Covid-19 pandemic, which started towards the end of the year. We have made important strategic progress this year and enhanced our products, while delivering more than £11 billion in funding for government.



2019–20 has seen the pace of digital change accelerate across the financial services sector and in many other areas of people's lives. Customers have ever more innovative ways to invest and to manage their savings, and their expectations continue to rise. At the same time, interest rates have fallen in the retail savings market and gilt yields have also fallen further during the year.

While we have successfully met our Net Financing target, we did not meet our target for the Value Indicator, which compares the relative cost-effectiveness of raising money via NS&I with doing so via the gilt markets. This was because gilt yields fell during the year to levels not anticipated when the 2019–20 Value Indicator target was set. Our Chief Executive, Ian Ackerley, provides further information on this on page 9.

Our response to the challenging environment was guided by our operating framework, which requires us to balance the interests of savers, taxpayers and the stability of the broader financial services sector. We continue to increase our efficiency in the way we manage our business – it now costs us just 6.9p to manage each £100 of stock we hold – while adding new tools and options for our customers.

At the end of 2019–20, we responded to the emerging Covid-19 pandemic by implementing our business continuity plans to support our customers and our staff. I am proud of the way that our staff and those of our operational partner Atos, have conducted themselves and served our customers during this unprecedented time.

Strategic progress

Our purpose is to inspire a stronger savings culture. We have actively sought to open up our savings range to reach new audiences and encourage them to save with us. In just one year, the number of active NS&I customers under the age of 16 has increased by more than 90,000 and we have successfully reduced the average age of our customers from 56 to 53. Since we lowered the minimum Premium Bonds investment from £100 to £25 in February 2019, more than 94,000 people have invested at this new lower – and more accessible – level. These changes are of real importance not only for NS&I's long-term sustainability as a source of funding for government but also in encouraging new customers – particularly younger people – to start a savings habit.

Our work for partners across government has also helped us to support a savings culture. We support HM Revenue and Customs (HMRC) in the delivery of Help to Save, the Government's pioneering financial inclusion programme for low-income families. This has resulted in a number of awards this year, as more people and organisations have recognised the importance of this scheme. You can read more about those awards, and our involvement in the successful delivery of other government services, in the pages ahead.

Evolving expectations

Having raised our customer satisfaction target this year from 84% to 85%, we were disappointed to fall narrowly short of meeting it – even though our performance actually improved on last

year. However, we continue to be at the forefront of the sector: we again won Best in the Banking & Finance Sector in the Top 50 Companies for Customer Service and we were rated 1st Overall for Social Media to serve our customers.

Focusing on our future

Our major digital initiative this year – at least from the customer perspective – was the launch of the NS&I smartphone app. We are planning further enhancements to our customer offer over the coming year.

We welcomed Ruth Curry as our new Finance Director during the year; we were pleased that the tenures of Non-executive Directors Christopher Fisher and Sharmila Nebhrajani OBE have been extended; and the contract of our Chief Executive, Ian Ackerley, was extended by three years to 2023. I was also personally proud to be appointed for a further three years as Chairman. Finally, I extend my personal thanks to James Furse, who left the board this year after eight years of valuable service as a Non-executive Director.

There is more detail about NS&I's board and governance arrangements in the Corporate governance report on pages 38 to 54, and more detail about the successes of this year both in the pages that follow and online.

A handwritten signature in black ink, appearing to read 'Ed Anderson'.

Ed Anderson
Chairman
National Savings and Investments

 **For details of the board's composition, committees and activities, please see the Governance Statement on pages 40 to 49.**

2019–20 has been a year of solid performance in difficult circumstances. We met the majority of our Service Delivery Measures including our Net Financing target. We made good progress with our strategy, notably by attracting younger customers and enhancing the ways savers can manage their NS&I products.

Towards the end of 2019–20, we responded to the emerging Covid-19 pandemic by implementing our business continuity plans to enable our customers to continue to access our services and to keep our operational and office-based staff safe. I'm grateful to all of our colleagues for their efforts.

We delivered £11.6 billion of Net Financing; however, we did not meet two of our 11 Service Delivery Measures: Value Indicator and Customer Satisfaction.

Understanding value

The Value Indicator shows the relative cost-effectiveness of government raising money through its two main sources of funding: the wholesale market – i.e. gilts – and the retail market, in which NS&I operates.

For several years in a row, it had been more cost-effective to raise funding via NS&I. However, it had become increasingly difficult to deliver positive value, as gilt yields (the amount government has to pay out in the wholesale market) have been at very low levels.

This year, gilt yields reached exceptionally low levels. Between April 2019 and March 2020, for example, 10-year gilt yields fell from 1.19% to 0.40%. As a result, the Value Indicator turned negative and continued to fall as accessing funding through the retail market became a less cost-effective source of government financing than gilt issuance on wholesale markets.

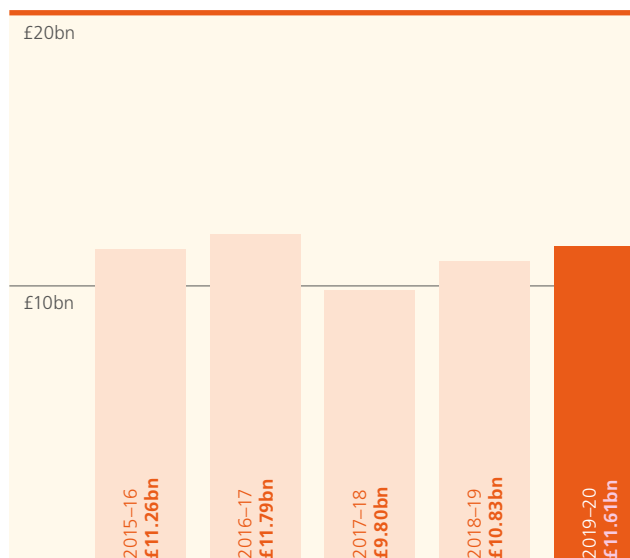
Overall, we ended the year with a Value Indicator figure of –£887 million.

Our operating framework requires NS&I to balance the interests of savers, taxpayers and the wider market. With

this in mind, in September 2019 we took action by taking Guaranteed Growth Bonds and Guaranteed Income Bonds off sale; both had been available for over two years. We also reduced the interest rates on our fixed-rate products by 0.25%. This reduction was in keeping with the low interest rates on offer to savers across the fixed-term market.

We also announced, in February 2020, a series of interest rate reductions to be implemented on 1 May 2020. NS&I and HM Treasury subsequently cancelled the interest rate reductions on variable rate products to support savers and to reflect the Government's

Net Financing



Highlights



£11.6 billion

Net Financing delivered

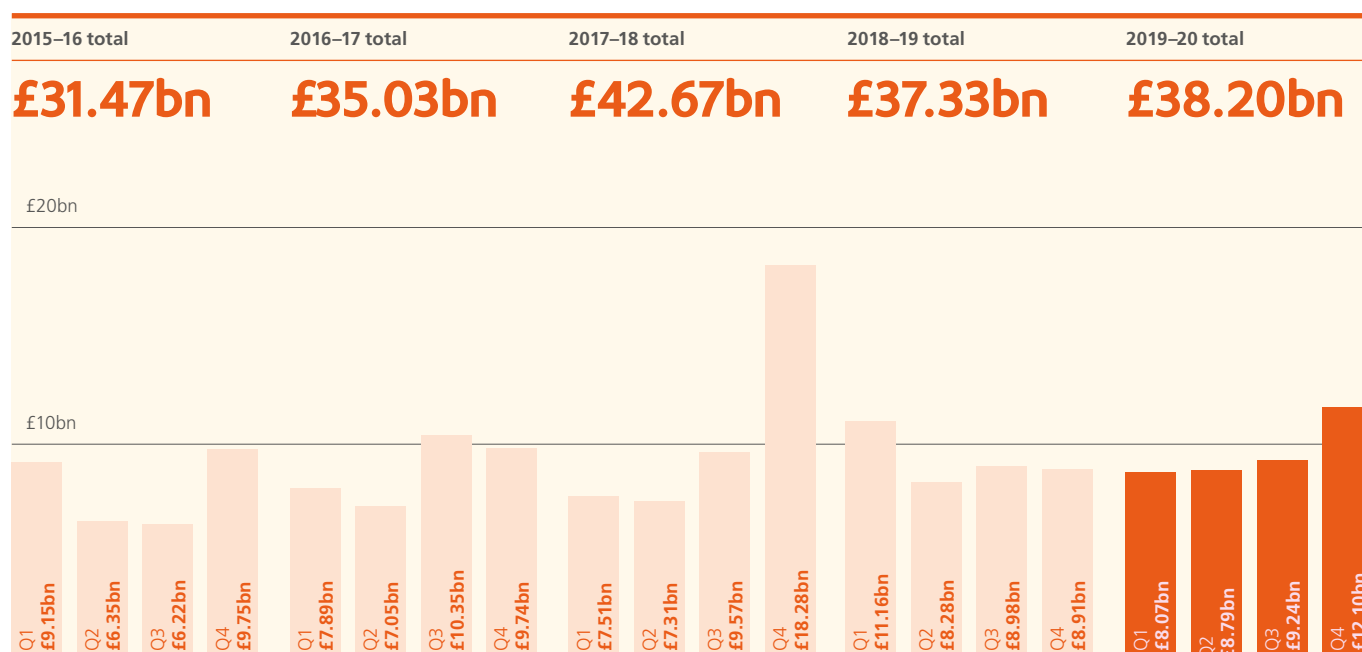


90,000 more active customers under the age of 16



More than 800,000 children aged under 16 now have Premium Bonds, with a total holding balance of £1.3 billion

Gross inflows to NS&I (£bn)



funding requirements during the Covid-19 pandemic. Interest rate reductions on our fixed term products went ahead as planned.

A meaningful contribution to the public purse

We raised £11.6 billion of Net Financing in an efficient way: our own efficiency ratio – which shows how much it costs us to manage each £100 of funds we hold – improved from 7.8p in 2018–19 to 6.9p in 2019–20.

As the National Audit Office highlighted in its 2017 report on the Government's debt financing arrangements, *Evaluating the government balance sheet: borrowing*, NS&I gives the Government flexibility by providing an alternative source of cost-effective borrowing to gilts. Further, NS&I has proven to be a stable and largely predictable source of debt financing for the Government.

Importantly, too, NS&I today is able to deliver for government in a range of ways beyond our core financial contribution. Through our business-to-business (B2B) services, we make our transaction processing capabilities available to other public sector bodies – helping them to improve services for

citizens, reduce the costs of managing transactions, accelerate the delivery of policy and streamline their processes.

Response to Covid-19

In the last few weeks of March, we put into place our business continuity plans to enable us to provide reassurance to our customers and respond quickly to the impact of Covid-19. Our staff, including our operational out-sourced partner, Atos, showed great resilience to new ways of working during this exceptional time, ensuring that our customers continued to access our services.

The March 2020 Budget set NS&I's Net Financing target for 2020–21 at £6 billion (+/– £3 billion). This target will be subject to in-year revision to reflect government finance requirements arising from Covid-19. The Value Indicator target was suspended for the first quarter of 2020–21 in response to exceptional market conditions.

Business-to-business

This year, we successfully took on the responsibility for administering the Help to Buy: ISA programme which offers support to first-time home buyers – ensuring they receive the government bonus they need on time

for their purchase to go through. We also continued to underpin Help to Save, the HMRC scheme designed to offer people on low incomes an attractive and straightforward way to start saving. Over the course of the year, Help to Save's customer experience, its impact on financial inclusion and the effectiveness of NS&I's joint delivery with our government partners were recognised with a series of awards. We are delighted to be part of this invaluable initiative and see considerable opportunity for it to grow.

The Court Funds Office opted to extend our contract for payments processing to 2024. We have been working with them since 2012, to deliver improved customer service and drive down their costs. The extension allows us to make further improvements to the customer experience.

New generations

Our retail operations also contribute to broader social and governmental goals, such as increasing financial inclusion and building a stronger savings culture – which is at the heart of our strategy, Inspire & Invest.

We recognised a few years back that, while older generations of savers typically know NS&I well, younger generations were not as familiar with us. These are the same demographic groups that are struggling most to save – even though many want to. We therefore looked at ways that our products and services could help them to start saving.

In February 2019, we reduced the minimum purchase for Premium Bonds from £100 to £25 and this year made it possible for friends and family members to buy Premium Bonds as a gift for children. We have also sought to reach out to those saving on behalf of younger customers through focused marketing. Alongside this we have built digital-first services that reflect the way that younger generations increasingly interact with other financial services providers – for example, through the introduction of our smartphone app.

These initiatives are making good progress. The average age of our customers dropped from 56 at the start of the 2019–20 year to under 53. Perhaps more significantly in just one year, the number of active NS&I customers under the age of 16 has increased by more than 90,000. Alongside this, the number of regular savers – defined as those who save at least three times in six months – has risen by over 70,000 this year. This helps to create a savings habit.

Making saving simple

We continue to invest in ways to make saving easier. We have taken steps to improve the service we provide to financial advisers. The launch of our new adviser portal in May 2019 has proved a success; it allows advisers to view their clients' full NS&I holdings in a single window – which in turn makes it far simpler for them to provide relevant advice.

These service improvements have helped to ensure that our customer retention rates have remained high. Our overall share of the savings market remains largely unchanged at 9.03% in March 2020 (March 2019: 9.05%).

The challenge of meeting rising customer expectations

Given the high levels of retention and the number of new customers we have been able to attract, it was disappointing that we did not quite reach our headline target for customer satisfaction. As noted above, our customer satisfaction performance in 2019–20 (84.6%) improved from last year's performance (84.3%). However, we fell short of meeting our 2019–20 customer satisfaction target of 85%. We are clear on those areas where we need to continue to work hard to improve our customer experience.

It is clear that we perform well in comparison with our peers. For the fourth successive year, we were voted Best in the Banking & Finance Sector at the Top 50 Companies for Customer Service awards. This year, we also won the award for the best use of social media for customer service – across all sectors. This is a tremendous tribute to our frontline teams and their commitment to providing exceptional service day in and day out.

Digital first

For a number of years, we have focused on growing our website for sales and service. This reflects customer demand and is also integral to increasing our efficiency. This year, more than 97% of sales were via digital (online and telephone), as were 96.4% of incoming service interactions, up from 96% and 95.6% respectively last year.

Improving these figures is increasingly challenging. Our focus is now on improving the customer experience by enhancing our digital service, which, in turn, not only reduces costs but also benefits the environment. Crucially, when doing so, we seek to improve or redesign the processes to enhance customer journeys, taking a digital-first approach rather than simply replicating existing ways of transacting with us.

One area that still uses a considerable amount of paper is the distribution of Premium Bonds prizes. Although 65% of prizes paid out each month now go directly into customers' bank

Highlights



Over £1 billion

Amount paid out in Premium Bonds prizes in 2019–20



333,000

Premium Bonds Prize Checker app downloads

Highlights



7.1 million

Number of sales made using digital channels (online and telephone)



First place for Banking & Finance in the Top 50 Companies for Customer Service awards



Extended Atos contract by three years

accounts or are reinvested in Premium Bonds, we issue on average 1.1 million prize warrants (like a cheque) each month. We continue to promote the advantages of having prizes paid directly into customers' bank accounts. In November 2019, we introduced the option for customers to choose to be notified of Premium Bonds wins via a text message from ERNIE, our random Premium Bonds prize number generator.

Although we aim for the highest standards, in October 2019, an operational error meant around 25,000 duplicate Premium Bonds prize warrants were issued; we apologised for the inconvenience and took steps to ensure that the error is not repeated.

In March 2020, approximately 338,000 Premium Bonds customers received a warrant with an additional name on it. The affected warrants were still valid and could be banked as usual. The technical issue was resolved promptly.

Risk management and responsibility

During the year, we updated our risk framework and associated documentation to reflect the newest edition of *The Orange Book: Management of Risk – Principles and Concepts*, published by HM Treasury. Alongside this, we have sought to evolve our risk culture, placing greater responsibility in the hands of those who are best equipped, from a technical or commercial skills perspective, to manage relevant risks on a day-to-day basis. This ensures that risks are managed at the most appropriate place and that robust assurance is achieved. Our Accountability Report provides more details on this.

Diversity

The evolving risk culture aligns with our overall culture, where we seek to encourage and support staff to take on responsibilities and progress their own careers. We were pleased once again to be ranked as a high-performing department in the Civil Service People Survey.

We also continue to take steps to increase diversity and to champion inclusion at the heart of our business. This year, we conducted an equal pay audit; as a result, a small number of our employees had their remuneration adjusted.

Aligned for the future

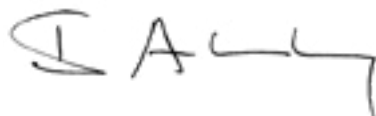
In our leadership team, Finance Director Urvashi Bhagat returned to the health sector; we are grateful for her diligence and energy in the role and wish her well for the future. She has been succeeded by Ruth Curry, who has brought valuable experience from across the public sector.

At board level, I was delighted that Ed Anderson's tenure as Chairman has been extended and was similarly pleased that Christopher Fisher and Sharmila Nebhrajani OBE have agreed to extend their terms as independent Non-executive Directors, giving us valuable continuity in this period of change. Sadly, we had to say farewell to James Furse, who has served as a Non-executive Director since 2012. We are extremely grateful for his long service and deep understanding of our business and wish him all the best.

Engagement between the Executive Committee and the Non-executive Directors on the board is extremely strong. This is important, ahead of what promises to be a significant year in the future of our business.

I want to close by thanking Dame Stephanie Shirley who recently spoke to our people about her inspirational life; she is a hugely motivating figure. She was a trailblazer for the cause of women in the workplace, built a successful IT business and dedicated much of her later years to charitable work in raising awareness of autism. She also has a particular association with NS&I, as she helped to develop the tests that ensured that the first incarnation of ERNIE in 1957, the Premium Bonds prize draw computer, was truly random. In December, I welcomed her to our London offices where she spoke to staff about her life and career. Colleagues across

NS&I have told me how inspiring and humbling her speech was and how it energised them to continue to strive to serve our customers and ensure that NS&I remains a diverse and relevant business.



Ian Ackerley
Chief Executive
National Savings and Investments
17 June 2020

Our performance in 2019–20

The table below shows our performance against our Service Delivery Measures (SDMs). We agree these with HM Treasury as part of our reporting process and measure our performance in relation to our overall objectives.

Service Delivery Measures	Description	2018–19	2019–20	2020–21
1	Net Financing Goals and objectives To raise an amount of Net Financing within an agreed range Measure Absolute amount of Net Financing from NS&I products	Performance £10.8 billion (+/- £3 billion)	Target £11 billion (+/- £3 billion) Performance £11.6 billion	Target £6 billion (+/- £3 billion)
2	Value Indicator⁽¹⁾ Goals and objectives To deliver value to government when compared with equivalent wholesale funding costs Measure Absolute amount of value from NS&I products as calculated by the Value Indicator	Performance £12.8 million	Target £20 million (with a lower limit of £0 million) Performance -£886.7 million	Target The target has been suspended in response to exceptional market conditions for the first quarter of 2020–21
3	Customer service – operational delivery Goals and objectives To exceed the threshold level of both timeliness and accuracy Measure Average performance against contractual key performance indicators (KPIs)	Performance 99.63%	Target At least 95% Performance 99.44%	Target At least 95%
4	Customer service – online availability Goals and objectives To exceed the threshold level of online availability Measure Percentage of time, excluding planned downtime, that customer-facing marketing and transactional websites are available	Performance 99.84%	Target At least 99% Performance 99.80%	Target Online availability will be deleted from the SDMs, although we will continue to assess performance here
5	Customer satisfaction⁽²⁾ Goals and objectives To exceed a threshold level of satisfaction with customer service and overall experience received from NS&I Measure Overall satisfaction with NS&I's service	Performance 84.3%	Target At least 85% Performance 84.6%	Target At least 85%

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

(2) 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 after they have completed a transaction.

Our performance in 2019–20

Service Delivery Measures	Description	2018–19	2019–20	2020–21
6	Government Payment Services delivery performance⁽³⁾ Goals and objectives To achieve or exceed the minimum threshold level of meeting contractual performance indicators for our GPS clients covering timeliness, availability and accuracy Measure Minimum 95% total of all key service levels achieved versus total contractual service levels, where service credits apply, across all GPS clients	Target n/a Performance New SDM for 2020–21	Target n/a Performance New SDM for 2020–21	Target 95%
7	Net contribution to Departmental Expenditure Limit (DEL) from Government Payment Services⁽³⁾ Goals and objectives To achieve or exceed the financial contribution target generated from GPS activity Measure Minimum net contribution of £10.2 million + CPI	Target n/a Performance New SDM for 2020–21	Target n/a Performance New SDM for 2020–21	Target £10.2 million + CPI
8	Digital-first Goals and objectives To increase the number of transactions and customer communications made using digital channels (email, online and secure messaging) compared with the number of transactions and customer communications made using post and telephone Measure Number of digital transactions divided by total number of transactions	Performance 60.6%	Target 65% Performance 67.0%	Target 68%
9	Efficient administration of funds Goals and objectives To improve the efficiency of administering total funds Measure Ratio of total NS&I administrative costs that are funded by Resource DEL to average funds invested by customers	Performance 7.8 basis points	Target Less than 7.5 basis points Performance 6.9 basis points	Target Less than 7.25 basis points
10	Fraud⁽⁴⁾ Goals and objectives To minimise the cost of fraud Measure The cost of fraud as a percentage of total average stock	Performance 0.00015%	Target Below 0.001% of average funds invested by customers Performance 0.00009%	Target Below 0.001% of average funds invested by customers

(3) We have introduced two new SDMs which cover our business-to-business services. They reflect the importance of this additional revenue stream and NS&I's role in supporting our partners across the public sector to reduce their costs and deliver for society.

