



Inspiring a stronger savings culture

National Savings and Investments
Annual Report and Accounts and Product Accounts 2018–19

**National Savings and Investments
Annual Report and Accounts and Product Accounts 2018–19**

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.

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This is part of a series of departmental publications which, along with the Main Estimates 2019–20 and the document *Public Expenditure: Statistical Analyses 2019*, present the Government's outturn for 2018–19 and planned expenditure for 2019–20.



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National Savings and Investments is one of the largest savings organisations in the UK with 25 million customers and more than £167 billion invested.

NS&I is both a government department and an Executive Agency of the Chancellor of the Exchequer. Our origins can be traced back over 150 years to 1861.

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

Must reads

Chairman's statement, pages 8 to 9

Chief Executive's overview, pages 10 to 15

Our performance in 2018–19, pages 16 to 17

Our first online report is now out



i This year we published our first online report – you can read it at nsandi-corporate.com

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Performance Report

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**For every £100 we hold,
we spend less than 8p a
year on administration.**



Our strategy: Inspire & Invest

At a glance

25 million

Customers

100%

Security backed
by HM Treasury

1861

NS&I launched
150+ years ago

Our purpose

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

Our mission

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

Our values

With our customers

Secure

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

Inspiring

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

Straightforward

Clear, everyday, understandable language. Products designed simply to meet our customers' needs, and easy-to-use services.

Reassuringly human

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

With our people

Secure

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

Inspiring

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

Straightforward

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

Reassuringly human

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

This was the first year of our strategy Inspire & Invest. Developed in line with our refreshed purpose, mission and values, Inspire & Invest is designed to help us to 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.

Page 22



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. We will embrace open banking and be a truly digital first business.

Page 26



Delivering efficiently

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

Page 36



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

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

Page 32



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. Although we are not regulated by the Financial Conduct Authority (FCA), we aim to comply with FCA requirements where applicable on a voluntary basis and protect our business from threats and risks. We protect the interests of taxpayers.

Page 40



Being inspiring and empowered

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

Page 44

2017–18
£9.8 billion

2018–19
£10.8 billion

£10.8 billion

We met the Net Financing target for 2018–19

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

Product highlights

£1 billion

of Premium Bonds prizes paid out in 2018–19

ERNIE

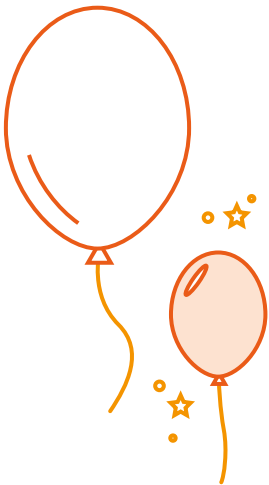
5

Launched in March 2019 using state of the art quantum technology



Online grandparent gifting of Premium Bonds started in August 2018

Premium Bonds new minimum investment



£25

Minimum investment in Premium Bonds has been lowered from £100 to £25, making regular saving easier

Help to Save



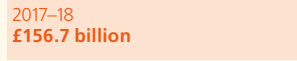
Help to Save accounts opened. We worked with HMRC to ensure the successful delivery and launch of the scheme

105,000



£37.3 billion

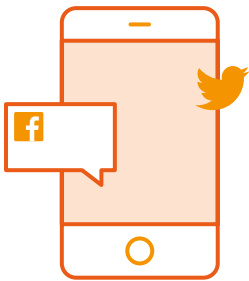
Total sales



£167.6 billion

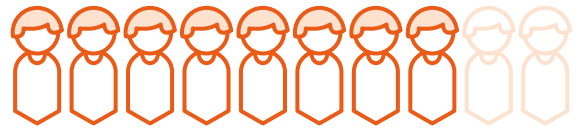
Total amount invested by customers at the end of the year

Customer highlights



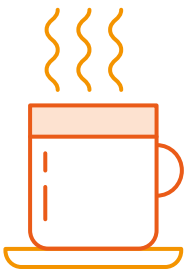
95.6%

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



84.3%

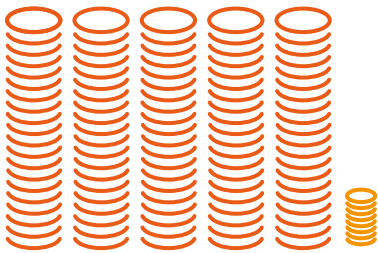
Target met for customer satisfaction



166,000

Web chats from September 2018 until the end of March 2019 – that's the equivalent of close to 800 catch-ups a day

Delivering efficiently



7.8p

For every £100 held with NS&I, only 7.8p is spent on administration each year

Online services launched

"Alexa"
voice command launched for Premium Bonds Prize Checker in February 2019

Adviser online portal went live



We are particularly keen to attract younger customers who are crucial to ensuring the long-term sustainability of our business.



Welcome to this year's NS&I Annual Report and Accounts, which blends together another strong year with the launch of our new strategy, Inspire & Invest. This is an exciting and optimistic time for our organisation. To meet our refreshed purpose to inspire a stronger savings culture in the UK, we are offering new services to our existing customers and taking steps to create and attract the next generation of savers. Here is a flavour of this year's report.

In 2018–19, we raised £10.8 billion of Net Financing, fulfilling our core objective to provide the Government with long-term, sustainable and cost-effective financing. We did this efficiently: our Value Indicator returned a positive value of £12.8 million in 2018–19 and last year it cost just 7.8p a year to manage every £100 of savings we hold, compared with 8.0p in 2017–18.

We have met our targets for customer service and satisfaction and continue to balance the interests of our savers, taxpayers and the stability of the broader financial services sector. We also remain on track to achieve the 2015 Spending Review target of reducing our real-term costs by 25% by 2020.

But while we are pleased with our performance in 2018–19, we have our sights set firmly on the future. Inspire & Invest challenges NS&I to expand our horizons, not only to continue to excel in our core role of providing cost-effective financing for government and our traditional role as the national savings bank, but also to grow our business of providing payments services to other parts of government and to use our insight and expertise to help the Government to deliver its wider savings policy objectives. Crucially, Inspire & Invest is designed to inspire a stronger savings culture.

This year, Inspire & Invest has led to significant changes to our most popular product, Premium Bonds. In the 2018 Budget, the Chancellor of the Exchequer announced that

the minimum investment would be reduced from £100 to £25, opening the door for more people to start a savings habit.

We are particularly keen to attract younger customers to help them develop a savings habit as well as ensuring the long-term sustainability of our business.

We will also be making it possible for any adult to purchase Premium Bonds for any child under 16, making Premium Bonds an affordable and attractive gift for nieces, nephews, godchildren and family friends.

We have also introduced new customer channels, including web chat. More broadly, we are working with other public sector organisations in the savings and financial services sphere, to share our expertise and ideas, and to deliver common policy goals. This report includes more detail on all of these initiatives.

The ethos of Inspire & Invest is perhaps best demonstrated through another programme that we helped to deliver this year: Help to Save. Sponsored by the Government, led by HM Revenue and Customs (HMRC) and supported by NS&I, Help to Save is designed to encourage people on low incomes to save for their future. So far, more than 105,000 people have joined the scheme.

The other major change for NS&I this year is in the people on our board. We have welcomed three

new Executive Directors. They come from different sectors and bring a range of ideas and experience to the business. We also welcome Jill Lucas, who brings significant experience in digital, as a new Non-executive Director. On behalf of all of us at NS&I, I would also like to congratulate our former Finance Director Rodney Norman, who, following his retirement, received a CBE in the New Year's Honours list for services to taxpayers.

To reflect Inspire & Invest and our refreshed purpose, this year there is a new look to our Annual Report and Accounts.


We are reporting activity against each of our six strategic aims and there will be the opportunity to explore additional content and information online at www.nsandi-corporate.com. This new look provides a broader view of our activity, including the valuable perspectives of our customers and our colleagues.



Ed Anderson
Chairman
National Savings and Investments



We're developing our products and services, looking at how we use them to support a stronger savings culture.

 Visit nsandi-corporate.com to hear Ian Ackerley talk about our new strategy.



When I joined NS&I in 2017, one of the key challenges I faced was how to take a very successful and respected organisation forward. Our approach was to build on our strong foundations to fulfil a refreshed purpose: inspiring a stronger savings culture. We developed a strategy to support that purpose, Inspire & Invest, and 2018–19 was its first year of delivery. I'm pleased with the progress we've made across all six of our strategic aims – the first of which reaffirms our core objective of delivering long-term, sustainable and cost-effective financing for the Government.

During 2018–19, we delivered £10.8 billion of Net Financing, meaning we met our primary financial target. The target set in the 2018 Spring Statement was to generate £6 billion of Net Financing (in a range of £3 billion to £9 billion). This was revised in the 2018 Budget to £9 billion (in a range of £6 billion to £12 billion). I'm pleased that we were able to deliver this extra financing within our original budget.

The increased target reflected higher than expected Net Financing being delivered in the first half of 2018–19 as a result of changing conditions in the savings market. Since the start of the financial year, our sales had been high and interest rates across the savings market remained low. In June 2018, we took steps to control inflows. We reduced the maximum amount savers could invest in our Guaranteed Growth Bonds and Guaranteed Income Bonds from £1 million to £10,000 per Issue. This meant that we could limit inflows, but the bonds could remain on sale at the same interest rate and potentially more savers would be able to benefit from the product.

In August, the Bank of England raised the base rate to 0.75%. We were able to respond by raising interest rates on Direct Saver, the Investment Account and Income Bonds. The rate increases took effect in October.

With few, if any, providers passing on the full base rate increase to customers, it meant that our products remained attractive. We were also

preparing for several enhancements to Premium Bonds that we also expected would result in higher sales.

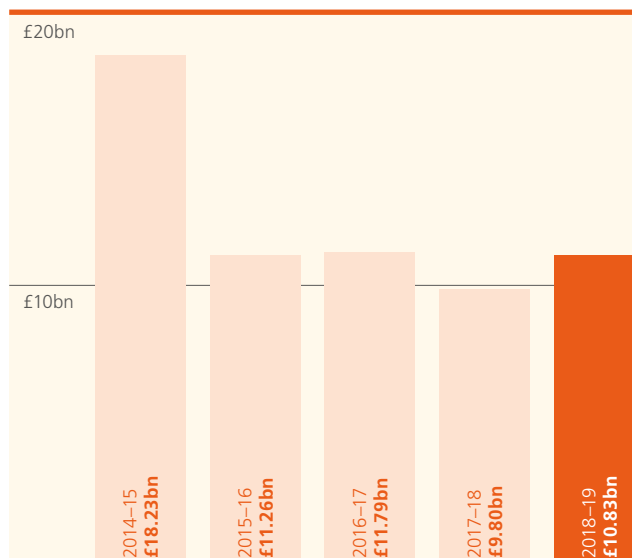
This combination of factors led to us agreeing the revised target with HM Treasury.

Our target for 2019–20 is to deliver £11 billion of Net Financing, in a range of £8 billion to £14 billion.

A tight ship

As well as providing a substantial contribution to the public purse, this was delivered cost-effectively. In 2018–19, the administration cost for managing every £100 of stock we hold was 7.8p (compared with 8p in 2017–18). We remain on track to achieve our 2015 Spending Review target of reducing real-term costs by 25% by 2020.

Net Financing



Highlights



£10.8 billion

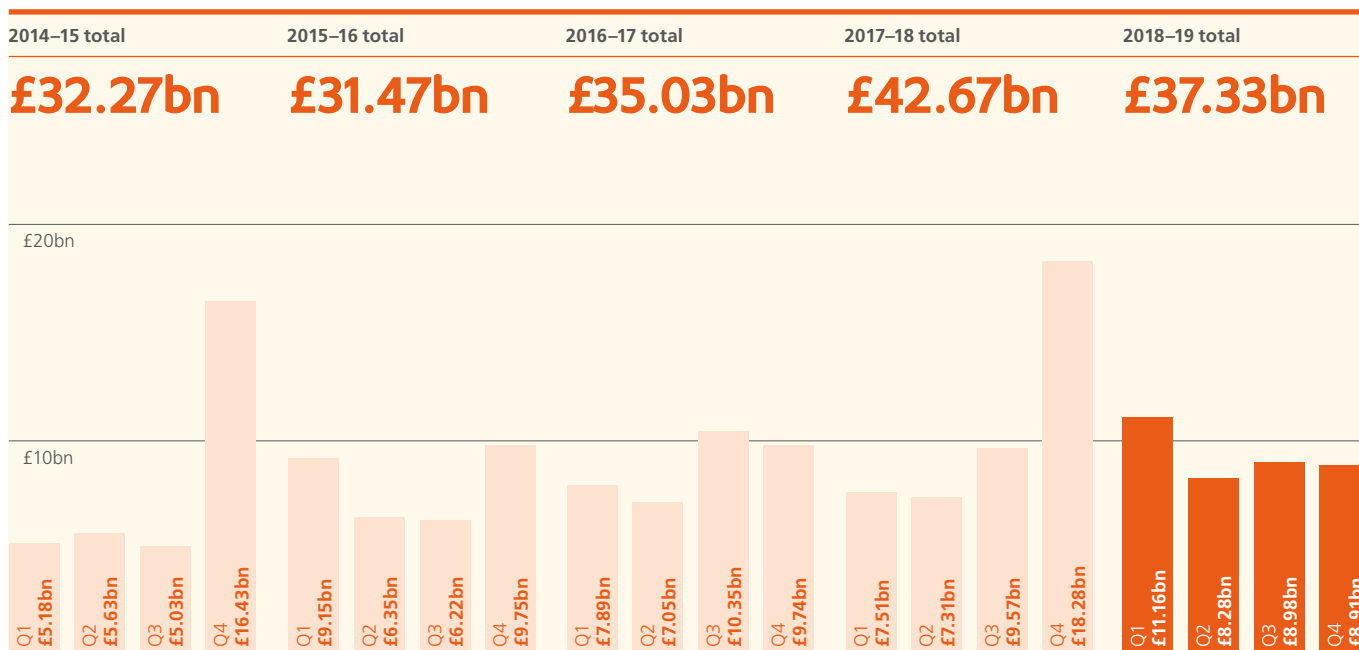
Net Financing delivered



105,000

people signed up to Help to Save

Gross inflows to NS&I (£bn)



When raising debt financing, the Government has the option of doing this either through NS&I or through the sale of government bonds (e.g. gilts) in the wholesale market. To compare these options is difficult because the products and the customers are different.

We use a Value Indicator to do this, which represents an indication of our cost-effectiveness in raising finance for the Government. In general, the Value Indicator 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.

The end of year Value Indicator figure in 2018–19 was £12.8 million, compared with the target of £125 million with a floor of £0 (zero). The lower limit is important because it allows NS&I to continue to balance the interests of its savers, taxpayers and the stability of the broader financial services sector through a period of low gilt yields.

Whilst some of the Value Indicator result was lost to product pricing, the main reason for the low result in 2018–19 compared to the target was because actual gilt yields were lower than our forecasts at the time the target was set in March 2018.

I am pleased that we still delivered a positive Value Indicator result despite these challenging conditions in the gilt market.

Setting an example

Our value to government – and to taxpayers – extends beyond our retail savings operation. Over recent years, we have become an important partner in the cost-effective delivery of government services and recently, of new savings policies.

This year, we worked with HMRC to ensure the successful delivery and launch of the Help to Save scheme. Designed to offer people on low incomes an attractive and straightforward way to start saving, the scheme was opened to the public in September 2018 and has been cited by both the Infrastructure and Projects Authority and the Government Digital Service as demonstrating excellent joint working and service design. We are making

good progress, with more than 105,000 people having signed up for the Help to Save scheme.

We have also been asked by HM Treasury to take over the administration of the Help to Buy ISA. Both schemes are designed to encourage saving, so are firmly aligned with our purpose to inspire a stronger savings culture.

In addition to service delivery, April 2018 saw the first meeting of a new cross-government group, the Retail Customer Financial Services Forum. Initiated by NS&I, the Forum brings together a range of organisations across government, including arm's-length bodies, that are involved in the provision of financial services to the public.

The objective of the Forum is to improve the efficiency of the delivery of financial services by the member bodies, by exchanging best practice and working together where appropriate. As well as quarterly meetings of the Forum, several working groups have been set up to address specific issues.

More ways to win

While engagement across government offers exciting opportunities to shape policy and encourage the habit of

“Help to Save really aligns with our strategy. It shows that delivering for government can help us to work towards our purpose of inspiring a stronger savings culture.”

saving, we're also looking at ways to use our own products and services to support a stronger savings culture.

