

Annual Report and Accounts and Product Accounts 2020–21

National Savings and Investments

Annual Report and Accounts and Product Accounts 2020–21

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 2021–22 and the document Public Expenditure: Statistical Analyses 2021, present the Government’s outturn for 2020–21 and planned expenditure for 2021–22.



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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 £202 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 160 years to 1861.

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

Must reads

Chairman's statement, pages 5 to 6

Chief Executive's overview, pages 7 to 12

Our performance in 2020–21, pages 13 to 15

This report is also available at nsandi.com

Accessibility Statement for National Savings and Investments (NS&I) Annual Report and Accounts and Product Accounts 2020–21

This is an accessibility statement from National Savings and Investments (NS&I)

Conformance status

The Web Content Accessibility Guidelines (WCAG) defines requirements for designers and developers to improve accessibility for people with disabilities. It defines three levels of conformance: Level A, Level AA, and Level AAA. The NS&I Annual Report and Accounts and Product Accounts 2020–21 is partially conformant with WCAG 2.1 level AA. Partially conformant means that some parts of the content do not fully conform to the accessibility standard.

Limitations and alternatives

Despite our best efforts to ensure accessibility of the NS&I Annual Report and Accounts and Product Accounts 2020–21, there may be some limitations. Below is a description of known limitations and potential solutions. Please contact us if you observe an issue not listed below.

Known limitations for NS&I Annual Report and Accounts and Product Accounts 2020–21:

- Body text throughout the document set at 10pt
- Footnotes throughout the document set at 7pt
- Navigation tabs at the side of the page set at 7pt
- Text in bar charts, graphs and pie charts set at 8pt
- Some graphs do not contain numerical results and are only portrayed by lines

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The performance report provides an overview of NS&I's activity and performance in 2020–21.

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Performance Report

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Our strategy: Inspire & Invest

At a glance

25 million

customers

100%

security backed
by HM Treasury

160 years

NS&I launched in 1861

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 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.

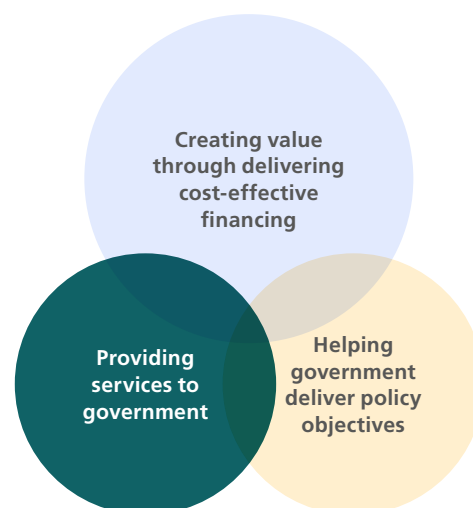
Straightforward

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.

Our strategy, Inspire & Invest, is designed to help us achieve three related objectives. We have a joined-up approach to delivering these objectives, summarised in six cross-cutting strategic aims.



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.



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.



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.



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

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



Doing the right thing

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



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.

Chairman's statement

2020–21 has been an extraordinary and difficult year. No area of society has been unaffected by the COVID-19 pandemic and my thoughts in particular are with all those people who have suffered the loss of a family member or a friend to the virus.

2020–21 has been a challenging year for NS&I but one in which we have continued to deliver at scale. In the context of extraordinary demand, and having to rapidly adapt our operations to be compliant with social distancing and public health guidance, our customer service performance deteriorated. That some customers had difficulty managing their savings with us is a matter of regret for all of us at NS&I where we take pride in the high standard of customer service that we normally deliver.

Despite significant challenges, NS&I was able to respond to the Government's request to raise additional funding to support its response to the COVID-19 pandemic. Our original Net Financing target for 2020–21, set at the Budget in March 2020, was £6 billion (+/– £3 billion) and this was then increased significantly in July to £35 billion (+/– £5 billion). By the end of September 2020, NS&I had delivered £38.3 billion of funding to the Treasury – more than in the previous three years combined.

As the year progressed, and amid significant uncertainty, NS&I's outflows were greater than forecast. We scaled back our efforts to raise more financing, for taxpayer value reasons and in order to focus on

improving the performance of our retail operations. The shortfall in meeting our Net Financing target was met by the Government through alternative financing means, but we still ended the year having delivered a record £23.8 billion of Net Financing.

As this report explains, the deterioration in NS&I's customer service was caused by a combination of significantly reduced operational capacity and unprecedented customer demand. At times, there was a reduction of up to 60% capacity in our call centres as well as in our non-customer-facing operations due to COVID-19 public health measures.

As we moved further into the summer, it became clear that inflows of funds into NS&I were likely to be substantially higher than required by HM Treasury. Reflecting this and in line with our operating framework to balance the interests of savers, taxpayers and the stability of the broader financial services sector, in September we therefore announced interest rate reductions to start to take effect from November. Savers moved more quickly than has typically been the case to withdraw funds after the announcement, causing further operational pressures.



Throughout the year, we took a series of steps to address the operational challenges we were facing. At an early stage we increased operational capacity by recruiting more customer service staff and opening four additional contact centres. From the autumn, we implemented a detailed operational recovery plan to reduce call waiting times, address complaints more rapidly and reduce the backlog of customer queries; and in December we paused our plan to phase out the payment of Premium Bonds prizes by warrant (like a cheque). Since we took these steps we have seen our customer service performance gradually return to more normal levels.

The final Net Financing achieved for 2020–21 was £23.8 billion, below the revised target set in July, but still the highest amount of funding that NS&I has ever delivered in a single year. Previously, we have compared the costs to the taxpayer of raising this funding via NS&I with the costs of raising the same amount via the wholesale gilt markets, using the Value Indicator methodology. This year, the exceptional conditions in the gilt markets meant NS&I's annual target for this measure was suspended. NS&I continued to track the performance of the Value Indicator during the year and this shows a negative figure for 2020–21 of –£1,347 million.

Looking ahead, in the 2021 Budget in March, we were pleased that the Government chose NS&I to deliver the world's first sovereign green savings bond for retail investors, which will give UK savers the opportunity to support a range of environmental projects. NS&I was also chosen by the Government to administer the new Mortgage Guarantee Scheme, enabling more households to access mortgages with smaller deposits.

We also welcome HM Treasury's decision to approve and fund investment in the long-term transformation of our business and the retender of our operational services contract. Our Rainbow Programme will ensure that we have a strong, resilient infrastructure and a flexible and scalable operation that can continue to serve savers and the Government for generations to come.

Ultimately, both now and in the future, we cannot deliver without our people. I would like to put on record the appreciation of the whole board for the exceptional effort and dedication of our Chief Executive, Ian Ackerley, and the senior leadership team, staff across NS&I and our operational partner, Atos, throughout the year.

Working in unfamiliar and sometimes difficult circumstances, they performed their roles with determination, creativity and empathy for each other and our customers, while the vital tone of support for one another was set early on by the Executive Committee. In particular, Sarah Tebbutt as People and Strategy Director led the way before her departure to a new role at the Department for Digital, Culture, Media and Sport; we thank her for her contribution over the last seven years and wish her well for the future.

Finally, a thank you to my fellow board members, who have provided robust scrutiny and positive input to the business throughout this time.



Ed Anderson
Chairman
National Savings and Investments

i For details of the board's composition, committees and activities, please see the Governance Statement on pages 32 to 41.

On behalf of the whole of NS&I, I extend my condolences to the families of all of those who have lost a loved one to COVID-19. I would also like to recognise the challenges many colleagues have faced adapting to new working patterns introduced at very short notice, plus the additional domestic pressures arising from home schooling children and caring for others, as well as the impact the pandemic has had on their mental wellbeing.



Chief Executive's overview

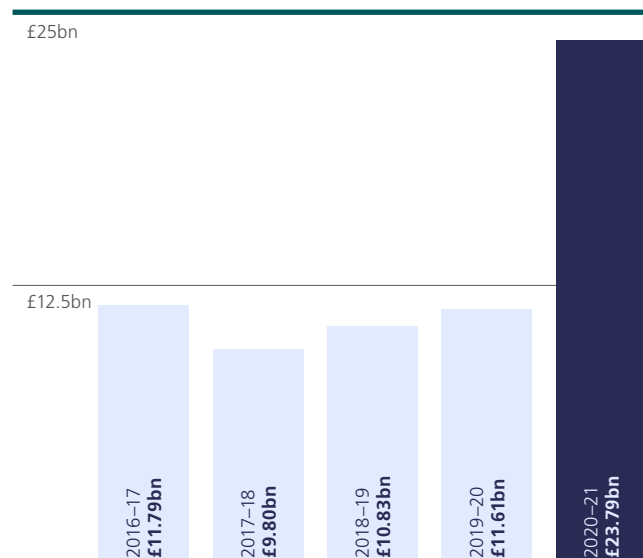
I'm sure I'm not alone in saying that the 12 months from April 2020 to March 2021 have felt so much longer than a year, as the whole world has faced the unprecedented challenges arising from the COVID-19 pandemic.

For NS&I, like many other organisations, that has meant battling to provide as normal a service as possible to our customers under incredibly strained circumstances.

The efforts of colleagues and our operational partner ensured we were able to support the Government's response to the pandemic by raising a higher level of funding than ever before. However, I am very sorry that a combination of exceptional demand and restricted working conditions meant that we were unable to maintain the high levels of service our customers expect and which we always strive to deliver.

By the end of March we had recovered call waiting and call handling times in our call centres and had made good progress on the size of the complaints backlog and the time taken to respond to them. I am pleased that we are returning to a standard of service that our customers have come to expect, but we recognise there is more to do. Therefore, it is a priority that we continue to adapt our operation so that we can better serve customers' needs. Indeed, the impact of COVID-19 is ongoing and so we have also taken steps to make our operations more resilient for the future. I deeply regret the impact of operational issues on our customers, but at the same time I am proud of what we were able to achieve this year: delivering for government and millions of savers, meeting five of our Service Delivery Measures, evolving our operation so that we can learn from the experience of 2020 and successfully gaining approval for the future development of the business through our Rainbow Programme.

Net Financing



An unprecedented level of Net Financing

NS&I's core mission is to deliver cost-effective financing for government. Our original Net Financing target, set at the March 2020 Budget, was £6 billion (+/- £3 billion). However, within weeks of the 2020 Budget, the country was in lockdown and the Bank of England base rate was cut to an historic low.

It was clear that HM Treasury would require additional funding to be delivered at pace. To meet this challenge, in mid-April we cancelled planned interest rate cuts

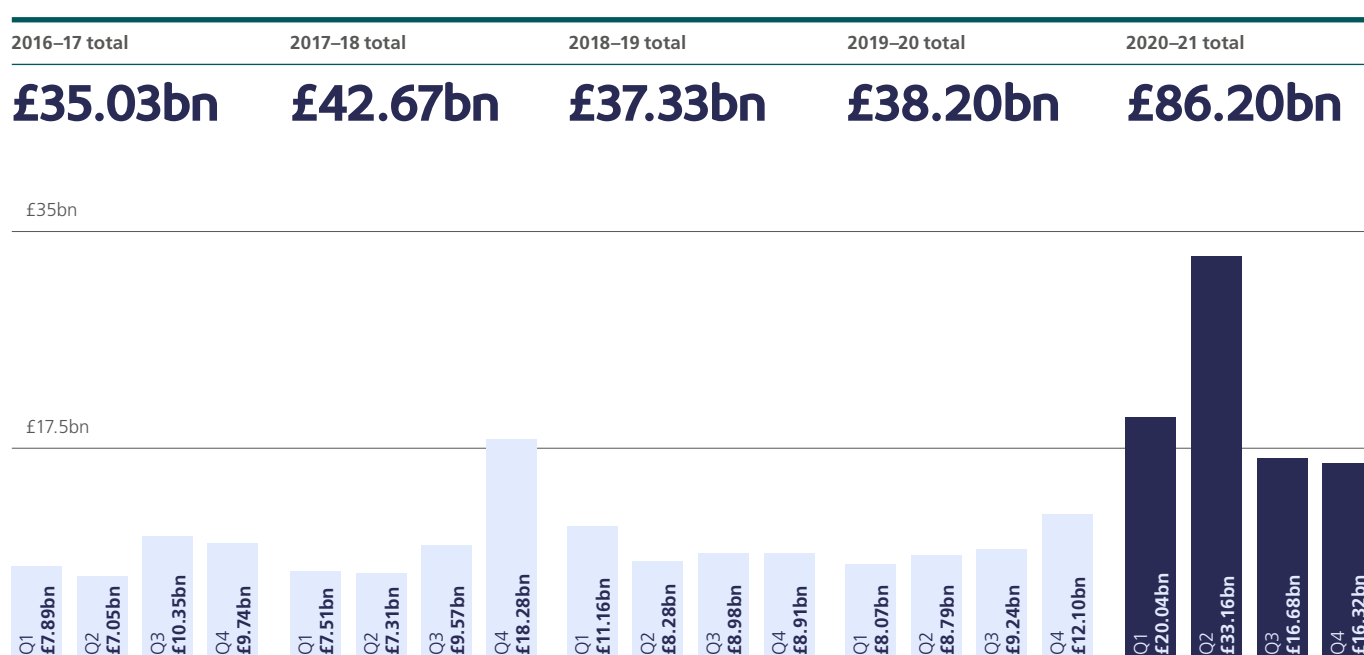
on our variable rate products. These reductions had been announced in February 2020 and were due to take effect on 1 May 2020. Interest rate reductions on our fixed-term products went ahead as planned.

In the weeks following the successive base rate reductions, our competitors began to cut their own interest rates. NS&I products consequently moved towards the top of many "best buy" tables. A decrease in consumer spending due to lockdown then led to record growth of the savings market and the attractiveness of our

rates drove exceptional demand for our products. At the end of the first quarter, we had delivered £14.5 billion of Net Financing, although NS&I's share of the savings market did not significantly increase.

With greater clarity around the financial impact of the pandemic, in July HM Treasury's need for additional funding was published, with our 2020-21 Net Financing target being increased significantly, from £6 billion (+/- £3 billion) to £35 billion (+/- £5 billion).

Gross inflows to NS&I (£bn)



By the end of September, we had delivered £38.3 billion of Net Financing, more in six months than we had in the preceding three years. This was approximately equivalent to the cost of the first six months of the Government's furlough scheme: a valuable contribution to the public purse at a difficult time.

Responding to changing market conditions

At the same time, the wholesale gilt market – the Government's primary way to raise funding – had demonstrated that the Government could raise very large volumes at a low cost. With gilt yields (the amount the Government has to pay out) remaining at exceptionally low levels, it would have been more expensive for the Government to raise additional funding via NS&I.

On 21 September 2020, in line with our operating framework to balance the interests of savers, taxpayers and the stability of the broader financial services sector, we announced interest rate reductions for all our variable rate products and some fixed-term products. These took effect from 24 November. This led to a large number of customers moving their savings elsewhere to benefit from better rates, but this happened much more quickly than we anticipated.

Through the final quarter, with planned maturities of some of our fixed-term products, overall outflows exceeded inflows. The notable exception was Premium Bonds, where we saw positive inflows every month, even after we had reduced the prize fund rate in December.

By the end of the year, we had delivered £23.8 billion of Net Financing. While this was below the revised target, it remains by some distance the highest annual level of Net Financing we have ever delivered. The total amount invested with NS&I is now over £200 billion for the first time.

Delivering cost-effectively

Given the unprecedented market conditions at the start of the year, HM Treasury suspended our Value Indicator

target for 2020–21. The Value Indicator compares the cost to the taxpayer of raising debt financing via NS&I with the cost of raising an equivalent amount of debt financing via gilts. NS&I continued to track the performance of the Value Indicator during the year and this shows a negative figure for 2020–21 of –£1,347 million. For 2021–22, a Value Indicator target has been agreed with HM Treasury as more positive than –£900 million.

Importantly for taxpayers, even with the challenges we faced, NS&I delivered efficiently. Our efficiency ratio – which shows how much it costs us to manage each £100 of funds we hold – was 7.0p in 2020–21, compared with 6.9p in 2019–20. Though this represents a slight increase in costs as a direct result of the additional operational costs associated with the pandemic, we continue to be an extremely efficient operation and our efficiency ratio improved for several years previously.

We also contribute to the public purse through the cost-effective delivery of other government services, including Help to Save, the Help to Buy ISA, Mortgage Guarantee programmes and key elements of childcare choices. We met the key performance indicators for these services this year; of particular note, more than 264,000 people are now enrolled in the Help to Save scheme.

In the March 2021 Budget, NS&I was appointed by the Government to administer the new Mortgage Guarantee Scheme, designed to increase the availability of 95% loan-to-value mortgage products so more households can access mortgages without the need for prohibitively large deposits.

Responding to operational challenges

While we can be proud of much of what we delivered, from the operational perspective, 2020–21 has been incredibly challenging. From the start of the year, we were managing exceptionally high volumes of transactions across all our channels while supporting the Government's

Highlights



£23.8 billion

Net Financing delivered.



7.0p

For every £100 held with NS&I, 7.0p was spent on administration in 2020–21.

sharply increased financing requirement. Our online transaction channels remained effective, but our contact centres had to operate within COVID-19 restrictions. Our legacy IT systems are not set up to enable the majority of customer-facing staff to work from home. Social distancing rules initially limited our ability to deploy additional staff to meet this exceptional demand; staff availability was reduced by illness and the need for some staff to shield themselves or others.