(4) Under the outsourcing contract, which began 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 2019–20 were £152,130. Compared on a like-for-like basis against 2018–19, net fraud losses in 2019–20 were 36% lower. In addition, the controls we have in place to combat fraud have resulted in attempts with a total value of £7,968,365 being prevented, down by £9,013,118 from prevented losses in 2018–19. 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.

Our performance in 2019–20

Service Delivery Measures	Description	2018–19	2019–20	2020–21
11	Financial Ombudsman Service (FOS) Goals and objectives To minimise the incidents where FOS intervention is justified Measure 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&I	Performance 0.34%	Target Less than 0.5% of total complaints raised found to be upheld against us by the FOS Performance 0.21%	Target Less than 0.5% of total complaints raised found against us by the FOS
12	Diversity Index Goals and objectives To embed diversity and inclusion at the heart of our business Measure Achieving our 50% Women in Finance target: gender diversity of Executive Committee and bands 2 and 3* Improving our ethnic diversity at bands 4 and above: via employee survey data, the percentage of NS&I employees who have disclosed as BAME (Black, Asian, Minority Ethnic)* *Weights are 0.50 each	Performance 33.5%	Target 36.5% (+/- 5 percentage points) Performance 33.4%	Target 36.5% (+/- 5 percentage points)
13	Employee engagement Goals and objectives To fulfil our Inspire & Invest aim of being 'Inspiring and Empowering' Measure Level of employee engagement in the anonymous Civil Service employee survey, independently run and validated by the Cabinet Office	Performance Met	Target NS&I to be a high-performing department for employee engagement Performance Met	Target NS&I to be a high-performing department for employee engagement

The principal risks and uncertainties facing NS&I are detailed on pages 48 and 49.



How we spent taxpayers' money

The amount of money available to NS&I is determined by Parliament through the Supply Estimates procedure. We use the money allocated to us to deliver the retail products and customer service discussed throughout this report. Our operating costs include our internal costs and the payments made to Atos, our operational services partner, under a Public Private Partnership contract.

As in previous years, we stayed within all the spending limits set by Parliament. In 2019–20, we spent £119.4 million, which is £7.2 million (of which £5.1 million were non-cash costs) lower than the amount allocated by Parliament in the 2019–20 Estimate, and £7.8 million lower than the amount we spent in 2018–19.

The table on page 18 provides a more detailed comparison of what we spent this year, compared with the Estimate.

Financial position

At 31 March 2020, NS&I's total assets less total liabilities were £33.5 million, £7.5 million lower than at 31 March 2019. Non-current assets decreased by £9.9 million, primarily due to asset depreciation being significantly higher than asset investment. Total liabilities, excluding client funds, fell by £12.3 million. For more details, see the full Statement of financial position on page 79.

Payment of suppliers: policy and performance

We are committed to paying our suppliers in accordance with our prompt payment policy. 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 2019–20, we paid 97.3% (2018–19: 99.3%) 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 strategy overview

Over the following pages, we look at the progress we have made this year towards the six aims of our strategy, Inspire & Invest.



For more details, see the full Statement of financial position on page 79.

Comparison of outturn with Estimate⁽¹⁾

	2019–20 Outturn	2019–20 Savings compared with Estimate	2018–19 Outturn	2018–19 Savings compared with Estimate
	£m	£m	£m	£m
Net resource requirement	119.4	7.2	127.2	6.2
<i>of which:</i>				
Departmental Expenditure Limit (DEL) ⁽²⁾	118.9	4.4	127.3	2.8
Annually Managed Expenditure (AME) ⁽²⁾	0.5	2.8	(0.1)	3.4
Non-budget adjustments ⁽³⁾	2.9	(2.9)	(7.5)	7.5
Net operating cost (Accounts)	122.3	4.3	119.7	13.7
Capital expenditure (CDEL)	0.0	0.7	0.0	0.6
Non-budget adjustments ⁽³⁾	10.6	(10.6)	20.9	(20.9)
Total capital expenditure (Accounts)	10.6	(9.9)	20.9	(20.3)
Net cash requirement	113.9	13.9	121.4	13.2

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 69 provides figures to the nearest £1,000 and provides details of the Estimate.

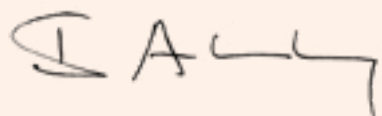
(2) See the Glossary on pages 118 to 121 for definitions of these terms.

(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.

Difference between resource outturn and Estimate⁽¹⁾

	2019–20 £m	2019–20 £m
Higher income	0.6	
Lower depreciation costs	2.3	
Lower staff costs	1.7	
Other differences	(0.2)	
Total DEL underspend		4.4
Lower requirements for provisions	0.3	
Lower revaluation charge for NS&I properties	2.5	
Total AME underspend		2.8
Total underspend against Estimate		7.2

(1) Figures are presented here to the nearest £0.1 million. Note: SoPS1.1 on page 69 provides figures to the nearest £1,000.



Ian Ackerley
Chief Executive
National Savings and Investments
17 June 2020

Highlights



628,000

families have benefited from the
Childcare Choices service



175,000

people signed up
to Help to Save

The first element of our mission is to provide cost-effective financing for government and, in doing so, support government in actions it is taking for the public good. In 2019–20, that amounted to £11.6 billion of funding.

In addition to this direct funding, generated through our retail operations, we also play a growing role in streamlining the delivery of government services and policy initiatives. Through Government Payment Services (GPS), our B2B operations, we use our expertise and resources in payment processing to reduce costs, improve resilience and enable other government departments to offer a better experience to their customers. We did, however, experience some delivery issues for Tax-Free Childcare which we are working to resolve.

The services we support are often linked to wider societal goals: assisting with home ownership, helping people to start saving and increasing access to childcare for working families.

Help to Buy: ISA and Mortgage Guarantee Scheme

In April 2019, NS&I GPS took on responsibility for providing payments under the Help to Buy: ISA and Mortgage Guarantee Scheme (MGS). Both were existing services, devised by HM Treasury, to support first-time buyers. The schemes had been running successfully for several years, so it was essential that we oversaw the transition and that, for the Help to Buy: ISA for example, customers receive their government bonus on time to complete their house purchase.

We maintained a high-quality service to buyers and conveyancers throughout the transition period and are now beginning to make changes that will help to reduce the cost of running this service.

Help to Save

We continue to work in partnership with HMRC to deliver Help to Save, the Government's flagship savings scheme for those on low incomes. We have successfully supported increased customer numbers, and in January 2020 the first savers received their maturity payments. The programme has won a series of accolades.

Childcare Choices

We also partner with HMRC to deliver the Childcare Choices service, providing a single portal for working parents to apply for both Tax-Free Childcare and 30 hours of free childcare. This year, we have introduced a number of service improvements, including Faster Payments to childcare providers. These have contributed to consistently high online customer satisfaction rates of over 93%.

Court Funds Office

Since 2011, we have managed payment processing for the Court Funds Office (CFO). These payments are made as a result of a court case and are made to children or those who are deemed to lack capacity. Over the duration of the contract, we have consistently delivered on our KPIs for timely payments and customer service, while reducing costs to the CFO by over 40%.

We were delighted that this year the CFO took up the option to extend the contract with us to 2024. We will use this commitment as an opportunity to deliver further improvements to customer service and to upgrade the infrastructure.

Delivering digital-first products and services for our customers

Highlights



The Prize Checker app has 672,000 users across Android and iOS



Top 50 for Customer Service – 1st in Banking & Finance and Social Media categories

Many of NS&I's products were designed, and first launched, decades ago – but they remain hugely popular with customers. Over recent years, we have taken steps to adapt these products for a digital age, making it easier for customers to interact with us and enabling customers to manage their savings. This year, we have made changes to our online, mobile and social presence, benefiting existing customers but also helping us to reach out to new ones.

Reducing barriers to saving

We have sought to make NS&I products more appealing and relevant to younger audiences by reducing barriers to saving. For example, in February 2019, we reduced the minimum purchase for Premium Bonds from £100 to £25 – making it easier to save small amounts, regularly.

In February, we introduced a new text message service to tell Premium Bonds holders when they have won a prize; we also redesigned our email notifications.

These product and service changes are, of course, of value to all our customers, but they have been integral to helping us make our offer more relevant and appealing to younger groups. This year, we also adapted our marketing and promotional strategy to reach out to younger customers via the channels they use most. Take a look at our social media approach in more detail on page 23.

Alongside this direct approach to building our reputation with younger adults, we have also sought to promote NS&I as a means of helping children. Having previously made it possible for grandparents to buy Premium Bonds on behalf of their grandchildren, this year we extended the option to any adult – meaning that friends and family members can now buy Premium Bonds as a gift for children.

This has proved popular and, alongside the service changes, has led to an increase of over 90,000 in the number of active NS&I customers under the age of 16: a 42% rise in one year.

At the same time, the average age of all our customers has decreased from 56 to under 53.

Doing business digitally

The overwhelming majority of new customers of all ages buy our products online, manage them online – using self-service tools – and, for Premium Bonds, have any prizes paid directly into their bank accounts.

This has contributed to continued increases overall in the percentage of customer interactions via digital channels (online, social media and phone) – up from 79.9% in 2018–19 to 81.7% this year – and in the proportion of Premium Bonds prizes paid directly into bank accounts (now 40%).

Making saving a habit

In line with our purpose of inspiring a stronger savings culture, we have encouraged customers to consider saving regularly – for example, by standing order. This year, the number of customers making regular purchases increased from over 300,000 to just under 390,000: equivalent to an increase of over 23%.

Over 250,000 customers now save by standing order – up 42,000 this year. We will continue to encourage regular savings.

Our product range

As indicated above, our focus this year has been on supporting new customers to explore our product range and understand the different offers. We are looking to communicate more actively with our customer base to raise awareness of other savings opportunities and products.

Delivering digital-first products and services for our customers

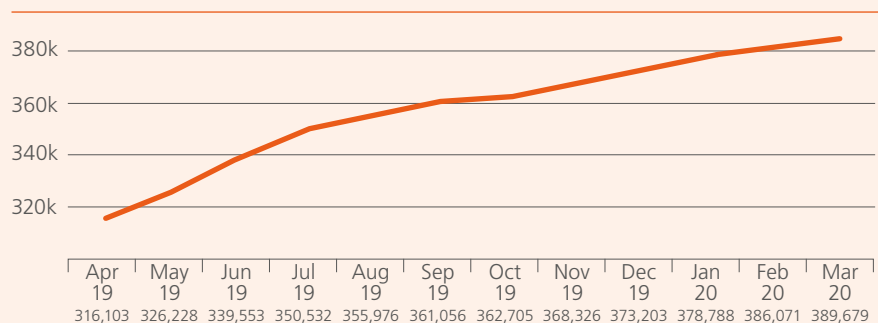
Our product range

	Status (at 31 March 2020)	Tax-free	Fixed-rate	Monthly income	Manage online and by phone	Manage by post	Annual statement
Direct ISA	On sale	●			●		●
Direct Saver	On sale				●		●
Fixed Interest Savings Certificates ⁽¹⁾	Not currently on sale	●	●		●	●	●
Guaranteed Growth Bonds (purchase online only)	Not currently on sale		●		●	●	●
Guaranteed Income Bonds (purchase online only)	Not currently on sale		●	●	●	●	●
Income Bonds	On sale			●	●	●	●
Index-linked Savings Certificates ⁽¹⁾	Not currently on sale	●			●	●	●
Investment Account	On sale				Holdings can be viewed online but no transactions can be carried out	●	●
Investment Guaranteed Growth Bonds (purchase online only)	On sale 11 April 2017 to 10 April 2018		●		●	●	●
Junior ISA (purchase online only)	On sale	●			●		●
Premium Bonds	On sale	●			●	●	

(1) Renewals at maturity still permitted.

Number of customers making regular deposits 389,679 customers

This has increased by 73,576 from April 2019 to March 2020



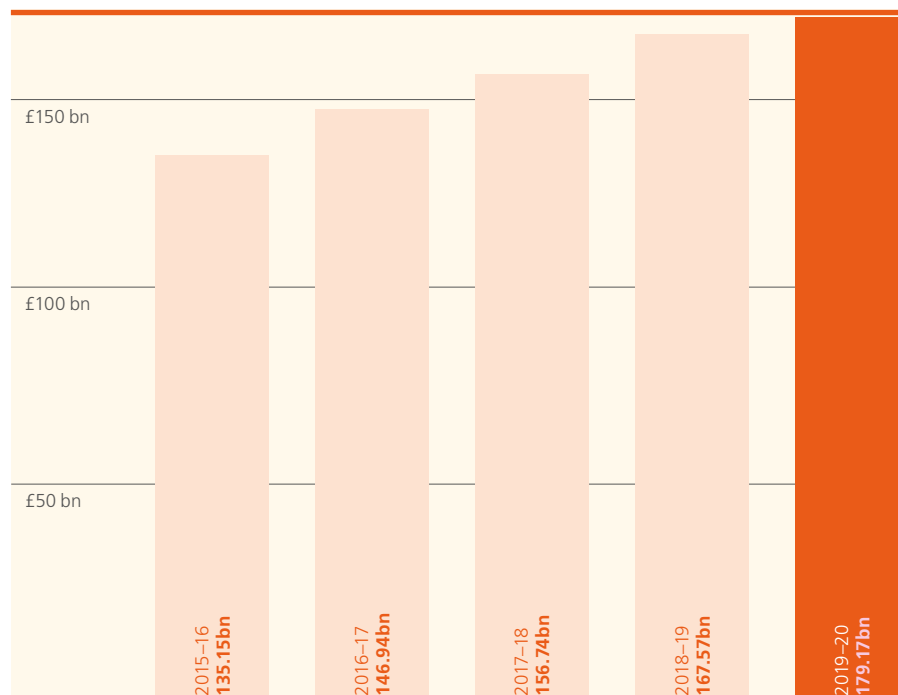
In September 2019 we reduced interest rates on some of our fixed-term products by 0.25% and closed Guaranteed Growth Bonds and Guaranteed Income Bonds to new sales. Both had been on sale for an extended period.

In May 2019, we updated our Index-linked Savings Certificates offer. Previously, we had used the Retail

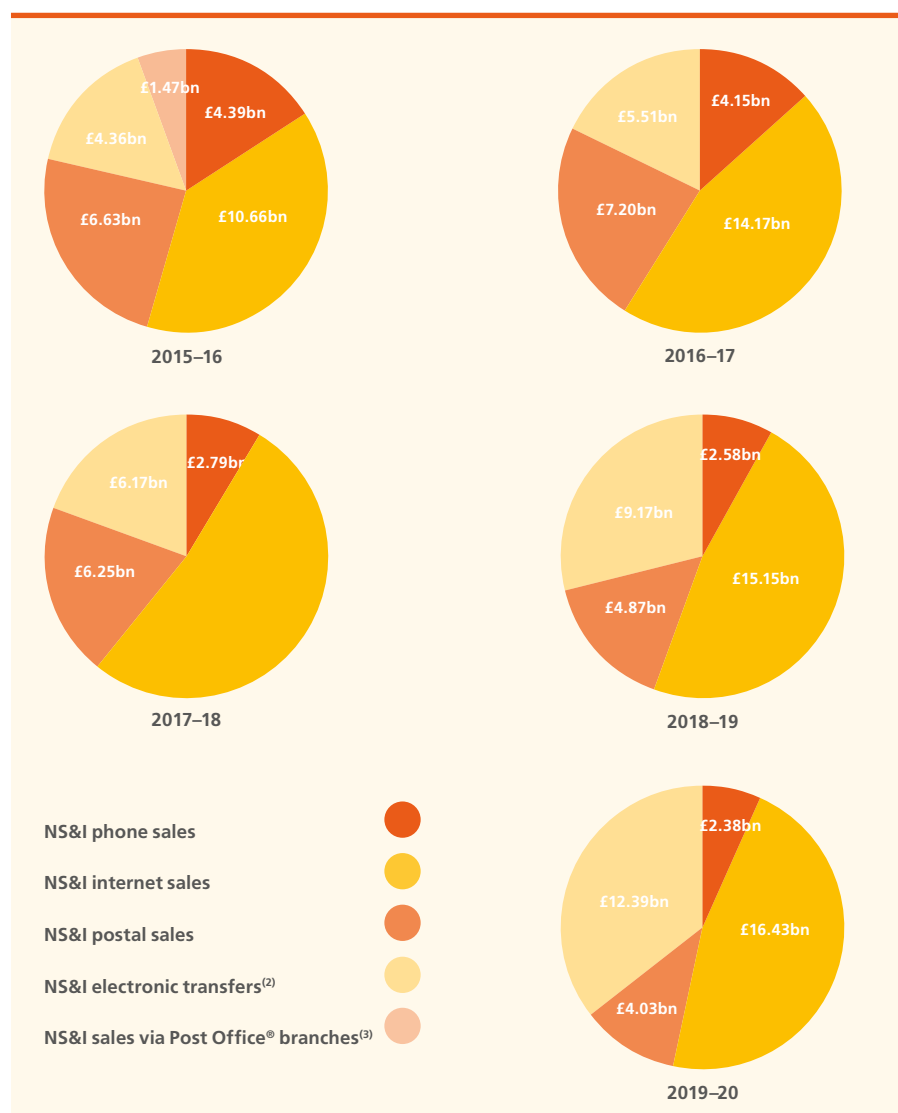
Prices Index (RPI); now, in line with wider changes across government, we use the Consumer Prices Index (CPI). We provided customers holding Certificates with advanced notice of this change, before their Certificates reached maturity.

Delivering digital-first products and services for our customers

Total amount invested by customers at the end of the year (£bn)



Sales performance by principal channels⁽¹⁾



(1) Based on sales

(2) This includes BACS, CHAPS and Faster Payments.

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



Making saving social

As our customer base changes, so do their expectations of service. While NS&I has long had an outstanding reputation for the service delivered by our contact centre, today increasingly the focus is on social media as a service option.

For NS&I, that predominantly means Twitter and webchat. These two text-based channels are swift and flexible and they are both growing at speed: this year, we managed more than 330,000 webchats and supported over 21,000 customers over Twitter – both with high satisfaction rates.

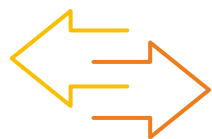
We were delighted that NS&I was rated 1st Overall for Social Media at the Top 50 Companies for Customer Service awards – ahead of companies from all industries.

On Facebook, we have built an NS&I community of over 73,000 likes; there is a large number of regular contributors who maintain a good-natured dialogue with ERNIE. We have now expanded this to make it a more broad NS&I-focused presence.

We are now exploring the potential of additional social channels that are well used by younger audiences. In 2019–20, we began posting images and adverts on Instagram, helping to raise awareness of our offer among audiences that don't know us so well.

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

Highlights



67 million

interactions handled per year

With millions of retail customers, plus hundreds of thousands more through our B2B services, NS&I is in an excellent position to generate and apply insights about customer priorities and behaviour. We learn from what our customers tell us, but also from how they interact with us. We use that insight to shape our services, but also to help partners across government to develop and deliver more effective policy in relation to consumer financial issues.

Our most valuable source of insight remains our customer satisfaction survey, which customers are invited to answer after every transaction. The ratings they give result in our overall satisfaction score, which is one of our main Service Delivery Measures. As noted earlier, although overall satisfaction increased this year, we narrowly missed our (raised) target.

However, as well as the scores, the survey also gives us an opportunity to identify the issues that are affecting satisfaction, so that we can take action. It is clear that customer expectations of digital service keep rising. These expectations are informed by comparison with the best service in any industry.

We continue to make small changes to the online and mobile experience on a regular basis, responding to feedback, as well as incorporating insights into major programmes such as our app. For example, this year, we have sought to streamline and simplify processes in relation to death claims and made it easier to find and download key forms.

The voice of our customers

To ensure that we continue to gather insight from existing customers, in January 2019 we set up an online panel which now has 5,000 members. When we are proposing changes to our services, we invite members of the panel to comment. This gives us a means of actively (and quickly) hearing the voice of our customers, and feedback from the panel has been used to help illustrate issues or understand the impact of potential changes.

Sharing our insights

Much of what we learn from our customers, as well as from research we commission, can usefully be applied to not only our operations but also the delivery of policy in other government departments. We continue to share our insights through the cross-government Retail Customer Financial Services Forum, which we established in 2018.

Learning from our B2B operations

Since we started NS&I Government Payment Services, we have sought to leverage the systems and processes used in our retail operations for our government clients. However, this year, it was the other way round, as we introduced Faster Payments as part of the Tax-Free Childcare service. The introduction created a number of practical and technical challenges, which we were able to address quickly, and the resulting payment service is not only faster for parents, but also more flexible. Our retail team is now drawing on the experience of the Government Payment Services team to assess the viability of using Faster Payments for our retail savings customers.



A word of advice

While there is a clear trend towards self-service for everyday banking and saving, we are aware that many of our customers rely on financial advisers to help with long-term financial planning and management. In recent years, we have made a series of improvements to the way we engage with financial advisers, leading to the launch in May 2019 of a new adviser portal.

Advisers can now easily view their clients' NS&I holdings – enabling them to give more informed advice and updates. This includes valuations of the customers' holdings, maturity dates for their fixed-term investments, their Premium Bonds prize history and copies of all communications sent to them.

From first launch, feedback has been extremely positive and more than 600 firms have now registered to use it.

The portal appears to have had a substantial impact on how advisers view NS&I. We conduct a monthly advocacy snapshot, asking advisers 'How likely are you to recommend NS&I to your clients?' The average score is now 8.44 out of 10, and 85% of advisers now recommend Premium Bonds regularly – up from 7 out of 10 and 75% just two years ago.