In the 2018 Budget, the Chancellor of the Exchequer announced a number of changes to Premium Bonds. We wanted to make it easier for customers to start saving and therefore we have reduced the minimum investment from £100 to £25. This change, which took effect in February 2019, is one example of how we can inspire a stronger savings culture across the country: it helps people who want to save little and often, as well as providing an affordable option for those who want to give a one-off gift of savings. We will also be making it possible for any adult – not just parents and grandparents – to buy Premium Bonds as a gift for anyone under 16.

Of course, one of the great attractions of Premium Bonds is the opportunity to win a tax-free prize. In 2018–19 we paid out more than £1 billion and over 37 million prizes in total, including 24 £1 million prizes.

This year, we also completed the latest 'regeneration' of ERNIE, our random number generator, to conduct our monthly Premium Bonds prize draws. ERNIE 5 is much faster than ERNIE 4. Using quantum technology, ERNIE 5 takes just 12 minutes to complete the draw, compared with nine hours for ERNIE 4. Quantum technology also provides greater capacity for ERNIE 5 to keep pace with the growth in the number of Premium Bonds held by customers.

Over recent years, our Premium Bonds prize checker app has proved extremely popular, with more than 249,000 downloads in 2018–19. In February 2019, we made it possible for customers to 'ask Alexa' if they've won a Premium Bonds prize: this also offers an additional channel for people

who find it difficult to access our other digital channels. We are one of the first financial services organisations to use the voice command tools provided by Alexa for Premium Bonds.

As well as allowing us to meet changing customer expectations, investment in these innovations supports our long-term goal of encouraging customers to engage with us via digital channels, which are faster and more responsive than paper-based interactions, better for the environment and cost less to run.

By the end of March 2019, 96% of sales were made using digital channels – up from 78% last year. This means that we achieved our long-term goal of retail channel shift to digital channels (phone and online) of at least 75% by 2018–19.

16.8 million people in the UK have less than £100 of savings.

Changing the calculations

In October, we announced a change in the way we will calculate interest for Index-linked Savings Certificates. From 1 May 2019, existing holders of Index-linked Savings Certificates who renew into a new term will receive index-linking based on the Consumer Prices Index (CPI) measure of inflation, rather than the Retail Prices Index (RPI). We are also applying this change from RPI to CPI to our older index-linked extension terms.

By indexing new investments to the CPI, savers who hold this product will still have protection from inflation. At the same time, this change recognises the reduced use of RPI by successive governments and is in line with NS&I's need to balance the interests of its savers, the cost to the taxpayer, and the stability of the broader financial services sector.

Highlights



£1 billion

Amount paid out in Premium Bonds prizes in 2018–19



249,000

Premium Bond app downloads in 2018–19



£25

Minimum investment in Premium Bonds reduced from £100 to £25

Highlights

 £100
7.8p

Efficiency ratio



5.4 million

Number of sales made using digital channels



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



Extended Atos contract by three years



Achieved Customer Contact Association accreditation for the 11th consecutive year

Customer service

Changes to the customer experience – often, but not always, as a result of specific customer feedback – are crucial to keeping our customers satisfied. We have made several small service changes this year which have had a big impact on customers, including the introduction of web chat and several open banking initiatives that make it easier for customers to pay into NS&I accounts. These changes helped to ensure that we met our target for customer satisfaction.

We were delighted to retain the top spot for the banking and finance sector in the Top 50 Companies for Customer Service awards, for the third consecutive year. This was one of five awards we won, including third place for overall customer service. We also achieved Customer Contact Association (CCA) accreditation for the 11th consecutive year, along with an award from the CCA for our long-term commitment to accreditation.

Frustratingly for some of our customers, they experienced a significant service issue at the end of October, which meant their BACS payments were delayed. We recognise that some customers were inconvenienced by these technical issues and we have apologised to those who were affected. The back-up systems and processes in place did not work as expected so the problem took longer to fix than we would have liked.

Working with our operational partner, Atos, we have taken a series of steps to minimise the likelihood of similar incidents occurring in the future. We reviewed our full business continuity provision to pinpoint and address any potential weaknesses. That has included examining any services provided to Atos by sub-contractors.

Our partnership with Atos

Our current outsourcing contract with Atos – to deliver our customer-facing operation – runs to 2021. This year, after careful review, we decided to exercise the option

to extend this contract to 2024.

This contract remains central to the way we work and the Atos team has embraced our new strategy and values while continuing to meet service targets. The contract extension will help us to continue reducing the operating costs of the business, give us time to further transform NS&I and invest in service and efficiency improvements.

Refreshed culture, same outstanding reputation

This year, three new Executive Directors joined us: Finance Director Urvashi Bhagat, Risk Director Paul Henry and Partnership Director Matt Smith. We also welcomed Jill Lucas as a new Non-executive Director. Each of these new colleagues brings outstanding skills and experience in their field, and they are shaping our culture as we move forward.

I would like to thank Gareth Headon, Chloe Bowes and Mark Keene, some of our Assistant Directors, for stepping up to interim roles on the Executive Committee during 2018–19.

Our people are not only our most important asset, but are ambassadors for NS&I. So it was pleasing that in this year's Civil Service People Survey, we retained our position as a 'high-performing' department: the overall engagement score was 67%, the same as in 2017–18.

It is also pleasing to receive positive external feedback. According to the respected Reputation Institute, from an already high Reputation Index of 71.1 at the end of 2017, NS&I's reputation has continued to improve and closed 2018 at 76.6. This placed NS&I significantly ahead of the public sector average in 2018 (65.8).

Key issues and risks

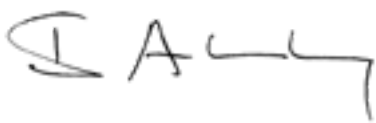
NS&I's approach to risk management is guided by the provisions set out in *The Orange Book: Management of Risk – Principles and Concepts*, published by HM Treasury. Central to NS&I's approach to risk management is a 'three lines of defence' arrangement,

ensuring that risks are managed at the most appropriate place and that robust assurance is achieved. More detail is set out on pages 62 to 65 in the Accountability Report.

Ready for the next step

On the back of a successful year, we look forward to the further development of our infrastructure and our capability to deliver Inspire & Invest. We are now preparing to change the way we use IT, altering the architectural balance between that which is delivered by the core and that which is disaggregated. The outcome will be increased resilience, control and flexibility – so that customer data is even more secure and future change can be faster. This work will be carried out in the context of the affordability challenges posed by the forthcoming Spending Review.

Over the following pages of this report, we will discuss in more detail the progress we have made this year against all six of our Inspire & Invest strategic aims. As well as sharing our performance with you, I'm delighted that this year's Annual Report also includes the perspectives of some of our customers and colleagues, providing a fuller picture of our work and its impact.



Ian Ackerley

Chief Executive

National Savings and Investments

12 June 2019

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

		2017–18	2018–19	2019–20
Delivering for government and Using our insight and policy expertise to meet our customers' needs	<p>1 Net Financing⁽¹⁾</p> <p>Goals and objectives To raise an amount of Net Financing within an agreed range</p> <p>Measure Absolute amount of Net Financing from NS&I products</p>	<p>Performance £9.8 billion</p>	<p>Target £9 billion (+/- £3 billion)</p> <p>Performance £10.8 billion</p>	<p>Target £11 billion (+/- £3 billion)</p>
	<p>2 Value Indicator⁽²⁾</p> <p>Goals and objectives To deliver value to government when compared with equivalent wholesale funding costs</p> <p>Measure Absolute amount of value from NS&I products as calculated by the Value Indicator⁽²⁾</p>	<p>Performance £229 million</p>	<p>Target £125 million with a lower limit of zero (excluding Investment Guaranteed Growth Bonds and 65+ Bonds)</p> <p>Performance £12.8 million</p>	<p>Target £20 million with a lower limit of zero</p>
	<p>3 Customer service – operational delivery</p> <p>Goals and objectives To exceed the threshold level of both timeliness and accuracy</p> <p>Measure Average performance against contractual key performance indicators (KPIs)</p>	<p>Performance 99.71%</p>	<p>Target At least 95%</p> <p>Performance 99.63%</p>	<p>Target At least 95%</p>
Delivering digital first products and services for our customers	<p>4 Customer service – online availability</p> <p>Goals and objectives To exceed the threshold level of online availability</p> <p>Measure Percentage of time, excluding planned downtime, that customer-facing marketing and transactional websites are available</p>	<p>Performance 99.85%</p>	<p>Target At least 99%</p> <p>Performance 99.84%</p>	<p>Target At least 99%</p>
	<p>5 Customer satisfaction⁽³⁾</p> <p>Goals and objectives To exceed a threshold level of satisfaction with customer service and overall experience received from NS&I</p> <p>Measure Overall satisfaction with NS&I's service – as measured through EvaluAgent⁽³⁾</p>	<p>Performance 83.5%</p>	<p>Target At least 84%</p> <p>Performance 84.3%</p>	<p>Target At least 85%</p>
	<p>6 Customer Contact Association (CCA)⁽⁴⁾ Global Standard[®] V6 accreditation</p> <p>Goals and objectives To maintain our current CCA Global Standard[®] v6 accreditation following the annual external assessment</p> <p>Measure A respected independent customer service standard, widely used by other organisations with a contact centre operation</p>	<p>Performance Met</p>	<p>Target Maintain accreditation</p> <p>Performance Met</p>	<p>Target n/a⁽⁴⁾</p>

(1) The original Net Financing target for 2018–19 published in the NS&I 2017–18 Annual Report was £6 billion (+/- £3 billion). However, in the Budget on 29 October 2018, this was revised to £9 billion (+/- £3 billion).

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

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

Our performance in 2018–19

		2017–18	2018–19	2019–20
	7 Digital first 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 – as measured through EvaluAgent ⁽³⁾	Performance n/a	Target n/a Performance 60.6%	Target 65%
Delivering efficiently	8 Efficient administration of funds Goals and objectives To improve the efficiency of administering total funds Measure Ratio of total NS&I administrative costs that are funded by Resource DEL to average funds invested by customers	Performance 8.0 basis points	Target Less than 9 basis points Performance 7.8 basis points	Target Less than 7.5 basis points
	9 Fraud⁽⁵⁾ Goals and objectives To minimise the cost of fraud Measure The cost of fraud as a percentage of total average stock	Performance 0.00016%	Target Below 0.001% of average funds invested by customers Performance 0.00015%	Target Below 0.001% of average funds invested by customers
	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	Performance 0.15%	Target Less than 0.5% of total complaints raised found to be upheld against us by the FOS Performance 0.34%	Target Less than 0.5% of total complaints raised found to be upheld against us by the FOS
Being inspiring and empowered	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.* To improve our ethnic diversity at Bands 4 and above: via employee survey data, the percentage of NS&I employees who have disclosed as BAME (Black, Asian, Minority Ethnic).* *Weights are 0.50 each.	Performance n/a	Target 34.5% (+/-5 percentage points) Performance 33.5%	Target 36.5% (+/-5 percentage points)
	12 Employee engagement Goals and objectives To fulfil our Inspire & Invest aim of being 'Inspiring and Empowering' Measure Level of employee engagement in the anonymous Civil Service employee survey, independently run and validated by the Cabinet Office	Performance n/a	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

(4) CCA Global Standard V6 accreditation will be deleted from the SDMs. Although we will continue to assess ourselves against this standard, given that we have achieved it every year since 2007, we do not believe retaining the annual test is effective as an SDM, as it does not demonstrate our continual improvement or areas of challenge. We are adding a new digital first metric, which measures the volume of digital transactions completed by customers where the option exists for them to do so.

(5) Following the commencement of the new contract on 1 April 2014, Atos, NS&I's operational services provider, is liable for any fraud losses that are incurred. The fraud losses borne by Atos in the financial year 2018–19 were £239,259. Compared on a like-for-like basis against 2017–18, net fraud losses in 2018–19 were 1% higher. In addition, the controls we have in place to combat fraud have resulted in attempts with a total value of £16,981,483 being prevented, up by £5,770,466 from prevented losses in 2017–18. 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.

Highlights



99.3%

Number of bills paid within 30 days



How did we spend 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 delivery partner, under a Public Private Partnership contract.

As in previous years, we stayed within all the spending limits set by Parliament. In 2018–19, we spent £127.2 million, which is £6.2 million lower than the amount allocated by Parliament in the 2018–19 Estimate and £6.8 million higher than the amount we spent in 2017–18.

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

Financial position

At 31 March 2019, NS&I's total assets less total liabilities were £41 million, £2.3 million higher than at 31 March 2018. Non-current assets decreased by £0.9 million, primarily due to an increase in intangible assets offset by decreases in other categories of non-current assets. Total liabilities, excluding client funds, fell by £4.3 million.

Payment of suppliers: policy and performance

We are committed to a policy of prompt payment and to the Government's Prompt Payment Initiative. We endeavour to pay all suppliers within 30 days of acceptance of the relevant goods and services, or receipt of a legitimate invoice if that is later. In 2018–19, we paid 99.3% (2017–18: 96.5%) 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.



For more details, see the full Statement of financial position on page 95.

Comparison of outturn with Estimate⁽¹⁾

	2018–19 Outturn	2018–19 Savings compared with Estimate	2017–18 Outturn	2017–18 Savings compared with Estimate
	£m	£m	£m	£m
Net resource requirement	127.2	6.2	120.4	13.5
<i>of which:</i>				
Departmental Expenditure Limit (DEL) ⁽²⁾	127.3	2.8	121.1	9.5
Annually Managed Expenditure (AME) ⁽²⁾	(0.1)	3.4	(0.7)	4.0
Non-budget adjustments ⁽³⁾	(7.5)	7.5	0.2	(0.2)
Net operating cost (Accounts)	119.7	13.7	120.6	13.3
Capital expenditure (CDEL)	0.0	0.6	0.0	2.0
Non-budget adjustments ⁽³⁾	20.9	(20.9)	17.8	(17.8)
Total capital expenditure (Accounts)	20.9	(20.3)	17.8	(15.8)
Net cash requirement	121.4	13.2	116.0	21.4

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

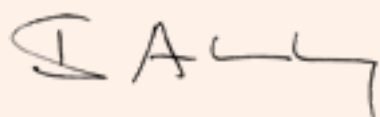
(2) See the Glossary on pages 134 to 137 for definitions of these terms.

(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⁾

	2018–19 £m	2018–19 £m
Lower depreciation costs	2.1	
Other differences	0.7	
Total DEL underspend		2.8
Lower requirements for provisions	0.3	
Lower revaluation charge for NS&I properties	3.1	
Total AME underspend		3.4
Total underspend against Estimate		6.2

(1) Figures are presented here to the nearest £0.1 million. Note SoPS1.1 on page 85 provides figures to the nearest £1,000.



Ian Ackerley

Chief Executive

National Savings and Investments

12 June 2019



Let's get people saving with our new strategy, Inspire & Invest.

This was the first year of our strategy Inspire & Invest. Over the following pages, you can see the progress we've made towards each of our six cross-cutting strategic aims.



Delivering for government

Page 22



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

Page 32



Delivering efficiently

Page 36



Delivering digital first products and services for our customers

Page 26



Doing the right thing

Page 40



Being inspiring and empowered

Page 44



Delivering for government

▶ Visit nsandi-corporate.com to hear Kaye's story



Do you think the Help to Save scheme has helped you to save regularly?



"The Help to Save scheme encourages you to become a dedicated saver and that saving regularly pays off. And it's such an easy system to use. It's all online, you make the payment from your card. The first thing that surprised me was the amount of interest you get on the savings account. I thought it was fantastic. Now our goal is to get on the property ladder. Our dream is to have a house with a garden for the children."

Kaye

Help to Save customer





Highlights



400,000

families now benefit from the
Childcare Choices service



105,000

people signed up
to Help to Save

**For over 150 years, NS&I has provided the
Government with a flexible source of funding.
In 2018–19, that amounted to £10.8 billion.
Our role is recognised as an important part of the
Government’s financial management and planning.**

The financing we generate for the Government remains our core objective, but it is not the only one. In recent years, we have been asked to help deliver, through our retail operation, major policy initiatives, such as 65+ Guaranteed Growth Bonds which were introduced to provide older savers with better returns at a time of low interest rates. Through our business-to-business services, we deliver administration services for the Help to Save scheme, which aims to encourage people with low incomes to save.