We took prompt steps to increase capacity, working with our operational partner Atos to create more working space in our call centres, then recruit more staff. However, even with this additional resource and despite the efforts of all those involved, we were unable to provide the standards of service that our customers have come to expect. Some customers experienced long waiting times to speak to advisers. There were also delays in receiving, processing and responding to written correspondence.

Our operational recovery plan

With transaction volumes remaining extremely high throughout the year, in the autumn we devised a detailed operational recovery plan. Key measures included deploying 370 additional staff across our business, opening four additional contact centres and introducing new services such as a chatbot to help customers complete certain transactions without needing to speak to an adviser. We also changed processes, prioritising the issues that we knew mattered most to customers.

Our recovery plan made an impact on all fronts. By December, average call waiting times were back under six minutes and by March 2021, were largely back to normal, at under 40 seconds.

Overall, customer satisfaction dropped from 84.3% in 2019–20 to 76.1% in 2020–21. I would like to reiterate my apology to all those customers who had difficulty managing their savings with NS&I during this time. Our focus for 2021–22 is to return to award-winning service levels.

Highlights



Online transaction channels remained highly effective.



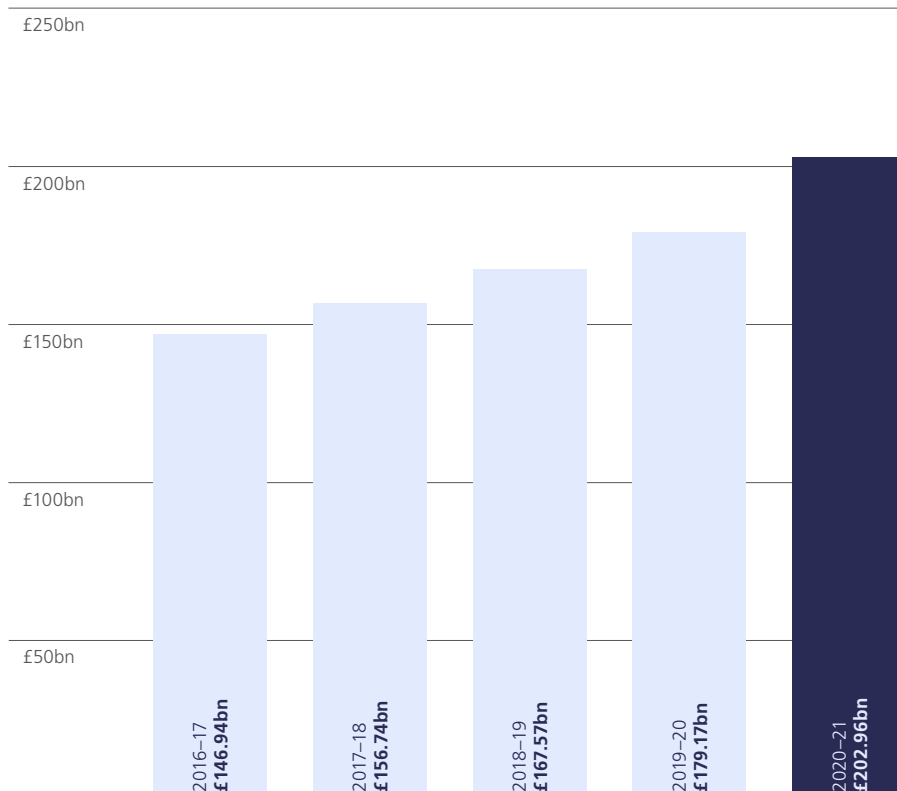
Increased capacity, working with our operational services partner Atos to open additional premises and recruit more staff.



36 seconds

Average call waiting times were 36 seconds by March 2021.

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



Responding to complaints

In the context of the disruption to our normal service levels, the number of complaints to NS&I rose this year. This was largely in proportion to the higher transaction volumes: 0.05% of transactions resulted in a complaint this year, compared to 0.03% in 2019–20. However, our complaints team was unable to respond to this higher volume as quickly as we normally would but we have worked hard to address this and the majority of complaints received have now been resolved.

Our Service Delivery Measure (SDM) for complaints is the ratio of the number of complaints upheld by the Financial Ombudsman Service (FOS) in favour of the complainant to the total number of complaints closed by NS&I in the same year. This year, just 0.23% of complaints were upheld, meaning we achieved the SDM. By way of comparison, this equates to the FOS upholding around 27% of complaints about NS&I referred to it; the average across the financial services sector is closer to 49%.

Investing in our future operations

The challenges of this year underlined the need we had already identified to modernise our operational strategy and technical infrastructure, to give us greater scalability and resilience, and ultimately so we can better meet customer expectations. Therefore, while responding to the immediate pressures we faced, we also focused on defining our future operating mode.

For over two decades, we have run a successful Public Private Partnership with Atos (and its predecessor Siemens), with our partner managing sales processing, customer servicing and IT and infrastructure services on our behalf – driving significant efficiencies and helping us evolve our operation. The current contract will expire on 31 March 2024, and the procurement process necessarily begins well ahead of this date.

Reflecting our strategy and the needs of our customers, we will be taking a different approach, moving from a single outsourced partner to working with multiple specialist suppliers. We were delighted to receive HM Treasury's backing for this approach, which will ensure that we continue to operate safely and respond nimbly to changes in policy or the market. The Rainbow Programme will enable NS&I to continue to deliver our Inspire & Invest strategy and fulfil our vision of becoming a self-service digital business with support for vulnerable and excluded people.

Improving customer journeys

In many ways, we are well placed for this transformation. During 2020–21, our digital channels enabled us to manage a huge volume of traffic from customers successfully. To assist with that, we have sought to improve online customer service. Several of our most commonly used forms such as those for repayment, recovering security details and death claims can now be completed and submitted online rather than posted. We have also introduced webchat, helping customers on our website who need assistance.

We constantly aim to make our processes simpler, greener and more secure. An example of this approach has been the long-term shift to pay Premium Bonds prizes directly into customers' bank accounts, rather than posting out paper warrants (like cheques). Winners receive an email or text message to alert them. Fewer prizes should go unclaimed and the cost and environmental impact of distributing prizes is reduced.

We first introduced this option, in addition to the choice of having prizes reinvested in more Premium Bonds, in 2011. In line with this strategy, in September 2020 we announced that from December 2020, we would phase out the use of paper warrants, moving all but the most vulnerable and digitally excluded of customers to direct payments. This had the additional advantage, in the context

of the pandemic, of reducing the need for customers to take a warrant to their bank.

Regrettably, as the deadline approached, we began to receive a large number of calls from concerned customers, some of whom were frustrated that they could not provide their bank account details to NS&I as they could not get through to our customer service team on the phone; and others who misinterpreted it as requiring them to manage their Premium Bonds online. This was not correct. However, we did not communicate the details of this change as clearly as we should have done and did not make clear to customers what the options were for those without access to email or text messaging. On reflection, we regret that we undertook this change at a time when our operations were already under strain and then announced in December 2020 that we would delay the phasing out of prize warrants until at least spring 2021.

NS&I has decided it is no longer phasing out Premium Bonds prize warrants. We still believe that having prizes paid directly into customers' bank accounts is quicker, easier and more secure; and more than 86% of prizes are now paid in this way or reinvested into more Bonds. NS&I will continue to encourage existing customers to have their prizes paid in this way, while providing support to vulnerable and digitally excluded customers.

Remaining vigilant

One unfortunate consequence of the pandemic has been a rise in attempted fraud across the entire financial services sector.

We have a number of processes to ensure customers' money is safe and to mitigate the risk of fraud; and fraud levels remain very low. Despite our work to anticipate and detect fraud, as well as advising our customers on how to keep their accounts safe, our fraud loss target this year was not met. On the very rare occasions where a

customer has faced a financial loss as a result of fraud, through no negligence of their own, we have compensated them in full.

Commitment and collaboration

For all of us, this has been an incredibly difficult year personally and professionally. Throughout it, the entire NS&I and Atos team came together to work hard for our customers, and to overcome the operational pressures the business faced. My thanks go to all of them for their tremendous effort and resilience.

I would also like to thank the executive team and the board, who have provided expert guidance and support over the year. Sarah Tebbutt, who had been our People and Strategy Director since 2014, moved to a new role at the Department for Digital, Culture, Media and Sport. Among many other achievements at NS&I, Sarah has been instrumental in driving our diversity and inclusion agenda and we wish her all the best. Gareth Headon, who has been part of the business since 2008, has stepped up as Acting People and Strategy Director.

We were grateful that our strategy over recent years to enable flexible working meant our people were able to work from home immediately; we first focused on practical support and then increasingly on emotional support and wellbeing. We also ensured that, as lockdown eased, our offices were safe for those few who could not work from home.

Given the stress the business was under, it was pleasing to see that overall staff engagement levels remained broadly unchanged. However, we did not meet our SDM for employee engagement, where our target is to be a high-performing department in the Civil Service employee survey. While our engagement levels did not change materially, other government bodies improved their performance and the high performance benchmark rose.

As an executive team, we are all committed to learning from colleagues across the Civil Service who were able to increase engagement, and to redoubling our own efforts to be one of the high-performing bodies.

Of course, there were other issues affecting employees beyond COVID-19. In particular, this was a year of reflection around race and equality: within NS&I, an individual staff member's blog, reflecting on why the Black Lives Matter movement was so important to them, had a huge impact. It opened discussions about race within individual teams and in management meetings, resulting in positive engagement and small, but important changes in our culture. This year I am pleased that we have seen improved representation of employees from ethnic minority backgrounds across our management grades. However, following the departure of a female director and two female assistant directors late in the year, we did not maintain gender balance in our senior

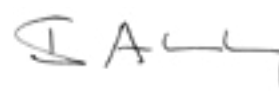
management and have therefore missed our overall diversity index target.

Looking forward

While we are all looking forward to a more positive year ahead, the future remains uncertain. The pandemic is not over and its long-term impacts are yet to emerge. Our priority, as stated above, is restoring service standards and resolving outstanding issues. A lower Net Financing target in 2021–22, of £6 billion (+/– £3 billion), will give us the capacity to do so.

At the same time, we are excited to have been chosen by the Government to deliver the world's first sovereign green savings bond for retail investors. This product will give UK savers the opportunity to support projects that will accelerate the transition to a low carbon economy, create green jobs, and participate in the collective effort to tackle climate change.

Some 160 years after the Post Office Savings Bank was established, we have evolved significantly, but we also remain valued and trusted and we consider this a privilege. Here's to the next 160 years.



Ian Ackerley
Chief Executive
National Savings and Investments

18 June 2021

Our performance in 2020–21

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

Service Delivery Measures	Description	2019–20	2020–21	2021–22
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	Target £11 billion (+/- £3 billion) Performance £11.6 billion ✓ NS&I's Net Financing target for 2019–20 was £11 billion (+/-£3 billion)	Target £35 billion (+/- £5 billion)* *NS&I's original Net Financing target for 2020–21 was £6 billion (+/- £3 billion) Performance £23.8 billion ✗	Target £6 billion (+/- £3 billion)
2	Value Indicator² 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	Target £20 million (with a lower limit of £0 million) Performance –£886.7 million ✗	Target The target was suspended in 2020–21 in response to exceptional market conditions	Target More positive than –£900 million
3	Operational Delivery³ Goals and objectives To exceed the threshold level of both timeliness and accuracy Measure Average performance against contractual key performance indicators (KPIs)	Target At least 95% Performance 99.4% ✓	Target At least 95% Performance Not met ✗	Target At least 95%
4	Customer satisfaction⁴ 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	Target At least 85% Performance 84.6% ✗	Target At least 85% Performance 76.90% ✗	Target At least 80%

¹ As set out in the Chief Executive's overview, NS&I's 2020–21 Net Financing target was initially set at £6 billion (+/- £3 billion) but was revised upwards in July 2020 to £35 billion (+/- £5 billion).

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

³ Due to exceptional circumstances, a subset of the underlying Key Performance Indicators (KPIs) for the Operational Delivery SDM were suspended, with no results reported. The remaining KPIs for this SDM achieved their targets, with overall performance at 99.3%.

⁴ 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 2020–21

Service Delivery Measures	Description	2019–20	2020–21	2021–22
5	Government Payment Services (GPS) delivery performance 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 95% Performance 97.39% ✓	Target 95%
6	Net contribution to Departmental Expenditure Limit (DEL) from GPS Goals and objectives To achieve or exceed the financial contribution target generated from GPS activity Measure Minimum net contribution of £10.9 million	Target n/a Performance New SDM for 2020–21	Target £10.9 million Performance £11.48 million ✓	Target £10.0 million
7	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	Target 65% Performance 67% ✓	Target 68% Performance 78.04% ✓	Target 83%
8	Efficient administration of funds⁵ 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	Target Less than 7.5 basis points Performance 6.86 basis points ✓	Target Less than 7.25 basis points Performance 7.00 basis points ✓	Target Less than 7.25 basis points
9	Fraud management⁶ Goals and objectives To minimise the cost of fraud Measure The cost of fraud as a percentage of total average stock	Target Below 0.001% of average funds invested by customers Performance 0.00009% ✓	Target Below 0.001% of average funds invested by customers Performance 0.0011% ✗	Target Below 0.001% of average funds invested by customers

⁵ The amount of NS&I administrative cost used in the calculation of the 2020–21 performance excludes one-off project cost funding of £28.5 million.

⁶ 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 2020–21 were £2,243,541. Compared on a like-for-like basis against 2019–20, net fraud losses in 2020–21 were 1,375% higher. In addition, the controls we have in place to combat fraud have resulted in attempts with a total value of £28,906,589 being prevented, up by £20,938,224 from prevented losses in 2019–20. 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 2020–21

Service Delivery Measures	Description	2019–20	2020–21	2021–22
10	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	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 to be upheld against us by the FOS Performance 0.23% ✓	Target Less than 0.75% of total complaints raised found to be upheld against us by the FOS
11	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 Black, Asian or Minority Ethnic* *Weights are 0.50 each	Target 36.5% (+/- 5 percentage points) Performance 33.4% ✓	Target 36.5% (+/- 5 percentage points) Performance 30.9% ✗	Target N/A: this SDM is being split into two new SDMs to be more transparent
12	New SDM: Gender balance Goals and objectives To embed diversity and inclusion at the heart of our business Measure Achieving 50:50 gender balance in leadership (CEO, NS&I bands 1–3), within a range of 40–60%, averaged over the financial year	Performance n/a	Target n/a	Target 50:50 gender balance in SCS + NS&I bands 1–3, within a range of 40–60%
13	New SDM: Ethnic diversity Goals and objectives To embed diversity and inclusion at the heart of our business Measure Growing the proportion of ethnic minority colleagues in senior management (CEO, NS&I bands 1–3) by at least 1 percentage point	Performance n/a	Target n/a	Target To grow the proportion – by at least 1 percentage point – of ethnic minority colleagues in SCS + NS&I bands 1–3
14	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	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 Performance Not met ✗	Target NS&I to be a high-performing department for employee engagement

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 2020–21 we spent £162.3 million (2019–20: £119.4 million), which is £5.6 million (2019–20: £7.2 million) lower than the amount allocated by Parliament in the 2020–21 Supplementary Estimate.

The 2020–21 Supplementary Estimate included additional ring-fenced controls. This meant that budget allocated to Demand Linked Service Charge (£8 million); COVID-19

related expenditure (£9 million); and infrastructure investment and transformation activity (£28.5 million) could only be spent on those specific areas. COVID-19 expenditure was for temporary operational support and customer services. The funding was agreed to improve operational resilience through the COVID-19 pandemic. This has included opening up a temporary operations hub and recruiting additional customer service resources. NS&I underspent on

Demand Linked Service Charge by £1.3 million. On all the other items, budgets were spent in full. The £1.3 million underspent formed part of NS&I's total underspend against the Supplementary Estimate.

The table on page 17 provides a more detailed comparison of what we spent this year, compared with the Estimate.

i For more details, see the full Statement of financial position on page 73.

Financial position

At 31 March 2021, NS&I's total assets less total liabilities were £48.1 million, £14.6 million higher than at 31 March 2020. The increase is mainly due to non-current assets being increased by £13.5 million from £56.1 million to £69.6 million. This was primarily due to higher asset investment for transformation activities offset by depreciation. Total liabilities, excluding client funds, fell by £5.1 million. For more details, see the full Statement of financial position on page 71.

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 2020–21, we paid 98.7% (2019–20: 97.3%) 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.

Spending Review

In order to prioritise the response to COVID-19, and focus on supporting jobs, the Chancellor and the Prime Minister decided to conduct a one-year Spending Review, setting departments' resource and capital budgets for 2021–22, and Devolved Administrations' block grants for the same period.

As part of the 2020 Spending Review, our RDEL for 2021–22 was increased, reflecting the additional management and contractual costs we will have as a result of the growth in our total funds under management. In addition, we have now been granted a further £40 million to support our Rainbow Programme, bringing our total RDEL in our 2021–22 Main Estimate to £185.7 million.

i For more details, see the full Statement of financial position on page 73.