This positive feedback was echoed in our annual adviser satisfaction survey, which saw the highest ever response received, and where satisfaction with the service provided increased by a huge 20% in one year, up to 78%.

Highlights

£100
6.9p

Efficiency ratio

As part of our commitment to taxpayers, NS&I strives to operate as efficiently as possible. Our key measure of this is our efficiency ratio – the cost of managing the money invested with us. In 2019–20, we were able to improve this further, so that it now costs us just 6.9 pence to manage every £100 of stock we hold.

Over recent years, we have continuously sought to identify efficiencies in operations, helping us to meet the target set in the 2015 Spending Review to reduce our real-term costs by 25% by 2020. In the 2019 Spending Round, we were allocated some additional funding to help prepare for the retender of our outsourcing contract and to ensure that we remain protected against cyber threats.

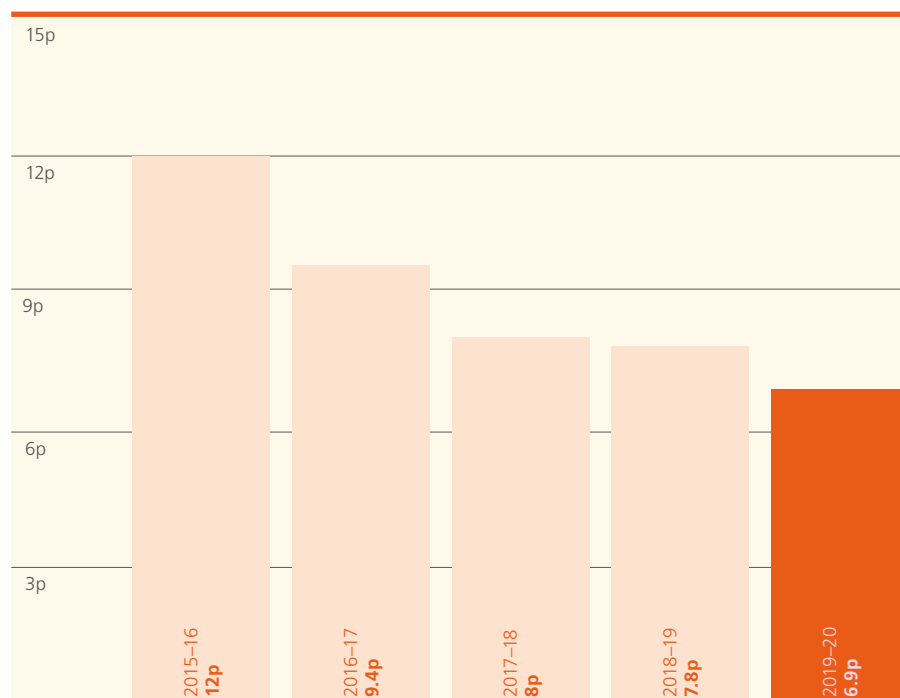
These efficiencies have been driven by an ongoing shift towards digital channels, which not only reduce costs

but also allow increased opportunities for self-service – which our customers welcome.

Digital-first processes: the key opportunity

Crucially, we see digitalisation as an opportunity to streamline processes – taking out unnecessary steps and complexities that have built up over time. We have identified that the main opportunities for further efficiencies in our operation relate to reducing the amount of paper we use. As well as offering digital alternatives – such as paying Premium Bonds prizes directly into bank accounts rather than posting out printed warrants – we are actively seeking to redesign processes that rely on paper.

Together with our operational partner Atos, we have identified that there are opportunities to remove large volumes of paper a year from our operations. We are now working closely together to define digital-first processes. The need to complete such changes was a key factor in our decision to extend our partnership contract to 2024, as it allows Atos to invest in system changes that will make our operation leaner and greener.

Efficiency ratio over five years⁽¹⁾

(1) For every £100 of stock held, the administration cost was 6.9p.

Highlights



£45 million

reclaimed in 2019–20 through
My Lost Account and our own
tracing service



0.03%

In 2019–20, only 0.03%
of transactions resulted
in complaints

NS&I's operating framework requires us to balance the interests of savers, taxpayers and the stability of the broader financial services sector. As set out in the Chief Executive's report, exceptionally low gilt yields made this a major challenge during the year, and adjustments were made on the basis of our operating framework. Our strategic aim of doing the right thing extends beyond our high-level financial approach into the service we provide to customers, the way we manage risk and the way we conduct our business.

We are constantly seeking to improve the support we give to vulnerable customers, and this year one of the issues we have focused on is providing a more caring and helpful service to the recently bereaved. Those contacting us at this point may not be our customers, but their loved ones were, and they need additional support dealing with a relative's or friend's financial affairs. We benchmarked our death claims process against those of other similar organisations and identified opportunities to make it simpler for customers and have made some changes to the process that have made a real difference. However, there is still room for improvement and we plan to make more changes.

Helping customers stay in touch with their savings

We are examining ways to stay in more regular contact with our customer base, from sending annual communications (such as on the anniversary of their initial NS&I investment) to contacting holders of specific products at certain times of the year, to inform them of developments in our business and range, and to ensure that they remain 'in touch' with their savings.

We continue to support the My Lost Account service, which gives people a simple way to track down lost savings accounts across dozens of banks and building societies. After changing the application process last year, we saw continued high levels of interest in the service and have helped to reunite savers with over £45 million this year.

Focusing on financial inclusion

As well as helping those who have lost savings, we also want to do more to help those who don't have savings. We are proud to be involved in Help to Save, which we see as an invaluable financial inclusion initiative, and are seeking to use our retail experience to help to promote it more broadly. We are also focusing a growing share of our communications on younger generations who are struggling to save, seeking to offer them simple and flexible ways to save small amounts regularly.

Our staff charity this year was The Share Foundation, which supports children and young people in care to develop their financial capabilities. We raised a total of £2,400 over our two-year period of support for the charity.

Gold Ribbon accreditation

We were delighted to retain the Gold Ribbon accreditation from Fairer Finance for our savings products.



For more information visit www.fairerfinance.com/ratings/brands/national-savings-investments#showCustomerExperienceRatings

Protecting our customers' money

As well as focusing on future generations of customers, we are determined to do the right thing by our existing customers. That means protecting them, and their money, from cyber crime. We continue to invest in our systems and multi-tier protection.

Solving complaints faster

We also seek to do the right thing when things go wrong. As an organisation, we receive very few complaints, but we are aware that, as customer expectations have evolved, the numbers of complaints are rising. We are determined to resolve as many as possible at the first opportunity. In 2019–20, 0.03% of transactions

resulted in complaints (2018–19: 0.029%). Of these complaints, 28.94% were resolved in two days. 168 complaints were referred on to the Financial Ombudsman Service (FOS). In 73% of the cases ruled on by the FOS in 2019–20, it found that we had resolved the complaint properly – ensuring that we met our Service Delivery Measure. In 2019–20 there were 43 adjudicator decisions and three Ombudsman decisions which were upheld – NS&I complied with all of these.

Acting ethically

Our commitment to frontline service is backed by a dedication to doing the right thing behind the scenes. We have strong anti-bribery and corruption

policies, both within the organisation and in terms of the people and companies we do business with. We continue to encourage positive change in our supply chain, including by ensuring that all suppliers are compliant with the Modern Slavery Act and pay a living wage.

Internally, we have sought to reinforce a culture where it is safe to challenge, plus we have also actively promoted our whistleblowing policy. Board Director Sharmila Nebhrajani OBE is our Speaking Up champion.

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 £3,204 million unclaimed assets in 2019–20, £1,792 million 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.

£m	Unclaimed assets 2018–19	Unclaimed assets 2019–20
Accounts	512	557
Certificates ⁽¹⁾	1,818	1,943
Income Bonds ⁽²⁾	18	22
Unclaimed Premium Bonds prizes ⁽³⁾	20	21
Residual Account ⁽⁴⁾	651	661
Total	3,019	3,204

(1) Certificates (Savings 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 95 to 110 of this report.

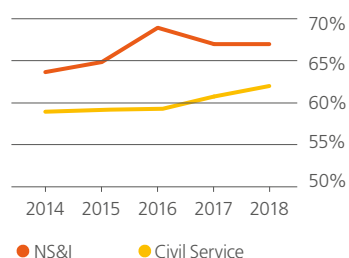
Highlights



Employee engagement score in 2018–19 – we continue to be a high-performing department



Diversity Index target met



Our continued success depends on enabling everyone to give their best performance at work. This year, we not only met our Service Delivery Measure targets for both engagement and diversity, but also took practical steps to promote equality and inclusion and to nurture employee wellbeing.

For the third year in a row, our overall workforce engagement score in the Civil Service People Survey was 67%. This meant that we were once again ranked as 'high-performing', ensuring that we met our target. We use the survey as a way to assess the impact of workforce initiatives; we were pleased to identify increases in the proportion of staff who believe change is managed well and that they are treated with respect at work.

We have focused on inclusion and building a culture of respect; this year, staff took part in 'active bystander' training, designed to give people an understanding of when, and how, to intervene appropriately if they see any of their colleagues behaving in a disrespectful way.

Focusing on fair pay

As part of our commitment to diversity, to examine the reasons for our gender pay gap at NS&I, we conducted an equal pay audit. As a direct result of this, a number of staff – male and female – have received an uplift in their pay.

Importantly, the audit also had an impact on people's perceptions of reward; in the People Survey, there was an increase of 14 percentage points in the number of staff who agreed that they were satisfied with their total benefits package.

Promoting diversity

Our diversity targets relate to the gender and ethnic diversity at senior levels in the organisation; we increased our target from last year and met it. We continue to support the Women in Finance Charter.

To help us meet this target, we are looking at ways we can actively support colleagues within the business to seek career development and promotion, as part of our ongoing talent management and future leaders programme.

We also continued our Diversity Allies programme, which as well as supporting staff internally, is designed to share and raise awareness of other networks across the Civil Service. The Diversity Allies group is made up of volunteers from across the business and in the past year signed the Race at Work Charter, became a Stonewall Diversity Champion and helped us become a certified Disability Confident Committed employer.

Learning and development

We continue to receive highly positive feedback from staff about our learning and development offer. This year, we promoted training on how to produce more effective business cases, which we believe will be of benefit as we head into the Spending Review period. We had employed two apprentices by March 2020 and took on two further new apprentice colleagues in April 2020. We have plans for four more but this has been temporarily paused due to Covid-19. We are highly impressed with the impact that they have had, bringing new skills and a fresh perspective on our business.

Wellbeing at work

In the everyday working environment, we continue to focus on being a healthy and inclusive workplace. As noted in last year's Annual Report, the Civil Service introduced a PERMA Index (Positive emotion;

Engagement; Relationships; Meaning; and Accomplishment) as a means of benchmarking wellbeing. We have been building on better management training around stress and encouraging flexible working and we saw a significant improvement in the number of staff who agreed that they achieved a good work/life balance.

In December 2019 we were proud to receive a silver award from Mind, the mental health charity, having achieved bronze previously for our commitment to mental wellbeing.

In August, we launched a new intranet, introducing better communications which can be updated at speed. This has also encouraged conversations on a range of issues, from volunteering to workplace initiatives and activities. As highlighted in the Chief Executive's overview, one of the biggest catalysts of conversation was the visit to our offices by Dame Stephanie Shirley.

In the last few weeks of the year we, like many others, were impacted by Covid-19. We were able to quickly action our business continuity plan for the majority of colleagues to work from home from 17 March 2020 and to introduce new working patterns and social distancing for our customer service teams. Furthermore, we promptly put various additional measures in place to support our staff as we transitioned to new ways of working. We worked hard to ensure all staff were clear on how working practices were changing, what this meant for them and where they could go to access additional help and support when needed.



Breaking through the glass ceiling

Every aspect of Dame Stephanie Shirley's life story is incredible and inspiring. From arriving in the UK as a Kindertransport refugee in 1939 to starting an IT company in the 1960s that employed almost exclusively women – adopting the name Steve in her correspondence to overcome prejudice among prospective customers – as well as in her work as an advocate for people with autism, she has overcome countless obstacles and empowered hundreds of those she has worked with.

Before she went into business herself, Dame Stephanie worked as a computer programmer at the Post Office Research Station. Some of her colleagues were tasked with building the first piece of Electronic Random Number Indicator Equipment – ERNIE – to support the new Premium Bonds prize draw. Dame Stephanie was asked to devise a way of testing, and proving, its randomness.

We were delighted that in December Dame Stephanie accepted an invitation to come and talk about her life and work to the NS&I team. The room was packed, with over 150 people attending; she shared her thoughts on today's business world and the opportunities for women – as well as the barriers that still exist – and also discussed the way that workplaces can become more adept at incorporating and supporting neurodiversity.

She took the time to speak one to one with some of our next generation of leaders and left everyone feeling inspired and empowered.

Highlights



Maintained performance
against key sustainability
targets

ISO 14001

Retained ISO 14001
accreditation for our
environmental
management system

The year 2019–20 was the first in our current five-year corporate social responsibility (CSR) strategy. The strategy is built around five key themes: environmental responsibility, responsible business, responsible customer interaction, employee welfare and wellbeing, and community involvement. We see these themes as linked, reflecting the broader impact we can have on customers, communities and our people. We have seen pleasing progress in all five themes.

Environmental responsibility

For several years, NS&I's sustainability performance has been ahead of government targets for reducing carbon emissions, energy and water consumption. We continue to take steps to improve our performance and this year further reduced our carbon emissions. Thanks to renewable energy sources at our Blackpool and Durham sites, net carbon emissions from electricity at both locations are minimal.

One of our focal points this year was reducing business travel. We made Directors personally responsible for encouraging reduced travel in their teams and supporting the use of videoconferencing where appropriate. We also improved the robustness of our Skype conferencing. Together, these initiatives led to a 22% drop in our carbon emissions from travel and reduced our expenditure on travel by £111,000 compared with last year. This left us well placed when we switched to full home working of our office-based staff due to the Covid-19 pandemic in March 2020.

- We signed a new five-year lease for our head office in London; as a condition of our longer-term occupancy, we have asked the property owner to modernise the heating system, which we believe will help to reduce our direct carbon emissions.
- We retained ISO 14001 accreditation for our environmental management system.

Responsible business

In February 2020, NS&I received an 'established' accreditation against the Smart Working Standards. This was introduced by the Cabinet Office in 2016 to encourage government bodies to change their ways of working and the British Standards Institute (BSI) developed a Publicly Available Specification, PAS 3000, to define the requirements. We are proud that we are one of the first government organisations to achieve the accreditation standard.

Our Living Wage employer accreditation (achieved in March 2019) not only commits us to ensure that

As in previous years, the data provided by NS&I for sustainable performance was reviewed 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
<https://nsandi-corporate.com/governance/corporate-and-social-responsibility>

all staff, including anyone working on our sites, is paid at or above the rates defined by the Living Wage Foundation, but it also means that we seek to obtain a Living Wage commitment from our suppliers. We have verified that 22% of our suppliers have committed to the Living Wage. This is part of a broader approach to including a social value weighting in our procurement decisions.

Responsible customer interaction

We continue to seek to cut the amount of paper we use in our customer communications, by offering alternative channels to interact with us; this includes our new Alexa app to check for Premium Bonds prizes.

We responded promptly to customer needs in March 2020 due to Covid-19, encouraging customers to go online to nsandi.com if they needed help to manage their savings. This freed up call centre capacity for those customers who need to access it most at this time.

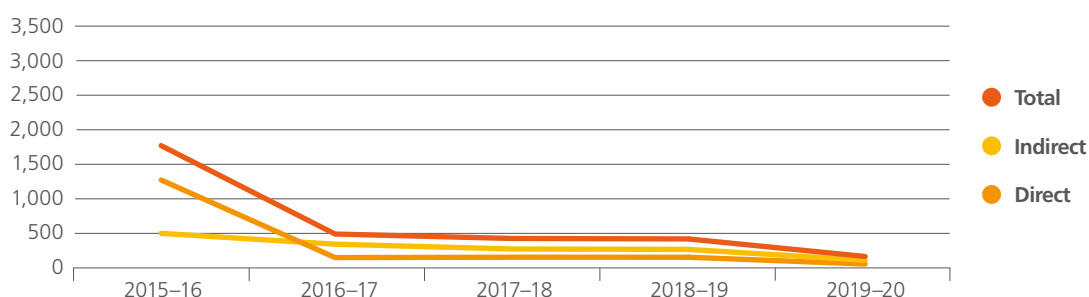
Employee welfare and wellbeing

We have made tangible progress in giving employees more choice about the way they work. We have now implemented a range of steps to ensure that we achieve the enhanced standards recommended in the Stevenson/Farmer Review of Mental Health and Employers.

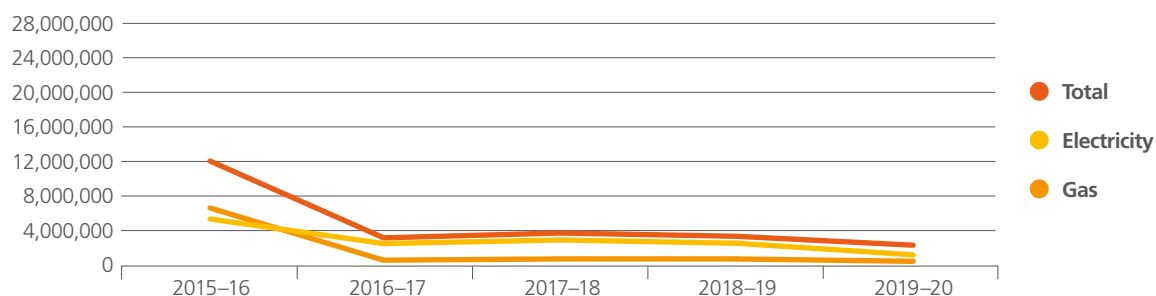
Community involvement

We continue to encourage our employees to be involved in their communities and in volunteering. We now offer our staff three Giving Something Back days each year instead of two to be able to support their communities. We have also sought to organise a range of volunteering opportunities, so that staff can simply sign up to participate, rather than having to arrange activities themselves, and are now including volunteering as part of personal development plans.

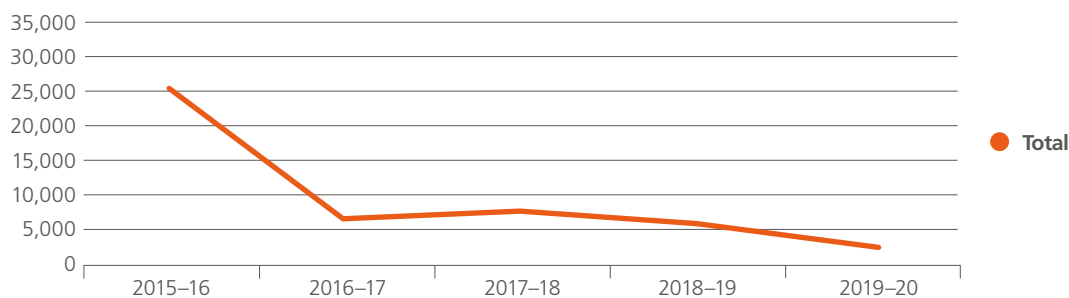
Total CO₂e emissions (tonnes)



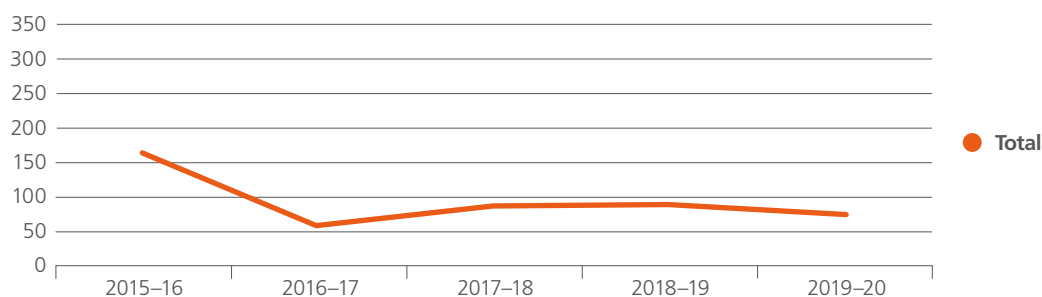
Energy consumption (kWh)



Water consumption (cubic metres)



Travel CO₂e emissions (tonnes)



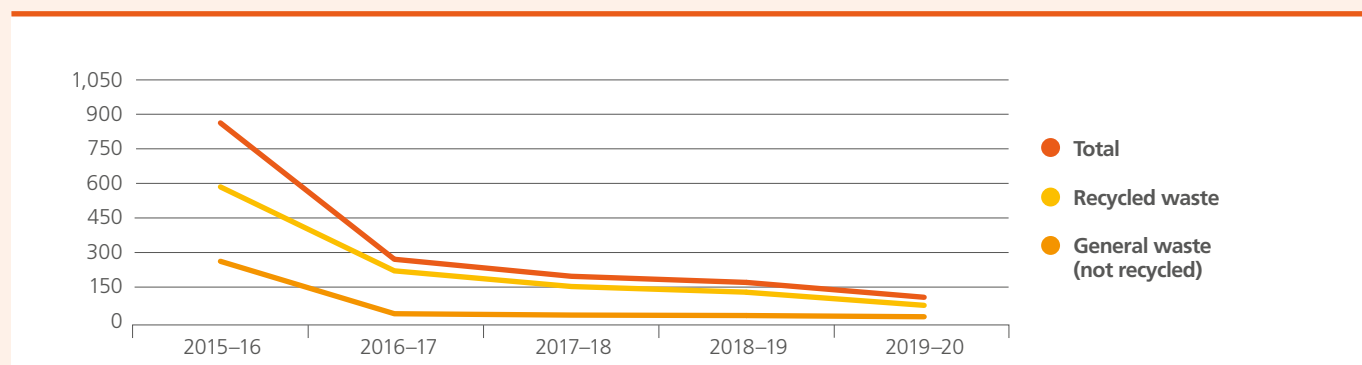
NOTE: Conversion factors for the 2019-20 reporting year are taken from the following government document:

<https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2018>.