Saving taxpayers’ money

Since 2010, we have also delivered for government through NS&I Government Payment Services, which allows other public sector bodies to benefit from our expertise and resources in payment processing. Rather than having to invest in their own payment systems, they can choose to use our infrastructure, reducing the costs of service delivery and typically meaning that new services can be up and running more quickly.

- Since 2011, we have processed payments for the Court Funds Office (CFO), providing a high-quality service while reducing costs to the CFO by over 40%. We delivered strongly on our key performance indicators (KPIs) this year.
- In April 2019, a long-running contract on behalf of the Home Office came to its intended end. Under this contract, over the past five years, we have handled payments related to in-country immigration applications. During this time, we processed more than 3 million payments and helped reduce the

costs of managing the service by around 10%. We worked with the Home Office team to ensure a successful transition to what is now an automatic online service.

- We work in partnership with HMRC to deliver the Childcare Choices service, providing a single portal for working parents to apply for both Tax-Free Childcare and 30 hours of free childcare. More than 400,000 families now benefit from the service. Despite some delayed payments when we had a service issue in late October, and some other service issues, the portal and supporting processes have generally worked well for customers and childcare providers this year.

**i See the opposite page
for more details.**

Trusted by the Treasury

In April 2019, we took on responsibility for providing payments under the Help to Buy ISA and Mortgage Guarantee Scheme. The service, devised by HM Treasury, has been running for some time, and over the coming years we will reduce the cost of running this service.

Being chosen by HM Treasury to deliver this high-profile service, where timely payments are critical, underlines our growing reputation as a trusted partner for government in cost-effective service delivery. It also fits well with our purpose of inspiring a stronger savings culture.

With research showing that as many as four in 10 UK adults had less than £100 in savings, in 2016 the Government announced the development of a Help to Save scheme.

Making savings simple

Highlights



3.5 million

people are eligible for the Help to Save scheme – so scalability is essential. We conducted a robust pilot programme to ensure that every part of the process was working smoothly before scaling up.

When Help to Save was announced in 2016, research by the Money Advice Service showed that four in 10 (16.8 million) working-age people across the nation lack an adequate savings buffer, with less than £100 in savings available to them at any time.

Specifically aimed at those on low incomes, the premise was straightforward: anyone who is in work, and receiving tax credits or Universal Credit, would be entitled to open a Help to Save account. After two years, the Government will add 50p to every £1 saved – effectively a return of 50%, up to a maximum payment of £1,200. Customers can have a maximum of two two-year terms under the scheme.

The scheme was also designed to remove common barriers to saving, such as minimum monthly amounts, regular deposits and restrictions on withdrawals.

In January 2018, we were appointed to deliver the scheme in partnership with HMRC. HMRC manages the initial application process, confirming eligibility; we then set up the customer account and manage payments in and out.

In September 2018, the scheme went live and by 31 March 2019, more than 105,000 people had joined.

The process is proving straightforward and customer feedback has been excellent – as Kaye’s experience demonstrates. Two independent reviews – conducted by the Government Digital Service and the Infrastructure and Projects Authority – have described the delivery of Help to Save as an exemplar for collaborative working in government.

“We have a close collaborative relationship with the NS&I GPS Help to Save team – this is a really positive example of cross-departmental programme delivery. Excellent customer experience is our priority and we have worked together to deliver high levels of customer satisfaction.”

Victor Palombo
Digital Service Manager, HMRC

We worked with HMRC to ensure that we applied all the lessons learned from working together, significantly simplifying Help to Save and ensuring an extremely smooth launch and customer experience.



Delivering digital first products and services for our customers

▶ Visit nsandi-corporate.com to hear Simon's story



Tell us about your buying experience of Premium Bonds and your experience with the Prize Checker app.

A

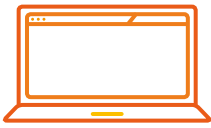
"Premium Bonds is one of the easiest financial products I've ever signed up for. I love the Prize Checker app – it's fantastic. I check in every month, maybe even once a week just to see how many days it is to the next draw. I love how it tells me how many days there are to go. I have my set routine of doing things every morning: I get up, I check the news but on prize draw day, the first thing I check is the Prize Checker app."

Simon
NS&I customer





Highlights



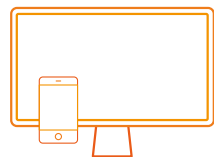
76.9%

of interactions were digital – meaning we exceeded our target



166,000

Web chats in the first seven months



93%

of new Premium Bonds customers who have invested £25 made their investment online

ERNIE

5

Launched in March 2019, using state of the art quantum technology

Over recent years, we’ve worked to make it as easy as possible for customers to save with us. The core of this has been to adopt a digital first approach – enabling customers to buy our products and check their accounts online and receive prizes directly into their bank accounts. Transactions are faster and cost us less to manage, meaning we can meet customer expectations while generating savings for taxpayers.

In 2014–15, we set a target that by 2018–19, 75% of all retail customer interactions would be digital – meaning online or via the telephone. At the time, 40% of our sales were postal or via the Post Office®. At the end of March 2019, 76.9% of interactions were digital – meaning that we exceeded our target.

“Simpler, faster, safe: that’s what digital first means for us.”

The greatest change has been in sales: 96% are now digital, as are 95.6% of all inbound interactions. The area where we have most to achieve still is outbound interactions – when we contact customers – where 57.8% are digital. We’re working hard to change that; for example, this year we made it possible for customers to reset their password without having to send them a letter.

Making time for a chat

In September, we added a web chat service. Already, we’ve managed more than 166,000 web chat interactions. This is growing rapidly and early indications are that it is becoming the preferred channel for many of our customers. Meanwhile, our Twitter help channel remains extremely popular with users, with satisfaction rates at 94.2% as of March 2019.

In 2019–20, we will be introducing secure messaging on our website, which will allow us to provide targeted help to customers who

otherwise might require a paper-based interaction. They will be able to share account details over the secure messaging system, which will overcome the security risks that email introduces.

Small changes, big impact

After introducing two new products last year and bringing two more back on sale, this year we did not add to our product range. However, we changed some rates and product features. These changes were in line with our operating framework to balance the interests of our savers, taxpayers and the stability of the broader financial services sector.

- In June, we reduced the maximum amount savers could invest in our Guaranteed Growth Bonds and Guaranteed Income Bonds from £1 million to £10,000. These popular products had been on sale for over six months, spread across two financial years. We took the decision to reduce the maximum investment limit so that they could remain on sale.
- In October, we announced that, from 1 May 2019, we would use the Consumer Prices Index (CPI) instead of the Retail Prices Index (RPI) to calculate returns on Index-linked Savings Certificates. This is discussed in more detail in the Chief Executive’s overview on page 13.

Our product range

	Status (at 31 March 2019)	Tax-free	Fixed rate	Monthly income	Manage online and by phone	Manage by post	Annual statement
Children's Bonds ⁽¹⁾	Closed	●	●		●	●	●
Direct ISA	On sale	●			●		●
Direct Saver	On sale				●		●
Fixed Interest Savings Certificates ⁽²⁾	Not currently on sale	●	●		●	●	●
65+ Guaranteed Growth Bonds	Not currently on sale		●		●	●	●
Guaranteed Growth Bonds (purchase online only)	On sale		●		●	●	●
Guaranteed Income Bonds (purchase online only)	On sale		●	●	●	●	●
Income Bonds	On sale			●	●	●	●
Index-linked Savings Certificates ⁽²⁾	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) Closed to new sales on 24 September 2017. Closed to renewals at maturity from 26 April 2018.

(2) Renewals at maturity still permitted.

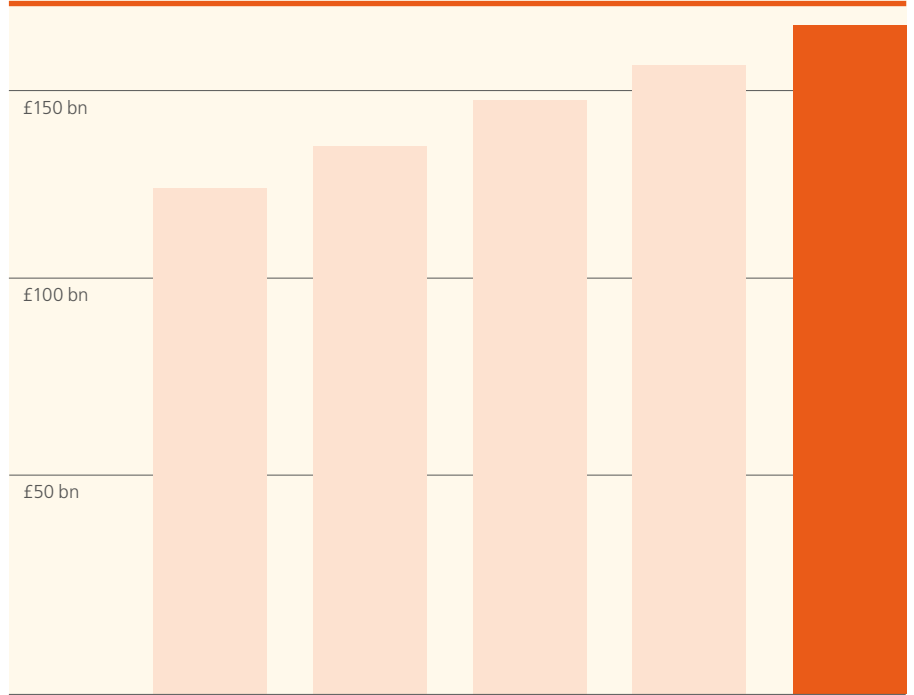
– Also in October, at the 2018 Budget, the Chancellor confirmed that the minimum investment in Premium Bonds would be reduced from £100 to £25; that the ability to buy Premium Bonds as a gift would be extended to all adults; and that a new app would be developed.

During the year, we also made changes to interest rates on a number of products. In July, we took the difficult decision to reduce the interest rate on our Direct ISA by 0.25%. To balance the interests of the customers who receive the return with the taxpayers

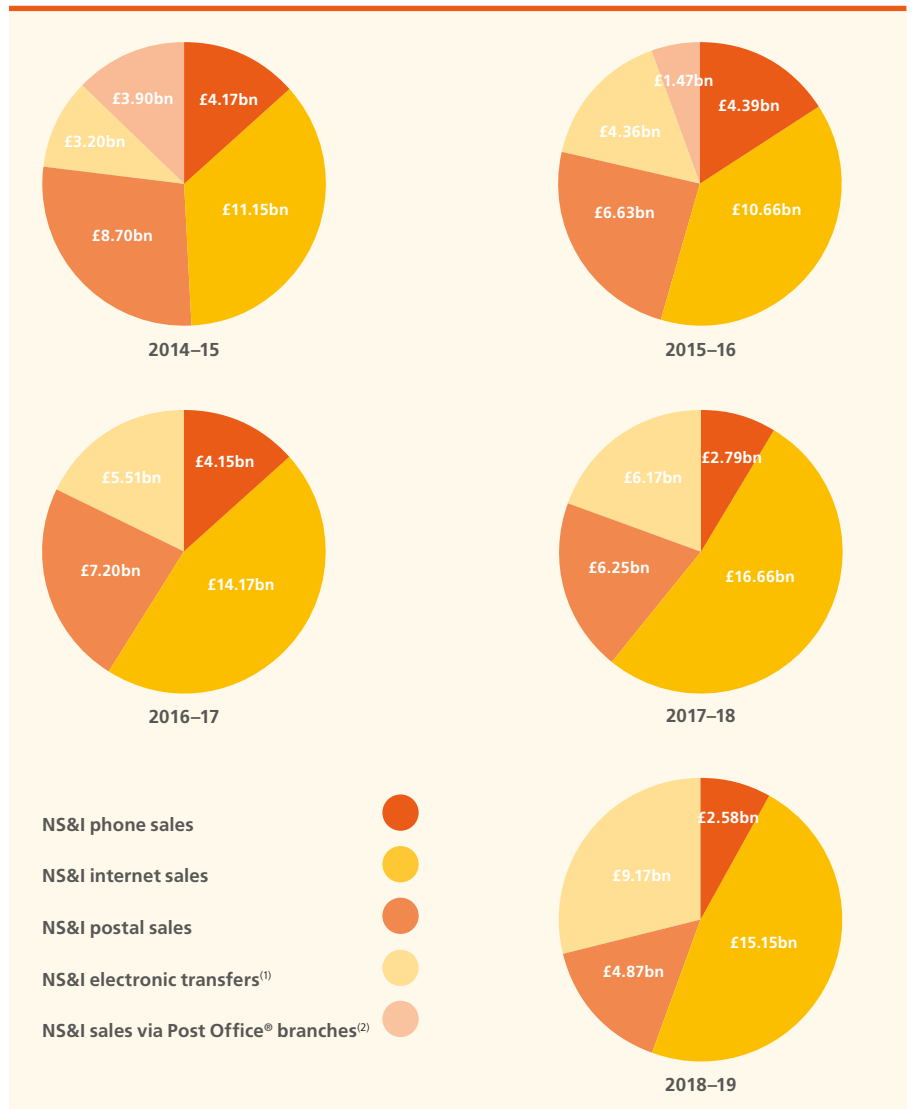
who fund it, on this occasion we made the decision that reducing the interest rate on Direct ISA was the right thing to do.

In August, we announced increases to the interest rates on Income Bonds, Direct Saver and Investment Account. This followed the Bank of England raising the base rate by 0.25%. It meant that inside a year, customers of these products had seen a rate increase of up to 40 basis points – in line with, or better than, many market competitors, while allowing us to meet our operating framework.

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



Sales performance by principal channels



(1) This is BACS, CHAPS and Faster Payments.
 (2) NS&I sales via Post Office® branches stopped on 31 July 2015.

More than 20 million people in the UK hold Premium Bonds – making it one of the UK’s most popular savings products. The attractions are clear: 100% security, instant access and the chance to win tax-free prizes, including the £1 million jackpot – two of which are paid out every month.

Anyone can be a winner



Going paperless

NS&I customers have saved more than 5.5 million pieces of paper since we introduced the option to have Premium Bonds statements and records provided as PDF documents. If laid out end to end, that's further than the distance between Land's End and John O'Groats.

In recent years, we've increased the maximum value of Premium Bonds any individual can hold, to £50,000. We've also applied our digital first principles to enhance the product, enabling people to buy online, check whether they've won via our Prize Checker app and receive prizes directly into their bank account.

While these changes have attracted new customers, they have been most welcomed by those who already see Premium Bonds as a key part of their savings portfolio. This year, we have introduced further changes designed to make Premium Bonds more accessible and attractive to a wider range of customers.

Intergenerational saving

In August, we introduced the facility for grandparents to purchase Premium Bonds online for their grandchildren. This was something that we had received a lot of requests for and it proved popular immediately.

– From February 2019, we reduced the minimum purchase from £100 to £25. This effectively reduces the cost of entry to the prize draw. It also makes it easier for people to purchase Premium Bonds as a means of regular saving, via a standing order.

– We will also be making it possible for any adult to buy Premium Bonds online as a gift for anyone under 16 – allowing uncles, aunts and godparents to do what parents and grandparents already can.

Ask Alexa about ERNIE!

Today, more than a third of Premium Bonds prizes are paid directly into customers' bank accounts. Some customers tell us that a BACS payment doesn't replicate the excitement of a cheque arriving in the post. We're therefore introducing other ways to generate that same excitement. This year, the popular Prize Checker tool was downloaded more than 249,000 times and customers now have the option to 'ask Alexa' if they have won. We also invite customers to share their #ERNIEmoments via social media – take a look at some of our favourites.

“We see Premium Bonds as a great way of introducing people to saving.”

Ian Ackerley
Chief Executive, NS&I



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



What are your motivations for saving?



"We're getting married in the summer so we've been busy pulling money together from all over the place to help pay for our wedding. Because we knew we had to spend it this summer, we thought, 'OK, where's the best place to put it where it's got the potential to earn big but without any risk at all?' Premium Bonds was perfect: to have your money there and know it's safe... but also with the potential to maybe win something that could change our lives and make this summer even more exciting!"

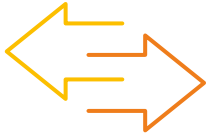
James and Olivia
NS&I customers





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

Highlights



88 million

Number of interactions handled per year



84.3%

Customer satisfaction



82.2%

Customer ease score

NS&I has 25 million customers. This gives us a wealth of practical experience, a deep understanding of what matters to savers and extensive knowledge of the innovative technology and solutions that have become available in the market. Our strategic aim is not only to apply all that experience to our own products and services, but also to enable the rest of government to benefit from our insight in developing and delivering their policies.