Comparison of outturn with Estimate⁽¹⁾

	2020–21 Outturn £m	2020–21 Variance compared with Estimate £m	2019–20 Outturn £m	2019–20 Variance compared with Estimate £m
Net resource requirement	162.3	5.6	119.4	7.2
of which:				
Departmental Expenditure Limit (DEL) ⁽²⁾	162.3	5.6	118.9	4.4
Annually Managed Expenditure (AME) ⁽²⁾	0.0	3.3	0.5	2.8
Non-budget adjustments ⁽³⁾	(13.2)	13.2	2.9	(2.9)
Net operating cost (Accounts)	149.1	22.1	122.3	4.3
Capital expenditure (CDEL)	0.0	0.7	0.0	0.7
Non-budget adjustments ⁽³⁾	31.1	(31.1)	10.6	(10.6)
Total capital expenditure (Accounts)	31.1	(30.4)	10.6	(9.9)
Net cash requirement	162.7	9.8	113.9	13.9

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

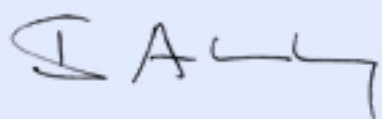
(2) See the Glossary on pages 111 to 114 for definitions of these terms.

(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⁾

	2020–21 £m	2020–21 £m
Lower depreciation costs	2.2	
Lower volume-related costs	1.3	
Lower marketing costs	3.1	
Higher project costs	(0.9)	
Other differences	(0.1)	
Total DEL underspend		5.6
Lower requirements for provisions	0.3	
Lower revaluation charge for NS&I properties	3.0	
Total AME underspend		3.3
Total underspend against Estimate		8.9

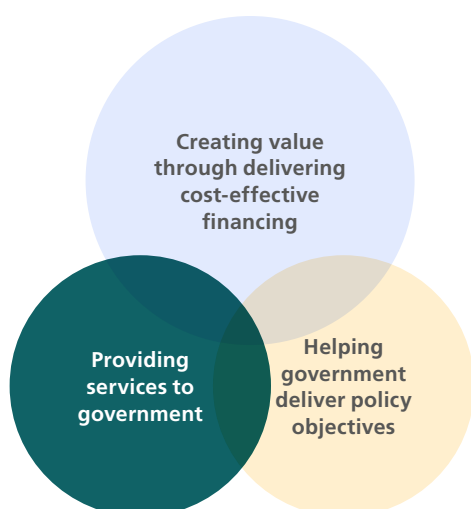
(1) Figures are presented here to the nearest £0.1 million. Note: SoPS1.1 on page 61 provides figures to the nearest £1,000.



Ian Ackerley
Chief Executive
National Savings and Investments
18 June 2021

Our strategy

Our strategy, Inspire & Invest, is designed to help us achieve three related objectives.



We have a joined-up approach to delivering these objectives, summarised in six cross-cutting strategic aims.

Delivering for government

The primary way we deliver for government is by providing a reliable source of cost-effective funding. As set out in the Chief Executive's overview, this year we delivered £23.8 billion of Net Financing, the highest amount we have ever delivered in a single year. Although we focus on the year-end position, the government need for funding can vary throughout the year. Hence in the first six months of the year we delivered £38.3 billion of Net Financing to help the Government fund its response to the COVID-19 pandemic.

In addition, we:

- continued to support Help to Save, the Government's flagship savings scheme for those on low incomes – delivering the first bonus payments to more than 60,000 savers in December 2020. In total, more than 264,000 people have now signed up.

- help administer part of the scheme which ensures that thousands of parents continue to receive 30 hours of free childcare and Tax-Free Childcare.
- were appointed by the Government to administer the new Mortgage Guarantee Scheme, designed to increase the supply of 5% deposit mortgages to credit-worthy households.

Delivering digital-first products and services for our customers

Our focus on digital-first proved its worth this year, with 97% of purchases being made online and the website remaining extremely resilient in the face of unprecedented transaction volumes. We also updated the site to provide a more consistent customer experience; the refreshed site includes online versions of several forms which previously could only be managed by post. These include the death claims form and repayment forms for Premium Bonds, Income Bonds, the Investment Account and Children's Bonds. Customers can also now recover their security details using the forms available on our new website. Since the website went live in August 2020, more than 146,000 online forms have been downloaded and submitted. In addition, we:

- promoted the use of our Premium Bonds prize checker app.
- relaunched webchat, followed by the introduction of chatbots to help our customers solve queries faster.
- continued to serve the financial advice community, alongside promoting our dedicated online service for advice firms. More than 850 firms have now registered to use the service, up from 600 firms last year.

Highlights



1.25 million

More than 1.25 million people have now downloaded the app.



264,000

As of January 2021, more than 264,000 people had signed up to Help to Save.



111,000

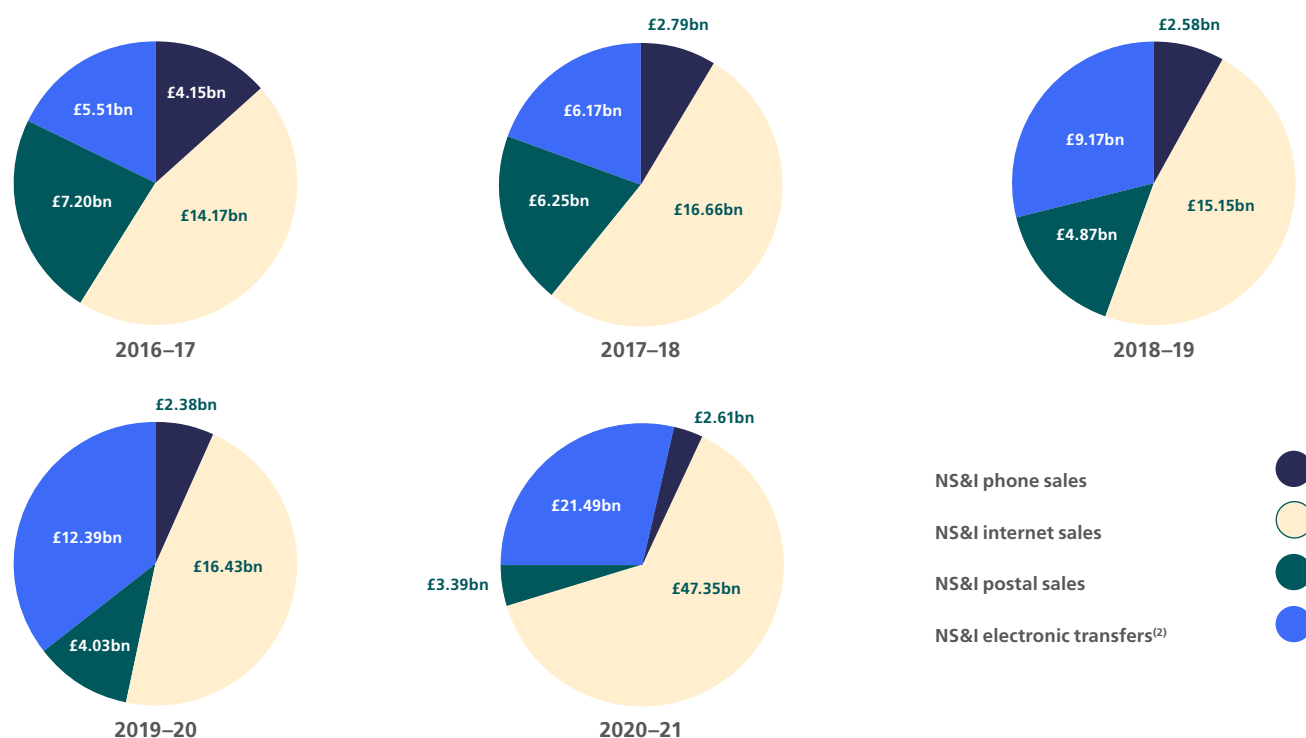
This year saw an increase of over 111,000 in the number of under-16s saving with NS&I.

Our product range

	Status (at 31 March 2021)	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 ⁽¹⁾	Not currently on sale		●		●	●	●
Guaranteed Income Bonds ⁽¹⁾	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.

Sales performance by principal channels⁽¹⁾



(1) Based on sales

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

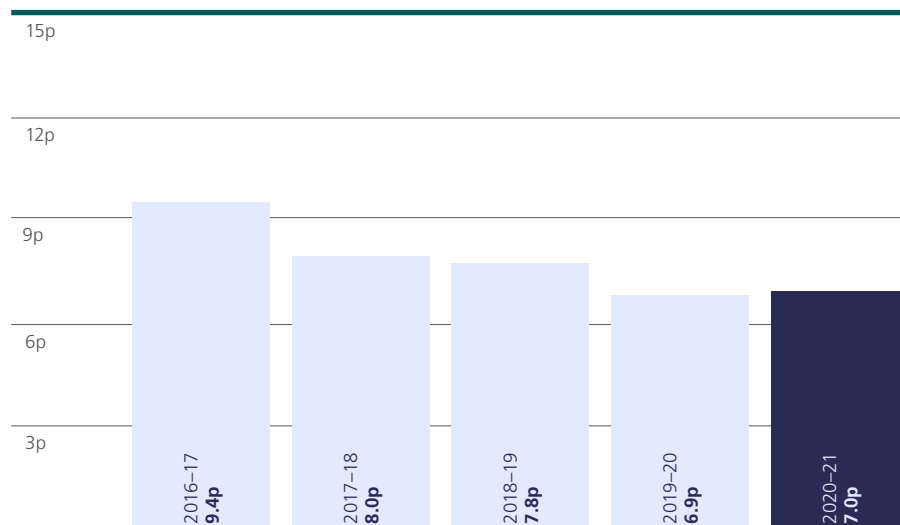
Using our insight and policy expertise to meet our customers' needs

The market for green savings products – that is, products that specifically invest in companies and projects that benefit the environment – is growing fast. We conducted research into this emerging market to support HM Treasury in the development of the world's first sovereign green savings bond for retail investors. As announced in the March 2021 Budget, this will be launched later in 2021, with NS&I appointed by the Government to deliver it, and product development is currently under way.

Delivering efficiently

Despite the operational difficulties that we faced in 2020–21, we were able to maintain a highly efficient operation: it cost us just seven pence to manage every £100 of stock we hold. We have also focused on how we can operate more efficiently and at the same time make customer journeys easier and quicker. These are the core aims of our Rainbow Programme, which will accelerate our transformation to become an increasingly self-service digital business with support for vulnerable and digitally excluded people.

Efficiency ratio over five years⁽¹⁾



(1) For every £100 of stock held, the administration cost was 7.0p.

Our business-to-business services, delivered under the name Government Payment Services (GPS), play an important role in enabling us to deliver efficiently and helping us self-fund our operations.

Doing the right thing

Our primary goal under this theme was supporting customers during the COVID-19 pandemic. In line with the best practice guidance from the Financial Conduct Authority (FCA), we encouraged those who could to interact with us online, leaving the phone channel for those in most need. For multiple reasons, more people than ever have faced vulnerability this year. Where appropriate, our customer service team invoked special rules to release customers from product terms if they were facing urgent financial need or distress. We also sought to support recently bereaved people who were managing the savings of their loved ones.

Senior Managers' Regime

This year we reviewed our voluntary shadow compliance with the FCA's Senior Managers' Regime (SMR), which we introduced in 2016, covering conduct, customers, culture and compliance. The board, following

Highlights



7.0p

We were able to maintain a highly efficient operation: it cost us just seven pence to manage every £100 of stock we hold.

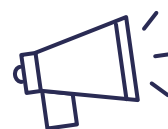


£101 million

Reclaimed in 2020–21 through My Lost Account and our own tracing service.



We continue to strive to improve our diversity at management level and remain signatories of the Women in Finance Charter.



We used the Black Lives Matter conversations to focus on increasing awareness of diversity and inclusion within our individual teams and management meetings.

a review by the Government Internal Audit Agency (GIAA), has agreed to phase out this practice in 2020–21 having determined that high standards of control, compliance, competence and openness are fundamental to NS&I's strategic goal of Doing The Right Thing; while also acknowledging that some of the SMR requirements we would not be able to comply with, due to our Civil Service structure. For example, the SMR allows the FCA to hold individuals and our Non-executive Directors personally accountable, in direct conflict with the framework of delegated authority under which our CEO is our Accounting Officer and therefore ultimately accountable. The requirements of the FCA remuneration code relating to bonuses are also incompatible with the Civil Service Management Code and Civil Service pay guidance.

The board will continue to set the tone from the top, and expect all its leaders to support an ethical, compliant and customer-centric culture for all colleagues and partners, working within the Civil Service Code and the law which govern NS&I's operating principles on behalf of HM Treasury. Our people will also continue to be encouraged to speak up on behalf of our customers and to bring customer needs to the fore through our Speaking Up process.

My Lost Account

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. This year, we helped reunite savers with over £101 million.

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 £3,436 million unclaimed assets in 2020–21, £1,986 million of customer holdings in Certificates and Accounts have other recorded contact with NS&I which has resulted in general changes in personal details across the customer's portfolio of products.

Being inspiring and empowered

Ensuring that our business is diverse and inclusive is important for effectively serving our diverse customers. We continue to strive to improve ethnic diversity in management and gender balance at senior management level.

We missed our diversity target for 2020–21 following the departure of three senior female colleagues. For 2021–22, we decided that we would have two separate targets, and we also

amended the ethnic diversity target to focus on senior management. This aligns our ethnic diversity target with our gender balance target and also presents the greater challenge because we have the greatest levels of ethnic diversity in junior management – and we wanted to set ourselves a stretching, ambitious and challenging target to address the lack of ethnic diversity in our senior management team.

During the year, we also actively promoted our Diversity Allies programme and held a range of events around LGBT+ History Month. On an ongoing basis, we have sought to encourage and support staff to share their experiences for their colleagues to learn from. Colleague blogs on issues ranging from the Black Lives Matter movement to neurodiversity have helped open positive discussions within individual teams and in management meetings, leading to small, but important changes in our culture.

We continue to be signatories of the Women in Finance Charter and in 2020–21, we joined the Civil Service-wide Crossing Thresholds programme, which supports women in progressing and developing their careers. Six of our team joined the programme.

Unclaimed assets

£m	Unclaimed assets 2019–20	Unclaimed assets 2020–21
Accounts	557	596
Certificates ⁽¹⁾	1,943	2,121
Income Bonds ⁽²⁾	22	23
Unclaimed Premium Bonds prizes ⁽³⁾	21	23
Residual Account ⁽⁴⁾	661	673
Total	3,204	3,436

(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 89 to 103 of this report.

Our people

For our people – like any other organisation – 2020–21 has been dominated by COVID-19 and the challenges it presented. NS&I colleagues responded to these challenges in exemplary fashion, and as an organisation we sought to support them in every way we could, promoting physical and mental wellbeing and delivering a full range of HR support remotely.

Some colleagues did suffer from the virus, as did their family members and friends; some suffered bereavements. We extend our sympathies to them and continue to support them.

Adapting our ways of working

From mid-March 2020, staff were working from home as the country was in lockdown. As a result of previous investment in technology to enable flexible working, the immediate transition from the office to home working was extremely smooth.

Our immediate focus was on providing a suitable home working environment. We introduced a workstation self-assessment tool, which was designed to help safeguard the health and safety of our colleagues. If colleagues did not have suitable equipment, they were invited to request it from the office, or in some cases purchase relevant items directly, with the business covering costs. This was closely supported by our facilities management team.

Focusing on wellbeing and engagement

As we moved from the immediate response to a prolonged period of remote working, the focus shifted towards wellbeing. We rolled out guidance for managers on supporting their teams and keeping them engaged. We also encouraged teams to work together to help those juggling multiple responsibilities,

including caring and home schooling, and we ensured that people could work flexibly where needed.

We promoted existing communication channels, such as the message walls on the intranet and chat tools, to help facilitate everyday conversations about a range of issues. The Chief Executive's regular "Town Hall" talks became weekly vlogs and a recurring message within those was the need to take breaks in the working day and use available annual leave, to help balance work with home life. Our social committee organised a range of events for staff to join, from online cooking to photography competitions. For those colleagues who felt they needed additional support, we also encouraged contact with the Employee Assistance Programme and with our Mental Health First Aiders, who have done an outstanding job – in addition to their everyday working responsibilities – throughout the year.

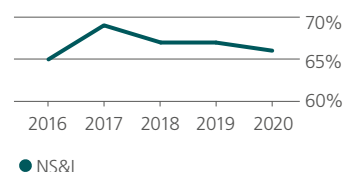
Providing a safe office space

From May 2020, we also began to actively consider how to make our office COVID-safe for when colleagues were permitted to return in the summer. With the return of lockdown in autumn 2020, we sought to identify and make provision for the small number of colleagues who had particular difficulty in working from home and prioritised access for them.

Highlights



Employee engagement score in 2019–20.



Beyond these various initiatives that were part of our COVID-19 response, we also ensured that core tasks could continue safely under the new ways of working. We successfully moved to online recruitment and induction, and as well as bringing new permanent staff into the business, we recruited and onboarded four new apprentices.

Learning and development

We maintained our focus on learning and development, ensuring that colleagues were able to access a range of virtual learning opportunities and encouraging them to participate in online conferences organised by the government functions and professions.

Measuring engagement

Overall, staff engagement as measured by the Civil Service People Survey was 66% – down from 67% last year.

As noted in the Chief Executive's overview, this overall engagement score was below the "high performance" benchmark, meaning that we did not meet our SDM. We have spoken to those organisations that achieved high scores to understand where we can learn from their experience.

Corporate social responsibility

Our corporate social responsibility strategy is built around the five key themes of environmental responsibility, responsible business, responsible customer interaction, employee welfare and wellbeing, and community involvement.