Direct CO₂ emissions relate to gas or diesel fuel for heating.

Indirect CO₂ emissions relate to electricity, water, waste and transport.

Waste (tonnes)



Waste (four sites) tonnes

	2015-16	2016-17	2017-18	2018-19	2019-20
Location					
Blackpool	156	63	37	34	33
Durham	368	49	38	40	31
Glasgow	333	150	114	86	41
London ⁽²⁾	35	28	27	28	9
Total	892	290	216	188	114

Water consumption (four sites) cubic metres

	2015-16	2016-17	2017-18	2018-19	2019-20
Location					
Blackpool	9,167	3,055	4,043	3,269	579
Durham	9,517	2,307	2,140	1,636	1,634
Glasgow ⁽¹⁾	6,450	0	0	0	0
London ⁽²⁾	826	1,441	1,742	1,184	0
Total	25,960	6,803	7,925	6,089	2,213

Percentage of waste recycled

	2015-16	2016-17	2017-18	2018-19	2019-20
Location					
Blackpool	77	82	71	68	67
Durham	49	65	74	72	77
Glasgow	82	85	78	78	59
London ⁽²⁾	100	100	100	93	78
Total	68	82	79	77	68

CO₂e emissions from gas and electricity (tonnes)

	2015-16	2016-17	2017-18	2018-19	2019-20
Location					
Blackpool	59	3	3	2	3
Durham	956	75	97	93	90
Glasgow ⁽¹⁾	236	0	0	0	0
London ⁽²⁾	287	273	231	231	99
Total	1,538	351	331	326	191

(1) As NS&I only occupies part of an Atos owned building on our Glasgow site, since 2016-17 we have been unable to disaggregate and report on our water, gas or electricity consumption.

(2) Due to changes in waste management practices and also in the utility data calculations for the 1 Drummond Gate building, we cannot compare directly with previous years. Greater detail on our carbon emissions will be reported in the annual Corporate Social Responsibility report for NS&I later in 2020.

NOTE: Numbers may not add up due to rounding.

Ian Ackerley
Chief Executive
National Savings and Investments
17 June 2020

02

Accountability Report

Corporate governance report	38	Remuneration and staff report	55
– Directors' report	38	Parliamentary accountability and audit report	67
– Statement of Accounting Officer's responsibilities	39		
– Governance Statement	40		

**We have had 330,000
webchat conversations
with our customers
in 2019–20**

330,000

Corporate governance report

Directors' report

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. 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 Inspire & Invest strategy has this at its heart and also sets out additional aims: to provide payment processing services to government and to help government deliver its policy objectives. For further information see pages 4 and 5.

NS&I board

Members of NS&I's board during the year to 31 March 2020 were:

- Ed Anderson, Independent Non-executive Director and NS&I Chairman. Member of the Appointments and Remuneration Committee
- Christopher Fisher, Independent Non-executive Director. Chairman of the Appointments and Remuneration Committee from 1 January 2020
- James Furse, Independent Non-executive Director and Chairman of the Appointments and Remuneration Committee until 31 December 2019
- Jill Lucas, Independent Non-executive Director. Member of the Audit and Risk Committee
- Sharmila Nebhrajani OBE, Independent Non-executive Director and Chairman of the Audit and Risk Committee
- Mario Pisani, HM Treasury representative. Member of the Audit and Risk Committee
- Ian Ackerley, Chief Executive and Accounting Officer. Member of the Appointments and Remuneration Committee

- Ruth Curry, Finance Director from 15 July 2019
- Urvashi Bhagat, Finance Director up to 14 July 2019
- Paul Habershon, Interim Director, IT and Change until 30 May 2019
- Dax Harkins, Business-to-Business Director
- Paul Henry, Risk Director
- Matt Smith, Chief Operating Officer
- Sarah Tebbutt, People and Strategy Director
- Jill Waters, Retail Director

Conflicts of interest

NS&I has policies and procedures in place to ensure that Directors make decisions independent of personal interests.

Directors are required to notify the board of any relevant positions held or other interests as they occur. These are recorded in the register of Directors' interests, which is published on our website: nsandi-corporate.com/governance/who-we-are

Directors are also prompted to declare any potential conflicts of interest at the beginning of each board meeting in respect of the business of that meeting. If a conflict is identified, the Director concerned may be recused from discussions and/or decision-making as appropriate.

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.

Personal data-related incidents

During the period we notified the Information Commissioner's Office (ICO) about one data protection incident, details of which may be found under the Significant Incidents section on page 47.

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

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 2020 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 (2018–19: £380,000) and the Resource Accounts statutory audit of £70,000 (2018–19: £70,000).

Corporate governance report

Governance Statement

The purpose of the Governance Statement

This Governance Statement provides an 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 2019–20.

How is NS&I's governance achieved?

Governance framework

NS&I's governance framework is prescribed by the Framework Document and Memorandum of Understanding with HM Treasury. It sets out requirements for how NS&I is directed and managed and includes provisions for:

- the role of HM Treasury and which decisions are retained or delegated to NS&I
- the role of the Accounting Officer (also the Chief Executive of NS&I)
- the role of the NS&I Board
- how strategy is determined
- corporate planning, budgets, setting targets and monitoring
- requirements for risk management arrangements
- requirements for assurance systems and internal controls.

NS&I also maintains a Corporate Governance Manual which provides further detail on governance policies and terms of reference for the board and committees. Provisions for how decision-making is carried out across NS&I are set out in the Delegated Authorities Manual. Both documents are reviewed annually and updated as appropriate.

Role of HM Treasury and the Minister

HM Treasury provides high-level oversight of NS&I. Some decisions are reserved for Ministerial approval, such as the corporate plan and Service Delivery Measures, as well as changes to the pricing of our products. The Debt and Reserves Management (DRM) office acts as the sponsor department for NS&I, providing advice and monitoring as well as advising Ministers within HM Treasury.

Role of the Accounting Officer

Ian Ackerley is the Accounting Officer and Chief Executive of NS&I. The responsibility for developing strategy and the day-to-day management of NS&I is delegated to the Chief Executive.

The Chief Executive has responsibility for maintaining sound internal governance arrangements that support the achievement of NS&I's policies, aims and objectives. He is supported by the Executive Committee and the NS&I board. His responsibilities include:

- 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 NS&I 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 Director of Savings, which enables him to contract with third parties in respect of NS&I. The Statement of Accounting Officer's responsibilities is on page 39.

Role of the NS&I board

NS&I has an advisory board led by Ed Anderson, its Chairman. 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 is required to follow the advice of the board, except where it conflicts with their obligations as Accounting Officer.

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 capability and capacity to meet current and future needs
- results focus: agreeing the corporate plan and monitoring its delivery
- management information: ensuring that clear, consistent, comparable performance information is used to drive improvements.

Other specific responsibilities are delegated to the board's committees (the 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 43 and 44.

Terms of reference for the board can be found on our website and are reviewed annually. They provide for collegiate decision-making so that no individuals or group of individuals may dominate the board's decision-making.

Board structure

NS&I's board consists of seven Executive Directors (including the Chief Executive), up to five Non-executive Directors (including the NS&I Chairman) who are independent and

appointed by the Chancellor of the Exchequer following an open recruitment process, and up to two representatives of HM Treasury.

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.

Corporate governance best practice and regulation

NS&I is committed to achieving the highest standards of corporate governance, integrity and business ethics. Throughout 2019–20, NS&I complied with the Corporate Governance in Central Government Departments: Code of Good Practice (2017; the 'Code') where applicable.

NS&I also looks to adopt and adhere to principles of the 2018 Financial Reporting Council (FRC) Corporate Governance Code. Because of the constitutional nature of NS&I (an Executive Agency of the Chancellor of the Exchequer rather than an incorporated entity), it is not relevant for it to meet all the requirements in the Code.

NS&I is not regulated by the Financial Conduct Authority. However, it seeks to incorporate best practice principles relating to FCA-regulated financial institutions into its processes where it is appropriate and proportionate to do so – such as those relating to how we treat our customers and best practice for senior managers.

Culture and stakeholders

NS&I's governance framework and procedures provide for consideration of its stakeholders. These include its customers, employees and operational partners and suppliers. Regular oversight by the board and committees includes:

- monitoring and reporting on levels of customer satisfaction against an annual target
- receiving regular reports from the Employee Listening and Action Group (ELAG) on results of staff surveys and progress with action plans
- monitoring the relationship and performance of our outsourced delivery partner, Atos
- receiving a six-monthly conduct report and agreeing 'areas of focus' for the coming period.

The independent Non-executive Directors

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

The independent Non-executive Directors meet several times during the year without the Executive Directors present. Since February 2010, a session for Non-executive Directors only has been held at the beginning of each board meeting.

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 Director other than the Chairman, who assumes the Lead Non-executive role as described in the Corporate Governance Manual. 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.

Company Secretary and independent advice

The Company 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 Company 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.

The work of the board in 2019–20

During the period of this report, the board undertook various activities in order to fulfil its role, including:

- high-level monitoring of the operations, performance, people and other key issues relating to the organisation – receiving reports from the Chief Executive and Executive Directors at each meeting
- providing challenge, scrutiny and advice in respect of strategic matters, including looking ahead to the strategic needs of the organisation in the future – including holding a strategy day at the NS&I site in Blackpool
- receiving reports on the effectiveness of outsourcing arrangements with our partner, Atos
- reviewing and endorsing the annual corporate plan and service delivery performance measures
- receiving regular reports from its Audit and Risk Committee and Appointments and Remuneration Committee
- endorsing the 2018–19 Annual Report and Accounts on the recommendation of the Audit and Risk Committee
- informal interaction with NS&I employees and areas of the business, participating in quarterly business updates and learning sessions with staff members
- commissioning an external review of the board's and its committees' effectiveness in respect of 2019–20.

The attendance of the individual Directors at board and committee meetings of which they were members during 2019–20 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 ⁽¹⁾	6	6	5	5	6	6
Christopher Fisher ⁽²⁾	6	6	2	2	2	2
James Furse ⁽³⁾	5	5	n/a	n/a	6	6
Jill Lucas	6	6	5	5	n/a	n/a
Sharmila Nebhrajani OBE	6	6	5	5	n/a	n/a
Mario Pisani ⁽⁴⁾	6	5	5	5	n/a	n/a
Ian Ackerley	6	6	n/a	n/a	6	6
Urvashi Bhagat ⁽⁵⁾	2	2	n/a	n/a	n/a	n/a
Ruth Curry ⁽⁶⁾	4	4	n/a	n/a	n/a	n/a
Paul Habershon ⁽⁷⁾	1	1	n/a	n/a	n/a	n/a
Dax Harkins	6	6	n/a	n/a	n/a	n/a
Paul Henry	6	6	n/a	n/a	n/a	n/a
Matthew Smith	6	6	n/a	n/a	n/a	n/a
Sarah Tebbutt	6	6	n/a	n/a	6	5
Jill Waters	6	6	n/a	n/a	n/a	n/a

(1) Ed Anderson routinely attends Audit and Risk Committee meetings as an invitee but he is not a member.

(2) Christopher Fisher retired from the Audit and Risk Committee on 1 July 2019 and joined the Appointments and Remuneration Committee.

(3) James Furse retired from the board on 31 December 2019.

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

(5) Urvashi Bhagat retired from the board on 14 July 2019.

(6) Ruth Curry joined the board on 15 July 2019.

(7) Paul Habershon retired from the board on 30 May 2019.

Board appointments

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.

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 that stipulates the procedures for termination.

The Chief Executive and Non-executive Directors are appointed by HM Treasury.

Up to two HM Treasury representatives may be appointed to the board by HM Treasury. Currently, one Treasury representative, Mario Pisani, sits on the board and one other HM Treasury representative regularly attends meetings in an observer capacity.

Board induction

On joining the board, Directors are given background information describing NS&I and its activities. They receive an induction pack that 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 2019–20, 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.

An external review of board and committee effectiveness was carried out by the Government Internal Audit Agency (GIAA) in respect of 2019–20. It concluded that the board, Audit and Risk Committee and Appointments and Remuneration Committee are fit for purpose and effective and compliant overall with the Corporate Governance in Central Government Departments: Code of Good Practice (the 'Code').

Quality of data used by the board

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. The quality of board papers continued to improve in the period.

At the beginning of each financial year, the board receives for consideration and endorses the proposed board scorecard and the related Service Delivery Measures that reflect NS&I's strategy. The performance data is updated and presented to each board meeting.

Ministerial Directions

There have been no Ministerial Directions during this financial year.

Board committees

The board has delegated responsibilities to two committees (the Audit and Risk Committee and the Appointments and Remuneration Committee) that deal with specific matters in accordance with written terms of reference. There is also an Executive Committee which is chaired by the Chief Executive. The committees all carry out annual reviews of their performance, which are reported to the board. Committees' terms of reference are available on NS&I's website.

The board considers that it receives adequate assurance from the Audit and Risk Committee and the Appointments 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 of two (three until 31 July 2019) Non-executive Directors and a representative from HM Treasury. Its members are Sharmila Nebhrajani OBE, who is the Chairman, Jill Lucas and Mario Pisani (HM Treasury's representative). Christopher Fisher was also a member until 31 July 2019.

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 and progress with recommendations

- 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, whistleblowing 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, Risk Director and Chief Operating Officer 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).

During 2019–20, the Audit and Risk Committee discharged fully its responsibilities listed above and the Chairman of the Audit and Risk Committee provided a comprehensive annual report to the board as well as reports and minutes after each meeting.

Appointments and Remuneration Committee

The Appointments and Remuneration Committee comprises two Non-executive Directors (Christopher Fisher (as Chairman) and Ed Anderson) and two Executive Directors (the Chief Executive and the People and Strategy Director). Until 31 December 2019, James Furse was Chairman of the committee.

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.

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 Chief Executive and People and Strategy Director are recused from meetings that discuss and make decisions in respect of their pay and performance.

The Chairman 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.

As NS&I is a government department, the functions and responsibilities of the committee 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 56 to 59.

Executive Committee

The Executive Committee consists of all the Executive Directors and is chaired by the Chief Executive. The Executive Committee met formally 22 times in 2019–20. It also held separate sessions to discuss issues relating to strategy, people and planning. 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 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 330 signatories to the Women in Finance Charter, led by HM Treasury.

In 2019–20, NS&I continued to adhere to its 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 two Service Delivery Measures (SDMs) 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 via its Risk Management subcommittee 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 the Government. In April 2019, the board agreed that the 2018–19 appetite statement agreed by the board in 2018 be used: i.e. NS&I's corporate risk appetite is 'OPEN':

'We welcome change and innovation where it is designed to enhance our performance and meet our strategic objectives. In evaluating new options we are prepared to test, modify and learn from innovative ideas, though when introducing new systems, propositions, policies and practices, we will be cautious and ensure that these are compliant, preserve the trust our stakeholders have in our business, meet the highest standards for quality and reliability, and deliver fair outcomes for customers and taxpayers.'

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 subcommittee of the Executive Committee. The Risk Management Committee provides a report to the Audit and Risk Committee.

NS&I's Risk Management Framework is complemented by a set of operational risk management policies that 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 that reports 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 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, 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 2018, 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. Details of NS&I tender opportunities and

contracts awarded with a value of £10,000 or more (excluding VAT) are published on Contracts Finder, which is accessible via the GOV.UK website: www.gov.uk/contracts-finder

- Staff 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 that could cause our financial results or operational delivery to materially differ from expected results and overall SDMs are set out on pages 48 and 49 along with a summary of how we managed or mitigated these risks in 2019–20.

Assurances

NS&I's systems of governance, management and risk control have been assessed by the 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 2019–20 assurance activity; this includes the GIAA findings and the NS&I and Atos risk-based second line assurance programme, incorporating operations, compliance, IT and project assurance
- the risk-based internal audit plan agreed by the Audit and Risk Committee and delivered during 2019–20 by the 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
- the internal audit's annual report opinion for the year ended 31 March 2020
- 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

- 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 owner 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.

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.

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 an evaluation of the processes, risks and controls 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 the Government Internal Audit Agency (GIAA). Work has been undertaken in accordance with Public Sector Internal Audit Standards (PSIAS) and the standards of the Chartered Institute of Internal Auditors.

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

The GIAA's annual opinion reported for the year ended 31 March noted the following:

- Significant pieces of audit work have highlighted an overall positive direction of improvement across governance, risk management and internal control.
- NS&I has an effective and sustainable governance and control framework which is supported not just by a traditional set of prescribed processes and controls but by a culture of effective senior management engagement and scrutiny.

From 2016–17 to 2018–19, the Internal Audit Annual Report and Opinion included, and highlighted serious weaknesses. For 2019–20, the report highlights improvement areas for governance, risk and internal control but no serious weaknesses.

NS&I has been significantly impacted by the Covid-19 pandemic; this included the closure of the two sites in India and repatriation of that work to the UK offices, which were themselves subject to reduced staffing. However, the risks of Covid-19 and the planning around this were discussed as early as 13 February by the NS&I Risk Management Committee. NS&I and Atos instigated a Gold incident team (leveraging its existing incident management process) to manage the operational crisis as it unfolded in March 2020. NS&I efficiently migrated to home working for all NS&I staff from 17 March drawing on earlier experience of deploying this during the Drummond Gate head office refurbishment. Although the crisis is still unfolding, in many respects NS&I (and Atos) have demonstrated their adaptability and resilience with respect to this global crisis.

Significant incidents

Tax-Free Childcare Faster Payments

In August 2019, following a system change to introduce Faster Payments functionality on the Tax-Free Childcare service, 3,754 payments were delayed and approximately 12,000 payments were made with incorrect reference numbers. Remediating action was taken to make sure that payments were made and references were rectified. A lessons learned exercise to establish the root cause of the incident has been undertaken and a number of IT fixes were made to address the issues identified.

Premium Bonds errors

In October 2019 an error in a print file resulted in approximately 25,000 low value (£25–£100) Premium Bonds prize warrants to the value of £644,000 being duplicated and issued to customers in error. The error occurred as a result of a weakness in the operational control environment during a project to transfer print operations to a different site with the result that a duplicate print run was produced. The incident was remedied via an IT deployment and more robust print reconciliation controls have been put in place to avoid recurrence. In addition, the issue itself was subject to a cross-organisational lessons learned exercise.

In March 2020, incorrect customer names were printed on Premium Bonds prize warrants for approximately 338,000 winning customers; the error did not impact on our customers' ability to cash the warrant. A root cause analysis has been completed and identified that the error was caused by a buffering issue.

Compliance with data protection legislation

NS&I takes the security of its data subjects, customers and staff seriously. We have identified that the supplier of our security authentication software makes automated security

telephone calls from a server based in the United States. The process is only used for higher risk transactions and involves a customer's telephone number being transferred to a server in the US in order to make a call, no other data is sent, and the telephone number is deleted within five days.

The transfer of data outside the EU is allowed under the General Data Protection Regulations provided that a legal mechanism is in place; NS&I does not currently have a legal mechanism and we are working to put one in place.

Data Protection breach notified to the Information Commissioner's Office

In July 2019, following a code deployment to improve a customer journey on HMRC's Tax-free Childcare service, some parents were able to see the details of other children. This affected 358 parents/accounts and the data of 420 children was potentially disclosed.

A team to deal with the incident was established, and a decision was made to suspend the service to ensure that no further disclosure occurred. An interim solution was found that enabled us to reduce disruption to service users, and a permanent solution was subsequently identified, tested and implemented.

HMRC and NS&I notified the ICO of the incident; the ICO responded to the notification confirming that they required no further information, and that no further action was required.

Compliance with the Payment Services Regulations (PSRs)

NS&I is exempt by an act of Parliament from the PSRs; nonetheless, we are committed to adhering to the relevant rules and guidance in line with our Memorandum of Understanding with HM Treasury. NS&I continues to work towards full compliance to all relevant aspects of PSRs. Last year we reported that Euro payments sent after 20:00 via our International Payments Service (IPS) were not received within statutory timescales, and that we did not have processes fully in place to notify customers when their online security credentials had been locked in line with the requirements of PSD2.

We reported that these areas of non-compliance would be rectified in the 2019–20 financial year. Unfortunately these changes have not yet been implemented; however, the IPS is scheduled to close in July 2020, and the required security notifications will commence from May 2020.

Another area of the PSRs where NS&I is working towards full compliance is with regards to the Strong Customer Authentication (SCA) requirements. Transactions where the risk of fraud is higher are already subject to enhanced levels of authentication; however, further work is required to ensure NS&I meets the requirements of the Regulatory Technical Standards that detail how firms should comply with the SCA aspects of the PSRs. Full compliance is expected to be achieved by the end of the financial year 2020–21.

Principal risks and uncertainties facing NS&I

Cyber information risk

Cyber information risk is the failure to safeguard the confidentiality, integrity and availability of our systems and customer/client data.

Mitigations

Cyber information risk is managed through the presence of robust cyber security controls to protect against internal and external security threats; for example, this includes having appropriate systems and processes in place to protect against unauthorised access to data and comprehensive staff training to ensure data is handled appropriately.

The oversight of these controls is exercised through governance meetings attended by both NS&I and Atos colleagues, where risks are discussed and actions to remediate known vulnerabilities are tracked to closure. Atos provides regular reports to NS&I on the performance of the IT security environment, and subject matter experts from NS&I are consulted on change projects to ensure there is appropriate consideration of security risk.

Throughout 2019–20, we have worked to strengthen our cyber security controls and have introduced new tools that enable us to identify and deal with cyber threats quickly. Mandatory staff training on cyber threats including phishing and social engineering have been undertaken in 2019–20, alongside conducting phishing tests on our staff to help maintain a high level of awareness of security threats.