We gather insight in a range of ways, including customer research, media analysis, direct feedback and complaints. We also learn from customer behaviour and make changes based on our own experience of what proves popular in terms of sales and uptake.

Listening and learning

We constantly evolve our service channels in line with these insights. We have made it possible for customers to receive a temporary password by phone or online, rather

than having to wait for one to be posted. This had a direct impact on overall customer satisfaction, as it meant that customers who were locked out of their account could quickly access it to buy products before a specific deadline, such as the next Premium Bonds draw date.

We met our overall target for customer satisfaction, and the end of year figure was 84.3%, which compares well with financial services benchmarks. We also measure customer effort, as a way of assessing our progress in simplifying the customer experience. This year, the customer ease score was 82.2%.

“It’s a new area for us, and we’re really enjoying the opportunities.”

Working with financial advisers

It is important that we work closely with financial advisers throughout the UK to look after the interests of our mutual customers and ensure they receive the service and advice they need.

Over the last few years, many advisers have told us that they want to be able to see information on their clients’ NS&I holdings, so that they are fully informed enough to ensure they are giving their customers the correct advice and service. In 2018 we launched an enhanced phone service to partly address this need, and then in February 2019 the capability was also built into a new online adviser portal that makes this information instantly available to authorised advisers. This will make it much easier for advice firms to deal with NS&I going forward, to the benefit of our mutual customers.



Many different public sector organisations, such as the Student Loans Company and the new Single Financial Guidance Body, provide some kind of retail customer financial service or guidance. However, until this year, there was no single vehicle for all of us to discuss our experiences and expertise around policy and delivery.

Joining together

In April 2018, we established a new Retail Customer Financial Services Forum for all of these bodies. This is an opportunity to come together once a quarter and share insight and best practice, as well as identify opportunities to work together, where this can improve service.

The Forum now has working groups focusing on issues of shared interest, such as the technology we use to authenticate our customers, and our research and insight into customer behaviour.

Many arm's-length bodies are solely focused on providing a particular service to a particular customer group, such as the Student Loans Company. That gives them a deep insight into their customers: what motivates them, how best to communicate with them, and what barriers they face in terms of managing their finances.

For organisations like NS&I, which has a broader customer base, this kind of additional targeted insight is invaluable as we seek to encourage younger people to get into the habit of saving.

“As an arm’s-length body, (ALB) it is vital that we use our resources as effectively as possible and for the public good. We have been delighted to have had the opportunity to work with NS&I and other colleagues across a range of other government bodies and regulators through the Forum – it has enabled us to learn from each other, share ideas for research and innovation and develop our services so that we can better serve and support the people who need us.”

Charlotte Jackson

Head of Pensions Guidance and
Interim Chief of Staff, Money and
Pensions Service



Delivering efficiently

▶ Visit nsandi-corporate.com to hear Samuel's story



Tell us how you use technology for banking.

A

"I bought my Premium Bonds online and I log in to my account regularly when I get those prize draw emails and check to see how much I've won. Everything I do with NS&I is online. That excitement is getting that email – that ERNIE email – to say you've won and check your account, always hoping it's going to be the big one. Unfortunately, it hasn't been so far but you never know – one day!"

Samuel
NS&I customer





Highlights



£12.8 million

Value Indicator

 **£100**

7.8p

Efficiency ratio

NS&I is a highly efficient organisation. Each year, we measure our efficiency ratio – the costs of managing the money invested with us. In 2018–19, it cost us just 7.8p to manage every £100 of stock.

There are several factors that have helped us to achieve these efficiencies:

- the shift towards lower-cost digital channels for sales and service
- our transformation programme, investing in process automation and new IT systems that help us to manage everyday transactions more smoothly
- the services we deliver for other government departments (our business-to-business services), which contribute to our operating costs and reduce our reliance on the taxpayer.

Right, on time

Our operational partnership with Atos helps us to deliver our strategic aims. The core requirements of the partnership are to process transactions cost-effectively and provide outstanding customer service. We measure the latter requirement through our Service Delivery Measures for customer service accuracy and timeliness; and targets overall were met this year.

Atos has been instrumental in the service changes introduced this year and in preparing for forthcoming changes. As well as being pivotal in the

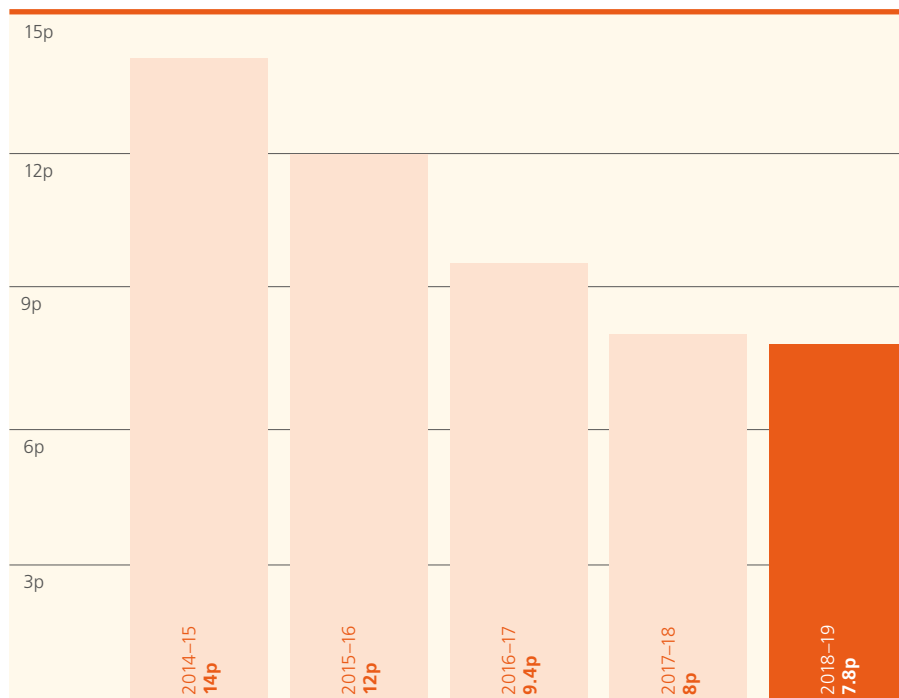
successful launch of Help to Save and the deployment of ERNIE 5, Atos led the delivery of our web chat service, supported by experienced members of our contact centre team, who have deep knowledge of our products and services.

Three more years

We decided this year to exercise our option to extend the contract with Atos for a further three years, up to 2024. This option was built into the initial contract, which runs to 2021. The extension gives us more time to continue to transform the business in order to improve our customers' experience, while also lowering our operating costs.

“We have to be really innovative and drive down costs where possible.”

Efficiency ratio over five years⁽¹⁾



(1) For every £100 of stock held the administration cost was 7.8p.



Doing the right thing

▶ Visit nsandi-corporate.com to hear Matthew's story



Tell us about your experience with NS&I's customer service.

A

"I had to phone NS&I because I'd forgotten my password. They were the sort of people who wanted to be doing what they were doing. It reminded me of when I worked in the hospitality business. I have to say they were very positive and very helpful. It was almost entertaining, in a positive way... and I didn't feel like the idiot I thought I was for forgetting my password!"

Matthew
NS&I customer





Highlights



£50 million

reclaimed in 2018–19 through My Lost Account and our own tracing service



0.029%

In 2018–19, only 0.029% of transactions resulted in complaints

Over many years, we have built a reputation for acting responsibly and fairly towards our customers. Our new strategy challenges us to go further: to demonstrate our responsibilities as a corporate citizen and as part of the financial services market.

Keeping your money safe

Today, one of the greatest threats that businesses face is cyber crime. We maintain a range of controls as part of a defence-in-depth approach. This year, as well as preparing for the new General Data Protection Regulation (GDPR), we have made several enhancements to our cyber policies and processes to protect our customers' money.

Responding promptly to complaints

We're proud of the fact that we receive relatively few complaints: it suggests we are providing a good service first time and deal with any issues without customers needing to complain. In 2018–19, 0.029% of transactions resulted in complaints (2017–18: 0.036%). 24.81% of these complaints were resolved in two days and 228 complaints were referred on to the Financial Ombudsman Service (FOS). In 69% of the cases ruled on by the FOS in 2018–19, it found that we had resolved the complaint properly. Our complaints handling process was reviewed again by the Government Internal Audit Agency: although it identified that there was room for

improvement in some areas, it also noted that considerable improvements had been made since the last audit in 2016–17.

Giving everyone a choice

While the majority of our customers are able to interact with us via multiple channels, we know that some of our customers – and potential customers – do not have those choices. To ensure that we offer suitable alternatives for all, we provide material in multiple formats, including large print and braille.

This year, we have also:

- extended training to our service staff to help them recognise potential vulnerabilities and offer additional support, including signposting to relevant services and channels
- updated the information we provide in relation to using powers of attorney to manage NS&I accounts.

Gold Ribbon accreditation

We were delighted to retain the Gold Ribbon accreditation from Fairer Finance for our savings products – with a particularly high score for the transparency of the customer information we provide.



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

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 £3,019 million unclaimed assets in 2018–19, £1,441 million (£1,276

million in 2017–18) of customer holdings in certificates and accounts have other recorded contact, which has resulted in general changes in personal details across the customer's portfolio of products.

Unclaimed assets

£m	Unclaimed assets 2017–18	Unclaimed assets 2018–19
Accounts	479	512
Certificates ⁽¹⁾	1,690	1,818
Income Bonds ⁽²⁾	17	18
Unclaimed Premium Bonds prizes ⁽³⁾	19	20
Residual Account ⁽⁴⁾	639	651
Total	2,844	3,019

(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 111 to 127 of this report.

Getting your cash back to you

Since 2001, we have been a part of 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, using an updated website, the application process was simplified, helping savers to track down a further £50 million of their money that they had lost touch with. We continue to include details of how to trace unclaimed assets in every announcement about Premium Bonds winners, as well as regularly informing the media how customers can trace their funds. In our own operations, we regularly review the contact we have with customers to ensure that we have their correct details.

Buying better

We recognise that we have an opportunity – and a responsibility – to act as a positive influence on our supply chain. When carrying out a tender process to procure a new supplier (or re-procure an expiring contract),

we have now started to ask suppliers to tell us how they align with NS&I's values. We have also ensured that our suppliers are compliant with the Modern Slavery Act. Having decided this year to become a Living Wage Employer, we're working with our suppliers to encourage them to follow our lead in this area. We also ensure that these factors are considered in all new contracts.

NS&I Anti-Bribery and Corruption Policy

It is our policy to conduct all of our business in an honest and ethical manner. NS&I has a nil tolerance towards bribery – we do not tolerate bribery within the organisation, nor do we tolerate it with the people we do business with.

Meeting every standard

Though we are not formally regulated by the FCA, we operate a shadow compliance regime, meaning that we endeavour to comply with regulation where it is relevant to NS&I.



Being inspiring and empowered



What are your highlights of working at NS&I?



Bob: I qualified as an accountant here 30 years ago. It's a great organisation to work for – it gives you great opportunities to develop, and a chance to form a direction for your future career.

Lauren: I've only been here eight months, but I would say something similar. NS&I is a complicated business, but you can just ask questions because everyone's really helpful. And don't be afraid to suggest new ideas either because everyone's very open to them.

Bob: It's an environment where you can challenge. You don't necessarily have to agree. I think the only way you can move forward is to challenge.

Bob and Lauren
NS&I employees





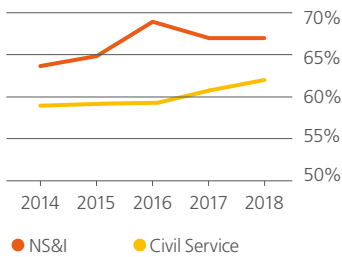
Highlights



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



Diversity Index target met



The introduction of two new people-focused Service Delivery Measures this year underlines how important our people are to our strategy and delivery. We were pleased to achieve our targets for both engagement and diversity and have set a more stretching target for diversity in 2019–20.

High-performing people

Our engagement target relates to performance in the Civil Service People Survey. This year, we retained our position as a ‘high-performing’ department: the overall engagement score was 67%, the same as in 2017–18. As this was the first survey since we introduced our refreshed purpose, values and strategy, we were particularly pleased with the high scores for questions about identification with the organisation’s direction.

We were also very proud to be ranked second overall in the Civil Service for access to learning opportunities. More information about learning and development – in particular, our leadership development programme – is in the next section.

Our Diversity Index target – to retain gender balance at senior management and to improve ethnic diversity in our management and leadership – reflects a longer-term commitment to embed diversity and inclusion at the heart of our business. This year, we continued to implement our Welcoming Diversity at Work plan. We have updated the information we gather about employees to reflect best practice, and included our diversity Service Delivery Measure as an objective for all Executive Committee members.

NS&I continues to be a proud signatory of the Treasury’s Women in Finance Charter and has again committed to

maintaining gender balance in senior management. Our target for increasing ethnic diversity at management and leadership levels is for year on year improvement.

One of the main ways we can increase diversity at management levels is through our recruitment. This year, as well as streamlining application processes, we have refreshed the information about working at NS&I that appears on our website and LinkedIn. As a result, we have seen a higher number of applicants for externally advertised roles and interviewee candidates have specifically commented positively on the information available.

Changed workplace

We refitted our London office to support changes in working practice: all desks are now hot desks and we have a variety of informal and formal settings in the office to encourage collaboration. Colleagues are encouraged to work flexibly where this improves their productivity and work/life balance, and to facilitate new ways of working, we have replaced some of the equipment that is used.

We continue to focus on being a healthy and inclusive workplace. This year, we launched our Thriving at Work action plan, to ensure full compliance with the enhanced standards recommended in the Stevenson/Farmer Review of Mental Health and Employers. In line with the plan, we:

- supported eight staff to be trained as mental health first aiders
- made stress risk assessments available
- held a Feel Good Fortnight, where we promoted mental and physical health initiatives, including the Blood Pressure Association’s Know your Numbers! campaign and winter flu jabs
- provided training for all line managers on how to identify and best help staff who are struggling with stress or mental illness
- participated in the Mind Workplace Wellbeing Index of mental wellbeing in December 2018, achieving a Bronze Award. This highlights that we are on a journey towards better mental health at work and are working hard to develop and implement initiatives that promote positive mental health for staff
- adopted the PERMA Index as a means of benchmarking staff wellbeing. Initial responses indicate that workplace wellbeing has increased and anxiety levels have decreased, compared with last year.

In 2018–19, we actively promoted our Speaking Up policy, including appointing Non-executive Director Sharmila Nebhrajani OBE as Speaking Up champion. In the new financial year, we’ll be working closely with the whistleblowing charity Protect to benchmark our whistleblowing process and ensure that we’re following best practice.

Over recent years, we've made significant changes to our learning and development offer, placing a major emphasis on putting our people in control of their learning. So it was very pleasing to see that in the Civil Service People Survey, 85% of staff said that they are able to access the right learning and development opportunities. This places us well above even the high-performance benchmark.

It's all about opportunity

NS&I has an established talent programme that seeks to identify and nurture future leaders. But we recognise the need to increase awareness of the opportunities around NS&I – opportunities that have grown as a result of our strategy and the target operating model we have developed to achieve our strategic aims.

Discover what's possible

To that end, we have introduced some new initiatives this year that encourage people to explore the wider possibilities for career development with us. These initiatives are not only designed for junior staff, but also for managers to broaden their horizons. The initiatives are:

- The launch of a new work shadowing programme – this enables people to learn more about different roles in the business, including specialist ones. It helps people to see how their existing skills could be useful in other roles and also informs their future learning decisions. To date, 52 people have taken part in the programme.

- The increased availability of coaching and mentoring – an event in October 2018 and February 2019 offered staff a chance to meet potential mentors, who they may not normally deal with in their everyday work. This proved an enjoyable way to break down barriers and resulted in numerous coaching relationships.

Developing talented leaders

In 2018, we launched two new leadership training programmes for senior leaders and managers across the business. In total, 75 colleagues have taken part in our 'Inspire & Invest' or 'Stepping Into Leadership' programmes. As part of our senior 'Inspire & Invest' programme, we carried out detailed leadership assessments and these indicated that senior managers could be better at setting direction and defining good performance. We developed new training modules to address these issues.

As part of our shadow compliance with FCA conduct rules, we also reviewed our senior accountability with a particular focus on making governance more focused and less bureaucratic.