Environmental responsibility

Due to the impact of the COVID-19 pandemic on NS&I's operations, we had to use additional premises to ensure socially distanced workspaces. This has had the impact of increasing our energy consumption levels as shown in the graphs and tables at the end of this section. At different times during the year, we started operations in some new premises, so that more operational staff could work within social distancing rules. We do not yet have sustainability data for these sites. We are also moving the current Blackpool operation to more modern, smaller premises in the neighbouring town of Lytham St Annes. We expect this to maintain or improve our performance.

Business travel dropped substantially, and our previous investments in video-conferencing technology and other similar tools proved their value as teams had to work remotely. Like many other organisations, our people adapted to this well and many enjoyed the benefits of home working in terms of their work/life balance – in particular, avoiding time spent travelling to and from work. This will be an important consideration as we look at our future operations and office requirements.

In recent years, we have reduced the number of printed copies of our Annual Report and Accounts as part of our commitment to using less paper. Last year, due to the constraints imposed by COVID-19, we did not print

any hard copies of our Annual Report at all, although we did produce a print-ready version available on GOV.UK. This year, we will be following the same approach.

Responsible business

As a public contracting authority, NS&I is obliged by the Public Services (Social Value) Act 2012 to consider the social, environmental and economic impacts of its strategic procurement activity, and to seek added value, sustainable outcomes from the procurement process wherever possible. This is achieved by a range of measures including carbon reduction commitments relevant to specific contracts, working to embed the Living Wage in the supply chain, supporting additional training and employment opportunities, working with suppliers to reduce gender and ethnic minority pay gaps, and supply chain support for other social and environmental activities.

We retained important accreditations that demonstrate our commitments to being a responsible business. These included ISO 14001 accreditation for our environmental management system, improving our "established" accreditation to "mature" against the Smart Working Code of Practice and our accreditation as a Living Wage employer.

As previously set out, as well as ensuring all of our staff, including anyone working in any role on our sites, is paid at or above the

Highlights



Maintained performance against key sustainability targets.

ISO 14001

Retained ISO 14001 accreditation for our environmental management system.

rates defined by the Living Wage Foundation, this means we also ask our suppliers to make a Living Wage commitment. We have now verified that 29% of our suppliers have committed to the Living Wage, up from 22% last year.

We also replaced printed pay slips with digital ones, simplifying distribution during the pandemic and making it easier for employees to retrieve older pay slips.

Responsible customer interaction

We have for some years sought to reduce the amount of paper we use in our customer communications. The task that consumes the largest volume of paper at present is sending out paper warrants (like a cheque) for Premium Bonds. Since April 2020, a further 1.3 million new and existing customers are now having prizes that they may win paid directly into their bank account or automatically reinvested, meaning that more than 86% of prizes are now paid this way. By March 2021, we had reduced the number of paper warrants that we send to customers to around 400,000 each month, compared with over one million in March 2020.

One of the many tragic consequences of COVID-19 was that it led to a rise in the number of contacts related to bereavements. We received many requests for access to savings held by

a loved one who had died. We sought to prioritise requests for those in urgent financial need. We also dealt with higher numbers of vulnerable customers, and where appropriate invoked special rules to release customers from product terms if they were facing urgent need or distress.

Employee welfare and wellbeing

As set out in “Our people” above, we have prioritised this issue to promote the physical and mental wellbeing of colleagues as they work remotely. We quickly rolled out guidance for managers on keeping dispersed teams engaged, strongly encouraged staff to take breaks and use their holiday entitlement, and sought to provide additional support for those home schooling or struggling with isolation.

We also introduced a workstation self-assessment tool, linked to our facilities team, that sought to ensure all our employees had a suitable working environment.

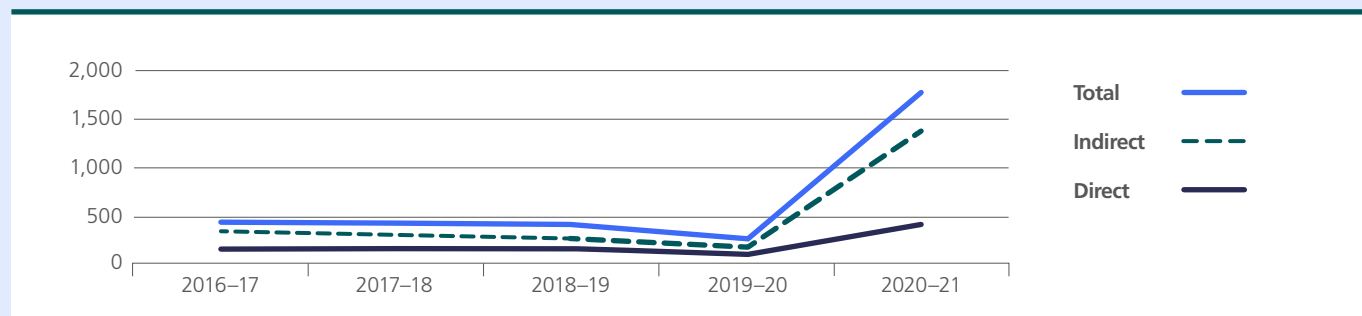
We have a well-established whistleblowing ‘speaking up’ process. We have publicised this to colleagues in 2020–21 via our employee intranet. Our staff survey results in 2020 showed 74% of staff were aware of how to raise a concern under the Civil Service Code and 76% were confident that if a concern was raised, it would be investigated properly.

As in previous years, the data provided by NS&I for sustainable performance was reviewed by the GIAA. We monitor our performance closely, as part of our corporate social responsibility risk policy.



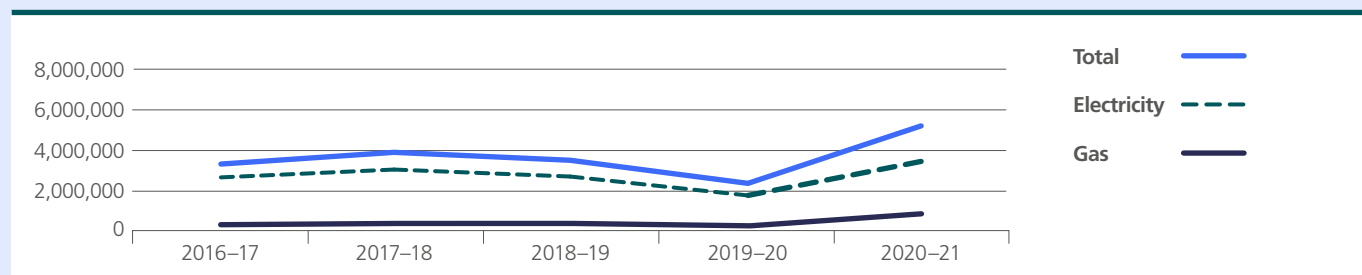
Our plans, policy and full sustainability report can be found at
<https://nsandi-corporate.com/governance/corporate-and-social-responsibility>

Total CO₂e emissions (tonnes)



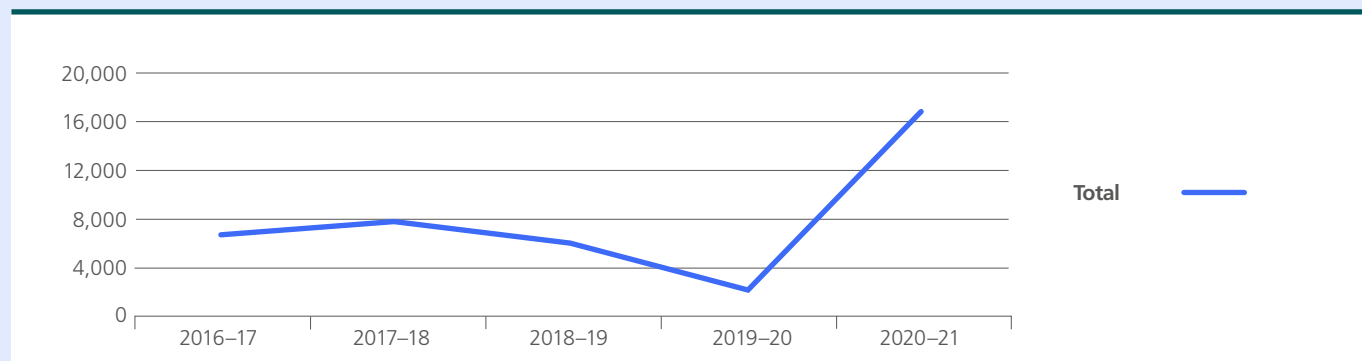
Note: The conversion factor for landfill waste is included this year for Atos waste. This has increased the emissions by 1,149 tonnes in terms of reportable CO₂e. The addition of Lytham to the property estate has also increased gas and waste data levels.

Energy consumption (kWh)



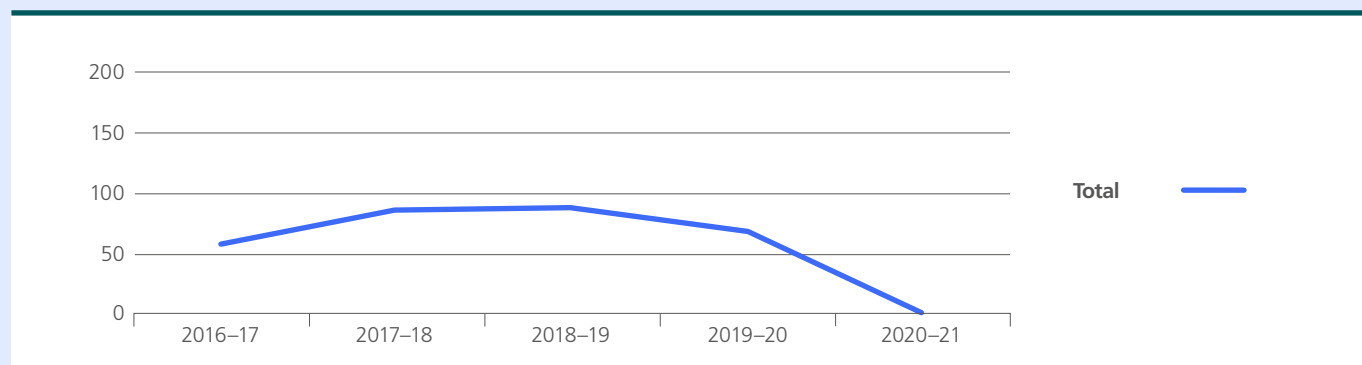
Note: Due to changes in reporting of utility data at 1 Drummond Gate, we have had to estimate consumption based on 2019-20 levels. The utility data reported by Atos has increased significantly due to the running of the Lytham building in addition to the Blackpool building. This is part of the move and also the operational recovery plan.

Water consumption (cubic metres)



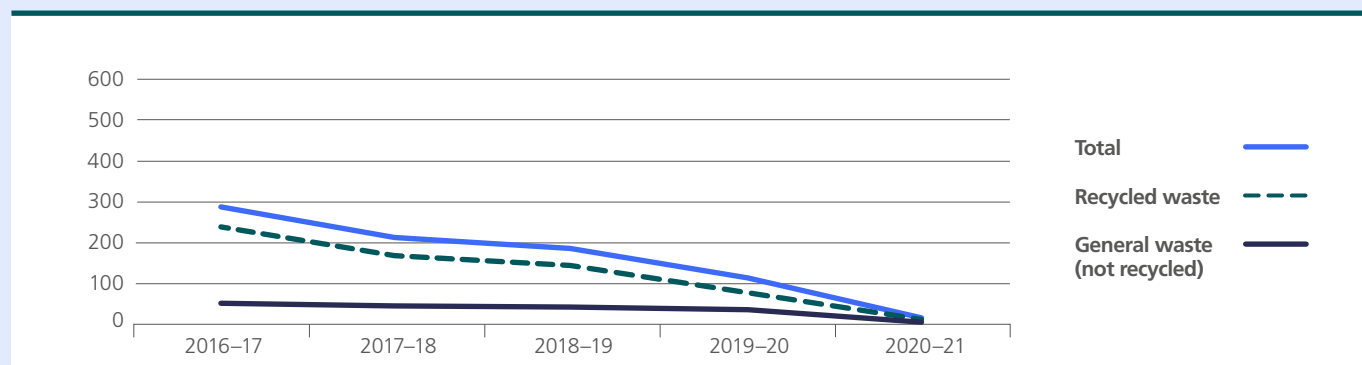
Note: London is estimated consumption based on apportioned billing showing 75% of 2019-20. For operational sites, the numbers have been increased due to also using offices at Lytham. There has also been a lag in the reporting from the water companies from the previous year.

Travel CO₂e emissions (tonnes)



Note: With national lockdown restrictions due to COVID-19, travel has been very much curtailed.
Conversion factors for the 2020-21 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)



Note: With reduced levels of occupancy through the COVID-19 pandemic, waste levels are considerable lower.

Waste (four sites) tonnes

	2016–17	2017–18	2018–19	2019–20	2020–21
Location					
Blackpool	63	37	34	33	3
Durham	49	38	40	31	2
Glasgow	150	114	86	41	3
London ⁽²⁾	28	27	28	9	6
Total	291	216	188	114	15

Percentage of waste recycled

	2016–17	2017–18	2018–19	2019–20	2020–21
Location					
Blackpool	82	71	68	67	75
Durham	65	74	72	77	84
Glasgow	85	78	78	59	56
London ⁽²⁾	100	100	93	78	73
Total	82	79	77	68	72

Water consumption (four sites) cubic metres⁽³⁾

	2016–17	2017–18	2018–19	2019–20	2020–21
Location					
Blackpool	3,055	4,043	3,269	579	13,058
Durham	2,307	2,140	1,636	1,634	1,259
Glasgow ⁽¹⁾	0	0	0	0	0
London ⁽²⁾	1,441	1,742	1,184	0	0
Total	6,803	7,925	6,089	2,213	14,317

CO₂e emissions from gas and electricity (tonnes)⁽⁴⁾

	2016–17	2017–18	2018–19	2019–20	2020–21
Location					
Blackpool	3	3	2	3	209
Durham	75	97	93	90	124
Glasgow ⁽¹⁾	0	0	0	0	0
London ⁽²⁾	273	231	231	99	284
Total	351	331	326	191	617

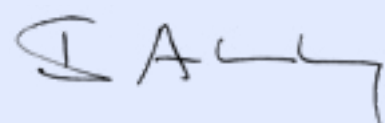
(1) As NS&I only occupies part of an Atos-owned building on our Glasgow site, since 2016–17 we have been unable to disaggregate and report on our water, gas or electricity consumption.

(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.

(3) Unable to report on Glasgow and London due to apportioned billing approach.

(4) Blackpool and Durham totals are for gas only, as electricity is on a green tariff. London total is for electricity only, as gas figures are unknown.

Note: Numbers may not add up due to rounding.



Ian Ackerley
Chief Executive
National Savings and Investments
18 June 2021

02

Accountability Report

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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 3 and 4.

NS&I board

Members of NS&I's board during the year to 31 March 2021 were:

- Ed Anderson, Independent Non-executive Director and NS&I Chairman. Member of the Appointments and Remuneration Committee
- Christopher Fisher, Independent Non-executive Director. Chair of the Appointments and Remuneration Committee
- Jill Lucas, Independent Non-executive Director. Member of the Audit and Risk Committee. Member of the Appointments and Remuneration Committee from 1 January 2021
- Sharmila Nebhrajani OBE, Independent Non-executive Director and Chair of the Audit and Risk Committee
- Mario Pisani, HM Treasury representative. Member of the Audit and Risk Committee
- Azin Roussos, HM Treasury representative. Member of the Audit and Risk Committee from 1 December 2020
- Ian Ackerley, Chief Executive and Accounting Officer. Member of the Appointments and Remuneration Committee

- Ruth Curry, Finance Director
- Dax Harkins, Business-to-Business Director and Operations Director
- Gareth Headon from 1 February 2021. Member of the Appointments and Remuneration Committee
- Paul Henry, Risk Director
- Matt Smith, Chief Operating Officer
- Sarah Tebbutt, People and Strategy Director and Member of the Appointments and Remuneration Committee until 31 January 2021
- 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 fraud incident with data implications, details of which may be found in the Significant incidents section on page 39. As part of NS&I's routine cyber monitoring, numerous phishing and cyber attacks have been attempted but there have been no direct compromises or data 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 2021 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 (2019–20: £380,000) and the Resource Accounts statutory audit of £70,000 (2019–20: £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 2020–21.

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 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 31.

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 35 and 36.

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 2020–21, 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 the 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 (FCA). 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 2020, a session for Non-executive Directors only is 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 2020–21

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
- 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 2019–20 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
- carrying out an internal review of the board's effectiveness in respect of 2020–21
- from 2021, receiving regular progress reports by email on the recovery plan and media coverage due to the impacts of COVID-19 on operations and customer relations.

The attendance of the individual Directors at board and committee meetings of which they were members during 2020–21 was as follows:

Name	Board (six meetings)		Audit and Risk Committee (five meetings)		Appointments and Remuneration Committee (five meetings)	
	Possible	Actual	Possible	Actual	Possible	Actual
Ed Anderson ⁽¹⁾	6	6	5	5	5	5
Christopher Fisher	6	6	n/a	n/a	5	5
Jill Lucas ⁽²⁾	6	6	5	5	0	0
Sharmila Nebhrajani OBE	6	6	5	5	n/a	n/a
Mario Pisani ⁽³⁾	6	5	5	5	n/a	n/a
Azin Roussos ⁽⁶⁾	3	3	3	3	n/a	n/a
Ian Ackerley	6	6	n/a	n/a	5	5
Ruth Curry	6	6	n/a	n/a	n/a	n/a
Dax Harkins	6	6	n/a	n/a	n/a	n/a
Gareth Headon ⁽⁴⁾	1	1	n/a	n/a	0	0
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 ⁽⁵⁾	5	5	n/a	n/a	5	4
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) Jill Lucas joined the Appointments and Remuneration Committee on 1 January 2021 and will take over as Chair from 1 September 2021.