Technology risk

Technology risk is the failure to maintain operational services to our customers, including processing service requests or providing customers with access to their accounts via our IT systems.

Mitigations

A range of measures have been taken during the year to ensure that our systems remain resilient and continue to operate effectively. This includes undertaking disaster recovery testing, the implementation of technical patches, and the upgrade and replacement of some core operational systems.

NS&I exercises oversight of Atos' management of technology risk through the review and discussion of performance reports at governance meetings; this includes reports on patching, capacity arrangements, demand management and self-assessment of the operation of the control environment.

Customer risk

Customer risk is the failure to keep NS&I products relevant in the financial services marketplace while balancing our obligations to the taxpayer and not impacting on the financial service market.

Mitigations

All proposed changes to our products are analysed to consider the impact on the customer, taxpayer and wider financial services market. Our Retail and Pricing Committee reviews and challenges the outputs of this analysis and submits recommendations to HMT.

Financial management risk

Financial management risk is the failure to manage our finances adequately and remain within our spending limits set by Parliament.

Mitigations

NS&I is set a departmental spending limit by HM Treasury and we monitor our spending against this limit on an ongoing basis. Spending is challenged across the business by the finance team, which meets with budget holders to review and challenge actual and planned expenditure to ensure that we remain within our limit.

Delivering for Government risk

Delivering for Government risk is the failure to meet our government objectives in relation to raising cost-effective financing.

Mitigations

The Government sets annual Net Financing and Value Indicator targets, which we monitor our performance against throughout the year, reporting into our monthly Retail and Pricing Committee. If our forecasting identifies that we are unlikely to meet our annual targets, we identify options that could be taken to modify our products to help us meet our targets. Options are reviewed and challenged by our Retail and Pricing Committee and recommended to HMT Debt and Reserves Management, which reviews, challenges or approves the changes.

Supplier management and delivery risk

Supplier management and delivery risk is a failure to work with Atos, our primary outsourced partner, to deliver services to customers to acceptable standards in line with contractual obligations.

Mitigations

Services to NS&I customers are provided via our third party outsourced provider Atos, with whom we have a contract in place until 2024. NS&I maintains oversight of Atos operations, including day-to-day operations and the management of incidents and complaints, to ensure that our customers are treated fairly and, where relevant, lessons are learned to prevent the reoccurrence of service failures.

B2B risk

B2B risk is the failure to generate income from delivering services to B2B clients, impacting on NS&I's budget.

Mitigations

NS&I monitors the delivery of services to our B2B clients through our oversight arrangements with Atos to ensure that services are delivered within the standards set out in our Memorandum of Understanding with each client. Where service standards are not achieved, a lessons learned activity is undertaken to establish what could be done differently. New opportunities for the provision of services to government clients are explored throughout the year and assessed for viability.

Regulatory compliance risk

Regulatory compliance risk is a failure to comply with the laws and regulations which apply to our business.

Mitigations

NS&I oversees Atos to make sure that they operate in compliance with regulatory and legislative requirements; this oversight is undertaken on a daily basis and formally through monthly governance meetings. We undertake horizon scanning to identify changes in the regulatory landscape and how these will impact on the services we provide.

Fraud risk

Fraud risk is a failure to prevent NS&I from becoming the victim of a substantial fraud.

Mitigations

NS&I oversees Atos to make sure the agreed processes and controls that are in place to manage the risk of fraud are performed as described.

Board members' biographies

Non-executive Directors



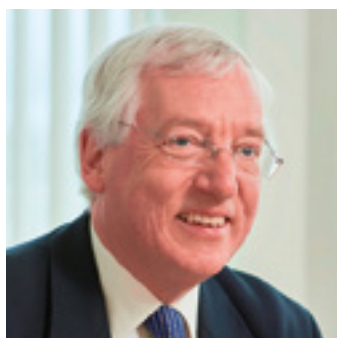
Ed Anderson

Independent Non-executive Director and Chairman

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

Ed is currently Lord-Lieutenant of West Yorkshire. He was Chairman of the Yorkshire Building Society from 2007 to 2015. He was Managing Director of Leeds Bradford Airport for 10 years and, until August 2019, was 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 Council of the University of Leeds, chairing its Audit and Risk Committee. Ed is an economics graduate and a qualified accountant.



Christopher Fisher

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

Christopher Fisher became a Non-executive Director on 1 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 2016 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.



Jill Lucas

Independent Non-executive Director

Jill was appointed as a Non-executive Director on 1 February 2019.

Jill has spent all her career in technology – most recently at Unilever leading a technology transformation to cloud computing. Before this she served as Chief Information Officer at both Towergate Insurance and Belron International.

In her early career, she undertook many technology leadership roles at Reuters (now Thomson Reuters), Barclays and Sainsbury's. Jill has also been Chairman of the charity Genetic Disorders UK since 2012.



Sharmila Nebhrajani OBE

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

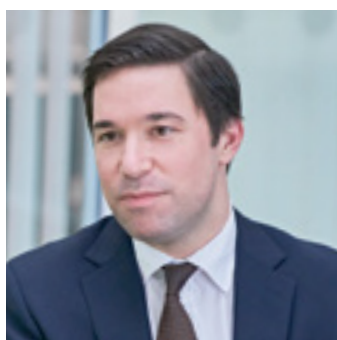
Sharmila was appointed as a Non-executive Director in March 2017. She took up the position of Chairman of the National Institute for Health and Care Excellence (NICE) in May 2020 and stood down from her role as Chief Executive

of Wilton Park at that time. Sharmila was also appointed as a Non-executive Director of Severn Trent plc from 1 May.

She currently holds other Non-executive Director roles at Lifesight, a pensions master trust, and the Health Foundation, an endowed charity dedicated to improving healthcare in the UK.

Earlier in her career, for 12 years she was Chief Operating Officer of BBC New Media and Technology, the division that built and launched the iPlayer, and she was also Chairman of the Human Tissue Authority, the organisation that regulates the use of human organs and tissue for transplant and research.

She is a Chartered Accountant and was awarded an OBE in 2014 for services to medical research.



Mario Pisani

HM Treasury representative

Mario was appointed to the board as HM Treasury's representative on 1 April 2016. He has been Deputy Director for the Debt and Reserves Management team in HM Treasury since April 2016. Since joining HM Treasury in 2005, he has worked on international finance, communications, economic forecasting and macroeconomic policy.

He led the team supporting Professor Sir Charles Bean in his Independent Review of UK Economic Statistics, which was published in March 2016. Between 2013 and 2016, he represented HM Treasury at the G20 Framework Working Group. During 2014, he worked on the referendum on Scottish independence. Between 2008 and 2011, he was Private Secretary to the Chancellor of the Exchequer. During 2006, Mario was seconded to the *Financial Times* in London, where he worked as a leader writer.

He is a Senior Visiting Professor 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.

Executive Directors



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 a BSc in psychology from the University of St Andrews and holds an MBA from London Business School. He began his career with Royal Dutch Shell.



Ruth Curry Finance Director

Ruth Curry joined NS&I on 1 July 2019, formally taking on Finance Director responsibilities on 15 July. She has extensive Civil Service experience, starting her career in the Cabinet Office and undertaking a wide variety of policy roles, including leading on Open Government, as Clerk to the Intelligence and Security Committee, and as the Health Policy Lead in the Office of Public Service Reform.

Having qualified as an accountant in 2006, Ruth has held senior finance roles in a number of departments, including the Department for Education, the Serious Fraud Office and the Department for Business, Innovation and Skills, and latterly as Acting Director of Finance and Business Services at HM Land Registry.

Before joining the Civil Service, Ruth was a solicitor working on company and commercial issues in the City of London. She studied law at Lancaster University, completed her legal studies at Guildford College of Law, and undertook her articles with Stephenson Harwood LLP.



Dax Harkins Business-to-Business Director

Dax was appointed to the board in 2014 as Business-to-Business Director. He joined NS&I in 2003 and moved from marketing in 2011 to Programme Director for the retender of the NS&I outsourcing contract.

A joint honours degree graduate of the University of Manchester Institute of Science and Technology, Dax has worked in financial services for more than 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.

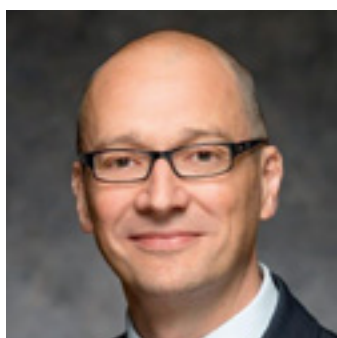
Dax became a Chartered Director in 2018.



Paul Henry
Risk Director

Paul was appointed as Risk Director on 7 July 2018. Paul has over 20 years experience in the banking sector leading risk, audit and compliance teams supporting retail, SME and corporate business lines. Most recently Paul was Interim Risk Director for the BGL Group and prior to that Head of Internal Audit at Santander, covering regulatory, operational and conduct risk. He has also led compliance teams at Barclays Bank and the Royal Bank of Scotland.

Paul oversees the management of legal and regulatory compliance for NS&I as both a financial services organisation and a government body in a way that 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.



Matthew Smith
Chief Operating Officer

Matt joined NS&I in August 2018 and brings over 25 years of global experience leading sourcing, operational excellence and business transformation initiatives to deliver customer-focused outcomes.

He is responsible for the delivery of the NS&I outsourcing business model and the relationship with our key partner, Atos, including service delivery, commercial assurance, procurement and supply chain management.

Matt was most recently Director of EMEA Supply Chain for DXC Technology (DXC), an end-to-end IT services and solutions company, during a period of major change before, during and after the creation of DXC through the merger of Computer Sciences Corporation and HP Enterprise Services. Before DXC, Matt had a long career with the Dun & Bradstreet Corporation, where he became Global Vice-President and Chief Procurement Officer with responsibility for sourcing and third party compliance.

Matt is a certified practitioner of Managing Successful Programmes and a recipient of the annual Institute of Consulting award for best internal consulting project.



Sarah Tebbutt
People and Strategy Director

Sarah joined NS&I in June 2013 after a 20-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 Ministerial office and as a negotiator at the Cabinet Office, European Council and World Trade Organization.

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



Jill Waters
Retail Director

Jill was appointed as Retail Director in March 2018 having previously been Acting Retail Director. She 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.

In 2001, Jill 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, the Institute of Financial Services and the Association of Business Psychology.

A handwritten signature in black ink, appearing to read 'I Ackerley'.

Ian Ackerley
Chief Executive and Accounting Officer
National Savings and Investments
17 June 2020

Remuneration and staff report

Appointments and Remuneration Committee

The Appointments and Remuneration Committee comprised Non-executive Directors James Furse (as Chairman) and Ed Anderson. James Furse stood down as Chairman at the end of December 2019 when his contract ended. Christopher Fisher, Non-executive Director, took on the role of Chairman from January 2020. 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. NS&I's Service Delivery Measures performance measures were assessed by the GIAA, 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. The People and Strategy Director is recused from all discussions and decisions made by the Appointments and Remuneration Committee in respect of their pay and performance.

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 58.

Salary and pension entitlements

The salary and pension entitlements of the executive board members are shown in Tables A and C on pages 56 and 57 and page 59 respectively. 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 2019–20 relate to performance in 2018–19 and the comparative payments reported for 2018–19 relate to performance in 2017–18.

Pay multiples

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 2019–20 was £220,000–£225,000.

No employee received remuneration in excess of the highest-paid Director (including the Chief Executive) in 2019–20. Remuneration bands ranged from £20,000–£25,000 to £205,000–£210,000 in 2019–20. In 2018–19, remuneration bands ranged from £15,000–£20,000 to £200,000–£205,000 (annualised equivalent).

The ratio of the highest-paid Director (2019–20) was 4.5 times (2018–19: 4.3 times) the median remuneration of the workforce, which was £48,445 (2018–19: £47,789).

TABLE A: Salary and performance-related pay entitlements of the executive board members of NS&I (audited)

	2019–20	2019–20	2019–20	2019–20	2019–20	2018–19	2018–19	2018–19	2018–19	2018–19
	Salary	Performance-related pay ⁽¹⁾	Benefits in kind ⁽⁴⁾	Pension benefits ⁽²⁾	Total	Salary	Performance-related pay ⁽¹⁾	Benefits in kind ⁽⁴⁾	Pension benefits ⁽²⁾	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Ian Ackerley Chief Executive	180–185 (195–200 annualised equivalent)	25–30	n/a	71	280–285	180–185	20–25	n/a	70	270–275
Urvashi Bhagat⁽⁵⁾ Finance Director	45–50 (115–120 annualised equivalent)	5–10	n/a	16	70–75 (140–145 annualised equivalent)	60–65 (115–120 annualised equivalent)	n/a	n/a	19	80–85 (135–140 annualised equivalent)
Chloe Bowes⁽⁶⁾ Acting Finance Director	n/a	n/a	n/a	n/a	n/a	40–45 (115–120 annualised equivalent)	n/a	n/a	18	60–65 (120–125 annualised equivalent)
Ruth Curry⁽⁷⁾ Finance Director	85–90 (115–120 annualised equivalent)	n/a	n/a	156	240–245 (270–275 annualised equivalent)	n/a	n/a	n/a	n/a	n/a
Paul Habershon⁽⁸⁾ IT and Change Director	55–60 (140–145 annualised equivalent)	n/a	n/a	–	55–60 (140–145 annualised equivalent)	90–95 (140–145 annualised equivalent)	n/a	n/a	–	90–95 (140–145 annualised equivalent)
Dax Harkins B2B Director	110–115	15–20	0.6	45	170–175	110–115	15–20	0.6	44	170–175
Gareth Headon⁽⁹⁾ Acting People and Strategy Director	n/a	n/a	n/a	n/a	n/a	35–40 (105–110 annualised equivalent)	n/a	n/a	15	50–55 (120–125 annualised equivalent)
Paul Henry⁽¹⁰⁾ Risk Director	115–120	10–15	n/a	46	175–180	85–90 (115–120 annualised equivalent)	n/a	n/a	34	120–125 (150–155 annualised equivalent)

(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 2019–20 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 2019–20 are performance-related payments for the 2018–19 performance year, which were paid in September 2019. Performance-related payments for 2018–19 are performance-related payments for the 2017–18 performance year.

(2) 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.

(3) 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.

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

(5) Urvashi Bhagat was appointed Finance Director on 17 September 2018 and stepped down from the board on 14 July 2019. Urvashi left NS&I on 5 August 2019.

(6) Chloe Bowes was Acting Finance Director from 27 April to 16 September 2018.

(7) Ruth Curry joined NS&I on 1 July 2019 and formally became Finance Director on 15 July 2019 after a two week handover with Urvashi Bhagat.

(8) Paul Habershon was appointed Interim IT and Change Director under an off-payroll engagement from 12 March to 2 August 2018 (Paul joined the board on 30 March 2018). From 6 August 2018 until 6 August 2019 Paul was on NS&I's payroll. Paul Habershon participated in a partnership pension scheme.

(9) Gareth Headon was Acting People and Strategy Director from 30 March to 31 July 2018.

(10) Paul Henry was appointed as Risk Director on 7 July 2018.

	2019–20	2019–20	2019–20	2019–20	2019–20	2018–19	2018–19	2018–19	2018–19	2018–19
	Salary	Performance-related pay ⁽¹⁾	Benefits in kind ⁽⁴⁾	Pension benefits ⁽²⁾	Total	Salary	Performance-related pay ⁽¹⁾	Benefits in kind ⁽⁴⁾	Pension benefits ⁽²⁾	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Mark Keene⁽¹¹⁾ Acting Partnership Director	n/a	n/a	n/a	n/a	n/a	45–50 (115–120 annualised equivalent)	15–20	n/a	6	70–75 (120–125 annualised equivalent)
Rodney Norman⁽¹²⁾ Finance Director	n/a	n/a	n/a	n/a	n/a	15–20 (125–130 annualised equivalent)	n/a	n/a	–	15–20 (125–130 annualised equivalent)
Matthew Smith⁽¹³⁾ Chief Operating Officer	130–135 (135–140 annualised equivalent)	10–15	n/a	52	195–200	80–85 (125–130 annualised equivalent)	n/a	n/a	32	110–115 (155–160 annualised equivalent)
Sarah Tebbutt⁽¹⁴⁾ People and Strategy Director	115–120	15–20	n/a	48	180–185	115–120	15–20	n/a	59	190–195
Jill Waters Retail Director	115–120	15–20	n/a	27	160–165	115–120	15–20	n/a	18	150–155
Band of highest-paid Director	180–185 (195–200 annualised equivalent)	25–30	n/a	71	280–285	180–185	20–25	n/a	70	270–275
Re-muneration median for workforce⁽³⁾	£48,445					£47,789				
Ratio of highest-paid Director to median salary of workforce⁽³⁾	4.5					4.3				

(11) Mark Keene was Acting Partnership Director from 1 September 2016 to 5 August 2018.

(12) Rodney Norman retired from NS&I on 26 April 2018. Rodney's salary for 2018–19 includes a payment for untaken annual leave that he was entitled to upon leaving. Rodney Norman participated in a partnership pension.

(13) Matthew Smith was appointed as Partnership Director on 6 August 2018. Matthew Smith's job title changed to Chief Operating Officer in June 2019.

(14) Sarah Tebbutt was Acting Risk Director from 30 March to 6 July 2018. From 7 July to 31 July 2018, Sarah was Director without Portfolio. Sarah returned to the role of People and Strategy Director on 1 August 2018.

TABLE B: The remuneration of Non-executive Directors (audited)

	2019–20	2018–19
	£000	£000
Ed Anderson (Chairman)	20–25	20–25
James Furse ⁽¹⁾	10–15 (15–20 annualised equivalent)	15–20
Christopher Fisher	15–20	15–20
Sharmila Nebhrajani OBE	15–20	15–20
Jill Lucas ⁽²⁾	15–20	0–5 (15–20 annualised equivalent)

(1) James Furse left NS&I on 31 December 2019.

(2) Jill Lucas joined NS&I on 1 February 2019.

TABLE C: Pension benefits of the executive board members of NS&I (audited)⁽¹⁾

	Accrued pension at pension age as at 31 March 2020 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31 March 2020	CETV at 31 March 2019	Real increase in CETV	Employer contribution to partnership pension account
	£000	£000	£000	£000	£000	Nearest £100
Ian Ackerley Chief Executive	10–15	2.5–5	181	118	44	0
Urvashi Bhagat⁽²⁾ Finance Director	0–5	0–2.5	49	37	9	0
Ruth Curry⁽³⁾ Finance Director	35–40 plus a lump sum of 80–85	5–7.5 plus a lump sum of 15–17.5	703	564	127	0
Paul Habershon⁽⁴⁾ IT and Change Director	–	–	–	–	–	8.7
Dax Harkins Business-to-Business Director	30–35	2.5–5	493	444	23	0
Paul Henry Risk Director	0–5	2.5–5	71	29	31	0
Matthew Smith Chief Operating Officer	5–10	2.5–5	61	23	27	0
Sarah Tebbutt People and Strategy Director	40–45 plus a lump sum of 85–90	2.5–5 plus a lump sum of 0–2.5	747	684	27	0
Jill Waters Retail Director	25–30 plus a lump sum of 85–90	0–2.5 plus a lump sum of 2.5–5	681	618	29	0

(1) 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.

(2) Urvashi Bhagat was appointed Finance Director on 17 September 2018 and stepped down from the board on 14 July 2019. Urvashi left NS&I on 5 August 2019.

(3) Ruth Curry joined NS&I on 1 July 2019 and formally became Finance Director on 15 July 2019 after a two week handover with Urvashi Bhagat.

(4) Paul Habershon participated in a partnership pension scheme.

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 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 state 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 8.0% 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 3.0% 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

Cash equivalent transfer values

Table C on page 59 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 26 external permanent and fixed-term appointments in the year. These are summarised in the table on page 61. Full details of staff numbers can be found in Table 5 of the Departmental report on page 117.

New permanent and fixed-term appointments made in 2019–20

	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	0	0	0	1	1	4	2	2	1
Female	0	0	1	0	1	7	3	2	1
White	0	0	1	1	2	7	2	3	2
Non-white	0	0	0	0	0	4	2	1	0
Non-declared	0	0	0	0	0	0	1	0	0
Disabled	0	0	0	0	0	0	0	0	0

NS&I Executive Directors, senior managers and all employees at 31 March 2020

	Male	Female	Prefer not to say
Number of persons of each sex who were Executive Directors of NS&I at year end	4	3	–
The number of persons of each sex who were senior managers at year end ⁽¹⁾	25	17	1
The total number of persons who were employed at year end	29	20	1

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

Staff and related costs

Staff costs comprise (subject to audit):

	2019–20 Permanently employed UK staff	2019–20 Others	2019–20 Ministers	2019–20 Special advisers	2019–20 Total	2018–19 Total
	£000	£000	£000	£000	£000	£000
Wages and salaries	11,240	234	–	–	11,474	12,024
Social security costs	1,312	–	–	–	1,312	1,311
Other pension costs	2,726	–	–	–	2,726	2,123
Subtotal	15,278	234	–	–	15,512	15,458
Less recoveries in respect of outward secondments	–	–	–	–	–	–
Total net costs	15,278	234	–	–	15,512	15,458

Average number of persons employed

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

Activity	2019–20 Permanently employed UK staff	2019–20 Others	2019–20 Ministers	2019–20 Special advisers	2019–20 Total	2018–19 Total
Staff engaged on capital projects	–	–	–	–	–	–
Total	205	2	–	–	207	208
Core staff	205	2	–	–	207	208
Total	205	2	–	–	207	208

All NS&I staff costs are charged to administration costs as defined under the *Government Financial Reporting Manual*. There are no staff costs charged to programme costs.