**Looking after
the environment
is everyone's
responsibility.**



Highlights



Maintained performance against key sustainability targets

ISO 14001

Retained ISO 14001 accreditation for our environmental management system



55%

Cut the use of paper cups in the London office by 55%

At NS&I, we see corporate social responsibility (CSR) as a vital part of our Inspire & Invest strategy. Responsible environmental management is one of the five themes of our CSR strategy. While our sustainability performance remains well ahead of government targets for reducing carbon emissions, energy and water consumption, we are continuing to seek ways to minimise our own environmental impact.

We reduced our carbon emissions across all UK sites from 430 tonnes (2017–18) to 423 tonnes. All three sites managed by Atos are on a green energy tariff and at Blackpool and Durham there are also renewable energy sources on site.

Space savers

One of our big projects this year has been refurbishing our London office. We've reduced our space, and made some changes in our technology and working practices. These changes will help as we work towards achieving the PAS 3000 standards by 2020, in line with the Government's property strategy. We are currently working to finalise targets for our next five-year carbon management plan.

This year, we have:

- retained ISO 14001 accreditation for our environmental management system
- reduced the number of printers in our London office by 50%
- introduced 100% recycled paper in all printers and copiers in our London office, reducing costs as we did so

- cut the use of paper cups in our London office by 55%
- introduced new recycling bins to reduce cross-contamination
- put space utilisation sensors in meeting rooms and shared workspaces, to gain a greater understanding of working practices and inform future refurbishments or office changes.

Using our influence

We continue to seek to cut the amount of paper we use in our customer communications, encouraging customers to opt out of printed mailings and receive Premium Bonds prizes directly into their bank accounts. We are working with our supply chain to encourage sustainable ways of working with us.

Giving something back

All employees are entitled to take two Giving Something Back days each year, allowing staff time to contribute to activities in the community in addition to their annual leave. This year, staff have taken part in various community activities, including support for local environmental initiatives and becoming school governors.

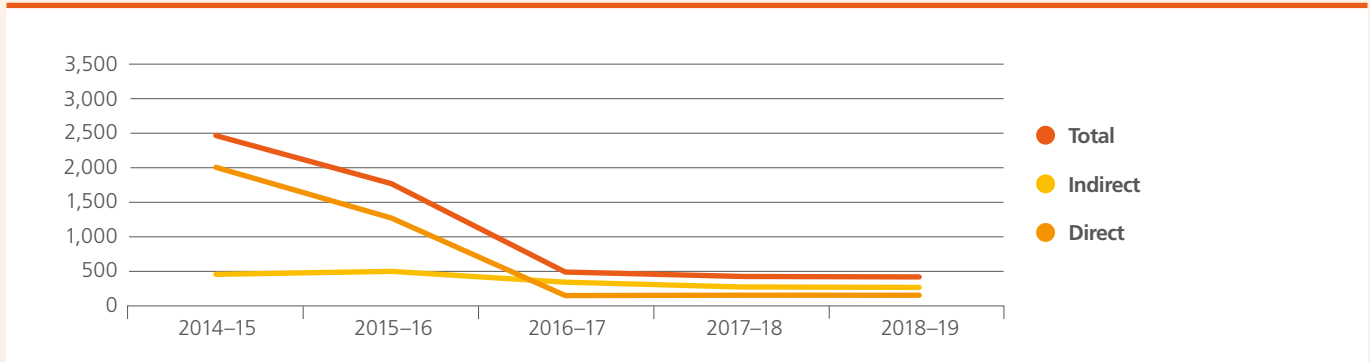
In addition, our staff charity is chosen every two years by NS&I staff as the main focus for their fundraising efforts, spanning sports, social and other voluntary activities. The current charity is The Share Foundation, which supports children and young people in care to develop their financial capabilities.

As in previous years, the governance arrangements for our sustainability performance data for 2018–19 were assessed by the Government Internal Audit Agency. We monitor our performance closely, as part of our CSR risk policy.

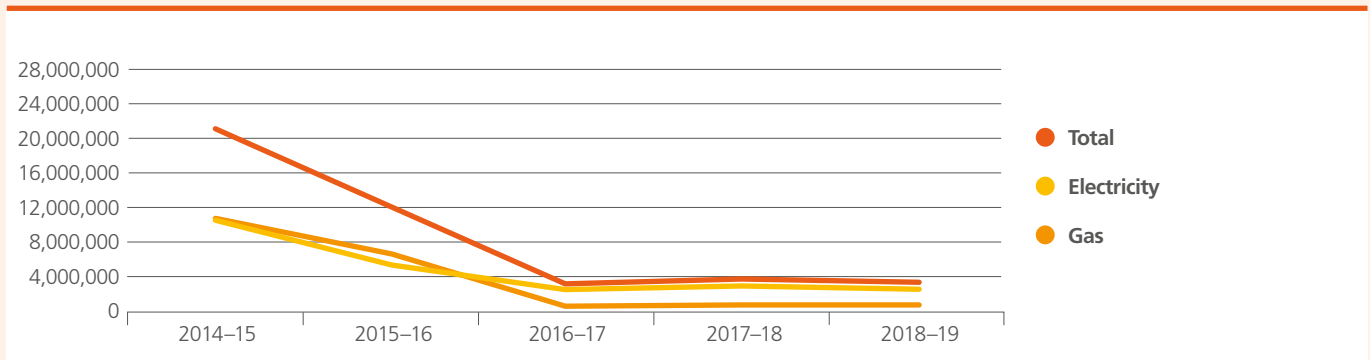


Our plans and full corporate social responsibility report can be found at <https://nsandi-corporate.com/governance/corporate-and-social-responsibility>

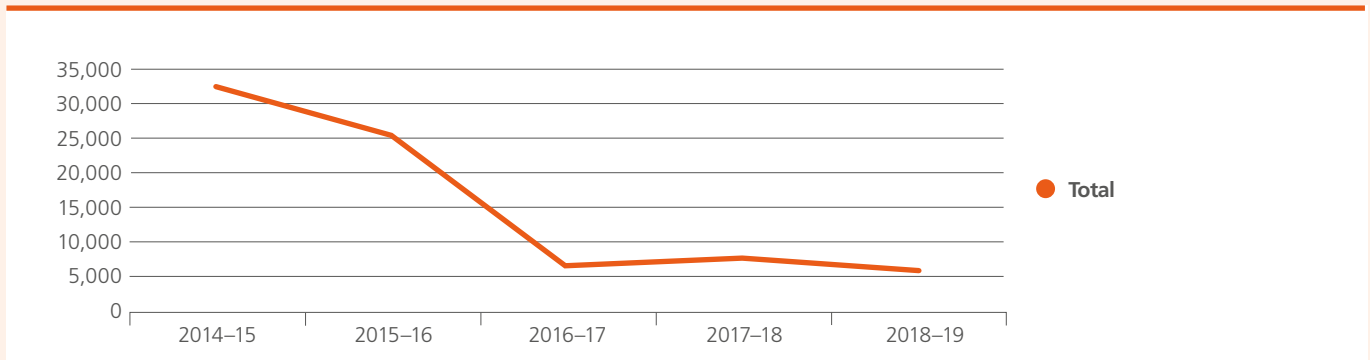
Total CO₂e emissions (tonnes)



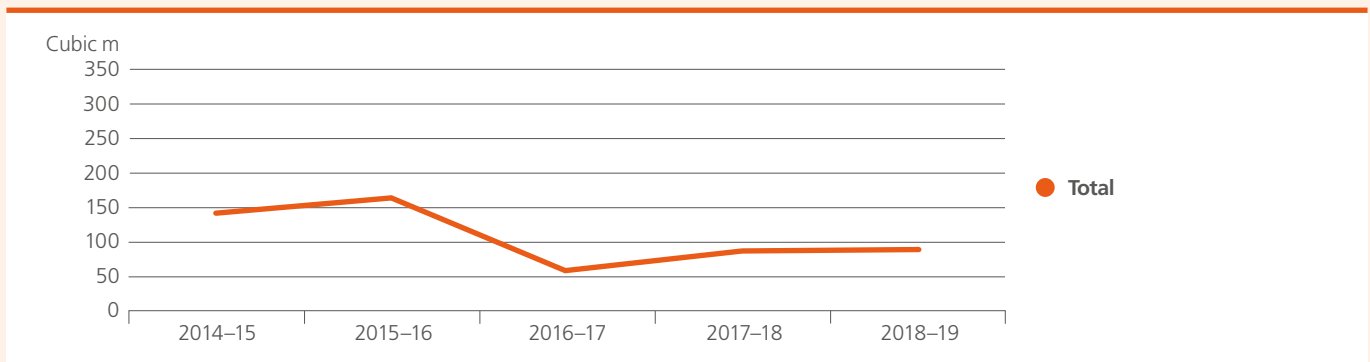
Energy consumption (kWh)



Water consumption (cubic metres)



Travel CO₂e emissions (tonnes)



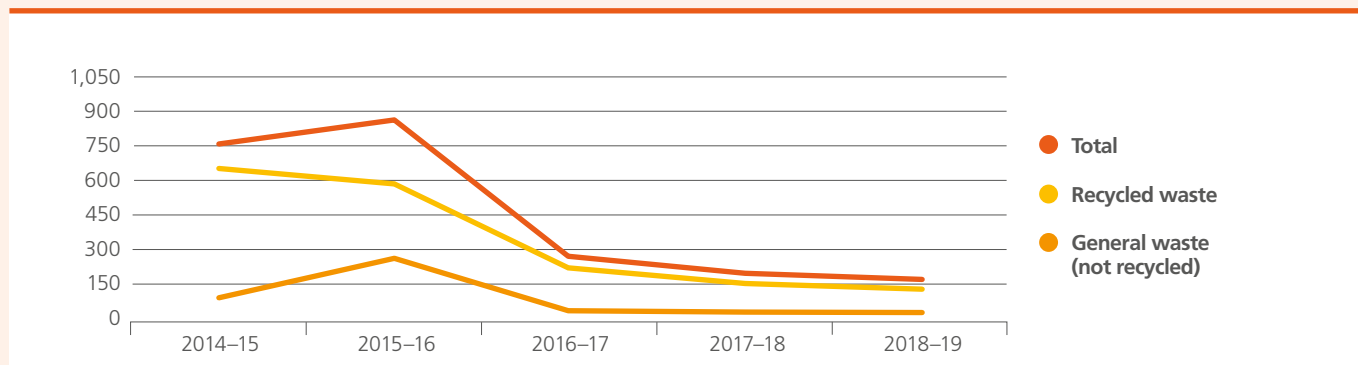
NOTE: Conversion factors for the 2018-19 reporting year are taken from the following government document:

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

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

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

Waste (tonnes)



Waste (four sites) tonnes

	2014-15	2015-16	2016-17	2017-18	2018-19
Location					
Blackpool	91	156	63	37	34
Durham	129	368	49	38	40
Glasgow	529	333	150	114	86
London	37	35	28	27	28
Total	786	892	290	216	188

Water consumption (four sites) cubic metres

	2014-15	2015-16	2016-17	2017-18	2018-19
Location					
Blackpool	8,924	9,167	3,055	4,043	3,269
Durham	15,230	9,517	2,307	2,140	1,636
Glasgow	7,003	6,450	0	0	0
London	1,965	826	1,441	1,742	1,184
Total	33,122	25,960	6,803	7,925	6,089

Percentage of waste recycled

	2014-15	2015-16	2016-17	2017-18	2018-19
Location					
Blackpool	70	77	82	71	68
Durham	60	49	65	74	72
Glasgow	91	82	85	78	78
London	100	100	100	100	93
Total	84	68	82	79	77

CO₂e emissions from gas and electricity (tonnes)

	2014-15	2015-16	2016-17	2017-18	2018-19
Location					
Blackpool	249	59	3	3	2
Durham	969	956	75	97	93
Glasgow	775	236	0	0	0
London	317	287	273	231	231
Total	2,310	1,538	351	331	326

Ian Ackerley
Chief Executive
National Savings and Investments
 12 June 2019

02

Accountability Report

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**We had 166,000
web chat conversations
with our customers
in seven months.**

166,000



Corporate governance report

Directors' report

Scope of responsibility

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

NS&I's core remit is to deliver cost-effective financing for government. Our new strategy, Inspire & Invest, has this at its heart and also sets out two new additional aims: to provide payment processing services to government and to help government deliver its policy objectives. For further information see page 20.

NS&I board

Members of NS&I's board during the year to 31 March 2019 were:

- Ed Anderson, Independent Non-executive Director and Chairman
- Christopher Fisher, Independent Non-executive Director
- James Furse, Independent Non-executive Director and Chairman of the Appointments and Remuneration Committee
- Jill Lucas, Independent Non-executive Director (from 1 February 2019)
- Sharmila Nebhrajani OBE, Independent Non-executive Director and Chairman of the Audit and Risk Committee
- Mario Pisani, HM Treasury representative
- Ian Ackerley, Chief Executive and Accounting Officer
- Urvashi Bhagat, Finance Director (from 17 September 2018)
- Chloe Bowes, Acting Finance Director (from 27 April to 16 September 2018)

- Paul Habershon, Interim Director, IT and Change
- Dax Harkins, Business-to-Business Director
- Gareth Headon, Acting People and Strategy Director (from 30 March to 31 July 2018)
- Paul Henry, Risk Director (from 7 July 2018)
- Mark Keene, Acting Partnership Director (to 5 August 2018)
- Rodney Norman, Finance Director (to 26 April 2018)
- Matthew Smith, Partnership Director (from 6 August 2018)
- Sarah Tebbutt, People and Strategy Director (Acting Risk Director from 30 March to 6 July 2018, Director without Portfolio, 7 July to 31 July 2018)
- Jill Waters, Retail Director.

Conflicts of interest

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

Any such conflicts or potential conflicts considered by the board are recorded in the board minutes and in the register of Directors' interests which is published on our website: <https://nsandi-corporate.com/sites/default/files/2019-02/board-members-register-of-interests.pdf>

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

Corporate governance report

Statement of Accounting Officer's responsibilities

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

Resource Accounts

Under the Government Resources and Accounts Act 2000, HM Treasury has directed NS&I to prepare for each financial year accounts detailing the resources acquired, held or disposed of during the year and the use of resources by the Department during the year. The accounts are prepared on an accruals basis and must give a true and fair view of the state of the Department's affairs as at 31 March 2019 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 (2017–18: £380,000) and the Resource Accounts statutory audit of £70,000 (2017–18: £70,000).

Corporate governance report

Governance Statement

The purpose of the Governance Statement

This Governance Statement provides a clear explanation of NS&I and its control structure. It provides information on the stewardship of NS&I and how it has managed the risks it has faced during 2018–19.

How is NS&I's governance achieved?

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

Role of the NS&I board

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

NS&I's board, as at 31 March 2019, consisted of eight Executive Directors (including the Chief Executive), five Non-executive Directors who are independent and appointed by the Chancellor of the Exchequer following an open recruitment process (including the Non-executive Chairman) and up to two representatives of HM Treasury who are NS&I's stakeholders.

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

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

NS&I is committed to achieving the highest standards of corporate governance, integrity and business ethics. Throughout 2018–19, NS&I complied with the Corporate Governance in Central Government Departments: Code of Good Practice (2017; the 'Code') where applicable and except as detailed in this statement.

NS&I has adopted a Corporate Governance Manual (also known as the Board Operating Framework) which aims to be consistent, where applicable, with the principles of the Code, the 2018 Financial Reporting Council (FRC) Corporate Governance Code and the Financial Conduct Authority (FCA) requirements and is reviewed on a regular basis. Because of the nature of NS&I (an Executive Agency of the Chancellor of the Exchequer), it is not possible for it to meet all the requirements in the Code or the FCA requirements.

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

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

Role of HM Treasury and the Minister

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

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

Partnership working

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

- fostering effective delivery relationships
- establishing appropriate arrangements to engage with partners and other parts of government to ensure that they are able to interact with NS&I on matters of mutual interest at NS&I's Business Delivery Committee (a sub-committee of the Executive Committee)
- attending a number of Atos's committees.

The process of governance

NS&I's governance framework consists of the Memorandum of Understanding between NS&I and HM Treasury, a Framework Agreement, Corporate Governance Manual, Delegated Authority Manual, the Risk Management Framework, financial management systems and supporting policies and procedures, a business-to-business approvals process and a new product development process. The governance framework delivers the systems, processes and controls by which NS&I is directed and managed. It sets out

how NS&I monitors the achievement of its strategic aims and considers whether those objectives have led to the delivery of appropriate, cost-effective services.