(3) At least one HM Treasury member attends each meeting of the board and Audit and Risk Committee.

(4) Gareth Headon joined the board on 1 February 2021.

(5) Sarah Tebbutt left the board on 31 January 2021.

(6) Azin Roussos joined the board on 1 December 2020.

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, two Treasury representatives, Mario Pisani and Azin Roussos, sit on the board, one of whom will normally attend board meetings.

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 2020–21, the board members were all engaged in a range of training and professional development activities as well as mandatory training, including computer-based training. The Appointments and Remuneration Committee considers the training needs of the Executive Directors, Non-executive Directors and Assistant Directors. All board members are encouraged to attend relevant training courses at NS&I's expense.

Board evaluation

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

The last 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'). A questionnaire-based assessment of the board's effectiveness was carried out in respect of 2020–21. There were no significant issues identified.

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 Non-executive Directors and the representatives from HM Treasury. Its members are Sharmila Nebhrajani OBE, who is the Chair, Jill Lucas and Mario Pisani and Azin Roussos (HM Treasury's representatives). 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 attended, 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 2020–21, the Audit and Risk Committee discharged fully its responsibilities listed above and the Chair 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 three Non-executive Directors (Christopher Fisher (as Chair), Ed Anderson and Jill Lucas) and two Executive Directors (the Chief Executive and the People and Strategy Director). 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 Chair of the Appointments and Remuneration Committee provides a report back on its meetings to the board (including minutes), taking into account the confidential nature of the committee's business.

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

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 47 to 58.

Executive Committee

The Executive Committee consists of all the Executive Directors and is chaired by the Chief Executive. The Executive Committee met formally 24 times in 2020–21. 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 350 signatories to the Women in Finance Charter, led by HM Treasury.

In 2020–21, 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. For 2021–22 we have split the Diversity Index into two SDMs – gender balance and ethnic diversity.

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. The board agreed the following appetite statement for 2020–21: NS&I's corporate risk appetite is "OPEN":

"In pursuit of our medium-term strategic objectives, we are open to considering a range of innovative options to

identify which will best enhance our performance and help us meet our strategic objectives. When planning and implementing change we will ensure compliance, protect the trust our stakeholders have in our business, meet the relevant 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 Key Risk Area Frameworks and policies that include definitions of the risk appetite and key processes and procedures for the management of risk.

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. Quarterly reporting of risks and controls is presented to 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 with 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 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 40 and 41 along with a summary of how we managed or mitigated these risks in 2020–21.

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 2020–21 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 2020–21 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 2021
- 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
- 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 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 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 2021 noted the following:

- the assurance opinion for 2020–21 was assessed as Moderate (same as 2019–20), which reflects that NS&I has an effective and sustainable governance and control framework which is supported by prescribed processes and controls, as well as a culture of effective senior management engagement and scrutiny
- the Moderate assessment is even more noteworthy given the significant challenges and pressures on NS&I's governance and control framework during 2020–21 as a result of the COVID-19 pandemic

- there has been improvement in the design of controls, particularly for controls that relate to performing oversight activity
- greater cross-organisational working and empowerment at levels below Executive Committee level will help support more effective decision-making.

Significant incidents

COVID-19 pandemic

During the COVID-19 pandemic, NS&I experienced unprecedented demand for its products and services, against a backdrop of reduced operational capacity due to the impact of pandemic-related factors on staffing levels.

The combination of exceptional demand and significantly reduced capacity resulted in some customers experiencing significant delays to call answering times and replies to correspondence. The volume of complaints from customers increased significantly and a backlog developed. In response to this, we implemented a detailed operational recovery plan to reduce call waiting times, address complaints more rapidly and reduce the backlog of customer queries. Measures taken have included increasing operational capacity by opening four additional customer contact centres and employing an additional 370 staff.

The situation continues to be monitored very closely to ensure that every effort is made to return service standards back to our normal high quality levels.

We also took the decision to pause our plans to end payments of Premium Bonds prizes by warrant (like a cheque) after significant customer concern and media interest. Phasing out the payment of Premium Bonds prizes by warrant will mean that customers receive prizes more quickly and more securely, and will result in fewer prizes going unclaimed. Our robust exceptions policy will ensure that we are able to meet the needs of vulnerable customers, and customers will not be forced to manage their Premium Bonds online.

In line with government restrictions and advice to minimise the spread of COVID-19, our corporate offices were closed to NS&I colleagues for most of the year. Our business continuity plans were effective in enabling our staff to continue to perform their roles from home, supported by our existing IT infrastructure.

Compliance with the Payment Services Regulations

NS&I is exempt by an Act of Parliament from the Payment Services Regulations (PSRs). Nonetheless, we are committed to adhering to the relevant rules and guidance in line with our Memorandum of Understanding with HM Treasury.

Further work is required to ensure that NS&I complies with all relevant aspects of Secure Customer Authentication, as outlined in PSR Regulatory Technical Standards. Transactions where the risk of fraud is higher are subject to enhanced levels of authentication. The introduction of functionality to

cover additional transaction types and channels has taken longer to progress than we had hoped, as it is dependent on the upgrade of legacy IT infrastructure. We are making progress on this and we expect to be compliant by the end of the financial year 2021–22.

Website cookies

A number of high- and medium-risk control gaps were identified across NS&I websites, portals and applications when compared with the Privacy and Electronic Communications Regulations and the Information Commissioner's Office guidance on the use of cookies and similar technologies.

The control gaps were rectified on the Corporate and Marketing domains in March 2021; work is ongoing to remediate the GPS websites and we expect this to be completed in Q1 of 2021–22.

Compliance with data protection legislation

NS&I takes the security of its data subjects, customers and staff seriously. The transfer of data outside of the EU is allowed under the General Data Protection Regulations provided that a legal mechanism is in place; the European Court of Justice Schrems II ruling in July 2020 has implications for determining an appropriate mechanism. We have identified two instances where our data is transferred to the US without a suitable mechanism in place:

1. 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 afterwards. We have worked with Atos to understand the implications of the Schrems judgment on our position and a contractual solution with the authentication provider is expected to be in place in 2021.
2. NS&I staff data held on the HR system is hosted in the US; standard contractual clauses are in place, but the Schrems II case ruled that these clauses by themselves are not always sufficient to safeguard the data and additional measures may be required. A Data Transfer Impact Assessment to enable us to identify what additional measures, if any, are appropriate is being completed with the system provider

Fraudulent activity

In November 2020 it was identified that cyber criminals had set up fake NS&I websites and through the use of phishing emails, text messages and false advertising were directing customers to these websites on the premise of doing business with NS&I. This resulted in some customers providing credentials that were subsequently used to extract money from their NS&I accounts. Customers did not incur financial detriment as a result of the fraudulent activity.

NS&I responded to ensure the fake websites were closed down and notified the Information Commissioner's Office due to the phishing of customer data by the fraudsters. Monitoring tools are in place to detect and shut down fake websites that purport to be NS&I.

Principal risks and uncertainties facing NS&I

1. 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 2020–21, 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 has been undertaken in 2020–21, alongside conducting phishing tests on our staff to help maintain a high level of awareness of security threats.

2. 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 software updates and technical patches, and the upgrade and replacement of some core operational systems.

NS&I exercises oversight of Atos's 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.

3. Customer risk

Customer risk is the failure to keep NS&I products relevant in the financial services market place while balancing our obligations to the taxpayer and not impacting on the financial services 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 Debt and Reserves Management who review, challenge or approve the changes.

4. 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 and forecasting are monitored across the business by the finance team, who meet with budget holders to review and challenge actual and planned expenditure to ensure that we remain within our limit.

In July 2020 HM Treasury agreed £17 million of additional ring-fenced funding for our response to issues driven by the COVID-19 pandemic. £9 million of this funding went towards increasing operational resilience to help restore service levels to customers, and £8 million to meet the unplanned cost of processing and managing the additional customer deposits we were asked by HM Treasury to raise in the year. NS&I also received additional funding of £23.5 million for continuing the modernisation of our infrastructure in readiness for the mandatory retendering of the outsourcing contract.

5. 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.

6. 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 it operates 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.

7. Supplier management procurement risk

Supplier management procurement risk is not having the capability or capacity to manage the retender and future outsourcing arrangements, resulting in unaffordable operating costs in the future.

Mitigations

NS&I has taken steps to prepare for the mandatory retender of our outsourced supplier contract, which ends in 2024. A project has been initiated to look at the way in which NS&I currently operates and to explore future operating models that will enable NS&I to deliver services to customers more efficiently and effectively. Changes have been made and are ongoing to modernise our IT systems to deliver greater resilience and flexibility.

8. NS&I capacity and resource risk

NS&I capacity and resource risk is the risk that NS&I has insufficient staff or financial resource to successfully deliver projects to prepare NS&I for the contract retender in 2024 alongside business as usual activity.

Mitigations

NS&I has undertaken in-depth analysis of potential delivery models in preparation for the 2024 contract retender and has worked with HM Treasury to secure funding, including that for staff resources, to deliver projects that will manage risk and facilitate change.

9. NS&I staff shortage COVID-19 risk

NS&I staff shortage risk is the risk that, due to the COVID-19 pandemic, NS&I may not have enough staff to operate as usual and meet its strategic objectives.

Mitigations

NS&I has robust business continuity management arrangements which helped to minimise the impact of the pandemic on our corporate functions. Our technology facilitated home working for staff with alternative ways of working put in place for functions that are normally delivered face to face, such as oversight of Atos, recruitment and governance meetings. Staff were offered additional flexibility and support, with a particular focus on mental health and wellbeing, to help them manage their work/life balance and the additional pressures arising out of the pandemic such as home schooling.

10. Atos staff shortage COVID-19 risk

Atos staff shortage risk is the risk that due to the COVID-19 pandemic, Atos or its third party providers do not have sufficient available capacity to provide a high standard of service to our customers and operate the business in line with their contractual obligations.

Mitigations

Social distancing restrictions introduced to minimise the spread of COVID-19 in the UK had a significant impact on Atos's ability to service customers; this was compounded by the closure of offshore centres in Chennai, India for extended periods, leading to work being brought back to the UK for delivery. Atos recruited an extra 370 staff and opened four additional UK contact centres to increase operational capacity and support the delivery of services. The response to the pandemic was co-ordinated via an operational recovery programme that prioritised workload and resource allocation.

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 Chair of the Appointments and Remuneration Committee

Christopher Fisher became a Non-executive Director on 1 March 2017.

He 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. More recently he served as Chair of the Marshall Scholarship Programme on behalf of the Foreign, Commonwealth and

Development Office. 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 latterly leading technology transformation at Unilever, prior to which 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 is also a Non-executive Director of Curtis Banks plc and Chairman of Dunstan Thomas Ltd.



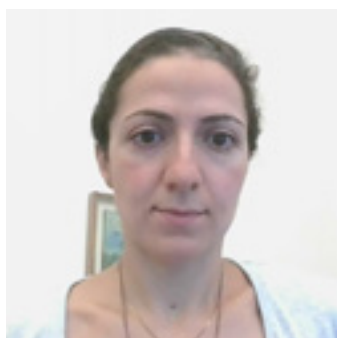
Sharmila Nebhrajani OBE

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

Sharmila was appointed as a Non-executive Director in March 2017. She took up the position of Chair 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 also took up appointments as Non-executive Director to the boards of Severn Trent plc and ITV plc.

She is a Trustee of Lifesight, a pensions master trust, and a Trustee Governor of 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 Future Media and Technology, the division that built and launched the iPlayer, and she was also Chair 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.



Azin Roussos

HM Treasury representative

Azin was appointed to the NS&I board on 1 December 2020.

Azin is one of two Deputy Directors for the Debt and Reserves Management team in HM Treasury. In her role she has lead responsibility for advising on debt financing through the government-backed savings organisation, NS&I. Her team are also responsible for managing the UK's official

reserves, coinage policy, and a range of Bank of England issues (notes, market interventions and shareholder interest). She also sits on the Themes Sub-Committee of the Royal Mint Advisory Committee on the Design of Coins, Medals, Seals and Decorations.



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 and Operations Director

Dax was appointed to the board in 2014 and now has responsibility for Business-to-Business and Operations. 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.



Gareth Headon
People and Strategy Director

Gareth was appointed as Acting Director, People and Strategy in February 2021. He leads a range of corporate functions including strategy, communications, market research and insight, workplace, culture and human resources.

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

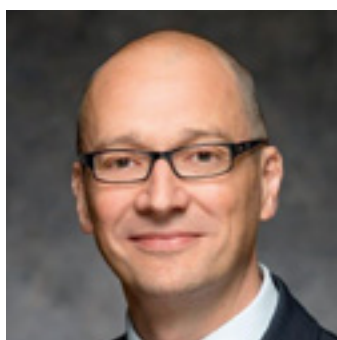
Prior to NS&I, Gareth spent six years with Eurostar where he worked across corporate and consumer PR and government relations. Gareth also worked for two years in Which? magazine's press office and began his career at a PR agency working with clients in the technology sector.



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 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 relationship with NS&I's outsourcing business delivery partner, Atos, including assurance of business change and technology service delivery, commercial assurance, procurement and supply chain management. Matt is also the Senior Responsible Officer with accountability for NS&I's Rainbow Programme, part of the Government Major Projects Portfolio. The Rainbow Programme will transform NS&I's business delivery and transition to a multi-supplier operating model, with all procurement completed by 2024.

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.



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.

Ian Ackerley
Chief Executive and Accounting Officer
National Savings and Investments
18 June 2021

Remuneration and staff report (2020–21)

Appointments and Remuneration Committee

The Appointments and Remuneration Committee comprised Non-executive Directors Christopher Fisher (as Chair), Ed Anderson, and from 1 January 2021, Jill Lucas. It also comprised two Executive Directors: the Chief Executive, Ian Ackerley, and the People and Strategy Director, Sarah Tebbutt up until 31 January 2021 and Gareth Headon Acting People and Strategy Director from 1 February 2021.

The committee scrutinises the Chief Executive's proposals 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 reviewed 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 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 50.

Salary and pension entitlements

The salary and pension entitlements of the executive board members are shown in Tables A and C on pages 48–49 and page 51 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 2020–21 relate to performance in 2019–20 and the comparative payments reported for 2019–20 relate to performance in 2018–19.

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 2020–21 was £220,000–£225,000.

No employee received remuneration in excess of the highest-paid Director (including the Chief Executive) in 2020–21. Remuneration bands ranged from £20,000–£25,000 to £220,000–£225,000 in 2020–21. In 2019–20, remuneration bands ranged from £20,000–£25,000 to £205,000–£210,000 (annualised equivalent).

The ratio of the highest-paid Director (2020–21) was 4.5 times (2019–20: 4.5 times) the median remuneration of the workforce, which was £49,000 (2019–20: £48,445).

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

	2020–21	2020–21	2020–21	2020–21	2020–21	2019–20	2019–20	2019–20	2019–20	2019–20
	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	195–200	25–30	n/a	75	295–300	180–185 (195–200 annualised equivalent)	25–30	n/a	71	280–285
Urvashi Bhagat⁽⁵⁾ Finance Director	n/a	n/a	n/a	n/a	n/a	45–50 (115–120 annualised equivalent)	5–10	n/a	16	70–75 (140–145 annualised equivalent)
Ruth Curry⁽⁶⁾ Finance Director	115–120	10–15	n/a	96	225–230	85–90 (115–120 annualised equivalent)	n/a	n/a	156	240–245 (270–275 annualised equivalent)
Paul Habershon⁽⁷⁾ IT and Change Director	n/a	n/a	n/a	n/a	n/a	55–60 (140–145 annualised equivalent)	n/a	n/a	–	55–60 (140–145 annualised equivalent)
Dax Harkins B2B Director	110–115	15–20	n/a	51	180–185	110–115	15–20	0.6	45	170–175
Gareth Headon⁽⁸⁾ Acting People and Strategy Director	15–20 (110–115 annualised equivalent)	n/a	n/a	7	25–30 (115–120 annualised equivalent)	n/a	n/a	n/a	n/a	n/a
Paul Henry Risk Director	120–125	15–20	n/a	47	185–190	115–120	10–15	n/a	46	175–180

(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 2020–21 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 2020–21 are performance-related payments for the 2019–20 performance year, which were paid in September 2020. Performance-related payments for 2019–20 are performance-related payments for the 2018–19 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) 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.

(7) 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.

(8) Gareth Headon was appointed Acting People and Strategy Director on 1 February 2021.

	2020–21	2020–21	2020–21	2020–21	2020–21	2019–20	2019–20	2019–20	2019–20	2019–20
	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
Matthew Smith⁽⁹⁾ Chief Operating Officer	135–140	15–20	n/a	54	205–210	130–135 (135–140 annualised equivalent)	10–15	n/a	52	195–200
Sarah Tebbutt⁽¹⁰⁾ People and Strategy Director	100–105 (120–125 annualised equivalent)	15–20	n/a	48	165–170 (185–190 annualised equivalent)	115–120	15–20	n/a	48	180–185
Jill Waters Retail Director	120–125	15–20	n/a	36	170–175	115–120	15–20	n/a	27	160–165
Band of highest-paid Director	195–200	15–20	n/a	75	295–300	180–185 (195–200 annualised equivalent)	25–30	n/a	71	280–285
Re-muneration median for workforce⁽³⁾	£49,000					£48,445				
Ratio of highest-paid Director to median salary of workforce⁽³⁾	4.5					4.5				

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

(10) Sarah Tebbutt left NS&I on 31 January 2021.