Employee turnover

A key people metric for NS&I to measure is employee turnover. NS&I reviews the impact of turnover in two ways: unplanned employee turnover (unplanned departures, e.g. resignations) and gross turnover (unplanned and planned departures, e.g. end of fixed-term contracts).

NS&I reviews its employee turnover data against relevant industry benchmarks. NS&I has set a target of 15% for unplanned employee turnover and, for the past two years, has been below the target.

	2019–20	2018–19
Average unplanned employee turnover	8.98%	6.73%
Average gross employee turnover	13.67%	13.00%

Reporting of Civil Service and other compensation schemes – exit packages

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
	2019–20	2019–20	2019–20	2019–20	2018–19	2018–19
<£10,000	–	–	–	–	–	–
£10,000–£25,000	–	1	1	–	–	–
£25,000–£50,000	–	–	–	–	–	–
£50,000–£100,000	–	–	–	–	–	–
£100,000–£150,000	–	–	–	–	–	–
£150,000–£200,000	–	–	–	–	–	–
Total number of exit packages by type	–	–	–	–	–	–
Total cost	–	£10,000–£25,000	£10,000–£25,000	–	–	–

Pension costs

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

For 2019–20, employer contributions of £2,580,874 were payable to the PCSPS (2018–19: £1,985,586) at one of four rates in the range 26.6% to 30.3% (2018–19: 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 2018–19 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 £139,740 (2018–19: £132,564) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 8.0% to 14.75% (2018–19: 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 £5,466, 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 (2018–19: £4,989, 0.5% of pensionable earnings). Contributions due to the partnership pension providers at the Statement of financial position date were Nil (2018–19: Nil). Contributions prepaid at that date were Nil.

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 26 new employees who commenced employment during 2019–20, 10 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 the recruitment principle of fair and open competition.

We review applications 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.

Pay and reward

Upon the release of the Civil Service pay guidance 2020–21, 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 2% during the year.

Details of executive pay and performance-related pay can be found on pages 56 and 57. Details of our board Directors’ expenses can also be found online at <https://nsandi-corporate.com/governance/who-we-are> Reward for individual senior staff members is approved by our Appointments and Remuneration Committee.

Pension liabilities

During 2019–20, 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 2019–20, the rates were between 26.6% and 30.3% (2018–19: 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 above and page 60 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://nsandi-corporate.com/careers/how-we-recruit>

NS&I is one of more than 330 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 arm’s-length bodies with 250 or more employees on 31 March 2019 are covered by these regulations for reporting in 2019–20. NS&I employs fewer than 250 employees; however, NS&I voluntarily publishes gender pay gap data in our Equality and Diversity Information Statement:

<https://nsandi-corporate.com/careers/how-we-recruit>

Based on the 'snapshot' date of 31 March 2019, NS&I's gender pay gap data is as follows:

Gender pay gap

	%	
Mean gender pay gap – Ordinary pay	13.97	
Median gender pay gap – Ordinary pay	11.23	
Mean gender pay gap – Bonus paid in the 12 months ending 31 March	23.18	
Median gender pay gap – Bonus paid in the 12 months ending 31 March	24.70	
The proportion of male and female employees paid a bonus in the 12 months ending 31 March		
Male	97.94	
Female	96.43	
Proportion of female and male employees in each quartile		
Quartile	Female %	Male %
Lower quartile	57.69	42.31
Lower middle quartile	71.15	28.85
Upper middle quartile	40.38	59.62
Upper quartile	44.23	55.77

NS&I's 2019 (as at 31 March 2019) mean and median gender pay gap for salaries has remained broadly unchanged compared with 2018, showing a slight increase of 0.68% to the mean and a slight decrease of 0.12% to the median pay gap. The mean bonus pay gap has increased by 1.9% but the median bonus gap has decreased by nearly 8%. The decrease in the median bonus gap can be attributed to eligible employees receiving the same agency component (5%) in their performance-related pay. Male and female eligibility has increased by 4.8% and 1.4% respectively. Eligibility to receive a bonus requires an employee to be in post by 31 December of the bonus year and still to be employed on 30 June of the following year.

It is anticipated that the mean salaries and bonus gap will decrease and that the female quartile position will improve in March 2020. This is the expectation following the equal pay review conducted by NS&I in summer 2019 and the subsequent increases to base pay that resulted from the review. This proactive approach is expected to drive a positive change.

NS&I is committed to fairness and transparency in our pay and we need to continue to analyse and understand the reason for the pay gap and continue to take action to reduce the gap in future years.

Sick absence data

The average number of sick days per person in the 12 months ending 31 March 2020 was 4.99 days (2018–19: 4.78). This figure covers all absences including long-term absence. Short-term absences were 2.5 days (2018–19: 2.19). Overall, sickness absence levels at NS&I are below the Civil Service benchmark.

Trade Union Facility Time

The Department is required, by the Trade Union (Facility Time Publication Requirements) Regulations 2017, which came into force on 1 April 2017, to disclose the number of hours spent on facility time by employees who are a relevant union official during the reporting period, which are paid by the Department.

Facility time is recognised as the time an employee has spent on paid trade union activities where the employee has received wages from the Department.

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
1	1.00

Table 2: Percentage of time spent on facility time

The number of employees who were relevant union officials employed during 2019–20, who 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%	0
1–50%	1
51–99%	0
100%	0

Table 3: Percentage of pay bill spent on facility time

The percentage of the total pay bill spent on paying employees who were relevant union officials for facility time during 2019–20.

Total cost of facility time (£000)	2.34
Total pay bill (£000)	15,278
Percentage of the total pay bill spent on facility time, calculated as: (total cost of facility time ÷ total pay bill) x 100	0.015

Table 4: Paid trade union activities

As a percentage of total paid facility time hours, the number of hours spent by employees who were relevant union officials during 2019–20 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	0
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Off-payroll engagements

Table 1: For all off-payroll engagements as of 31 March 2020, for more than £245 per day and that last for longer than six months

Number of existing engagements as of 31 March 2020	4
<i>of which:</i>	
Number that have existed for less than one year at time of reporting	4
Number that have existed for between one and two years at time of reporting	0
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

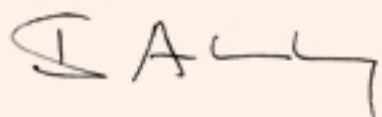
Table 2: For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2019 and 31 March 2020, for more than £245 per day and that last for longer than six months

Number of new engagements, or those that reached six months in duration, between 1 April 2019 and 31 March 2020	1
<i>of which:</i>	
Number assessed as caught by IR35	1
Number assessed as not caught by IR35	0
Number engaged directly (via PSC contracted to department) and are on the departmental payroll	0
Number of engagements reassessed for consistency/assurance purposes during the year	1
Number of engagements that saw a change to IR35 status following the consistency review	0

Table 3: For any off-payroll engagements of board members, and/or senior officials with significant financial responsibility, between 1 April 2019 and 31 March 2020

Number of off-payroll engagements of board members, and/or senior officials with significant financial responsibility, during the financial year	0
Number of individuals who have been deemed board members, and/or senior officials with significant financial responsibility, during the financial year. This figure should include both off-payroll and on-payroll engagements ⁽¹⁾	14

(1) This includes Executive and Non-executive Directors as detailed on pages 56 to 58 in Tables A and B relating to 2019–20.



Ian Ackerley
Chief Executive
National Savings and Investments
17 June 2020

Parliamentary accountability and audit report

Statement of Parliamentary Supply

In addition to the primary statements prepared under IFRS, the *Government Financial Reporting Manual* (FReM) requires National Savings and Investments to prepare a Statement of Parliamentary Supply (SoPS) and supporting notes.

The SoPS and related notes are subject to audit, as detailed in the Certificate and Report of the Comptroller and Auditor General to the House of Commons.

The SoPS is a key accountability statement that shows, in detail, how an entity has spent against their Supply Estimate. Supply is the monetary provision (for resource and capital purposes) and cash (drawn primarily from the Consolidated Fund) that Parliament gives statutory authority for entities to utilise. The Estimate details supply and is voted on by Parliament at the start of the financial year.

Should an entity exceed the limits set by their Supply Estimate, called control limits, their accounts will receive a qualified opinion.

The format of the SoPS mirrors the Supply Estimates, published on gov.uk, to enable comparability between what Parliament approves and the final outturn.

The SoPS contains a summary table, detailing performance against the control limits that Parliament has voted on, cash

spent (budgets are compiled on an accruals basis and so outturn won't exactly tie to cash spent) and administration.

The supporting notes detail the following: outturn by Estimate line, providing a more detailed breakdown (SoPS1); a reconciliation of outturn to net operating expenditure in the SOCNE, to tie the SoPS to the financial statements (SoPS2); a reconciliation of outturn to net cash requirement (SoPS3); and an analysis of income payable to the Consolidated Fund (SoPS4).

In line with the implementation of the Simplifying and Streamlining Accounts project, the SoPS has been moved away from the core IFRS financial statements and included within the 'Accountability' section. This will ensure it retains its prominence and is positioned next to the Report of the Comptroller and Auditor General to the House of Commons.

In addition the number of mandatory notes to the SoPS have been reduced and grouped together with other disclosures from elsewhere in the FReM which relate to Parliamentary accountability.

All tables in the SoPS are subject to audit.

Summary of resource and capital outturn

								2019–20	2018–19
	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
Departmental Expenditure Limit (DEL)									
– Resource	1.1	123,294	–	123,294	118,944	–	118,944	4,350	127,285
– Capital	1.2	650	–	650	–	–	–	650	–
Annually Managed Expenditure (AME)									
– Resource	1.1	3,300	–	3,300	451	–	451	2,849	(58)
– Capital		–	–	–	–	–	–	–	–
Total budget		127,244	–	127,244	119,395	–	119,395	7,849	127,227
Total		127,244	–	127,244	119,395	–	119,395	7,849	127,227
Total resource	1.1	126,594	–	126,594	119,395	–	119,395	7,199	127,227
Total capital	1.2	650	–	650	–	–	–	650	–
Total		127,244	–	127,244	119,395	–	119,395	7,849	127,227

Figures in the areas outlined in thick line cover the voted control limits voted by Parliament. Refer to the Supply Estimates guidance manual, available on gov.uk, for detail on the control limits voted by Parliament.

Net cash requirement

SoPS note	2019–20	2019–20	2018–19
	Estimate	Outturn	Outturn
		Net total outturn compared with Estimate: saving	
	£000	£000	£000
3	127,804	113,892	121,427

Administration costs

2019–20	2019–20	2018–19
Estimate	Outturn	Outturn
£000	£000	£000
123,294	118,944	127,285

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 69 to 72 form part of these accounts.

Notes to the Statement of Parliamentary Supply

SoPS1 Net outturn

SoPS1.1 Analysis of net resource outturn by section

	2019–20									2018–19
	Outturn							Estimate		Outturn
	Administration			Programme			Total £000	Net total £000	Net total compared with Estimate £000	£000
	Gross £000	Income £000	Net £000	Gross £000	Income £000	Net £000				
Spending in DEL										
Voted										
Administration	175,618	(56,674)	118,944	–	–	–	118,944	123,294	4,350	127,285
Spending AME										
Voted										
Administration	–	–	–	451	–	451	451	3,300	2,849	(58)
Total	175,618	(56,674)	118,944	451	–	451	119,395	126,594	7,199	127,227

	2019–20	
Difference between resource outturn and Estimate	£000	£000
Higher income	584	
Lower depreciation costs	2,244	
Lower staff costs	1,702	
Other difference	(180)	
Total DEL underspend		4,350
Lower requirement for provisions	300	
Lower revaluation charge for NS&I properties	2,549	
Total AME underspend		2,849
Total underspend against Estimate		7,199

SoPS1.2 Analysis of net capital outturn by section

	2019–20					2018–19
	Outturn			Estimate		Outturn
	Gross £000	Income £000	Net £000	Net £000	Net total compared with Estimate £000	Net £000
Spending in DEL						
Voted						
Administration	–	–	–	650	650	–
Total	–	–	–	650	650	–

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.

SoPS2 Reconciliation of outturn to net operating expenditure

	SoPS note	2019–20 £000	2018–19 £000
Total resource outturn in Statement of Parliamentary Supply		119,395	127,227
	1.1	119,395	127,227
Add			
Income recognised in budget but transferred to deferred income		–	1,297
Income transferred from deferred income to operating income		(6,747)	(6,492)
PPP asset depreciation		1,890	2,217
PPP asset amortisation		17,656	16,070
PPP asset revaluation (gain)/loss		(251)	(440)
PPP asset impairment		667	–
PPP asset loss on disposal		324	678
		13,539	13,330
Less			
Transfer of PPP costs to capital		(10,627)	(20,881)
Profit on disposal taken through CDEL		–	–
		(10,627)	(20,881)
Net operating cost in Statement of comprehensive net expenditure		122,307	119,676

As noted in the introduction to the SoPS above, outturn and the Estimates are compiled against the budgeting framework, which is similar to, but different from, IFRS. Therefore, this reconciliation bridges the resource outturn

to net operating expenditure, linking the SoPS to the financial statements. All the reconciling items reflect the different treatment for the PPP in the budgeting framework compared with the IFRS accounts.

SoPS3 Reconciliation of net resource outturn to net cash requirement

	Estimate	2019–20 Outturn	Net total outturn compared with Estimate: saving/ (excess)	2018–19 Outturn
	SoPS note	£000	£000	£000
Resource outturn	1.1	126,594	119,395	127,227
Capital outturn				
– Addition of property, plant and equipment	1.2	650	–	–
– Addition of intangible assets	1.2	–	–	–
Accruals to cash adjustments				
Adjustments to remove non-cash items:				
– Depreciation		(5,500)	(713)	(223)
– New provisions and adjustments to previous provisions		(300)	–	–
– Other non-cash items		(640)	(450)	(493)
Adjustments to reflect movements in working balances:				
– Increase/(decrease) in receivables		4,000	(10,136)	(4,500)
– Decrease/(increase) in payables		3,000	5,796	(584)
– Use of provisions	13	–	–	–
Net cash requirement		127,804	113,892	121,427

As noted in the introduction to the SoPS above, outturn and the Estimates are compiled against the budgeting framework, not on a cash basis. Therefore, this

reconciliation bridges the resource and capital outturn to the net cash requirement.

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 is payable to the Consolidated Fund (cash receipts being shown in *italics*).

	2019–20 Outturn		2018–19 Outturn	
	Income £000	Receipts £000	Income £000	Receipts £000
Operating income outside the ambit of the Estimate	60	<i>60</i>	13	<i>13</i>
Excess cash surrenderable to the Consolidated Fund	–	–	–	–
Total income payable to the Consolidated Fund	60	60	13	13

Parliamentary Accountability Disclosures (subject to audit)

1 Losses and special payments

1.1 Losses statement

At 31 March

	Accounts Note	2019–20 Number of cases	2019–20 £000	2018–19 Number of cases	2018–19 £000
Compensation payments		–	–	1	3
Fraud loss		–	–	–	–
Bad debts	3	–	–	–	–
Fruitless payments		–	–	–	–
Special payments		1	21	–	–
Total		1	21	1	3

Net fraud losses are shown in the table below:

	2019–20 £000	2018–19 £000
Fraud (recoveries)	–	–
Reversal of fraud losses in provisions	–	–
Increase in provisions for fraud losses	–	–
	–	–
Contracted fraud loss recovery	–	–
Total net fraud credited to Statement of financial net expenditure	–	–

1.1 Losses statement

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.

2 Special payments

NS&I made one special payment totalling £21,198.34 during 2019–20 following agreement with HM Treasury (2018–19: Nil).

3 Fees and charges

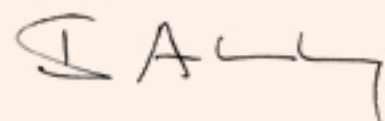
NS&I is required in accordance with HM Treasury's *Managing Public Money* to disclose results for the areas of its activities where fees and charges are levied. The analysis provided below is for fees and charges purposes and is not intended to meet the requirements of IFRS 8 *Operating segments*. Business-to-business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

	2019–20			2018–19		
	Gross income £000	Full cost £000	Surplus £000	Gross income £000	Full cost £000	Surplus £000
Business-to-business	63,410	52,284	11,126	65,933	55,670	10,263

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. Currently NS&I is administering business-to-business activities for Ministry of Justice (Office of Accountant General (OAG)) with regard to Court of Funds, Tax-Free Childcare, the 30 hours' free childcare scheme and Help to Save for HMRC and Help to Buy for HM Treasury for which we took on service delivery in April 2019. The Home Office Payment Processing service which was provided for a number of years was stopped in March 2019.

Regularity of expenditure (subject to audit)

NS&I ensures that the concept of regularity is understood and complied with in all its operational activities. It ensures compliance with HM Treasury's *Managing Public Money*. There are no regularity issues to report.



Ian Ackerley

Chief Executive

National Savings and Investments

17 June 2020

The certificate and report of the Comptroller and Auditor General to the House of Commons (Resource 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 2020 under the Government Resources and Accounts Act 2000. The financial statements comprise: 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 2020 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 2020 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.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- National Savings and Investments' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- National Savings and Investments have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about National Savings and Investments' ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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 judgement 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;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- conclude on the appropriateness of National Savings and Investments' 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 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 report. However, future events or conditions may cause National Savings and Investments to cease to continue as a going concern.

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, but does not include the parts of the Accountability Report described in that report as having been audited, 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.

Gareth Davies

Date 22 June 2020

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)

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 2020 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. I have also audited 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 the Product Accounts of National Savings and Investments' affairs as at 31 March 2020 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.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- National Savings and Investments' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- National Savings and Investments have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about National Savings and Investments' ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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 judgement 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;

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- conclude on the appropriateness of National Savings and Investments' 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 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 report. However, future events or conditions may cause National Savings and Investments to cease to continue as a going concern.

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 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 Chief Executive as Accounting Officer is responsible for the other information. The other information comprises information included in the Performance Report and Accountability Report, other than the parts of the Accountability Report described in that report as having been audited, 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 the entity and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report and Accountability Report; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements and have been prepared in accordance with the applicable legal requirements.

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.

Gareth Davies

Date 22 June 2020

Comptroller and Auditor General

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

03

Financial Statements

Accounts 2019–20	78
Product Accounts 2019–20	95
Annex 1: Product Accounts Direction	110

£55m

175,000 people have opened a Help to Save account and have invested £55 million.

Statement of comprehensive net expenditure for the period ending 31 March 2020

This account summarises the income generated and expenditure consumed on an accruals basis. It also includes other comprehensive income and expenditure, which

includes changes to the values of non-current assets and other financial instruments that cannot yet be recognised as income or expenditure.

	Note	2019–20 £000	2018–19 £000
Income from sale of goods and services	4	(63,249)	(65,933)
Other operating income	4	(173)	(640)
Total operating income		(63,422)	(66,573)
Staff costs	2	15,512	15,458
Purchase of goods and services	3	148,767	151,117
Depreciation and impairment charges	3	21,000	18,791
Other operating expenditure	3	450	883
Total operating expenditure		185,729	186,249
Net operating expenditure		122,307	119,676
Other comprehensive net expenditure			
Items that will not be reclassified to net operating costs:			
– Net (gain) on revaluation of non-current assets	12	(476)	(124)
Comprehensive net expenditure for the year		121,831	119,552

All income and expenditure is derived from continuing operations.

The notes on pages 82 to 94 form part of these accounts.

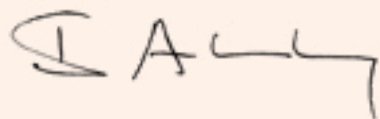
Statement of financial position as at 31 March

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	2020 £000	2020 £000	2019 £000	2019 £000
Non-current assets					
Property, plant and equipment	5	6,715		9,426	
Intangible assets	6	56,067		63,253	
Total non-current assets			62,782		72,679
Current assets					
Trade and other receivables	8	3,021		13,128	
Cash and cash equivalents	9	415		196	
Client funds	10	45,827		64,431	
Total current assets			49,263		77,755
Total assets			112,045		150,434
Current liabilities					
Trade and other payables	11	(23,870)		(29,437)	
Client funds: liability to HM Treasury, HMRC	10	(45,827)		(64,431)	
Total current liabilities			(69,697)		(93,868)
Total current assets less current liabilities			42,348		56,566
Non-current liabilities					
Trade and other payables	11	(8,869)		(15,598)	
Total non-current liabilities			(8,869)		(15,598)
Total assets less total liabilities			33,479		40,968
Taxpayers' equity					
General Fund			32,340		40,279
Revaluation reserve	12		1,139		689
Total equity			33,479		40,968

The notes on pages 82 to 94 form part of these accounts.



Ian Ackerley
Chief Executive
National Savings and Investments
17 June 2020

Statement of cash flows as at 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	2019–20 £000	2018–19 £000
Cash flows from operating activities			
Net operating expenditure		(122,307)	(119,676)
Adjustment for non-cash transactions	3	21,450	19,241
Decrease in trade and other receivables	8	10,136	4,406
(Decrease) in trade and other payables	11	(11,744)	(2,677)
Net cash outflow from operating activities		(102,465)	(98,706)
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(116)	(2,035)
Purchase of intangible assets	6	(10,511)	(18,846)
(Decrease) in capital payables	11	(800)	(1,840)
Net cash flows from investing activities		(11,427)	(22,721)
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		114,336	121,623
To the Consolidated Fund (Supply) – prior year		(196)	(23)
Net cash flows from financing activities		114,140	121,600
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		248	173
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		60	13
Payments of amounts due to the Consolidated Fund		(89)	(13)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund	9	219	173
Cash and cash equivalents at the beginning of the period	9	196	23
Cash and cash equivalents at the end of the period	9	415	196

Cash flows regarding client funds are not included as those monies are not accounted for through the Consolidated Fund. The notes on pages 82 to 94 form part of these accounts.