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

This is an ongoing process designed to identify and prioritise the risks to the achievement of NS&I's policies, aims and objectives, to evaluate the likelihood of those risks being realised and their potential impact and to manage them efficiently, effectively and economically, and it has been in place in NS&I throughout the year ended 31 March 2019 and up to the date of approval of the Accounts.

The governance framework

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

NS&I's governance framework is based on:

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

NS&I optimises its resources in accordance with its corporate plan by:

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

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

The board, committees and how we operate

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

- strategic clarity: setting the NS&I vision
- commercial sense: scrutinising the allocation of financial and human resources
- talented people: ensuring NS&I has secured sufficient capability and capacity to meet current and future needs
- results focus: agreeing the corporate plan and monitoring its delivery
- management information: ensuring clear, consistent, comparable performance information is used to drive improvements.

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

- setting the tone from the top and monitoring conduct at NS&I through regular reporting
- approving the annual planning criteria and timetable
- assisting in developing NS&I's vision, strategy and corporate policies

- reviewing annually the five-year strategic plan to ensure it remains fit for purpose
- approving the annual business plan, ensuring consistency with the five-year strategic plan and tracking its delivery
- approving NS&I’s risk appetite
- ensuring that NS&I has robust systems in place for compliance with legal, regulatory and government security requirements
- adopting the Annual Report and Accounts and giving its support to their signature by the Accounting Officer, taking into account the recommendations and comments from the Audit and Risk Committee
- ensuring the existence of adequate succession plans for senior management.

Other specific responsibilities are delegated to the board’s committees (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 60 and 61.

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

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

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

Chairman and Chief Executive

As Chairman, Ed Anderson is responsible for:

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

As Chief Executive, Ian Ackerley is responsible for:

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

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

The Chief Executive is also the Accounting Officer and the Director of Savings. The Statement of Accounting Officer’s responsibilities is on page 55.

The independent Non-executive Directors

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

Lead Non-executive board member

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

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

Board Secretary and independent advice

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

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

Board meetings and attendance

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

During the year, the board held a number of strategic planning sessions and received reports on key strategic issues.

Name	Board (6 meetings)		Audit and Risk Committee (5 meetings)		Appointments and Remuneration Committee (6 meetings)	
	Possible	Actual	Possible	Actual	Possible	Actual
Ed Anderson	6	6	n/a	n/a	6	6
Christopher Fisher	6	6	5	5	n/a	n/a
James Furse	6	6	n/a	n/a	6	6
Jill Lucas ¹	1	1	1	1	n/a	n/a
Sharmila Nebhrajani OBE	6	4	5	5	n/a	n/a
Mario Pisani ²	6	6	5	5	n/a	n/a
Ian Ackerley	6	6	n/a	n/a	6	6
Urvashi Bhagat ³	3	3			n/a	n/a
Chloe Bowes ⁴	2	2			n/a	n/a
Paul Habershon	6	5	n/a	n/a	n/a	n/a
Dax Harkins	6	6	n/a	n/a	n/a	n/a
Gareth Headon ⁵	3	3	n/a	n/a	2	2
Paul Henry ⁶	3	3			n/a	n/a
Mark Keene ⁷	3	3	n/a	n/a	n/a	n/a
Rodney Norman ⁸	1	1	n/a	n/a	n/a	n/a
Matthew Smith ⁹	3	3			n/a	n/a
Sarah Tebbutt	6	6	n/a	n/a	3	3
Rodney Norman ⁸	1	1	n/a	n/a	n/a	n/a
Jill Waters	6	6	n/a	n/a	n/a	n/a

(1) Jill Lucas was appointed on 1 February 2019.

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

(3) Urvashi Bhagat was appointed as Finance Director on 17 September 2018.

(4) Chloe Bowes was appointed as Acting Finance Director between 27 April and 16 September 2018, following Rodney Norman's retirement.

(5) Gareth Headon was appointed as Acting People and Strategy Director between 30 March and 31 July 2018.

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

(7) Mark Keene stood down as Acting Partnership Director following the appointment of Matthew Smith on 6 August 2018.

(8) Rodney Norman retired at the end of April 2018.

(9) Matthew Smith was appointed as Partnership Director in August 2018.

Board appointments

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

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

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

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

Jill Lucas was appointed as a Non-executive Director on 1 February 2019. Following a board effectiveness review it was identified that there was a knowledge gap among Non-executive directors around IT and digital services. Given the importance of this area to NS&I, it was agreed to appoint an additional Non-executive Director with this particular area of expertise.

Board induction

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

During 2018–19, the board members were all engaged in a range of training and professional development activities as well as mandatory training, including computer-based training. The Appointments and Remuneration Committee considers the training needs of the Executive Directors, Non-executive Directors and Assistant Directors. All board members are encouraged to attend relevant training courses at NS&I's expense.

Board evaluation

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

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

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

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

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

Quality of data used by the board

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

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

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

Ministerial Directions

There have been no Ministerial Directions during this financial year.

Board committees

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

The board considers that it receives adequate assurance from the Audit and Risk Committee and the 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 three Non-executive Directors and a representative from HM Treasury. It is chaired by Sharmila Nebhrajani OBE and comprises Christopher Fisher, Jill Lucas and Mario Pisani (HM Treasury's representative).

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

- the strategic processes for risk control, governance and security within NS&I, and also for NS&I work outsourced to our operational delivery partner
- the accounting policies, and Annual Report and Accounts of NS&I
- internal and external audit plans and the results of this work, along with management’s responses to any issues identified
- the system of internal control within both NS&I and our operational 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 IT and Change Director also attended in 2018–19, 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). At the invitation of the committee, Ed Anderson (Chairman) also attended as an observer.

During 2018–19, the Audit and Risk Committee discharged fully its responsibilities listed above. The Chairman of the Audit and Risk Committee provides a comprehensive annual report to the board as well as a report and the minutes after each meeting.

Appointments and Remuneration Committee

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

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

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

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

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

Therefore, the Non-Executive Chair of the Appointments and Remuneration Committee is a pseudo SMF 12 (Chair of the Remuneration Committee) role in the NS&I Senior Manager Regime with prescribed responsibility SYSC 4.7.7R(10) for overseeing the development and implementation of the organisation’s remuneration policies and practices. The Chair is also a pseudo SMF 13 (Chair of the Nominations Committee) function. The Appointments and Remuneration Committee complies with relevant requirements of SYSC 4.3A.8 (Nomination Committee). As NS&I is a government department, these functions and responsibilities are discharged subject to the Civil Service rules on pay and appointments.

Details of Directors’ remuneration and emoluments are set out in the Remuneration and staff report on pages 72 to 83.

Executive Committee

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

The Executive Committee met 29 times in 2018–19 (including special meetings) to discuss issues relating to strategy, people, risk and financial results. Representatives from across NS&I and our operational delivery partner are invited to the meetings, as appropriate, to discuss aspects of their business or to give presentations on specific topics.

Diversity and equal opportunity

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

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

Risk management

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

Responsibilities and culture

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

NS&I operates within a framework for assessing risk appetite, which is laid down by the Government. In April 2018, the board agreed NS&I's corporate risk appetite for 2018–19 as being 'OPEN':

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

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

NS&I's corporate governance structure facilitates delegation of responsibilities to ensure that there are appropriate flows of information in relation to the business, the use of resources, responses to risks and the extent to which year-end budgets and targets are met. This includes ensuring that 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 aims are achieved and value is preserved and enhanced
- provide a framework, procedures and guidance to enable everyone to manage risk in the best way

- assign responsibilities and accountabilities and underpin corporate governance
- assure the board that significant business risks are systematically identified, assessed, monitored and reduced to acceptable levels.

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

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

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

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

The first line of defence is represented by line managers who are responsible for executing, complying and managing compliance with NS&I's policies and procedures as well as ensuring that they have adequate and effective controls in place to do so. The second line of defence incorporates NS&I's risk management function which provides advisory and assurance support to management in the execution of its role. NS&I's risk management function and assigned key risk area owners also provide assurance to Executive and Non-Executive governance committees. The third line comprises the board in respect of its activities and the internal audit function which reports to the Audit and Risk Committee.

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

Managing and mitigating risk

Some of our key management controls are set out below:

- Our Delegated Authority Manual and committee governance structure reflect the principles of clear delegation of authority and segregation of duties.
- Our governance committees ensure that we have a monthly, systematic review of risks and controls across NS&I's operations, including those areas of significant expenditure, and that these risks are reviewed, understood and actioned at an appropriate level. In addition, NS&I conducts independent and objective reviews of all activities relating to budget management, cost improvements and financial performance of projects.
- The management of cyber and information risk is a key priority for NS&I based on a set of related IT and information management policies and procedures, covering corporate and personal data. Controls are in

place to mitigate the risks of incorrect disclosure of, loss or misuse of, or lack of access to customer data, as well as destruction of data, in line with our obligations under the Data Protection Act 1998, General Data Protection Regulation (GDPR) and Cabinet Office guidance.

- Selective and open recruitment, succession planning and other human resource policies and practices ensure that staff skills are aligned with NS&I's current and future needs.
- Project management and change implementation disciplines are applied to all major projects, including new technology applications, change programmes and other major initiatives.
- The European Union Procurement Directive and the Public Contracts Regulations 2015 set out detailed procedures for the award of contracts within the public sector above a specific threshold. NS&I's internal policy and guidance are drafted, and annually reviewed, to ensure practice complies with legislation and best practice.
- Staff can and are actively encouraged to report perceived illegal, dishonest or unethical activities to senior management using internal whistleblowing arrangements or to a confidential reporting service.
- We employ a range of internal controls to mitigate our fraud risk, and these are reviewed and updated regularly.
- Business continuity and disaster recovery plans are in place to manage incidents or crisis events, and these are reviewed regularly.

Principal risks and uncertainties

The principal risks and uncertainties facing NS&I which could cause our financial results or operational delivery to materially differ from expected results and overall SDMs are set out on pages 16 and 17 along with a summary of how we managed or mitigated these risks in 2018–19.

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 2018–19 assurance activity; this includes the GIAA findings, NS&I and Atos risk-based second line assurance programme incorporating outputs from operations, compliance, IT and project assurance work
- the risk-based internal audit plan agreed by the Audit and Risk Committee and delivered during 2018–19 by GIAA; from this programme, internal audit reports including

management responses to the recommendations were generated, summarised and submitted for consideration by the Audit and Risk Committee; a comprehensive tracker system is used to monitor delivery of the control improvements

- internal audit's annual report opinion for the year ended 31 March 2019
- discussion, where appropriate, with the responsible NS&I and operational delivery partner's executives on any key control issues
- external third party evidence through, for example, NS&I measuring progress against external standards/requirements and discussions with the FCA on the regulatory agenda
- provision of International Standard on Assurance Engagements (ISAE) 3402 operational controls for government payment services' clients
- the external auditors' annual audit with recommendations for improvements to the internal control environment identified during the annual audit and inspection.

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

Quality assurance

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

Auditors

NS&I's internal audit service provides an independent appraisal service for the Audit and Risk Committee by measuring and evaluating the adequacy, reliability and effectiveness of management and financial control systems. Internal audit makes recommendations based upon 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 and the standards of the Chartered Institute of Internal Auditors.

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

GIAA's annual opinion report for the year ended 31 March 2019 noted that:

NS&I's internal auditors have commented in their annual opinion that we have an existing framework of Governance, Risk Management and Control policies and procedures which continue to be updated and provide the Management with solid foundations going forward.

Moving into 2018–19, internal audit note that the new NS&I Executive management team, supported by Atos, faced a number of challenges and have sought to improve the risk framework to support the delivery of the new strategy of Inspire & Invest by enhancing their oversight of the underlying control framework.

As a consequence, moving into 2019–20, NS&I will have a new, much strengthened and simplified governance committee structure, a new Risk Management Framework with key risks (and controls) at its core and a new (and strengthened) Delegated Authority Manual.

Internal Audit also commented that in a number of areas, NS&I has demonstrated its ability to tackle issues that have been identified and resolve them effectively. The ability of NS&I and Atos to work together to address issues when they arise continues to be a key strength, and this was reviewed in depth on the post review of the Gold incident in October/November 2018.

Management have worked closely with Internal Audit during the period and concur that both NS&I and Atos will work together to address the control design and operational weaknesses reported in the year and set out later in this report, to agree on an effective way to minimise the risks identified going forward into 2019–20.

Personal data-related incidents

There have been no incidents that needed to be notified to the Information Commissioner's Office (ICO).

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

Significant incidents

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

Interest rate error

In February 2018, NS&I agreed a rate reduction for our 1-year and 3-year Guaranteed Growth Bonds and our 1-year and 3-year Guaranteed Income Bonds. Maturing 65+ Guaranteed Growth Bonds customers would be offered a 'like-for-like' reinvestment issue at the existing interest rate. The change was enacted on 6 March 2018 to 15 May 2018 and, due to a combination of factors, customers maturing from different terms were also erroneously able to reinvest into the higher rate rather than a lower rate agreed with

HM Treasury. This unintended breach in delegated financial authority resulted in a potential liability of £433,190.61 to the National Loans Fund (NLF). In order to fulfil our commitment to our customers, while compensating the NLF for the 2018–19 financial year, NS&I and our operational partner, Atos, worked together to ensure the liability was covered and that no loss was incurred in the NLF.

Appropriate steps are in place to ensure this type of event does not recur in the future and the relevant controls are operating in both organisations.

Significant service outage

In October 2018, a double hardware failure in NS&I's banking system resulted in multiple software applications being unavailable. This disrupted NS&I's ability to service customers over a period of three days.

Following resolution of the incident, a comprehensive action plan was developed with input from internal auditors. A number of actions have been implemented, including a review of the critical path of key IT components and increased oversight of our third party supply chain. Further work to improve resilience and recovery of data will continue throughout 2019–20 with the migration to new data centres, alongside additional disaster recovery testing.

Index-linked Savings Certificates maturity process

In March 2019, the maturity process for Index-linked Savings Certificates failed to operate as intended for a period of four days due to an incorrect interest rate figure for the Retail Prices Index (RPI) being entered into our system. This resulted in incorrect information being included in communications to customers in their annual statements. The incident affected 1,392 customers' accounts and, following identification, remedial action was taken to expedite the processing of these maturities, which meant that all customers eventually had the correct information communicated to them. No customer was affected financially.

Compliance with the second Payment Services Directive (PSD2)

NS&I is exempt by an Act of Parliament from the PSD2 requirements. Nevertheless, we are committed to adhering to the relevant rules and guidance in line with our Memorandum of Understanding with HM Treasury. NS&I continues to work towards full compliance with all relevant aspects of PSD2. During 2018–19, the remaining areas of non-compliance were as follows:

- Processes were not fully in place to notify customers when their security had been compromised, in line with the requirements of PSD2. An impact assessment is currently being completed in order to rectify this situation.
- Euro payments requested via our International Payments Service after 20:00 hours were not received within the statutory timescales stipulated by PSD2. This non-compliance will be resolved in 2019–20.

Principal risks and uncertainties facing NS&I

Information risk

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

Mitigations

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 that 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.

In 2018–19, we subjected our IT security arrangements to the Bank of England’s CBEST penetration test, to obtain independent assurance on the strength of our control environment. The test did not highlight any areas of material concern. However, a number of improvements have been identified and we are in the process of resolving these.

Throughout 2018–19, mandatory staff training on social engineering, phishing, staying safe online and offshoring of information assets has been undertaken, and staff are also subject to regular phishing tests to help maintain a high level of awareness of security threats.

IT risk

IT 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 systems.

Mitigations

A range of measures has been taken during the year to ensure that our systems remain resilient and continue to operate effectively. This includes the implementation of technical patches, the upgrade and replacement of some core operational systems and the agreement of extended support agreements for our core banking system.

NS&I exercises oversight of Atos’ management of IT 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.

In October 2018, our IT risk crystallised when a hardware failure resulted in a service outage that affected our ability to process customer transactions. An internal audit review of the incident identified areas for improvement and work is under way to address these findings.

Outsourced provider risk

Outsourced provider risk is a failure to work with Atos to deliver process improvements and operational cost reductions to ensure that services to customers are of an acceptable standard in line with contractual requirements.

Mitigations

Services to NS&I customers are provided via our third party operational partner Atos. In 2018–19, NS&I and Atos agreed a contract extension until 2024 which helps mitigate core elements of this risk and reduce uncertainty on programme deliverables.