TABLE B: The remuneration of Non-executive Directors

	2020–21	2019–20
	£000	£000
Ed Anderson (Chairman)	20–25	20–25
James Furse ⁽¹⁾	–	10–15 (15–20 annualised equivalent)
Christopher Fisher	15–20	15–20
Sharmila Nebhrajani OBE	15–20	15–20
Jill Lucas	15–20	15–20

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

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

	Accrued pension at pension age as at 31 March 2021 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31 March 2021	CETV at 31 March 2020	Real increase in CETV	Employer contribution to partnership pension account
	£000	£000	£000	£000	£000	Nearest £100
Ian Ackerley Chief Executive	15–20	2.5–5	252	181	48	0
Urvashi Bhagat⁽²⁾ Finance Director	n/a	n/a	n/a	49	n/a	n/a
Ruth Curry⁽³⁾ Finance Director	40–45 plus a lump sum of 90–95	2.5–5 plus a lump sum of 5–7.5	805	703	72	0
Dax Harkins Business-to-Business Director	35–40	2.5–5	545	493	28	0
Gareth Headon Acting People and Strategy Director ⁽⁴⁾	25–30	0–2.5	286	273	3	0
Paul Henry Risk Director	5–10	2.5–5	116	71	33	0
Matthew Smith Chief Operating Officer	5–10	2.5–5	102	61	29	0
Sarah Tebbutt People and Strategy Director ⁽⁵⁾	45–50 plus a lump sum of 85–90	2.5–5 plus a lump sum of 0–2.5	807	747	29	0
Jill Waters Retail Director	30–35 plus a lump sum of 90–95	0–2.5 plus a lump sum of 5–7.5	731	681	37	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) Gareth Headon was appointed Acting People and Strategy Director on 1 February 2021.

(5) Sarah Tebbutt left NS&I on 31 January 2021.

Civil Service pensions

From 1 April 2015, Alpha, a career average pension arrangement came into effect. The majority of Classic, Premium, Classic Plus and Nuvos members joined the scheme. 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 51 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 17 external permanent and fixed-term appointments in the year. These are summarised in the table on page 53. Full details of staff numbers can be found in Table 5 of the Departmental report on page 110.

New permanent and fixed-term appointments made in 2020–21

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

NS&I Executive Directors, senior managers and all employees at 31 March 2021

	Male	Female	I identify in some other way	Prefer not to say
Number of persons of each sex who were Executive Directors of NS&I at year end	5	2	–	–
The number of persons of each sex who were senior managers at year end ⁽¹⁾	25	14	–	1
The total number of persons who were employed at year end	95	100	1	2

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

As at 31 March 2021, NS&I employed one Senior Civil Servant (SCS) 3. In addition, NS&I employed six employees in roles equivalent to SCS 2 and nine employees equivalent to SCS 1.

Staff and related costs

Staff costs comprise (subject to audit):

	2020–21 Permanently employed UK staff	2020–21 Others	2020–21 Ministers	2020–21 Special advisers	2020–21 Total	2019–20 Total
	£000	£000	£000	£000	£000	£000
Wages and salaries	11,040	252	–	–	11,292	11,474
Social security costs	1,292	–	–	–	1,292	1,312
Other pension costs	2,769	–	–	–	2,769	2,726
Subtotal	15,101	252	–	–	15,353	15,512
Less recoveries in respect of outward secondments	–	–	–	–	–	–
Total net costs	15,101	252	–	–	15,353	15,512

Average number of persons employed

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

Activity	2020–21 Permanently employed UK staff	2020–21 Others	2020–21 Ministers	2020–21 Special advisers	2020–21 Total	2019–20 Total
Staff engaged on capital projects	–	–	–	–	–	–
Total	200	2	–	–	202	207
Core staff	200	2	–	–	202	207
Total	200	2	–	–	202	207

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.

	2020–21	2019–20
Average unplanned employee turnover	6.40%	8.98%
Average gross employee turnover	10.86%	13.67%

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
	2020–21	2020–21	2020–21	2019–20	2019–20	2019–20
<£10,000	1	–	1	–	–	–
£10,000–£25,000	1	–	1	–	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	£15,000–£20,000	–	£15,000–£20,000		£10,000–£25,000	£10,000–£25,000

Pension costs

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servants and Others 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 2020–21, employer contributions of £2,640,413 were payable to the PCSPS (2019–20: £2,580,874) at one of four rates in the range 26.6% to 30.3% (2019–20: 26.6% to 30.3%) 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 2020–21 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 £124,059 (2019–20: £139,740) 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% (2019–20: 8.0% to 14.75%) of pensionable earnings.

Employers also match employee contributions up to 3.0% of pensionable earnings. In addition, employer contributions of £4,907, 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 (2019–20: £5,466, 0.5% of pensionable earnings). Contributions due to the partnership pension providers at the Statement of financial position date were Nil (2019–20: 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 17 new employees who commenced employment during 2020–21, 15 were fixed-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 48 and 49. 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 2020–21, 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 2020–21, the rates were between 26.6% and 30.3% (2019–20: 26.6% and 30.3%) 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 52 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 350 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 2020 are covered by these regulations for reporting in 2020–21. 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 2020, NS&I's gender pay gap data is as follows:

Gender pay gap

	%	
Mean gender pay gap – Ordinary pay	12.40	
Median gender pay gap – Ordinary pay	12.20	
Mean gender pay gap – Bonus paid in the 12 months ending 31 March	15.72	
Median gender pay gap – Bonus paid in the 12 months ending 31 March	11.08	
The proportion of male and female employees paid a bonus in the 12 months ending 31 March		
Male	100.00	
Female	98.13	
Proportion of female and male employees in each quartile		
Quartile	Female %	Male %
Lower quartile	60.80	39.20
Lower middle quartile	66.00	34.00
Upper middle quartile	41.20	58.80
Upper quartile	44.00	56.00

NS&I's 2020 (as at 31 March 2020) mean and median gender pay gap for salaries has remained broadly flat. When comparing against 2019, there is a slight (less than 1 percentage point) increase in the median gender pay gap and a 1.57 percentage point improvement in the mean gender pay gap. In 2020, the median bonus gap has decreased by 13.62 percentage points.

The decrease in the median bonus gap can be attributed to eligible employees receiving the same agency component (5%) in their performance-related pay. 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.

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 2021 was 4.59 days (2019–20: 4.99). This figure covers all absences including long-term absence. Short-term absences were 1.89 days (2019–20: 2.5). 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 officials 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	1.0

Table 2: Percentage of time spent on facility time

The number of employees who were relevant union officials employed during 2020–21, 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 2020–21.

Total cost of facility time (£000)	1.284
Total pay bill (£000)	15,101
Percentage of the total pay bill spent on facility time, calculated as: (total cost of facility time ÷ total pay bill) x 100	0.0085%

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 2020–21 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 2021

Number of existing engagements as of 31 March 2021	3
<i>of which:</i>	
Number that have existed for less than one year at time of reporting	3
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

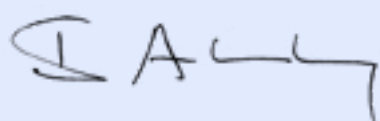
Table 2: All temporary off-payroll workers engaged at any point during the year ended 31 March 2021

Number of off-payroll workers engaged during the year ended 31 March 2021	8
<i>of which:</i>	
Number determined as in-scope of IR35	8
Number determined as out-of-scope of IR35	0
Number of engagements reassessed for compliance or assurance purposes during the year	
<i>of which:</i> number of engagements that saw a change to IR35 status following review	0
Number of engagements where the status was disputed under provisions in the off-payroll legislation	0
<i>of which:</i> Number of engagements that saw a change to IR35 status following review	0

Table 3: For any off-payroll engagements of board members, and/or senior officials with significant financial responsibility, between 1 April 2020 and 31 March 2021

Number of off-payroll engagements of board members, and/or senior officials with significant financial responsibility, during the financial year	0
Total number of individuals on payroll and off-payroll that have been deemed "board members, and/or senior officials with significant financial responsibility", during the financial year. This figure should include both on-payroll and off-payroll engagements. ⁽¹⁾	12

(1) This includes Executive and Non-executive Directors as detailed on pages 48 to 50 in Tables A and B relating to 2020–21.



Ian Ackerley
Chief Executive
National Savings and Investments
18 June 2021

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 Outturn against 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 supporting notes detail the following: Outturn by Estimate line, providing a more detailed breakdown (SOPS note 1); a reconciliation of outturn to net operating expenditure in the SOCNE, to tie the SOPS to the Financial Statements (SOPS note 2); a reconciliation of outturn to net cash requirement (SOPS note 3); and, an analysis of income payable to the Consolidated Fund (SOPS note 4).

Summary of resource and capital outturn

								2020–21	2019–20
	SoPS note	Estimate			Outturn			Voted outturn compared with Estimate: savings/ (excess)	Outturn
		Voted	Non-voted	Total	Voted	Non-voted	Total		
		£000	£000	£000	£000	£000	£000	£000	£000
Departmental Expenditure Limit (DEL)									
– Resource	1.1	167,870	–	167,870	162,258	–	162,258	5,612	118,944
– Capital	1.2	661	–	661	16	–	16	645	–
Annually Managed Expenditure (AME)									
– Resource	1.1	3,300	–	3,300	–	–	–	3,300	451
– Capital		–	–	–	–	–	–	–	–
Total budget		171,831	–	171,831	162,274	–	162,274	9,557	119,395
Total		171,831	–	171,831	162,274	–	162,274	9,557	119,395
Total resource	1.1	171,170	–	171,170	162,258	–	162,258	8,912	119,395
Total capital	1.2	661	–	661	16	–	16	645	–
Total		171,831	–	171,831	162,274	–	162,274	9,557	119,395

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	2020–21	2020–21	2019–20
	Estimate	Outturn	Outturn
		Net total outturn compared with Estimate: saving	
	£000	£000	£000
3	172,491	162,709	121,427

Administration costs

2020–21	2020–21	2019–20
Estimate	Outturn	Outturn
£000	£000	£000
167,870	162,258	119,395

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 61 to 64 form part of these accounts.

Notes to the Statement of Parliamentary Supply

SoPS1 Net outturn

SoPS1.1 Analysis of net resource outturn by section

	2020–21									2019–20
	Outturn							Estimate		Outturn
	Administration			Programme			Total	Net total	Net total compared with Estimate	
	Gross £000	Income £000	Net £000	Gross £000	Income £000	Net £000				£000
Spending in DEL										
Voted										
Administration	212,571	(50,313)	162,258	–	–	–	162,258	167,870	5,612	118,944
Spending AME										
Voted										
Administration	–	–	–	–	–	–	–	3,300	3,300	451
Total	212,571	(50,313)	162,258	0	0	0	162,258	171,170	8,912	119,395

	2020–21	
Difference between resource outturn and Estimate	£000	£000
Lower depreciation costs	2,190	
Lower volume-related costs	1,290	
Lower marketing costs	3,092	
Higher project costs	(830)	
Other difference	(130)	
Total DEL underspend		5,612
Lower requirement for provisions	300	
Lower revaluation charge for NS&I properties	3,000	
Total AME underspend		3,300
Total underspend against Estimate		8,912

SoPS1.2 Analysis of net capital outturn by section

	2020–21					2019–20
	Outturn			Estimate		Outturn
	Gross £000	Income £000	Net £000	Net £000	Net total compared with Estimate £000	Net £000
Spending in DEL						
Voted						
Administration	2,193	(2,177)	16	661	645	–
Total	1,193	(2,177)	16	661	645	–

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	2020–21 £000	2019–20 £000
Total resource outturn in Statement of Parliamentary Supply	1.1	162,258	119,395
Add			
Income transferred from deferred income to operating income		(6,495)	(6,747)
PPP asset depreciation		1,526	1,890
PPP asset amortisation		19,808	17,656
PPP asset revaluation (gain)		–	(251)
PPP asset impairment		–	667
PPP asset loss on disposal		925	324
Capital Grant in Kind to Central Government		2,177	–
		17,941	13,539
Less			
Transfer of PPP costs to capital		(31,145)	(10,627)
		(31,145)	(10,627)
Net operating cost in Statement of comprehensive net expenditure		149,054	122,307

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.

SoPS3 Reconciliation of net resource outturn to net cash requirement

	Estimate	2020–21 Outturn	Net total outturn compared with Estimate: saving/ (excess)	2019–20 Outturn
	SoPS note	£000	£000	£000
Resource outturn	1.1	171,170	162,258	127,227
Capital outturn				
– Addition of property, plant and equipment	1.2	661	16	–
– Addition of intangible assets	1.2	–	–	–
Accruals to cash adjustments				
Adjustments to remove non-cash items:				
– Depreciation		(5,400)	(222)	(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	(130)	(4,500)
– Decrease/(increase) in payables		3,000	1,237	(584)
– Use of provisions	3	–	–	–
Net cash requirement		172,491	162,709	121,427

During the reporting period, NS&I applied for and were granted a Contingencies Fund advance of £40.5 million in January. The full amount was repaid to the Contingencies

Fund in March following Royal Assent of the Supply and Appropriation (Anticipation and Adjustments) Act 2021.

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*).

	2020–21 Outturn		2019–20 Outturn	
	Income £000	Receipts £000	Income £000	Receipts £000
Operating income outside the ambit of the Estimate	5	5	60	60
Excess cash surrenderable to the Consolidated Fund	–	–	–	–
Total income payable to the Consolidated Fund	5	5	60	60

Parliamentary Accountability Disclosures

1 Losses and special payments

1.1 Losses statement

At 31 March

	Accounts Note	2020–21 Number of cases	2020–21 £000	2019–20 Number of cases	2019–20 £000
Compensation payments		–	–	–	–
Fraud loss		–	–	–	–
Bad debts	3	–	–	–	–
Fruitless payments		–	–	–	–
Special payments		1	17	1	21
Total		1	17	1	21

Net fraud losses are shown in the Table below:

	2020–21 £000	2019–20 £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 (continued)

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

1.2 Special payments

NS&I made one special payment totalling £16,584.44 during 2020–21, (2019–20: £21,198.34).

2 Fees and charges

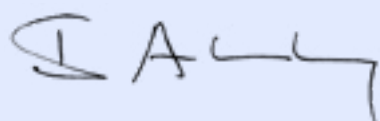
NS&I is required in accordance with HM Treasuries' *Managing Public Money* to disclose results for the areas of its activities where fees and charges are levied. The analysis provided below is for fees and charges purposes and is not intended to meet the requirements of IFRS 8 *Operating segments*. Business-to-business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

	2020–21			2019–20		
	Gross income £000	Full cost £000	Surplus £000	Gross income £000	Full cost £000	Surplus £000
Business-to-business	56,795	45,544	11,251	63,410	52,284	11,126

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 HM Revenue & Customs (HMRC) and Help to Buy for HM Treasury for which we took on service delivery in April 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

18 June 2021

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 2021 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. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards as interpreted by HM Treasury's Government Financial Reporting Manual.

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 2021 and of its net operating cost for the year then ended; and
- 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 2021 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 for opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law 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 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of National Savings and Investments in accordance with the ethical requirements

that are relevant to my audit of 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

In auditing the financial statements, I have concluded that National Savings and Investments' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on National Savings and Investments' ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for HM Treasury is adopted in consideration of the requirements set out in HM Treasury's Government Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future

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 certificate thereon. The Accounting Officer is responsible for the other information. My opinion on the financial statements does not cover the other information except to the extent otherwise explicitly stated in my certificate, 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 I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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, based on the work undertaken in the course of the audit:

- 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; 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

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 material misstatements in the Performance and Accountability Reports. 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
- certain disclosures of remuneration specified by HM Treasury's Government Financial Report Manual are not made; 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.

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 in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error.
- assessing National Savings and Investments' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by National Savings and Investments will not continue to be provided in the future.

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.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. 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.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- Inquiring of management, National Savings and Investments' head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to National Savings and Investments' policies and procedures relating to:
- identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
- detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
- the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including National Savings and Investments' controls relating to the Government Resources and Accounts Act 2000, the Supply and Appropriation (Main Estimates) Act 2020 and Managing Public Money.
- discussing among the engagement team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition and the posting of unusual journals and transactions; and
- obtaining an understanding of National Savings and Investments' framework of authority as well as other legal and regulatory frameworks that National Savings and Investments operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of National Savings and Investments. The key laws and regulations I considered in this context included

the Government Resources and Accounts Act 2000, Supply and Appropriation (Main Estimates) Act 2020 Managing Public Money, employment law and applicable tax legislation and regulations.

In addition to the above, my procedures to respond to identified risks included the following:

reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;

- enquiring of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:

www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

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.

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.

Report

I have no observations to make on these financial statements.

Gareth Davies

Date 23 June 2021

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 of the Product Accounts of National Savings and Investments for the year ended 31 March 2021 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. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards as interpreted by HM Treasury's Government Financial Reporting Manual.