Statement of changes in taxpayers' equity as 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 reserves' (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
Balance at 1 April 2018		38,052	591	38,643
Changes in taxpayers' equity 2018–19				
Net Parliamentary Funding – drawn down		121,600	–	121,600
Net Parliamentary Funding – deemed		23	–	23
Supply payable adjustment		(196)	–	(196)
		121,427	–	121,427
Net operating costs for the year		(119,676)	–	(119,676)
Non-cash adjustments				
Auditor's remuneration	3	450	–	450
Net gain on revaluation of non-current assets	12	–	124	124
		(119,226)	124	(119,102)
Movements in reserves				
Transfer between reserves	12	26	(26)	–
Balance at 31 March 2019		40,279	689	40,968
Changes in taxpayers' equity 2019–20				
Net Parliamentary Funding – drawn down		114,140	–	114,140
Net Parliamentary Funding – deemed		196	–	196
Supply payable adjustment		(444)	–	(444)
		113,892	–	113,892
Net operating costs for the year		(122,307)	–	(122,307)
Non-cash adjustments				
Auditor's remuneration	3	450	–	450
Net gain on revaluation of non-current assets	12	–	476	476
		(121,857)	476	(121,381)
Movements in reserves				
Transfer between reserves	12	26	(26)	–
Balance at 31 March 2020		32,340	1,139	33,479

The notes on pages 82 to 94 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 2019–20 *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 2020 or later periods. NS&I has not early adopted the standards, amendments or interpretations described below.

1.1.1 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 IAS 17 *Leases*. The standard will impact on NS&I. The standard was to have become effective for annual reporting periods beginning on or after 1 January 2020; however, due to the Covid-19 pandemic the implementation of the standard has been deferred to 1 April 2021.

1.1.2 IFRS 17 Insurance Contracts

IFRS 17 *Insurance Contracts* will supersede IFRS 4 *Insurance Contracts* in periods beginning on or after 1 January 2021.

However, implementation of this standard has not yet been included in the FReM. The standard is unlikely to result in any significant change for NS&I and may not have any impact at all.

1.1.3 Other amendments to the FReM

Other amendments to the FReM due to come into effect on or after 1 April 2020 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), note 1.6 (Depreciation and amortisation), note 1.7 (Impairment 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 of these 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 particular focus on those whose initial cost was over £50,000. The review is carried out at year end. 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. Also, 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 is 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 (PPP) 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:

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

Further information regarding NS&I's service concession arrangements with Atos is provided in note 14.

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. Where a significant purchase of individual assets which are individually below the prescribed capitalisation limit arises then the 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 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 this asset category, information technology software is revalued at each reporting date using the Computer Services 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 to 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
---------------------------	-----------------

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' or 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 has been 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 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. IFRS 9 has not had any impact on NS&I's financial instruments.

1.16 Operating income

NS&I has a number of contracts with business-to-business customers. It meets the core principle of IFRS 15 *Revenue from contracts with customers* in that it recognises revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which NS&I expects to be entitled in exchange for those goods and services. It follows the five-step framework in the standard. 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 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 *Operating segments*, NS&I is an entity with a single reportable segment since NS&I's financial planning and reporting are 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 Annual 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 HMRC for payments under the Tax-Free Childcare scheme and the Help to Save scheme. NS&I is also holding funds on behalf of HM Treasury for the Help to Buy scheme. These amounts are held in separate bank accounts and segregated from NS&I's voted monies. Client funds are recognised as current assets in the Statement of financial position, with 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 the Help to Save scheme. 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:

	2019–20 £000	2018–19 £000
Wages and salaries	11,474	12,024
Social security costs	1,312	1,311
Other pension costs	2,726	2,123
Total staff costs	15,512	15,458

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

3 Expenditure

	Note	2019–20 £000	2019–20 £000	2019–20 £000	2018–19 £000	2018–19 £000	2018–19 £000
Public Private Partnership (PPP) provider costs ⁽¹⁾		142,662			152,329		
Transfer of PPP provider costs to capital		(10,627)			(20,881)		
Net PPP costs			132,035			131,448	
Goods and services			14,898			18,063	
Rentals under operating leases			1,813			1,679	
Unwinding discount on property debtor ⁽²⁾			–			(76)	
Losses and special payments			21			3	
Total goods and services				148,767			151,117
Other operating expenditure							433
Non-cash items							
Depreciation	5		2,079			2,429	
Amortisation	6		17,725			16,138	
Loss on disposal of property, plant and equipment, intangible assets	5,6		329			722	
Impairment loss on asset under construction			667			–	
Reversal of previous downward revaluation	5		(251)			(58)	
Revaluation of non-current assets	5,6,12		451			(440)	
Depreciation and impairment			21,000			18,791	
Auditor's remuneration and expenses ⁽³⁾			450			450	
Total non-cash items				21,450			19,241
				170,217			170,791

(1) PPP Gross costs were £142,662,000 (2018–19: £152,329,000). 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 £10,627,000 (2018–19: £20,881,000). The treatment is outlined in accounting policy 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 Audit remuneration costs includes fees for the Product Accounts statutory audit of £380,000 (£380,000 in 2018–19) and for the Resource Accounts statutory audit of £70,000 (£70,000 in 2018–19).

4 Income

4.1 Operating income

	2019–20 £000	2019–20 £000	2018–19 £000	2018–19 £000
Operating income comprises:				
Business-to-business	63,249		65,933	
Income from sale of goods and services		63,249		65,933
Other receipts	173		640	
Other operating income		173		640
Total operating income		63,422		66,573

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
Cost or valuation							
At 1 April 2019	750	2,394	20,886	1,237	4,459	–	29,726
Additions	–	–	116	–	–	–	116
Transfer from 'Assets under construction'	–	–	–	–	–	–	–
Disposals	–	–	(1,882)	(81)	(5)	–	(1,968)
Reclassification	–	–	–	–	–	–	–
Revaluation ⁽¹⁾	(250)	(554)	–	–	–	–	(804)
At 31 March 2020	500	1,840	19,120	1,156	4,454	–	27,070
Depreciation							
At 1 April 2019	–	(394)	(17,771)	(545)	(1,590)	–	(20,300)
Charged in year	–	(49)	(1,397)	(71)	(562)	–	(2,079)
Disposals	–	–	1,841	75	5	–	1,921
Reclassification	–	–	–	–	–	–	–
Revaluation	–	103	–	–	–	–	103
At 31 March 2020	–	(340)	(17,327)	(541)	(2,147)	–	(20,355)
Carrying amount							
At 31 March 2020	500	1,500	1,793	615	2,307	–	6,715
Owned assets	500	1,500	–	615	633	–	3,248
IFRIC 12 assets	–	–	1,793	–	1,674	–	3,467
Total	500	1,500	1,793	615	2,307	–	6,715

(1) The freehold land and building at NS&I's Moorlands site in Blackpool was revalued as at 31 March 2020 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 ⁽²⁾	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or valuation							
At 1 April 2018	750	2,337	21,520	1,237	5,127	–	30,971
Additions	–	–	586	–	1,449	–	2,035
Transfer from 'Assets under construction'	–	–	–	–	–	–	–
Disposals	–	–	(1,220)	–	(2,117)	–	(3,337)
Reclassification	–	–	–	–	–	–	–
Revaluation ⁽¹⁾	–	57	–	–	–	–	57
At 31 March 2019	750	2,394	20,886	1,237	4,459	–	29,726
Depreciation							
At 1 April 2018	–	(337)	(16,906)	(438)	(3,255)	–	(20,936)
Charged in year	–	(57)	(1,858)	(107)	(407)	–	(2,429)
Disposals	–	–	993	–	2,072	–	3,065
Reclassification	–	–	–	–	–	–	–
Revaluation	–	–	–	–	–	–	–
At 31 March 2019	–	(394)	(17,771)	(545)	(1,590)	–	(20,300)
Carrying amount							
At 31 March 2019	750	2,000	3,115	692	2,869	–	9,426
Owned assets	750	2,000	1	687	704	–	4,142
IFRIC 12 assets	–	–	3,114	5	2,165	–	5,284
Total	750	2,000	3,115	692	2,869	–	9,426

(1) The freehold land and building at NS&I's Moorlands site in Blackpool was revalued as at 31 March 2019 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 ⁽¹⁾ £000	Total £000
Cost or valuation					
At 1 April 2019	83,735	20,204	16,586	8,447	128,972
Additions ⁽¹⁾	38	214	–	10,259	10,511
Transfer from 'Assets under construction'	10,896	1,209	–	(12,105)	–
Revaluation ⁽²⁾	1,776	–	376	–	2,152
Impairment	–	–	–	(667)	(667)
Disposals	(1,447)	(1,556)	–	–	(3,003)
At 31 March 2020	94,998	20,071	16,962	5,934	137,965
Amortisation					
At 1 April 2019	(44,028)	(13,395)	(8,296)	–	(65,719)
Charged in year	(12,093)	(2,316)	(3,316)	–	(17,725)
Revaluation ⁽²⁾	(912)	–	(263)	–	(1,175)
Disposals	1,447	1,274	–	–	2,721
At 31 March 2020	(55,586)	(14,437)	(11,875)	–	(81,898)
Carrying amount					
At 31 March 2020	39,412	5,634	5,087	5,934	56,067
Owned assets	349	–	–	38	387
IFRIC 12 assets	39,063	5,634	5,087	5,896	55,680
Total	39,412	5,634	5,087	5,934	56,067

(1) Assets under construction totalled £5.9 million. The balance is made up of a number of relatively small developments. Assets under construction transferred to live (£12.1 million) included implementation work for a number of projects which included an upgrade of the Product Accounts reporting system, costs for business-to-business project, mobile applications project and other projects.

(2) Information technology software was revalued during the year using an appropriate ONS index. This was the Computer Services Producer Price Index produced by ONS. The net increase in value of the assets was £0.98 million.

6(b) Prior year

	Information technology software	Software licences	Website	Assets under construction ⁽¹⁾	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 April 2018	69,854	19,421	16,455	4,882	110,612
Additions ⁽¹⁾	19	1,644	–	17,183	18,846
Transfer from 'Assets under construction'	13,618	–	–	(13,618)	–
Revaluation ⁽²⁾	470	–	131	–	601
Disposals	(226)	(861)	–	–	(1,087)
At 31 March 2019	83,735	20,204	16,586	8,447	128,972
Amortisation					
At 1 April 2018	(33,856)	(11,386)	(4,940)	–	(50,182)
Charged in year	(10,313)	(2,420)	(3,405)	–	(16,138)
Revaluation ⁽²⁾	(85)	–	49	–	(36)
Disposals	226	411	–	–	637
At 31 March 2019	(44,028)	(13,395)	(8,296)	–	(65,719)
Carrying amount					
At 31 March 2019	39,707	6,809	8,290	8,447	63,253
Owned assets	410	–	–	38	448
IFRIC 12 assets	39,297	6,809	8,290	8,409	62,805
Total	39,707	6,809	8,290	8,447	63,253

(1) Assets under construction totalled £8.45 million. The balance is made up of a number of smallish developments. Assets under construction transferred to live (£13.62 million) included implementation work for a number of projects.

(2) Information technology software was revalued during the year using an appropriate ONS index. This was the Computer Services Producer Price Index produced by ONS. The net increase in value of the assets was £0.56 million.

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 includes 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 Trade and other receivables

at 31 March

	2020 £000	2019 £000
Amounts falling due within one year:		
Deposits and advances	48	67
Prepayments	472	111
Accrued income	2,472	9,138
Proceeds from the sale of property	–	3,167
Other receivables	–	645
Consolidated Fund-debtor due to be paid from Consolidated Fund	29	–
Total trade and other receivables	3,021	13,128

NS&I has no amounts falling due after more than one year. The final proceeds (£3,167,000) for the sale of the Glasgow site were received in November 2019.

9 Cash and cash equivalents

	2020 £000	2019 £000
Balance at 1 April	196	23
Net change in cash and cash equivalent balances	219	173
Closing cash and cash equivalent balance	415	196
The following balances are held at:		
Government Banking Service	415	196
Balance at 31 March	415	196

10 Client funds

	2020 £000	2019 £000
Balance at 1 April	64,431	9,633
Net change in client funds balances	(18,604)	54,798
Closing client funds balance	45,827	64,431
The following balances are held at:		
Government Banking Service	45,827	64,431
Balance at 31 March	45,827	64,431
Corresponding liability for payments to be made on behalf of HMRC, HM Treasury	(45,827)	(64,431)

Client funds are being held on behalf of HM Revenue and Customs for the operation of the Tax-Free Childcare scheme which was launched in 2017. The balance held in the account for HMRC was £23,833,000 (2019: £50,926,000). NS&I is also holding £62,829,000 (2019: £46,384,000) of contributions from parents. These parent monies are excluded from NS&I's Statement of financial position as third party assets.

NS&I is holding £19,245,000 on behalf of HM Treasury (2019: £13,500,000) in the operation of the Help to Buy scheme which was launched in 2019.

NS&I is also holding £2,749,000 (2019: £5,000) on behalf of HMRC for the operation of the Help to Save scheme which was launched in 2018. It is also holding £56,147,000 (2019: £16,999,000) of customers' funds. These funds are also excluded from NS&I's Statement of financial position as third party assets.

11 Trade payables and other liabilities
at 31 March

	2020 £000	2019 £000
Amounts falling due within one year:		
VAT	71	94
Taxation and social security	328	369
Trade payables	3,356	5,647
Other payables	284	255
Accruals	12,655	16,124
Deferred income	6,732	6,752
Consolidated Fund extra receipts due to be paid to the Consolidated Fund	—	—
Amounts issued from the Consolidated Fund for supply but not spent at year end	444	196
Total trade and other payables	23,870	29,437
Amounts falling due after more than one year:		
Deferred income ⁽¹⁾	8,869	15,598
Non-current liabilities	8,869	15,598
Total trade payables and other liabilities	32,739	45,035

(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.

12 Movement in revaluation reserve at 31 March

	Note	2020 £000	2019 £000
Revaluation reserve changes:			
Balance in revaluation reserve at 1 April		(689)	(591)
Total downward revaluation	6	701	–
Charged to expenditure	3	(200)	498
Upward revaluation	5,6	(977)	(622)
Revaluation movement		(476)	(124)
Depreciation adjustment		26	26
Subtotal		26	26
Balance at 31 March		(1,139)	(689)

13 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.

	2020 £000	2019 £000
Obligations under operating leases comprise:		
Buildings:		
Not later than one year	2,026	1,737
Later than one year and not later than five years	6,972	5,958
Later than five years	4,930	5,418
Total	13,928	13,113

14 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 over £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.

The contract with Atos was extended for a further three years from March 2021. The contract will now complete in March 2024. The value of the contract extension is estimated to be over £300 million for the additional three years.

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	82,518
Value of amounts falling due within two to five years	204,577
	287,095
	£000
Comparable figures at March 2019 were:	
Amounts falling due within one year	53,817
Value of amounts falling due within two to five years	212,171
	265,988

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.

15 Other financial commitments

There were no other financial commitments at 31 March 2020 (31 March 2019: Nil).

16 Contingent liabilities disclosed under IAS 37

NS&I did not have any provisions at 31 March 2020 (31 March 2019: Nil).

17 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, Home Office and HM Treasury, HM Revenue and Customs

and a small number of immaterial transactions with other government departments: Treasury Solicitor's Department, the Cabinet Office, 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.

	2020	2019
Balance at 31 March	£000	£000
Executive Directors and Non-executive Directors	221	1,440

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.

18 Events after the reporting period date

There are no reportable events between the Statement of financial position date and 22 June 2020, the date of authorisation of these accounts by the Comptroller and Auditor General. The financial statements do not reflect events after that date.

Product Accounts background

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 110.

Scope of the Product Accounts

These accounts record transactions for the year ended 31 March 2020 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 the Annual 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 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 fixed term holdings, which cannot be renewed for a further term and 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 2020

Our financial year ended 31 March 2020 saw customer investments grow to £179.2 billion (2019–20) from £167.6 billion (2018–19) raising £11.6 billion (2018–19: £10.8 billion) as Net Financing. £2.6 billion (2018–19: £2.4 billion) was earned as interest and prizes by investors. £38.2 billion (2018–19: £37.3 billion) was received from investors whilst payments to investors during the financial year totalled £29.2 billion (2018–19: £28.9 billion).

In line with our operating framework, to balance the interests of savers and taxpayers and the stability of the broader financial services sector, we made changes to the terms and conditions of some products and took some of our products off general sale.

On 1 May 2019, we changed the index-linking, for Index-linked Savings Certificates renewed on or after this date, to the Consumer Prices Index (CPI) instead of the Retail Prices Index (RPI). On each anniversary date (the date on which a certificate was renewed), the index-linked growth added to these renewed certificates will reflect any overall increase in the CPI rather than the RPI.

In May 2019, we introduced new terms and conditions for Guaranteed Growth Bonds and Guaranteed Income Bonds. From 1 May 2019, any customer renewing an existing bond or making a new investment will no longer be able to cash it in before the maturity date.

In September 2019, we took the decision to remove Guaranteed Growth Bonds and Guaranteed Income Bonds from general sale. Customers with maturing Guaranteed Growth Bonds and Guaranteed Income Bonds are still permitted to renew their investment within the same product or reinvest into any other product currently on sale.

This financial year saw a further strengthening of our Premium Bonds customer offer. In August 2019, we made changes to how Premium Bonds can be gifted to children. Anyone over 16 can now invest in Premium Bonds on behalf of children under the age of 16, thus giving young people greater opportunities to save.

In December 2019, we enabled Premium Bond prizes won by children to be paid directly into their parents' or designated guardian's bank account rather than only being paid by warrant. These changes and the reduction in the minimum Premium Bonds investment to £25 from £100 implemented in the last quarter of the prior financial year (February 2019) have made it easier to invest in these bonds and receive prizes as we continue to encourage a stronger savings culture.

Audit

These accounts have been audited by the Comptroller and Auditor General, whose Certificate and Report appears on pages 75 and 76.

Statement of comprehensive income for the year ended 31 March

	Note	2019–20 £000	2018–19 £000
Income			
Interest and prizes financed by the NLF	4	2,566,622	2,447,662
Interest and prizes financed by the NLF		2,566,622	2,447,662
Cost			
Interest and prizes earned by investors	2	(2,566,622)	(2,447,662)
Interest and prizes earned by investors		(2,566,622)	(2,447,662)
Income less cost		–	–

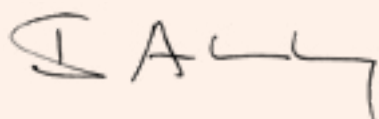
The notes on pages 100 to 109 form part of these accounts.

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

Statement of financial position at 31 March

	Note	2020 £000	2019 £000
Current assets			
Held by the NLF	4	177,428,786	166,473,104
Other receivables	5	364,148	318,072
Cash and cash equivalents	9	1,391,988	777,956
Total current assets	10	179,184,922	167,569,132
Current liabilities			
Liability to investors	6	(177,978,861)	(167,568,044)
Other payables	7	(11,539)	(1,088)
Total current liabilities	10	(177,990,400)	(167,569,132)
Net current assets		1,194,522	–
Non-current liabilities			
Liability to investors	6	(1,194,522)	–
Total non-current liabilities	10	(1,194,522)	–
Assets less liabilities		–	–

The notes on pages 100 to 109 form part of these accounts.



Ian Ackerley
Chief Executive
National Savings and Investments
 17 June 2020

Statement of cash flows for the year ended 31 March

	Note	2019–20 £000	2018–19 £000
Cash flows from operating activities			
Income less cost		–	–
Increase in net funds held by the NLF	8	(10,955,682)	(11,302,771)
(Increase)/decrease in other receivables	5	(46,076)	50,570
Increase in total funds invested	2	11,605,339	10,831,308
Increase/(decrease) in other payables	7	10,451	(4,920)
Net cash flow from operating activities		614,032	(425,813)
Net increase/(decrease) in cash and cash equivalents in the period	9	614,032	(425,813)
Cash and cash equivalents at the beginning of the period	9	777,956	1,203,769
Cash and cash equivalents at the end of the period	9	1,391,988	777,956

The notes on pages 100 to 109 form part of these accounts.

Notes to the Product Accounts

1 Statement of accounting policies

These accounts are prepared in accordance with the 2019–20 *Government 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 2020. NS&I has not early adopted the standards, amendments and interpretations described below.

1.2.1 IFRS 16 *Leases* (effective from annual periods beginning on or after 1 January 2020)

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 international accounting standard IAS 17 *Leases*. Due to the Covid-19 pandemic, the implementation of the standard has been deferred to 1 April 2021.

The standard will have no impact on the Product Accounts as they do not contain any leasing arrangements.

1.2.2 Other amendments to the FReM

Other amendments to the FReM due to come into effect on or after 1 April 2020 are considered to have no impact on the NS&I Product Accounts.

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 in accordance with IFRS 9 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.

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 disclosed in accordance with IFRS 7 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.

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, Government Banking 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.

The following policies have been applied to financial assets.

Recognition, classification and measurement

Financial assets are recognised, classified and measured in accordance with IFRS 9.

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

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

Financial assets are classified and measured at amortised cost as NS&I's business model is to hold financial assets in order to collect contractual cash flows which represent solely payments of principal and interest (SPPI).