Strong joint NS&I and Atos governance arrangements help to actively monitor and manage operational performance and reduce costs. The Executive Committee and the board closely monitor delivery of the transformation programme to ensure improvements to service delivery are delivered in a sustainable way.

NS&I maintains oversight of Atos operations, including the management of incidents and complaints to ensure that our customers are treated fairly and, where relevant, lessons are learned to prevent recurrence of service failures.

Value Indicator risk

Value Indicator risk is the failure to demonstrate value to government due to the rates on our products becoming higher than rates on their gilt comparators and therefore not delivering our core remit in the year.

Mitigations

NS&I has limited opportunity to mitigate this risk as we do not have the ability to influence the price of the gilt market, which is the basis upon which the Value Indicator is calculated.

The mitigating actions that are within the scope of NS&I are close monitoring and tracking of market performance and gilt rate forecasts; reducing the rates on our products which have a negative effect on Value Indicator generation, where this is in line with our operating framework; and closing products to new sales.

In 2018–19, Value Indicator performance against our target showed significant fluctuation. However, we were able to meet our Value Indicator target of £0–£125 million with a final value of £12.8 million in 2018–19.

Financial management risk

This is a failure to manage our spending effectively against our budget agreed with HM Treasury.

Mitigations

Controls to mitigate this risk include managing our finances in a controlled and commercial manner with close budget management and monitoring. This includes additional oversight of spending on the change programme in 2018–19. We also liaise closely with HM Treasury to ensure that there is a clear understanding of issues.

Board members' biographies

Non-executive Directors



Ed Anderson
Independent Non-executive Chairman

Ed was appointed as a Non-executive Director on 1 February 2016 and 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 is 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

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

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

Until 2016 he served as chairman of Bank of Ireland UK, the financial services partner of the Post Office and the AA, and as President of the Council of the University of Reading. His previous appointments include senior roles with Lazard, KPMG and Penfida, and as a trustee of the Imperial War Museum.



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

James was appointed as a Non-executive Director in January 2012 and, having reached the end of his two terms of office during this financial year, his contract was extended exceptionally until 31 December 2018 and again to December 2019. This was to assist continuity; with several new appointments made to the board during 2017.

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

James has served as chair of Pukka Herbs Ltd (a wholly owned subsidiary of Unilever) since 2013, and is an independent member of the Remuneration Committee of the University of Warwick. His former roles include executive director of The Prince's Social Enterprises Ltd, and non-executive directorships at the South Devon Healthcare NHS Foundation Trust and Ageas UK, where he chaired the Remuneration Committee.



Jill Lucas
Independent Non-executive Director

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

Jill has spent her career in technology – most latterly at Unilever leading a technology transformation to Cloud Computing. Before this, she served as Chief Information Officer at both Towergate Insurance and Belron International.

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



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

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

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

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

Sharmila is a Chartered Accountant and was awarded an OBE in 2014.



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 of 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.

Mario 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.

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



Urvashi Bhagat Finance Director

Urvashi joined NS&I on 17 September 2018. She came to NS&I from the Government Actuary Department (GAD) where she was Finance Director and is a professionally qualified accountant having worked across public, private and not-for-profit sectors. She completed her professional training with the National Audit Office and later joined PwC. After an initial spell of working in the private sector, Urvashi joined the public sector where she led large and complex finance transformation and change programmes, and led on statutory consolidation of organisations. She studied for an Executive MBA at Plymouth Business School.

Prior to GAD, Urvashi worked in the NHS, implementing the recent Health and Social Care Act in East London, where she played a significant role in the establishment of seven new Clinical Commissioning Groups. Urvashi was also the first Finance Director of the newly established Newham Health Collaborative Limited (a GP federation in Newham) where she led on all aspects of the set-up of finance function including legal and compliance arrangements.

Urvashi was a member of the board of trustees and Honorary Treasurer of Health Watch Croydon and Carers Bromley.

Chloe Bowes Acting Finance Director

Following Rodney Norman's retirement, Chloe was appointed Acting Finance Director in April 2018 until the appointment of Urvashi Bhagat. Chloe was previously the Assistant Director of Finance – Retail and Reporting since 2015.

Chloe has over 10 years' experience of working in public sector finance, including working in the NHS and local government. Immediately prior to joining NS&I, she worked as the Deputy Director of Finance for a mental health NHS Trust. She originally qualified as a Chartered Accountant with KPMG, specialising in public sector audit.

Chloe has a degree in Archaeology and Chemistry from Exeter University and also holds a Master's degree in Forensic Anthropology from the University of Bradford.



Paul Habershon
Interim Director of IT and Change

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

Prior to working at NS&I, Paul defined and delivered global IT and business transformation programmes in Telco, financial services and public sector with a key focus on value delivery. As a consulting director in Fujitsu, he was responsible for numerous interventions defining IT, business change and outsourcing strategies. Before this, he worked for global IT and consultancy companies, taking responsibility for their largest and most complex client engagements.



Dax Harkins
Business-to-Business Director

Dax was appointed to the board in 2014 as Director of B2B. 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, he quickly progressed to various marketing roles, with a focus on product development, customer management and customer experience.

Dax became a Chartered Director in 2018.

Gareth Headon
Acting People and Strategy Director

Following Sarah Tebbutt's appointment as Acting Risk Director, Gareth was appointed as Acting People and Strategy Director until 31 July 2018.

During this period, he led a range of corporate functions including strategy, communications, market research and insight, workplace, culture and human resources. Gareth also chaired NS&I's Conduct Committee and was responsible for the relevant aspects of the Senior Managers Regime.

Previously, Gareth was Assistant Director Communications and Strategy and returned to this role in July 2018. He 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 joining NS&I Gareth worked in media relations within the private sector, including roles at Eurostar and Which?



Paul Henry
Risk Director

Paul was appointed as Risk Director on 7 July 2018. He is a commercially focused regulatory change professional and conduct specialist who has held conduct, compliance, regulatory, operational risk and anti-money laundering roles at senior and regulatory approved levels across a number of UK globally significant financial institutions.

Paul is responsible for NS&I’s Risk Management Framework, and the management of legal and regulatory compliance for NS&I as both a quasi-financial services organisation and a government body. In a way which is consistent and compliant with the requirements of regulators, auditors and central government, where applicable, including aiming for compliance with the relevant FCA regulations as they may apply to NS&I.

Mark Keene
Acting Partnership Director

Mark was Acting Partnership Director until the appointment of Matthew Smith.

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

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

Rodney Norman
Finance Director

Rodney was appointed Finance Director in 2012 and retired in April 2018.

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



Matthew Smith
Partnership Director

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

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

Matt was most recently Director of EMEA Supply Chain for DXC Technology (DXC), an end-to-end IT services and solutions company. Before DXC, Matt had a long career with the Dun & Bradstreet Corporation where he was most recently Global Vice-President and Chief Procurement Officer with responsibility for sourcing and third party compliance.

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



Sarah Tebbutt
People and Strategy Director
Acting Risk Director (from 30 March to 5 July 2018)

Following Peter Cornish's retirement, Sarah was appointed as Acting Director of Risk until the appointment of Paul Henry, and oversaw the programme to comply with GDPR.

As Director of People and Strategy 2018–19, she introduced NS&I's Thriving at Work plan and implemented the Welcoming Diversity at Work plan. She also oversaw the development of the target operating model, the conclusion of the Tailored Review and policy work for HM Treasury to build a stronger savings culture.

Sarah joined NS&I in June 2013 after a 20-year career at HM Treasury, where she was responsible for corporate change, and before that, debt and reserves management, working closely with NS&I, the Bank of England, the Debt Management Office and the Royal Mint.

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

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



Jill Waters
Retail Director

Jill was appointed as Retail Director in March 2018 having previously been Acting Retail Director. She is responsible for leading the development, management and growth of the Retail business on behalf of NS&I, which includes customer offer, marketing and sales, brand, product management, retail experience and complaints.

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

In 2001, Jill joined NS&I from Yorkshire Electricity where she was responsible for the customer and sales strategy for the newly developed privatised consumer utility markets. Prior to that, she 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
National Savings and Investments
 12 June 2019

Remuneration and staff report (2018–19)

Appointments and Remuneration Committee

The Appointments and Remuneration Committee comprised Non-executive Directors James Furse (as Chairman) and Ed Anderson. It also comprised two Executive Directors: the Chief Executive, Ian Ackerley, and the People and Strategy Director, Sarah Tebbutt. Gareth Headon was Acting People and Strategy Director between 30 March and 31 July and attended two committees during this period.

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

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

Remuneration policy

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

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

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

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

Non-executive Directors have fixed-term appointments not exceeding three years. Normally, they can serve for two terms of office. Their remuneration is accounted for in 'other costs'. The details of their payments are shown in Table B on page 75.

Salary and pension entitlements

The salary and pension entitlements of the executive board members are shown in Tables A and C on pages 73, 74 and 76. 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 2018–19 relate to performance in 2017–18 and the comparative payments reported for 2017–18 relate to performance in 2016–17.

Pay multiples (audited)

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

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

The total remuneration of the highest-paid Director in NS&I in the financial year 2018–19 was £200,000–£205,000.

No employee received remuneration in excess of the highest-paid Director (including the Chief Executive) in 2018–19. Remuneration bands ranged from £15,000–£20,000 to £200,000–£205,000 in 2018–19. In 2017–18, remuneration bands ranged from £17,000–£24,000 to £195,000–£200,000 (annualised equivalent).

The ratio of the highest-paid Director (2018–19) was 4.3 times (2017–18: 4.3 times) the median remuneration of the workforce, which was £47,789 (2017–18: £45,879).

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

	2018–19	2018–19	2018–19	2018–19	2018–19	2017–18	2017–18	2017–18	2017–18	2017–18
	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 ⁽⁵⁾ Chief Executive	180–185	20–25	n/a	70	270–275	180–185	–	–	69	245–250
Urvashi Bhagat ⁽⁶⁾ Finance Director	60–65 (115–120 annualised equivalent)	n/a	n/a	19	80–85 (135–140 annualised equivalent)	n/a	n/a	n/a	n/a	n/a
Chloe Bowes ⁽⁷⁾ Acting Finance Director	40–45 (105–110 annualised equivalent)	n/a	n/a	18	60–65 (120–125 annualised equivalent)	n/a	n/a	n/a	n/a	n/a
Peter Cornish ⁽⁸⁾ Risk Director	n/a	n/a	n/a	n/a	n/a	115–120	15–20	0.3	13	145–150
Paul Habershon ⁽⁹⁾ IT and Change Director	90–95 (140–145 annualised equivalent)	n/a	n/a	–	90–95 (140–145 annualised equivalent)	10–15 (195–200 annualised equivalent)	n/a	n/a	n/a	10–15 (195–200 annualised equivalent)
Dax Harkins B2B Director	110–115	15–20	0.6	44	170–175	105–110	15–20	0.6	41	160–165
Gareth Headon ⁽¹⁰⁾ Acting People and Strategy Director	35–40 (105–110 annualised equivalent)	n/a	n/a	15	50–55 (120–125 annualised equivalent)	0–5 (105–110 annualised equivalent)	n/a	–	–	0–5 (105–110 annualised equivalent)
Paul Henry ⁽¹¹⁾ Risk Director	85–90 (115–120 annualised equivalent)	n/a	n/a	34	120–125 (150–155 annualised equivalent)	n/a	n/a	n/a	n/a	n/a
Mark Keene ⁽¹²⁾ Acting Partnership Director	45–50 (115–120 annualised equivalent)	15–20	n/a	6	70–75 (120–125 annualised equivalent)	115–120	15–20	–	66	195–200

(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 2018–19 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 2018–19 are performance-related payments for the 2017–18 performance year, which were paid in September 2018. Performance-related payments for 2017–18 are performance-related payments for the 2016–17 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) Ian Ackerley was appointed Chief Executive on 13 March 2017.

	2018–19	2018–19	2018–19	2018–19	2018–19	2017–18	2017–18	2017–18	2017–18	2017–18
	Salary	Performance-related pay ⁽¹⁾	Benefits in kind ⁽²⁾	Pension benefits ⁽²⁾	Total	Salary	Performance-related pay ⁽¹⁾	Benefits in kind ⁽²⁾	Pension benefits ⁽²⁾	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Rodney Norman ⁽¹³⁾ Finance Director	15–20 (125–130 annualised equivalent)	n/a	n/a	–	15–20 (125–130 annualised equivalent)	125–130	20–25	–	26	175–180
Matthew Smith ⁽¹⁴⁾ Partnership Director	80–85 (125–130 annualised equivalent)	n/a	n/a	32	110–115 (155–160 annualised equivalent)	n/a	n/a	n/a	n/a	n/a
Sarah Tebbutt ⁽¹⁵⁾ People and Strategy Director	115–120	15–20	n/a	60	190–195	110–115 (115–120 annualised equivalent)	15–20	–	40 ⁽¹⁷⁾	160–165 (165–170 annualised equivalent)
Jill Waters ⁽¹⁶⁾ Retail Director	115–120	15–20	n/a	18	150–155	115–120	10–15	–	55 ⁽¹⁷⁾	190–195
Band of highest-paid Director	180–185	20–25	n/a	70	270–275	10–15 (195–200 annualised equivalent)	n/a	n/a	n/a	10–15 (195–200 annualised equivalent)
Re-remuneration median for workforce ⁽³⁾		£47,789					£45,879			
Ratio of highest-paid Director to median salary of workforce ⁽³⁾			4.3				4.3			

(6) Urvashi Bhagat was appointed Finance Director on 17 September 2018.

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

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

(9) 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, Paul has been on NS&I's payroll. Paul Habershon participates in a partnership pension.

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

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

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

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

(14) Matthew Smith was appointed as Partnership Director on 6 August 2018.

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

(16) Jill Waters was Acting Retail Director from 19 October 2015 and was appointed as permanent Retail Director on 14 March 2018 after a fair and open recruitment campaign.

(17) Due to recalculation after the reporting period.

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

	2018–19	2017–18
	£000	£000
Ed Anderson (Chairman)	20–25	20–25
James Furse	15–20	15–20
Christopher Fisher	15–20	15–20
Sharmila Nebhrajani OBE	15–20	15–20
Jill Lucas⁽¹⁾	0–5 (15–20) annualised equivalent	n/a

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

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

	Accrued pension at pension age as at 31 March 2019 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31 March 2019	CETV at 31 March 2018	Real increase in CETV	Employer contribution to partnership pension account
	£000	£000	£000	£000	£000	£000
Ian Ackerley Chief Executive	5–10	2.5–5	118	54	42	0
Urvashi Bhagat⁽²⁾ Finance Director	0–5	0–2.5	37	19	11	0
Chloe Bowes⁽³⁾ Acting Finance Director	5–10	0–2.5	47	40	4	0
Paul Habershon⁽⁴⁾ IT and Change Director	–	–	–	–	–	15.4
Dax Harkins Business-to-Business Director	30–35	2.5–5	444	361	22	0
Gareth Headon⁽⁵⁾ Acting People and Strategy Director	15–20	0–2.5	176	164	5	0
Paul Henry⁽⁶⁾ Risk Director	0–5	0–2.5	29	0	23	0
Mark Keene⁽⁷⁾ Acting Partnership Director	50–55 plus a lump sum of 155–160	0–2.5 plus a lump sum of 0–2.5	1,118	1,098	6	0
Rodney Norman⁽⁸⁾ Finance Director	–	–	–	457	–	1.9
Matthew Smith⁽⁹⁾ Partnership Director	0–5	0–2.5	23	0	16	0
Sarah Tebbutt⁽¹⁰⁾ People and Strategy Director	35–40 plus a lump sum of 85–90	2.5–5 plus a lump sum of 0–2.5	688	572	36	0
Jill Waters⁽¹¹⁾ Retail Director	25–30 plus a lump sum of 75–80	0–2.5 plus a lump sum of 2.5–5	618	540	18	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.

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

(4) 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, Paul has been on NS&I's payroll. Paul Habershon participates in a partnership pension.

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

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

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

(8) Rodney Norman retired from NS&I on 26 April 2018. Rodney Norman participates in a partnership pension.

(9) Matthew Smith was appointed as Partnership Director on 6 August 2018.

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

(11) Jill Waters was Acting Retail Director from 19 October 2015 and was appointed as permanent Retail Director on 14 March 2018 after a fair and open recruitment campaign.

(12) Due to recalculation after the reporting period.