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 2021 and of the net operating results for the year then ended; and
- 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 for opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law 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 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of National Savings and Investments in accordance with the ethical requirements that are relevant to my audit of 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

In auditing the financial statements, I have concluded that National Savings and Investments' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the National Savings and Investments' ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for HM Treasury is adopted in consideration of the requirements set out in HM Treasury's Government Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

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 certificate thereon. The Accounting Officer is responsible for the other information. My opinion on the financial statements does not cover the other information except to the extent otherwise explicitly stated in my certificate, 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 I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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, based on the work undertaken in the course of the audit:

- 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; 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

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 material misstatements in the Performance and Accountability Reports. 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
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual are not made; 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.

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 in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error; and
- assessing National Savings and Investments' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by National Savings and Investments will not continue to be provided in the future.

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.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. 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.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- Inquiring of management, National Savings and Investments' head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to National Savings and Investments' policies and procedures relating to:
- identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
- detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
- the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including National Savings and Investments' controls relating to Managing Public Money.
- discussing among the engagement team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition and the posting of unusual journals and transactions; and
- obtaining an understanding of National Savings and Investments' framework of authority as well as other legal and regulatory frameworks that National Savings and Investments operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the National Savings and Investments. The key laws and regulations I considered in this context included the Government Resources and Accounts Act 2000, Managing Public Money, the National Savings

(Amendment) Regulations 2019, The National Savings (No 2) Regulations 2015, and The National Savings Regulations 2015.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:

www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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.

Report

I have no observations to make on these financial statements.

Gareth Davies

Date 23 June 2021

Comptroller and Auditor General

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

03

Financial Statements

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Statement of comprehensive net expenditure for the period ending 31 March 2021

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	2020–21 £000	2019–20 £000
Income from sale of goods and services	4	(56,699)	(63,249)
Other operating income	4	(110)	(173)
Total operating income		(56,809)	(63,422)
Staff costs	2	15,353	15,512
Purchase of goods and services	3	165,402	148,767
Depreciation and impairment charges	3	24,658	21,000
Other operating expenditure	3	450	450
Total operating expenditure		205,863	185,729
Net operating expenditure		149,054	122,307
Other comprehensive net expenditure			
Items that will not be reclassified to net operating costs:			
– Net (gain) on revaluation of non-current assets	12	–	(476)
Comprehensive net expenditure for the year		149,054	121,831

All income and expenditure is derived from continuing operations.

The notes on pages 76 to 88 form part of these accounts.

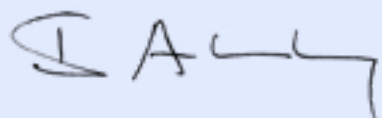
Statement of financial position as at 31 March

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	2021 £000	2021 £000	2020 £000	2020 £000
Non-current assets					
Property, plant and equipment	5	3,204		6,715	
Intangible assets	6	66,628		56,067	
Total non-current assets			69,832		62,782
Current assets					
Trade and other receivables	8	2,862		3,021	
Cash and cash equivalents	9	3,066		415	
Client funds	10	70,087		45,827	
Total current assets			76,015		49,263
Total assets			145,847		112,045
Current liabilities					
Trade and other payables	11	(23,174)		(23,870)	
Client funds: liability to HM Treasury, HMRC	10	(70,087)		(45,827)	
Total current liabilities			(93,261)		(69,697)
Total current assets less current liabilities			52,586		42,348
Non-current liabilities					
Trade and other payables	11	(4,456)		(8,869)	
Total non-current liabilities			(4,456)		(8,869)
Total assets less total liabilities			48,130		33,479
Taxpayers' equity					
General Fund			47,175		32,340
Revaluation reserve	12		955		1,139
Total equity			48,130		33,479

The notes on pages 76 to 88 form part of these accounts.



Ian Ackerley
Chief Executive
National Savings and Investments
18 June 2021

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	2020–21 £000	2019–20 £000
Cash flows from operating activities			
Net operating expenditure		(149,054)	(122,307)
Adjustment for non-cash transactions	3	25,108	21,450
Decrease in trade and other receivables	8	130	10,136
(Decrease) in trade and other payables	11	(7,620)	(11,744)
Net cash outflow from operating activities		(131,436)	(102,465)
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(404)	(116)
Purchase of intangible assets	6	(30,758)	(10,511)
(Decrease) increase in capital payables	11	(111)	(800)
Net cash flows from investing activities		(31,273)	(11,427)
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		165,775	114,336
To the Consolidated Fund (Supply) – prior year		(444)	(196)
Net cash flows from financing activities		165,331	114,140
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		2,622	248
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		5	60
Payments of amounts due to the Consolidated Fund		(5)	(89)
Receipt received from Consolidated Fund due to overpayment to Consolidated Fund in 2019–20		29	–
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund	9	2,651	219
Cash and cash equivalents at the beginning of the period	9	415	196
Cash and cash equivalents at the end of the period	9	3,066	415

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

During the reporting period, NS&I applied for and were granted a Contingencies Fund advance of £40.5 million in January. The full amount was repaid to the Contingencies Fund in March following the Royal Assent of the Supply and Appropriation (Anticipation and Adjustments) Act 2021.

The notes on pages 76 to 88 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 NS&I, 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 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
Changes in taxpayers' equity 2020–21				
Net Parliamentary Funding – drawn down		165,331	–	165,331
Net Parliamentary Funding – deemed		444	–	444
Supply payable adjustment		(3,066)	–	(3,066)
		162,709	–	162,709
Net operating costs for the year		(149,054)	–	(149,054)
Non-cash adjustments				
Auditor's remuneration	3	450	–	450
Net gain on revaluation of non-current assets	12	–	546	546
		(148,604)	546	(148,058)
Movements in reserves				
Transfer between reserves	12	730	(730)	–
Balance at 31 March 2021		47,175	955	48,130

The notes on pages 76 to 88 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 2020–21 *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 2021 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 2022.

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 2021 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 to 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 their asset register. NS&I reviews all additions and disposals on a monthly basis and also ensures that carrying values of the assets brought onto the Statement of financial position are not in excess of their recoverable value. NS&I also brings onto its Statement of financial position project implementation work that is carried out by Atos which provides future economic benefits to NS&I.

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

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

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

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 Service Producer Price Index produced by the Office for National Statistics.

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

Any surplus arising on revaluation is credited to the revaluation reserve, and any loss arising is debited to the revaluation reserve to the extent of the gains that have been recorded previously, with any balance being charged to the Statement of comprehensive net expenditure, within other

comprehensive net expenditure. Components of an asset are separated where their value is significant in relation to the total value of the asset, and where those components have different useful lives 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
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1.7 Impairment of non-current assets

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

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

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

1.8 Non-current assets held for sale

Non-current assets are classified as 'held for sale' when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. Assets held for sale are stated at the lower of their carrying amount prior to classification as 'held for sale' 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. The impact of 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 *Contracts with customers* 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 Segmental Reporting, NS&I is an entity with a single reportable segment since NS&I's financial planning and reporting is based on NS&I being one single entity. The chief operating decision-maker as defined by IFRS 8 is NS&I's Management Board, and financial information that is required regularly by the Management Board to make decisions about planning and resource allocation and performance assessment is reported on an NS&I entity basis. Accordingly, NS&I does not report separately for the costs of its business-to-business activities and, as such, does not segment business-to-business from its overall activities in these Accounts.

NS&I's Product Accounts are reported separately in this 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:

	2020–21 £000	2019–20 £000
Wages and salaries	11,292	11,474
Social security costs	1,292	1,312
Other pension costs	2,769	2,726
Total net costs	15,353	15,512

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

3 Expenditure

	Note	2020–21 £000	2020–21 £000	2020–21 £000	2019–20 £000	2019–20 £000	2019–20 £000
Public Private Partnership (PPP) provider costs ⁽¹⁾		180,609			142,662		
Transfer of PPP provider costs to capital		(31,145)			(10,627)		
Net PPP costs			149,464			132,035	
Goods and services			13,942			14,898	
Rentals under operating leases			1,979			1,813	
Losses and special payments			17			21	
Total goods and services				165,402			148,767
Other operating expenditure							
Non-cash items							
Depreciation	5		1,678			2,079	
Amortisation	6		19,878			17,725	
Loss on disposal of property, plant and equipment, intangible assets	5,6		925			329	
Capital Grant in Kind to Central Government			2,177			–	
Impairment loss on asset under construction			–			667	
Reversal of previous downward revaluation	5		–			(251)	
Revaluation of non-current assets	5,6,12		–			451	
Depreciation and impairment			24,658			21,000	
Auditor's remuneration and expenses ⁽²⁾			450			450	
Total non-cash items				25,108			21,450
				190,510			170,217

(1) Public Private Partnership (PPP) Gross costs were £180,609,000 (2019–20: £142,662,000) 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 £31,145,000 (2019–20: £10,627,000). The treatment is outlined in accounting policy note 1.4.

(2) The Audit remuneration costs include fees for the Product Accounts statutory audit of £380,000 (£380,000 in 2019–20) and for the Resource Accounts statutory audit fees of £70,000 (£70,000 in 2019–20).

4 Income

4.1 Operating income

	2020–21 £000	2020–21 £000	2019–20 £000	2019–20 £000
Operating income comprises:				
Business-to-business	56,699		63,249	
Income from sale of goods and services		56,699		63,249
Other receipts	110		173	
Other operating income		110		173
Total operating income		56,809		63,422

5 Property, plant and equipment

5(a) Current year

	Land ⁽¹⁾ £000	Buildings ⁽¹⁾ £000	Information technology £000	Plant and machinery £000	Furniture and fittings £000	Assets under construction £000	Total £000
Cost or valuation							
At 1 April 2020	500	1,840	19,120	1,156	4,454	–	27,070
Additions	–	–	326	–	78	–	404
Transfer from 'Assets under construction'	–	–	–	–	–	–	–
Disposals	(500)	(1,840)	(3,456)	(320)	(249)	–	(6,365)
Reclassification	–	–	–	–	–	–	–
Revaluation	–	–	–	–	–	–	–
At 31 March 2021	–	–	15,990	836	4,283	–	21,109
Depreciation							
At 1 April 2020	–	(340)	(17,327)	(541)	(2,147)	–	(20,355)
Charged in year	–	(25)	(1,085)	(58)	(510)	–	(1,678)
Disposals	–	365	3,451	164	148	–	4,128
Reclassification	–	–	–	–	–	–	–
Revaluation	–	–	–	–	–	–	–
At 31 March 2021	–	–	(14,961)	(435)	(2,509)	–	(17,905)
Carrying amount							
At 31 March 2021	–	–	1,029	401	1,774	–	3,204
Owned assets	–	–	16	401	522	–	939
IFRIC 12 assets	–	–	1,013	–	1,252	–	2,265
Total	–	–	1,029	401	1,774	–	3,204

(1) The freehold land and building at NS&I's Moorlands site and other connected assets in Blackpool were transferred to the Government Property Agency on 1 December 2020. Although this note shows a loss on disposal for the property, the amount (£2.177 million) was charged in the Resource Accounts as "Capital Grant in Kind to Central Government".

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 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.

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 2020	94,998	20,071	16,962	5,934	137,965
Additions ⁽¹⁾	106	2,408	–	28,244	30,758
Transfer from 'Assets under construction'	4,014	–	915	(4,929)	–
Revaluation ⁽²⁾	1,196	–	228	–	1,424
Impairment	–	–	–	–	–
Disposals	(5,555)	(3,206)	–	–	(8,761)
At 31 March 2021	94,759	19,273	18,105	29,249	161,386
Amortisation					
At 1 April 2020	(55,586)	(14,437)	(11,875)	–	(81,898)
Charged in year	(13,690)	(2,730)	(3,458)	–	(19,878)
Revaluation ⁽²⁾	(704)	–	(174)	–	(878)
Disposals	4,710	3,186	–	–	7,896
At 31 March 2021	(65,270)	(13,981)	(15,507)	–	(94,758)
Carrying amount					
At 31 March 2021	29,489	5,292	2,598	29,249	66,628
Owned assets	283	–	–	38	321
IFRIC 12 assets	29,206	5,292	2,598	29,211	66,307
Total	29,489	5,292	2,598	29,249	66,628

(1) Assets under construction totalled £28.70 million, of which developments started during the year totalled £27.7 million. The developments covered a number of transformation projects that are essential in preparing for the retendering of the outsourced contract. They include development work on the banking engine, mobile apps development on several phases, improving the website and other developments. Developments that went live included elements of the website as well as JISA annual reporting, HMRC trust reporting, mobile apps phase 2 and other smaller developments.

(2) Information technology software was revalued during the year using an appropriate Office for National Statistics (ONS) index. This was the Computer Services Producer Price Index produced by the ONS. The net increase in value of the assets was £0.54 million.

6(b) Prior 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	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.

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

	2021 £000	2020 £000
Amounts falling due within one year:		
Deposits and advances	17	48
Prepayments	1,012	472
Accrued income	1,833	2,472
Consolidated Fund-debtor due to be paid from Consolidated Fund	–	29
Total trade and other receivables	2,862	3,021

9 Cash and cash equivalents

	2021 £000	2020 £000
Balance at 1 April	415	196
Net change in cash and cash equivalent balances	2,651	219
Closing cash and cash equivalent balance	3,066	415
The following balances are held at:		
Government Banking Service	3,066	415
Balance at 31 March	3,066	415

10 Client funds

	2021 £000	2020 £000
Balance at 1 April	45,827	64,431
Net change in client funds balances	24,260	(18,604)
Closing client funds balance	70,087	45,827
The following balances are held at:		
Government Banking Service	70,087	45,827
Balance at 31 March	70,087	45,827
Corresponding liability for payments to be made on behalf of HMRC, HM Treasury	(70,087)	(45,827)

Client Funds are being held on behalf of HM Revenue & Customs (HMRC) for the operation of the Tax-Free Childcare scheme which was launched in 2017. The balance held in the account for HMRC was £53,393,000 (2020: £23,833,000). NS&I is also holding £113,548,000 (2020: £62,829,000) 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 £4,434,000 on behalf of HM Treasury (2020: £19,245,000) in the operation of the Help to Buy scheme which was launched in 2019.

NS&I is also holding £12,260,000 (2020: £2,749,000) on behalf of HMRC for the operation of the Help to Save scheme which was launched in 2018. It is also holding £127,469,000 (2020: £56,147,000) 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

	2021 £000	2020 £000
Amounts falling due within one year:		
VAT	72	71
Taxation and social security	308	328
Trade payables	2,577	3,356
Other payables	276	284
Accruals	12,223	12,655
Deferred income	4,652	6,732
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	3,066	444
Total trade and other payables	23,174	23,870
Amounts falling due after more than one year:		
Deferred income ⁽¹⁾	4,456	8,869
Non-current liabilities	4,456	8,869
Total trade payables and other liabilities	27,630	32,739

(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	2021 £000	2020 £000
Revaluation reserve changes:			
Balance in revaluation reserve at 1 April		(1,139)	(689)
Total downward revaluation	6	–	701
Charged to expenditure	3	–	(200)
Upward revaluation	5,6	(546)	(977)
Revaluation movement		(546)	(476)
Depreciation adjustment		730	26
Subtotal		730	26
Balance at 31 March		(955)	(1,139)

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.

	2021 £000	2020 £000
Obligations under operating leases comprise:		
Buildings:		
Not later than one year	2,089	2,026
Later than one year and not later than five years	6,547	6,972
Later than five years	3,779	4,930
Total	12,415	13,928

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.

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	79,210
Value of amounts falling due within two to five years	126,725
	205,935
	£000
Comparable figures at March 2020 were:	
Amounts falling due within one year	82,518
Value of amounts falling due within two to five years	204,577
	287,095

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 2021 (31 March 2020: Nil).

16 Contingent liabilities disclosed under IAS 37

NS&I did not have any provisions at 31 March 2021 (31 March 2020: 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, HMRC 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.

	2021	2020
Balance at 31 March	£000	£000
Executive Directors and Non-executive Directors	424	221

In relation to holdings in Premium Bonds, the National Savings (No.2) Regulations 2015 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 23 June 2021, 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 104.

Scope of the Product Accounts

These accounts record transactions for the year ended 31 March 2021 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 2021

Our financial year ended 31 March 2021 saw customer investments grow to £203 billion from £179.2 billion (2019–20) raising £23.8 billion (2019–20: £11.6 billion) as Net Financing. £2.2 billion (2019–20: £2.6 billion) was earned as interest and prizes by investors, down from the prior year as a consequence of interest rate reductions on our products during 2020–21. £86.2 billion (2019–20: £38.2 billion) was received from investors while payments to investors during the financial year totalled £64.6 billion (2019–20: £29.2 billion).

In April 2020 we took the decision to reverse planned interest rate reductions on our variable rate products. The rate reductions, announced in February 2020, were to have taken effect on 1 May 2020. This decision to reverse the rate reductions was taken to support savers and to meet increased funding requirements from HM Treasury, thus assisting in the Government's COVID-19 pandemic response. Interest rate reductions on our fixed rate products, which were also announced in February 2020, took effect as planned on 1 May 2020.

April 2020 also saw the commencement of Investment Guaranteed Growth Bonds maturities. Investment Guaranteed Growth Bonds launched in April 2017 and went off general sale in April 2018. These bonds were issued for

a three-year term. Customers with maturing Investment Guaranteed Growth Bonds were given the option to cash in their investments or to reinvest into Guaranteed Growth Bonds or any other NS&I products currently on sale. The maturity process will continue until April 2021 at which point all bonds will have either been repaid or reinvested in other NS&I products.