On initial recognition, financial assets are recognised at fair value, plus directly attributable transaction costs. They are subsequently measured at amortised cost. 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

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 2020
	£000	£000	£000	£000	£000	£000
Children's Bonds	–	5,887	(71,262)	(16,156)	(81,531)	212,218
Direct Saver	11,019,976	158,530	(7,597,854)	–	3,580,652	18,245,988
65+ Guaranteed Growth Bonds	–	–	(38)	–	(38)	52
Guaranteed Bonds	807,541	400,128	(2,342,535)	–	(1,134,866)	19,457,384
Income Bonds	8,302,435	232,825	(5,578,442)	–	2,956,818	21,803,399
Individual Savings Account	497,312	38,983	(572,346)	–	(36,051)	4,331,647
Investment Account	611,207	21,740	(491,494)	–	141,453	2,812,601
Investment Guaranteed Growth Bonds	3	13,621	(9,242)	–	4,382	626,382
Junior Individual Savings Account	75,267	1,680	(2,865)	–	74,082	92,625
Premium Bonds	16,671,929	1,169,164	(11,079,253)	–	6,761,840	88,476,450
Residual Account	24,006	2,221	(32,546)	16,156	9,837	660,999
Savings Certificates	187,636	521,843	(1,380,718)	–	(671,239)	22,453,638
Total	38,197,312	2,566,622	(29,158,595)	–	11,605,339	179,173,383

2(b) Prior 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 2019
	£000	£000	£000	£000	£000	£000
Children's Bonds	2	8,051	(80,167)	(20,667)	(92,781)	293,749
Direct Saver	9,709,510	129,481	(6,986,178)	–	2,852,813	14,665,336
65+ Guaranteed Growth Bonds	10	5,209	(1,942,320)	–	(1,937,101)	90
Guaranteed Bonds	4,465,943	401,937	(1,904,618)	–	2,963,262	20,592,250
Income Bonds	6,442,705	190,440	(5,250,332)	–	1,382,813	18,846,581
Individual Savings Account	565,953	40,272	(836,734)	–	(230,509)	4,367,698
Investment Account	516,858	19,358	(437,383)	–	98,833	2,671,148
Investment Guaranteed Growth Bonds	9,532	13,480	(8,337)	–	14,675	622,000
Junior Individual Savings Account	15,371	243	(569)	–	15,045	18,543
Premium Bonds	15,229,616	1,081,755	(10,117,275)	–	6,194,096	81,714,610
Residual Account	23,655	1,398	(33,369)	20,667	12,351	651,162
Savings Certificates	347,568	556,038	(1,345,795)	–	(442,189)	23,124,877
Total	37,326,723	2,447,662	(28,943,077)	–	10,831,308	167,568,044

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.

The notable events section on page 96 of these accounts discloses notable occurrences in the product range during the period.

3 Interest and prizes

	Note	2019–20 £000	2018–19 £000
Total interest and prizes earned in year	2	(2,566,622)	(2,447,662)
Add accrued interest and prizes opening balance		(622,773)	(739,277)
Less interest capitalised in year		1,431,150	1,495,754
Less interest and prizes paid in year		1,161,751	1,074,750
Add movements in out-of-date warrants and outstanding prizes in year		(6,729)	(6,338)
Accrued interest and prizes at 31 March	6	(603,223)	(622,773)

This table reconciles the interest and prizes earned in note 2 with those accrued in note 6.

4 Amounts held by the NLF

	Note	2019–20 £000	2018–19 £000
Balance at 1 April		166,473,104	155,170,333
Interest and prizes financed by the NLF		2,566,622	2,447,662
Received from the NLF	8	(28,314,616)	(27,990,800)
Paid to the NLF	8	36,703,676	36,845,909
Balance at 31 March		177,428,786	166,473,104

The amount held by the NLF includes interest and prizes accrued in 2019–20 of £505,157,000 (2018–19: £531,437,000).

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

	2020 £000	2019 £000
Agents	363,864	317,725
Other receivables	284	347
Total	364,148	318,072

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 2020 £000
Current liabilities			
Children's Bonds	209,792	2,426	212,218
Direct Saver	18,245,988	–	18,245,988
65+ Guaranteed Growth Bonds	52	–	52
Guaranteed Bonds	18,157,807	105,055	18,262,862
Income Bonds	21,770,089	33,310	21,803,399
Individual Savings Account	4,294,231	37,416	4,331,647
Investment Account	2,807,161	5,440	2,812,601
Investment Guaranteed Growth Bonds	616,010	10,372	626,382
Junior Individual Savings Account	90,998	1,627	92,625
Premium Bonds	88,294,302	182,148	88,476,450
Residual Account	655,980	5,019	660,999
Savings Certificates	22,239,410	214,228	22,453,638
Total current liabilities	177,381,820	597,041	177,978,861
Non-current liabilities			
Guaranteed Bonds	1,188,340	6,182	1,194,522
Total non-current liabilities	1,188,340	6,182	1,194,522
Total liability to investors	178,570,160	603,223	179,173,383

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 (£603,223,000) is accrued interest in respect of the principal liability to investors. Note 4 discloses accrued interest (£505,157,000) in respect of balances

held by the NLF. The difference between these amounts is due to outstanding interest liabilities (£98,066,000) which have been drawn down from the NLF and are pending settlement, such as prizes and interest warrants.

All products are repayable on demand except for investments in Guaranteed Bonds made on or after 1 May 2019, which repay at maturity.

6(b) Prior year

	Principal liability £000	Accrued interest and prizes £000	Liability 31 March 2019 £000
Current liabilities			
Children's Bonds	290,387	3,362	293,749
Direct Saver	14,665,336	–	14,665,336
65+ Guaranteed Growth Bonds	90	–	90
Guaranteed Bonds	20,477,403	114,847	20,592,250
Income Bonds	18,816,614	29,967	18,846,581
Individual Savings Account	4,330,134	37,564	4,367,698
Investment Account	2,666,004	5,144	2,671,148
Investment Guaranteed Growth Bonds	611,746	10,254	622,000
Junior Individual Savings Account	18,308	235	18,543
Premium Bonds	81,545,625	168,985	81,714,610
Residual Account	647,140	4,022	651,162
Savings Certificates	22,876,484	248,393	23,124,877
Total current liabilities	166,945,271	622,773	167,568,044
Non-current liabilities	–	–	–
Total non-current liabilities	–	–	–
Total liability to investors	166,945,271	622,773	167,568,044

7 Other payables

	2020 £000	2019 £000
NLF	248	229
Other payables including sales repayments and evidence of identity repayments	11,291	859
Total	11,539	1,088

8 Movement in net funds held by the NLF

	2019–20 £000	2018–19 £000
Received from the NLF	28,314,616	27,990,800
Paid to the NLF	(36,703,676)	(36,845,909)
Net inflow to the NLF	(8,389,060)	(8,855,109)
Interest and prizes payable to investors	(2,566,622)	(2,447,662)
Increase in net funds held by the NLF	(10,955,682)	(11,302,771)

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

	2020 £000	2019 £000
Balance at 1 April	777,956	1,203,769
Net change in cash and cash equivalent balances	614,032	(425,813)
Balance at 31 March	1,391,988	777,956

All balances were held by the Exchequer. No cash balances were held with commercial banks.

10 Categorisation of financial assets and liabilities

	2020 £000	2019 £000
Assets		
Financial assets measured at amortised cost	177,792,934	166,791,176
Cash and cash equivalents	1,391,988	777,956
Total	179,184,922	167,569,132
Liabilities		
Current financial liabilities measured at amortised cost	(177,990,400)	(167,569,132)
Non-current financial liabilities measured at amortised cost	(1,194,522)	–
Total	(179,184,922)	(167,569,132)

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 Government Banking (GB). GB 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 was 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, except for investments in Guaranteed Bonds made on or after

1 May 2019, which repay at maturity. As required by IFRS 7, the undiscounted maturity profile for the total liability for all products is as follows:

	2020 Variable rate, prize-based and index-linked products £000	2020 Fixed rate products £000	2020 Non-interest bearing products £000	2020 Total £000
Maturing in one year or less or repayable on demand	155,989,461	21,943,693	45,707	177,978,861
Maturing in more than one year but not more than two years	–	607,914	–	607,914
Maturing in more than two years but not more than five years	–	586,608	–	586,608
Total	155,989,461	23,138,215	45,707	179,173,383

12(b) Prior year

	2019 Variable rate, prize-based and index-linked products £000	2019 Fixed rate products £000	2019 Non-interest bearing products £000	2019 Total £000
Maturing in one year or less or repayable on demand	143,017,716	24,479,001	71,327	167,568,044
Maturing in more than one year but not more than two years	–	–	–	–
Maturing in more than two years but not more than five years	–	–	–	–
Total	143,017,716	24,479,001	71,327	167,568,044

There are no products maturing in more than five years.

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

	2020 Total per accounts £000	2020 Fair value £000
Assets		
Held by the NLF	177,428,786	177,934,671
Other receivables	364,148	364,148
Cash and cash equivalents	1,391,988	1,391,988
Total	179,184,922	179,690,807
Liabilities		
Fixed rate products	(23,138,215)	(23,644,100)
Variable rate products	(155,989,461)	(155,989,461)
Non-interest bearing products	(45,707)	(45,707)
Other payables	(11,539)	(11,539)
Total	(179,184,922)	(179,690,807)

13(b) Prior year

	2019 Total per accounts £000	2019 Fair value £000
Assets		
Held by the NLF	166,473,104	167,056,795
Other receivables	318,072	318,072
Cash and cash equivalents	777,956	777,956
Total	167,569,132	168,152,823
Liabilities		
Fixed rate products	(24,479,001)	(25,062,692)
Variable rate products	(143,017,716)	(143,017,716)
Non-interest bearing products	(71,327)	(71,327)
Other payables	(1,088)	(1,088)
Total	(167,569,132)	(168,152,823)

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).

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 2020 £000	Level 2 2020 £000	Total 2020 £000
Assets			
Held by the NLF – fixed rate products	–	23,797,360	23,797,360
Held by the NLF – variable rate products	–	154,091,851	154,091,851
Other assets ⁽¹⁾	1,801,596	–	1,801,596
	1,801,596	177,889,211	179,690,807
Liabilities			
Liability to investors – fixed rate products	–	(23,644,100)	(23,644,100)
Liability to investors – variable rate products	–	(155,989,461)	(155,989,461)
Other liabilities ⁽²⁾	–	(57,246)	(57,246)
	–	(179,690,807)	(179,690,807)

14(b) Prior year

	Level 1 2019 £000	Level 2 2019 £000	Total 2019 £000
Assets			
Held by the NLF – fixed rate products	–	25,194,019	25,194,019
Held by the NLF – variable rate products	–	141,793,053	141,793,053
Other assets ⁽¹⁾	1,165,751	–	1,165,751
	1,165,751	166,987,072	168,152,823
Liabilities			
Liability to investors – fixed rate products	–	(25,062,692)	(25,062,692)
Liability to investors – variable rate products	–	(143,017,716)	(143,017,716)
Other liabilities ⁽²⁾	–	(72,415)	(72,415)
	–	(168,152,823)	(168,152,823)

(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.

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 95 and 96. In addition, note 4 contains details of the NLF transactions.

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. 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 94 of this Annual Report and Accounts and Product Accounts.

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 22 June 2020, the date on which these accounts are authorised for issue by the Comptroller and Auditor General. 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 the 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

04

Other Information

Departmental report information	113
Glossary	118
Contacts and more information	122

Departmental report information

The 2019–20 Departmental report information shown in the tables on the following pages is not consistent with the information shown in the 2019–20 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 2015–16 £000	Outturn 2016–17 £000	Outturn 2017–18 £000	Outturn 2018–19 £000	Outturn 2019–20 £000	Plans 2020–21 £000
Resource DEL						
Section A: Administration	155,453	132,333	121,109	127,285	118,944	127,370
Total resource DEL	155,453	132,333	121,109	127,285	118,944	127,370
<i>of which:</i>						
Pay	11,236	11,731	12,987	14,717	15,278	16,000
Net current procurement ⁽¹⁾	142,848	119,401	106,914	111,838	102,960	108,330
Current grants and subsidies to the private sector and abroad	–	–	–	–	–	–
Current grants to local government	–	–	–	–	–	–
Depreciation ⁽²⁾	734	751	758	280	256	2,400
Other	635	450	450	450	450	640
Resource AME						
Section B: Administration	(682)	(262)	(739)	(58)	451	3,300
Total resource AME	(682)	(262)	(739)	(58)	451	3,300
<i>of which:</i>						
Pay	–	–	–	–	–	–
Net current procurement ⁽¹⁾	–	–	–	–	–	–
Current grants and subsidies to the private sector and abroad	–	–	–	–	–	–
Current grants to local government	–	–	–	–	–	–
Net public service pensions ⁽³⁾	–	–	–	–	–	–
Take-up of provisions	(296)	–	–	–	–	–
Release of provisions	(397)	–	–	–	–	300
Depreciation ⁽²⁾	11	(262)	(739)	(58)	451	3,000
Other	–	–	–	–	–	–
Total resource budget	154,771	132,071	120,370	127,227	119,395	130,670
<i>of which:</i>						
Depreciation	745	489	19	222	707	5,400

Table 1: Total departmental spending (continued)

	Outturn 2015–16 £000	Outturn 2016–17 £000	Outturn 2017–18 £000	Outturn 2018–19 £000	Outturn 2019–20 £000	Plans 2020–21 £000
Capital DEL						
Section A: Administration	(1,585)	(12,482)	–	–	–	660
Total capital DEL	(1,585)	(12,482)	–	–	–	660
<i>of which:</i>						
Net capital procurement ⁽⁴⁾	(1,585)	(12,482)	–	–	–	660
Capital grants to the private sector and abroad	–	–	–	–	–	–
Capital support for local government	–	–	–	–	–	–
Capital support for public corporations	–	–	–	–	–	–
Other	–	–	–	–	–	–
Capital AME						
Total capital AME	–	–	–	–	–	–
<i>of which:</i>						
Capital grants to the private sector and abroad	–	–	–	–	–	–
Net lending to the private sector	–	–	–	–	–	–
Capital support for public corporations	–	–	–	–	–	–
Other	–	–	–	–	–	–
Total capital budget	(1,585)	(12,482)	–	–	–	660
Total departmental spending⁽⁵⁾	152,441	119,100	120,351	127,005	118,888	125,930
<i>of which:</i>						
Total DEL	153,123	119,362	121,090	127,063	118,237	122,630
Total AME	(682)	(262)	(739)	(58)	451	3,300

(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	Admin	Other current	Gross total	Supply Estimate		Supplementary Estimate			Final provision	Final outturn	Differences
				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	£000	£000
Spending in DEL	244,294	–	244,294	(121,000)	123,294	–	–	–	123,294	118,944	4,350
Spending in AME	–	3,300	3,300	–	3,300	–	–	–	3,300	451	2,849
Total	244,294	3,300	247,594	(121,000)	126,594	–	–	–	126,594	119,395	7,199

	Supply Estimate	Supplementary Estimate			Final provision	Final outturn	Differences
Capital	Capital	Change in gross provision	Change in A in A	Change in net provision			
	£000	£000	£000	£000	£000	£000	£000
Spending in DEL	650	–	–	–	650	–	650

Table 3: NS&I capital employed

	Outturn 2015–16 £000	Outturn 2016–17 £000	Outturn 2017–18 £000	Outturn 2018–19 £000	Outturn 2019–20 £000	Plans 2020–21 £000
Assets on balance sheet at end of year						
Non-current assets						
Intangible	57,048	57,748	60,430	63,253	56,067	57,000
Property, plant and equipment	14,323	11,729	10,035	9,426	6,715	5,500
<i>of which:</i>						
Land and buildings	1,802	2,000	2,750	2,750	2,000	2,000
Information technology	8,020	6,521	4,614	3,115	1,793	1,500
Plant and machinery	1,017	1,029	799	692	615	700
Furniture and fittings	2,689	2,157	1,872	2,869	2,307	2,100
Assets under construction	795	22	–	–	–	–
Other receivables	–	7,593	3,091	–	–	–
Current assets	49,476	17,481	24,099	77,755	49,263	50,000
Creditors <1 year	(50,992)	(31,136)	(37,917)	(93,868)	(69,437)	(74,000)
Provisions <1 year	–	–	–	–	–	–
Creditors >1 year	(14,799)	(20,718)	(21,095)	(15,598)	(9,129)	(3,000)
Provisions >1 year	–	–	–	–	–	–
Capital employed within main department	55,056	42,697	38,643	40,968	33,479	35,500

Table 4: Administration budget

	Outturn 2015–16 £000	Outturn 2016–17 £000	Outturn 2017–18 £000	Outturn 2018–19 £000	Outturn 2019–20 £000	Plans 2020–21 £000
Section A: Administration	155,453	132,333	121,109	127,285	118,944	127,370
Total administration budget	155,453	132,333	121,109	127,285	118,944	127,370
<i>of which:</i>						
Pay	11,236	11,731	12,987	14,717	15,278	16,000
Expenditure	175,127	157,453	163,891	173,947	160,340	232,370
Income	(30,910)	(36,851)	(55,769)	(61,379)	(56,674)	(121,000)

Table 5: NS&I staff numbers

Staff numbers at:	1 April 2014	1 April 2015	1 April 2016	1 April 2017 ⁽¹⁾	1 April 2018 ⁽¹⁾	1 April 2019 ⁽¹⁾	1 April 2020 ⁽¹⁾
Permanent	164	173	166	184	191	210	202
Others	14	12	11	3	9	2	4
Total	178	185	177	187	200	212	206

(1) The staff numbers shown in the table above after 1 April 2017 do not agree with the table in note 2 of the Remuneration and staff 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&I consultancy and professional services

	Outturn 2012–13 £000	Outturn 2013–14 £000	Outturn 2014–15 £000	Outturn 2015–16 £000	Outturn 2016–17 £000	Outturn 2017–18 £000	Outturn 2018–19 £000	Outturn 2019–20 £000
Consultancy services	1,742	789	80	–	–	–	–	–
Professional services	7,516	6,222	2,149	2,491	1,919	2,180	1,796	1,934
Contract staff	1,143	451	1,487	853	923	456	742	234
Other services	1,544	1,920	1,704	1,691	1,900	1,304	1,409	1,051
Total	11,945	9,382	5,420	5,035	4,742	3,940	3,947	3,219

Glossary

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.

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 Government's general bank account for revenue and expenditure. It is held at the Bank of England.

Consumer Prices Index (CPI)

A measure of price inflation, calculated by the Office for National Statistics (ONS) each month. It is now the preferred measure of inflation used by the Government.

Court Funds Office

The Court Funds Office provides a banking and administration service for some 184,000 accounts with a total of £2.7 billion held under the control of the civil courts in England and Wales, including the Court of Protection.

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 UK's independent body responsible for regulation of conduct in retail and wholesale financial markets and for 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)

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.

Help to Buy: ISA

A government-backed scheme to support people buying their first home. NS&I delivers the scheme on behalf of HM Treasury.

Help to Buy: Mortgage Guarantee Scheme

A government-backed mortgage guarantee scheme to facilitate a range of high loan to value mortgage products from lenders. The scheme was opened in January 2014 and closed to new accounts in December 2016. NS&I delivers the scheme on behalf of HM Treasury.

Help to Save

A government-backed saving scheme to support working people on low incomes to build their savings. HM Revenue and Customs (HMRC) is delivering the scheme in partnership with NS&I.

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.

ISO 14001

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. Estimates are presented to Parliament within five weeks of the Budget Statement.

National Loans Fund (NLF)

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

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 Bonds prize draw payments.

PAS 3000

The British Standards Institute (BSI) publicly available specification for Smart Working.

PERMA Index

PERMA (Positive Emotion, Engagement, Relationships, Meaning, Accomplishment) is an acronym that stands for the five elements developed by Martin Seligman that account for what makes up the 'good life' – an authentic and sustained happiness and wellbeing. No one element defines wellbeing, but each contribute, either subjectively or objectively.

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.

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)

RDEL forms part of the 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. It has not been reported as a National Statistic since 2013 and the ONS has set out detailed analysis of the shortcomings of RPI as a measure of inflation.

Spending Review

Spending Reviews set budgets for government departments. They outline the improvements that the public can expect from government spending.

Supplementary Estimate

This is 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. They are 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. Tax-Free Childcare is being delivered by HM Revenue and Customs (HMRC) in partnership with NS&I.

Treasury Bills

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 that they have unclaimed assets can contact us to trace them through 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 features. Index-linked Savings Certificates are included in the calculation of the Value Indicator and use the same approach as for other products, with one exception to the formula. As the real yield gilt comparators for RPI linked products are currently negative, NS&I applies a floor to the comparative yield set at zero, which means the calculation does not fully reflect the Value Indicator profile of this product. The Value Indicator methodology is agreed with HM Treasury and is reviewed and revised periodically, with its agreement, to support a long-term approach to product strategy.

Calculating the Value Indicator

The Value Indicator equals:

Less:

Comparator cost to the government⁽¹⁾

- Interest and prizes earned by investors in NS&I's products⁽²⁾
- Management costs of NS&I products (net of the equivalent of the Debt Management Office's costs and leveraging revenue)
- Tax foregone on NS&I's total stock of 'tax-free' products

Note

(1) This is the cost of raising funds in the wholesale market of an equivalent term. For fixed rate products it is the term of the product, while for variable rate products it is the average length of time the product is held by the customer.

(2) This does not include costs arising from policy products, which are reported separately by HM Treasury. Policy products are issued from time to time by NS&I at the request of HM Treasury in order to support particular policy objectives.

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

We want to make it as easy as possible for you to contact us at any time in a way that is convenient for you.

Internet

Visit our website



nsandi.com

Visit our YouTube channel



youtube.com/nsandi

Email



enquiries@nsandi.com

Twitter

For customer enquiries



@nsandihelp

For media enquiries



@nsandi

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.

Textphone

To use the Text Relay Service, just dial 18001 from your textphone and enter the telephone number you want to call. When the call is answered, a Text Relay operator will join in the call and communicate your written request to us.



18001

Post

Write to us at



NS&I, Sunderland SR43 2SB

Thank you

NS&I would like to thank all colleagues for their contribution to the 2019–20 Annual Report and Accounts.