In line with our remit to balance the interest of savers, cost to the taxpayer and the stability of the broader financial services sector, we announced in September 2020 interest rate reductions on all our variable rate products and some of our fixed rate products. These rate reductions came into effect on 24 November 2020. On 1 December 2020, the Premium Bonds annual rate (the rate used to calculate the prize fund for monthly draws) was reduced to 1% from 1.4%.

Our 2020–21 retail products financial performance reflects the fact that we remained committed to supporting savers during the COVID-19 pandemic while continuing to provide cost-effective financing for government.

Audit

These accounts have been audited by the Comptroller and Auditor General, whose Certificate and Report appears on pages 68 to 70.

Statement of comprehensive income for the year ended 31 March

	Note	2020–21 £000	2019–20 £000
Income			
Interest and prizes financed by the NLF	4	2,236,892	2,566,622
Interest and prizes financed by the NLF		2,236,892	2,566,622
Cost			
Interest and prizes earned by investors		(2,236,892)	(2,566,622)
Interest and prizes earned by investors	2	(2,236,892)	(2,566,622)
Income less cost		–	–

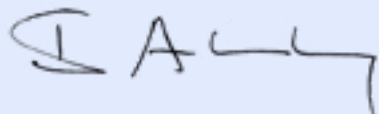
The notes on pages 94 to 103 form part of these accounts.

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

Statement of financial position at 31 March

	Note	2021 £000	2020 £000
Current assets			
Held by the NLF	4	200,384,216	177,428,786
Other receivables	5	454,275	364,148
Cash and cash equivalents	9	2,131,461	1,391,988
Total current assets	10	202,969,952	179,184,922
Current liabilities			
Liability to investors	6	(198,102,993)	(177,978,861)
Other payables	7	(7,213)	(11,539)
Total current liabilities	10	(198,110,206)	(177,990,400)
Net current assets		4,859,746	1,194,522
Non-current liabilities			
Liability to investors	6	(4,859,746)	(1,194,522)
Total non-current liabilities	10	(4,859,746)	(1,194,522)
Assets less liabilities		–	–

The notes on pages 94 to 103 form part of these accounts.



Ian Ackerley
Chief Executive
National Savings and Investments
 18 June 2021

Statement of cash flows for the year ended 31 March

		2020–21 £000	2019–20 £000
	Note		
Cash flows from operating activities			
Income less cost		–	–
Increase in net funds held by the NLF	8	(22,955,430)	(10,955,682)
Increase in other receivables	5	(90,127)	(46,076)
Increase in total funds invested	2	23,789,356	11,605,339
(Decrease)/Increase in other payables	7	(4,326)	10,451
Net cash flow from operating activities		739,473	614,032
Net increase in cash and cash equivalents in the period	9	739,473	614,032
Cash and cash equivalents at the beginning of the period	9	1,391,988	777,956
Cash and cash equivalents at the end of the period	9	2,131,461	1,391,988

The notes on pages 94 to 103 form part of these accounts.

Notes to the Product Accounts

1 Statement of accounting policies

These accounts are prepared in accordance with the 2020–21 *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 2021. 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 continuing impact of the COVID-19 pandemic, the implementation of the standard has been deferred to 1 April 2022.

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 2021 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 those risks are 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 2021
	£000	£000	£000	£000	£000	£000
Children's Bonds	–	3,967	(60,616)	(15,118)	(71,767)	140,451
Direct Saver	24,469,705	163,288	(14,732,822)	–	9,900,171	28,146,159
65+ Guaranteed Growth Bonds	–	–	(31)	–	(31)	21
Guaranteed Bonds	1,421,015	342,312	(8,639,294)	–	(6,875,967)	12,581,417
Income Bonds	26,890,399	242,066	(26,525,555)	–	606,910	22,410,309
Individual Savings Account	1,229,613	29,754	(756,819)	–	502,548	4,834,195
Investment Account	651,037	15,404	(533,841)	–	132,600	2,945,201
Investment Guaranteed Growth Bonds	–	3,432	(619,402)	–	(615,970)	10,412
Junior Individual Savings Account	254,907	5,632	(63,298)	–	197,241	289,866
Premium Bonds	31,150,064	1,183,231	(11,582,076)	–	20,751,219	109,227,669
Residual Account	20,571	1,530	(25,531)	15,118	11,688	672,687
Savings Certificates	113,811	246,276	(1,109,373)	–	(749,286)	21,704,352
Total	86,201,122	2,236,892	(64,648,658)	–	23,789,356	202,962,739

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 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

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 90 of these accounts discloses notable occurrences in the product range during the period.

3 Interest and prizes

	Note	2020–21 £000	2019–20 £000
Total interest and prizes earned in year	2	(2,236,892)	(2,566,622)
Add accrued interest and prizes opening balance		(603,223)	(622,773)
Less interest capitalised in year		1,190,694	1,431,150
Less interest and prizes paid in year		1,195,852	1,161,751
Add movements in out-of-date warrants and outstanding prizes in year		(8,522)	(6,729)
Accrued interest and prizes at 31 March	6	(462,091)	(603,223)

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

4 Amounts held by the NLF

	Note	2020–21 £000	2019–20 £000
Balance at 1 April		177,428,786	166,473,104
Interest and prizes financed by the NLF		2,236,892	2,566,622
Received from the NLF	8	(64,428,136)	(28,314,616)
Paid to the NLF	8	85,146,674	36,703,676
Balance at 31 March		200,384,216	177,428,786

The amount held by the NLF includes interest and prizes accrued in 2020–21 of £355,503,000 (2019–20: £505,157,000).

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

	2021 £000	2020 £000
Agents	453,604	363,864
Other receivables	671	284
Total	454,275	364,148

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 2021 £000
Current liabilities			
Children's Bonds	138,912	1,539	140,451
Direct Saver	28,146,159	–	28,146,159
65+ Guaranteed Growth Bonds	21	–	21
Guaranteed Bonds	7,662,304	59,367	7,721,671
Income Bonds	22,395,098	15,211	22,410,309
Individual Savings Account	4,806,652	27,543	4,834,195
Investment Account	2,945,130	71	2,945,201
Investment Guaranteed Growth Bonds	10,312	100	10,412
Junior Individual Savings Account	285,068	4,798	289,866
Premium Bonds	109,049,732	177,937	109,227,669
Residual Account	667,304	5,383	672,687
Savings Certificates	21,547,668	156,684	21,704,352
Total current liabilities	197,654,360	448,633	198,102,993
Non-current liabilities			
Guaranteed Bonds	4,846,288	13,458	4,859,746
Total non-current liabilities	4,846,288	13,458	4,859,746
Total liability to investors	202,500,648	462,091	202,962,739

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 (£462,091,000) is accrued interest in respect of the principal liability to investors. Note 4 discloses accrued interest (£355,503,000) in respect of balances held by

the NLF. The difference between these amounts is due to outstanding interest liabilities (£106,588,000) 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 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

7 Other payables

	2021 £000	2020 £000
NLF	58	248
Other payables including sales repayments and evidence of identity repayments	7,155	11,291
Total	7,213	11,539

8 Movement in net funds held by the NLF

	2020–21 £000	2019–20 £000
Received from the NLF	64,428,136	28,314,616
Paid to the NLF	(85,146,674)	(36,703,676)
Net inflow to the NLF	(20,718,538)	(8,389,060)
Interest and prizes payable to investors	(2,236,892)	(2,566,622)
Increase in net funds held by the NLF	(22,955,430)	(10,955,682)

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

	2021 £000	2020 £000
Balance at 1 April	1,391,988	777,956
Net change in cash and cash equivalent balances	739,473	614,032
Balance at 31 March	2,131,461	1,391,988

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

10 Categorisation of financial assets and liabilities

	2021 £000	2020 £000
Assets		
Financial assets measured at amortised cost	200,838,491	177,792,934
Cash and cash equivalents	2,131,461	1,391,988
Total	202,969,952	179,184,922
Liabilities		
Current financial liabilities measured at amortised cost	(198,110,206)	(177,990,400)
Non-current financial liabilities measured at amortised cost	(4,859,746)	(1,194,522)
Total	(202,969,952)	(179,184,922)

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 NatWest Group (formerly known as the Royal Bank of Scotland Group) to provide transaction processing services for NS&I. Monies held at NatWest 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

NatWest 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:

	2021 Variable rate, prize-based and index-linked products £000	2021 Fixed rate products £000	2021 Non-interest bearing products £000	2021 Total £000
Maturing in one year or less or repayable on demand	187,468,589	10,577,417	56,987	198,102,993
Maturing in more than one year but not more than two years	–	629,481	–	629,481
Maturing in more than two years but not more than five years	–	4,230,265	–	4,230,265
Total	187,468,589	15,437,163	56,987	202,962,739

12(b) Prior year

	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

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

	2021 Total per accounts £000	2021 Fair value £000
Assets		
Held by the NLF	200,384,216	200,608,228
Other receivables	454,275	454,275
Cash and cash equivalents	2,131,461	2,131,461
Total	202,969,952	203,193,964
Liabilities		
Fixed rate products	(15,437,163)	(15,661,175)
Variable rate products	(187,468,589)	(187,468,589)
Non-interest bearing products	(56,987)	(56,987)
Other payables	(7,213)	(7,213)
Total	(202,969,952)	(203,193,964)

13(b) Prior 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)

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 2021 £000	Level 2 2021 £000	Total 2021 £000
Assets			
Held by the NLF – fixed rate products	–	15,795,429	15,795,429
Held by the NLF – variable rate products	–	184,754,166	184,754,166
Other assets ⁽¹⁾	2,644,369	–	2,644,369
	2,644,369	200,549,595	203,193,964
Liabilities			
Liability to investors – fixed rate products	–	(15,661,175)	(15,661,175)
Liability to investors – variable rate products	–	(187,468,589)	(187,468,589)
Other liabilities ⁽²⁾	–	(64,200)	(64,200)
	–	(203,193,964)	(203,193,964)

14(b) Prior 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)

(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 89 and 90. 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 88 of this Annual Report and Accounts and Product Accounts.

In relation to holdings in Premium Bonds, National Savings (No.2) Regulations 2015 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 23 June 2021, 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

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Departmental report information

The 2020–21 Departmental report information shown in the tables on the following pages is not consistent with the information shown in the 2020–21 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 Departmental Expenditure Limit (DEL) and resource Annual Managed Expenditure (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 2016–17 £000	Outturn 2017–18 £000	Outturn 2018–19 £000	Outturn 2019–20 £000	Outturn 2020–21 £000	Plans 2021–22 £000
Resource DEL						
Section A: Administration	132,333	121,109	127,285	118,944	162,258	185,670
Total resource DEL	132,333	121,109	127,285	118,944	162,258	185,670
<i>of which:</i>						
Pay	11,731	12,987	14,717	15,278	15,101	18,000
Net current procurement ⁽¹⁾	119,401	106,914	111,838	102,960	146,486	164,820
Current grants and subsidies to the private sector and abroad	–	–	–	–	–	–
Current grants to local government	–	–	–	–	–	–
Depreciation ⁽²⁾	751	758	280	256	221	2,400
Other	450	450	450	450	450	450
Resource AME						
Section B: Administration	(262)	(739)	(58)	451	–	300
Total resource AME	(262)	(739)	(58)	451	–	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	–	–	–	–	–	–
Release of provisions	–	–	–	–	–	300
Depreciation ⁽²⁾	(262)	(739)	(58)	451	–	–
Other	–	–	–	–	–	–
Total resource budget	132,071	120,370	127,227	119,395	162,258	185,970
<i>of which:</i>						
Depreciation	489	19	222	707	221	2,400

(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 1: Total departmental spending (continued)

	Outturn 2016–17 £000	Outturn 2017–18 £000	Outturn 2018–19 £000	Outturn 2019–20 £000	Outturn 2020–21 £000	Plans 2021–22 £000
Capital DEL						
Section A: Administration	(12,482)	–	–	–	16	660
Total capital DEL	(12,482)	–	–	–	16	660
<i>of which:</i>						
Net capital procurement ⁽⁴⁾	(12,482)	–	–	–	16	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	(12,482)	–	–	–	16	660
Total departmental spending⁽⁵⁾	119,100	120,351	127,005	118,688	162,053	184,230
<i>of which:</i>						
Total DEL	119,362	121,090	127,063	118,237	162,053	183,930
Total AME	(262)	(739)	(58)	451	–	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	248,370	–	248,370	(121,000)	127,370	40,500	–	40,500	167,870	162,258	5,612
Spending in AME	–	3,300	3,300	–	3,300	–	–	–	3,300	–	3,300
Total	248,370	3,300	251,670	(121,000)	130,670	40,500	–	40,500	171,170	162,258	8,912

Capital	Supply Estimate		Supplementary Estimate			Final provision	Final outturn	Differences
	Capital	Change in gross provision	Change in A in A	Change in net provision				
	£000	£000	£000	£000	£000	£000	£000	£000
Spending in DEL	660	2,178	(2,177)	1	661	16	645	

Table 3: NS&I capital employed

	Outturn 2016–17 £000	Outturn 2017–18 £000	Outturn 2018–19 £000	Outturn 2019–20 £000	Outturn 2020–21 £000	Plans 2021–22 £000
Assets on balance sheet at end of year						
Non-current assets						
Intangible	57,748	60,430	63,253	56,067	66,628	74,000
Property, plant and equipment	11,729	10,035	9,426	6,715	3,204	5,500
<i>of which:</i>						
Land and buildings	2,000	2,750	2,750	2,000	–	–
Information technology	6,521	4,614	3,115	1,793	1,029	1,300
Plant and machinery	1,029	799	692	615	401	450
Furniture and fittings	2,157	1,872	2,869	2,307	1,774	2,000
Assets under construction	22	–	–			
Other receivables	7,593	3,091	–	–		
Current assets	17,481	24,099	77,755	49,263	76,015	53,000
Creditors <1 year	(31,136)	(37,917)	(93,868)	(69,437)	(93,231)	(74,000)
Provisions <1 year	–	–	–	–	–	–
Creditors >1 year	(20,718)	(21,095)	(15,598)	(9,129)	(4,456)	(3,450)
Provisions >1 year	–	–	–	–	–	–
Capital employed within main department	42,697	38,643	40,968	33,479	48,130	55,050

Table 4: Administration budget

	Outturn 2016–17 £000	Outturn 2017–18 £000	Outturn 2018–19 £000	Outturn 2019–20 £000	Outturn 2020–21 £000	Plans 2021–22 £000
Section A: Administration	132,333	121,109	127,285	118,944	162,258	185,670
Total administration budget	132,333	121,109	127,285	118,944	162,258	185,670
<i>of which:</i>						
Pay	11,731	12,987	14,717	15,278	15,101	18,000
Expenditure	157,453	163,891	173,947	160,340	197,470	288,670
Income	(36,851)	(55,769)	(61,379)	(56,674)	(50,313)	(121,000)

Table 5: NS&I staff numbers

Staff numbers at:	1 April 2015	1 April 2016	1 April 2017 ⁽¹⁾	1 April 2018 ⁽¹⁾	1 April 2019 ⁽¹⁾	1 April 2020 ⁽¹⁾	1 April 2021 ⁽¹⁾
Permanent	173	166	184	191	210	202	198
Others	12	11	3	9	2	4	3
Total	185	177	187	200	212	206	201

(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 2016–17 £000	Outturn 2017–18 £000	Outturn 2018–19 £000	Outturn 2019–20 £000	Outturn 2020–21 £000
Consultancy services	–	–	–	–	3,723
Professional services	1,919	2,180	1,796	1,934	2,252
Contract staff	923	456	742	234	252
Other services	1,900	1,304	1,409	1,051	1,312
Total	4,742	3,940	3,947	3,219	7,539

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 the Departmental Expenditure Limit (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 Consolidated Fund is 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 180,000 customers with a total of £2.4 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 FCA is the UK's independent body responsible for regulation of conduct in retail and wholesale financial markets and some prudential regulation.

Financial Ombudsman Service (FOS)

The independent service for settling disputes between businesses that provide financial services and their customers.

Fixed term

The period of time for which the interest rate is fixed.

Gilts (or gilt-edged stock)

Gilts are UK Government securities issued by HM Treasury and listed on the London Stock Exchange.

Gross inflows

The total inflows from all deposits including retention of maturing monies.

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 & 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

Net Financing is the measure of the net change of NS&I funds, meaning total inflows from deposits, retention of maturing monies, and capitalised and accrued interest less the total outflows from withdrawals and interest or Premium Bond prize draw payments.

PAS 3000

The British Standards Institution (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. The PERMA Index is one of the outcomes of the Civil Service People Survey, run by the Cabinet Office. It provides a figure for the levels of wellbeing at each organisation whose staff participate in the survey.

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 (CDEL). 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 child per year towards the costs of registered childcare needed for work; and up to £4,000 for disabled children. Tax-Free Childcare is being delivered by 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 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:	Comparator cost to the Government ⁽¹⁾
Less:	<ul style="list-style-type: none"> – Interest and prizes earned by investors in NS&I's products⁽²⁾ – Management costs of NS&I products (net of the equivalent of the DMO'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

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@nsandihelp

For media enquiries



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Telephone

For sales and general enquiries, call us free on



08085 007 007

Our customer service team is available from 7am to 10pm, 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 2020–21 Annual Report and Accounts.



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