Civil Service pensions

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

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

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

Employee contributions are salary related and range between 3.0% and 8.05% of pensionable earnings for Classic and between 4.6% and 8.05% for Premium, Classic Plus, Nuvos and Alpha. Benefits in Classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For Premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike Classic, there is no automatic lump sum. Classic Plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per Classic and benefits for service from October 2002 worked out as in Premium. In Nuvos, a member builds up a pension based on pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March), the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with pensions increase legislation. In Alpha, a member builds up a pension based on pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March), the member's earned pension account is credited with 2.32% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with pensions increase legislation. Alpha benefits will be effective from normal 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 76 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 38 external permanent and fixed-term appointments in the year. These are summarised in the table on page 78. Full details of staff numbers can be found in Table 5 of the Departmental report on page 133.

New permanent and fixed-term appointments made in 2018–19

	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	3	1	0	5	3	2	2
Female	1	0	1	0	1	9	4	5	1
White	1	0	2	1	1	8	6	4	2
Non-white	0	0	2	0	0	6	1	3	1
Non-declared	0	0	0	0	0	0	0	0	0
Disabled	0	0	0	0	1	1	0	0	0

NS&I Executive Directors, senior managers and all employees at 31 March 2019

	Male	Female
Number of persons of each sex who were Executive Directors of NS&I at year end	5	3
The number of persons of each sex who were senior managers at year end ¹	23	19
The total number of persons who were employed at year end	99	111

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

Staff and related costs

Staff costs comprise (subject to audit):

	2018–19 Permanently employed UK staff	2018–19 Others	2018–19 Ministers	2018–19 Special advisers	2018–19 Total	2017–18 Total
	£000	£000	£000	£000	£000	£000
Wages and salaries	11,282	742	–	–	12,024	10,378
Social security costs	1,311	–	–	–	1,311	1,145
Other pension costs	2,123	–	–	–	2,123	1,920
Subtotal	14,716	742	–	–	15,458	13,443
Less recoveries in respect of outward secondments	–	–	–	–	–	–
Total net costs	14,776	742	–	–	15,458	13,443

Average number of persons employed

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

Activity	2018–19 Permanently employed UK staff	2018–19 Others	2018–19 Ministers	2018–19 Special advisers	2018–19 Total	2017–18 Total
Staff engaged on capital projects	–	–	–	–	–	–
Total	204	4	–	–	208	192
Core staff	204	4	–	–	208	192
Total	204	4	–	–	208	192

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.

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

There were no exit packages in 2018–19 (2017–18: 2).

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
	2018–19	2018–19	2018–19	2017–18	2017–18	2017–18
<£10,000	–	–	–	–	–	–
£10,000–£25,000	–	–	–	–	–	–
£25,000–£50,000	–	–	–	–	1	1
£50,000–£100,000	–	–	–	–	1	1
£100,000–£150,000	–	–	–	–	–	–
£150,000–£200,000	–	–	–	–	–	–
Total number of exit packages by type	–	–	–	–	2	2
Total cost	–	–	–	–	£92,285.03	£92,285.03

Pension costs

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

For 2018–19, employer contributions of £1,985,586 were payable to the PCSPS (2017–18: £1,800,849) at one of four rates in the range 20.0% to 24.5% (2017–18: 20.0% to 24.5%) of pensionable earnings, based on salary bands. The scheme actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2017–18 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 £132,564 (2017–18: £113,903) 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% (2017–18: 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 £4,989, 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 (2017–18: £4,209, 0.5% of pensionable earnings). Contributions due to the partnership pension providers at the Statement of financial position date were Nil (2017–18: 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 38 new employees who commenced employment during 2018–19, 14 were short-term appointments to meet short-term business needs (maternity cover or roles to cover a short-term resource requirement) and were recruited through permitted exceptions to the recruitment principle of fair and open competition.

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

Pay and reward

Upon the release of the Civil Service pay guidance 2019–20, we will agree a salary budget from HM Treasury, called our delegated pay remit, which we allocate in line with our reward principles (available on request) and within Civil Service guidelines. This includes performance-related pay. As part of the Government’s deficit reduction strategy, and in line with the approach being taken across the public sector, our pay remit increased by 1.5% during the year.

Details of executive pay and performance-related pay can be found on pages 73 and 74. 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 2017–18, 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 2018–19, the rates were between 20.0% and 24.5% (2017–18: 20.0% and 24.5%) of pensionable pay, depending on salary. From 1 April 2015, a new pension scheme known as Alpha was introduced across the Civil Service. Of our current staff, the majority moved to this scheme. However, most of those who were within 10 years of retirement stayed with the PCSPS. See pages 77 to 80 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 160 signatories to the Women in Finance Charter, led by HM Treasury.

Gender pay gap

In 2017, the Government introduced legislation that made it statutory for organisations with 250 or more employees to report annually on their gender pay gap; the first reporting deadline was 4 April 2018. Civil Service departments and arm’s-length bodies with 250 or more employees on 31 March 2018 are covered by these regulations for reporting in 2018–19. NS&I employs less than 250 employees; however, NS&I voluntarily publishes gender pay gap data in our Equality and Diversity Information Statement:

https://nsandi-corporate.com/sites/default/files/2018-05/equality-and-diversity-information-statement_May_2018.pdf

Based on the 'snapshot' date of 31 March 2018, NS&I's gender pay gap data is as follows:

Gender pay gap

	%	
Mean gender pay gap – Ordinary pay	13.3	
Median gender pay gap – Ordinary pay	11.3	
Mean gender pay gap – Bonus paid in the 12 months ending 31 March 2018	21.3	
Median gender pay gap – Bonus paid in the 12 months ending 31 March 2018	32.6	
The proportion of male and female employees paid a bonus in the 12 months ending 31 March 2018		
Male	93.2	
Female	95.0	
Proportion of female and male employees in each quartile		
	Female %	Male %
Lower quartile	61.7	38.3
Lower middle quartile	61.7	38.3
Upper middle quartile	42.6	57.4
Upper quartile	45.7	54.3

Compared with 2017–18, NS&I's mean gender pay gap for salaries and for bonus pay has increased by 1.3% and 1.8% respectively. NS&I's median gender pay gap for salaries and bonus pay has increased by 4.8% and 19.6% respectively.

One of the reasons why NS&I's gender pay gap has increased between the two years is because, as at end March 2018, we had a male Chief Executive; in March 2017 he had been in post for less than a month and therefore his salary was not included in the pay gap calculation (the official methodology does not include pay for roles which have been filled for only part of the month). However, this reason does not account for all of the difference. NS&I is committed to fairness and transparency in our pay and it is important for us to understand the reason for this change and to take action to reduce the gap in the future years; therefore we will conduct a deep-dive analysis of the gap in 2019–20.

Sick absence data

The average number of sick days per person in the 12 months ending 31 March 2019 was 4.78 days (2017–18: 3.54). This figure covers all absences including long-term absence. Short-term absences were 2.19 days (2017–18: 2.28). Overall, sickness absence levels at NS&I are below the Civil Service benchmark.

Trade Union Facility Time

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

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

Table 1: Relevant union officials

The total number of employees who were relevant union officials during 2018–19.

Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
1	1

Table 2: Percentage of time spent on facility time

The number of employees who were relevant union officials employed during 2018–19, 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 2018–19.

Total cost of facility time (£000)	£1.36
Total pay bill (£000)	£15,458
Percentage of the total pay bill spent on facility time, calculated as: (total cost of facility time ÷ total pay bill) x 100	0.009%

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 2018–19 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 at 31 March 2019, for more than £245 per day and that last for longer than six months**

Number of existing engagements as at 31 March 2019	0
<i>of which:</i>	
Number that have existed for less than one year at time of reporting	0
Number that have existed for between one and two years at time of reporting	0
Number that have existed for between two and three years at time of reporting	0
Number that have existed for between three and four years at time of reporting	0
Number that have existed for four or more years at time of reporting	0

Table 2: For all new off-payroll engagements between 1 April 2018 and 31 March 2019, for more than £245 per day and that last for longer than six months

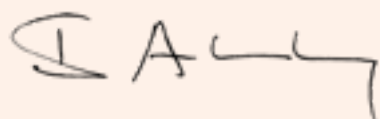
Number of new engagements, or those that reached six months in duration, between 1 April 2017 and 31 March 2018	0
Number of the above that include contractual clauses giving the Department the right to request assurance in relation to income tax and National Insurance obligations	0
Number for which assurance has been requested	0
<i>of which:</i>	
Number for which assurance has been received	0
Number for which assurance has not been received	0
Number that have been terminated as a result of assurance not being received	0

Table 3: For any off-payroll engagements of board members, and/or senior officials with significant financial responsibility, between 1 April 2018 and 31 March 2019

Number of off-payroll engagements of board members, and/or senior officials with significant financial responsibility, during the financial year	1 ⁽¹⁾
Number of individuals that have been deemed board members, and/or senior officials with significant financial responsibility, during the financial year. This figure should include both off-payroll and on-payroll engagements	16 ⁽²⁾

(1) The Executive Committee identified a need for IT and Change expertise on the Committee and an interim Director for IT and Change was appointed to provide additional support, advice and challenge during the transformation programme. This role was made a payrolled position part way during this year.

(2) This includes Executive and Non-executive Directors as detailed on pages 73 to 75 in Tables A and B relating to 2018–19.



Ian Ackerley
Chief Executive
National Savings and Investments
 12 June 2019

Parliamentary accountability and audit report

Statement of Parliamentary Supply

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

resource outturn against the Supply Estimate presented to Parliament, in respect of each budgetary control limit. The SoPS and related notes are subject to audit.

All notes and tables in the SoPS are subject to audit.

Summary of resource and capital outturn

	SoPS note	Estimate			Outturn			2018–19	2017–18
		Voted	Non-voted	Total	Voted	Non-voted	Total	Voted outturn compared with Estimate: savings/ (excess)	Outturn
		£000	£000	£000	£000	£000	£000	£000	£000
Departmental Expenditure Limit (DEL)									
– Resource	1.1	130,100	–	130,100	127,285	–	127,285	2,815	121,109
– Capital	1.2	630	–	630	–	–	–	630	–
Annually Managed Expenditure (AME)									
– Resource	1.1	3,300	–	3,300	(58)	–	(58)	3,358	(739)
– Capital		–	–	–	–	–	–	–	–
Total budget		134,030	–	134,030	127,227	–	127,227	6,803	120,370
Total		134,030	–	134,030	127,227	–	127,227	6,803	120,370
Total resource	1.1	133,400	–	133,400	127,227	–	127,227	6,173	120,370
Total capital	1.2	630	–	630	–	–	–	630	–
Total		134,030	–	134,030	127,227	–	127,227	6,803	120,370

Net cash requirement

SoPS note	2018–19	2018–19	2017–18
	Estimate	Outturn	Outturn
	£000	£000	£000
3	134,690	121,427	115,968
		13,263	

Administration costs

2018–19	2018–19	2017–18
Estimate	Outturn	Outturn
£000	£000	£000
130,100	127,285	121,109

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 85 to 88 form part of these accounts.

Notes to the Statement of Parliamentary Supply

SoPS1 Net outturn

SoPS1.1 Analysis of net resource outturn by section

	2018-19									2017-18
	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				
Spending in Departmental Expenditure Limit (DEL)										
Voted										
Administration	188,664	(61,379)	127,285	-	-	-	127,285	130,100	2,815	121,109
Spending in Annually Managed Expenditure (AME)										
Voted										
Administration	-	-	-	(58)	-	(58)	(58)	3,300	3,358	(739)
Total	188,664	(61,379)	127,285	(58)	-	(58)	127,227	133,400	6,173	120,370

	2018-19	
Difference between resource outturn and Estimate	£000	£000
Lower depreciation costs	2,120	
Other difference	695	
Total DEL underspend		2,815
Lower requirement for provisions	300	
Lower revaluation charge for NS&I properties	3,058	
Total AME underspend		3,358
Total underspend against Estimate		6,173

SoPS1.2 Analysis of net capital outturn by section

	2018-19					2017-18
	Outturn			Estimate		Outturn
	Gross £000	Income £000	Net £000	Net £000	Net total compared with Estimate £000	Net £000
Spending in DEL						
Voted						
Administration	-	-	-	630	630	-
Total	-	-	-	630	630	-

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	2018–19 £000	2017–18 £000
Total resource outturn in Statement of Parliamentary Supply		127,227	120,370
	1.1	127,227	120,370
Add			
Income recognised in budget but transferred to deferred income		1,297	6,927
Income transferred from deferred income to operating income		(6,492)	(5,819)
PPP asset depreciation		2,217	2,075
PPP asset amortisation		16,070	13,280
PPP asset revaluation loss		(440)	535
PPP asset impairment		–	–
PPP asset loss on disposal		678	1,105
		13,330	18,103
Less			
Transfer of PPP costs to capital		(20,881)	(17,836)
Profit on disposal taken through CDEL		–	–
		(20,881)	(17,836)
Net operating cost in Statement of comprehensive net expenditure		119,676	120,637

SoPS3 Reconciliation of net resource outturn to net cash requirement

	Estimate	2018–19 Outturn	Net total outturn compared with Estimate: saving/ (excess)	2017–18 Outturn
	SoPS note	£000	£000	£000
Resource outturn	1.1	133,400	127,227	120,370
Capital outturn				
– Addition of property, plant and equipment	1.2	630	–	–
– Addition of intangible assets	1.2	–	–	–
Accruals to cash adjustments				
Adjustments to remove non-cash items:				
– Depreciation		(5,400)	(223)	(19)
– New provisions and adjustments to previous provisions		(300)	–	–
– Other non-cash items		(640)	(493)	(450)
Adjustments to reflect movements in working balances:				
– Increase/(decrease) in receivables		4,000	(4,500)	(6,090)
– Decrease/(increase) in payables		3,000	(584)	2,157
– Use of provisions		–	–	–
Net cash requirement		134,690	121,427	115,968

SoPS4 Income payable to the Consolidated Fund

SoPS4.1 Analysis of income payable to the Consolidated Fund

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

	2018–19 Outturn		2017–18 Outturn	
	Income £000	<i>Receipts</i> £000	Income £000	<i>Receipts</i> £000
Operating income outside the ambit of the Estimate	13	<i>13</i>	252	<i>252</i>
Excess cash surrenderable to the Consolidated Fund	–	–	–	–
Total income payable to the Consolidated Fund	13	<i>13</i>	252	<i>252</i>

Parliamentary Accountability Disclosures (subject to audit)

1 Losses and special payments

1.1 Losses statement

At 31 March 2019

	Accounts Note	2018–19 Number of cases	2018–19 £000	2017–18 Number of cases	2017–18 £000
Compensation payments		1	3	–	–
Fraud loss		–	–	–	–
Bad debts		–	–	–	–
Fruitless payments		–	–	–	–
Special payments		–	–	–	–
Total		1	3	0	0

Net fraud losses are shown in the table below:

	2018–19 £000	2017–18 £000
Fraud (recoveries)	–	–
Reversal of fraud losses in provisions	–	–
Increase in provisions for fraud losses	–	–
Contracted fraud loss recovery	–	–
Total net fraud credited to Statement of financial net expenditure	–	–

1.1 Losses statement

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

2 Fees and charges (subject to audit)

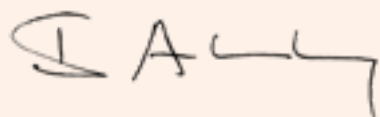
NS&I is required in accordance with HM Treasury's *Managing Public Money* to disclose results for the areas of its activities where fees and charges are levied. The analysis provided below is for fees and charges purposes and is not intended to meet the requirements of IFRS 8 Operating Segments. Business-to-business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

	2018-19			2017-18		
	Gross income £000	Full cost £000	Surplus £000	Gross income £000	Full cost £000	Surplus £000
Business-to-business	65,933	55,670	10,263	54,527	46,819	7,708

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 the Ministry of Justice (Office of Accountant General (OAG)) with regard to Court of Funds, Tax-Free Childcare, the 30 hours free childcare scheme and Help to Save for HMRC and Help to Buy for HM Treasury for which we took on service delivery in April 2019. The Home Office payment processing service which was provided for a number of years ended in April 2019.

3 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

12 June 2019

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

Opinion on financial statements

I certify that I have audited the financial statements of National Savings and Investments for the year ended 31 March 2019 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them.

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

In my opinion:

- the financial statements give a true and fair view of the state of National Savings and Investments' affairs as at 31 March 2019 and of its net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2019 and shows that those totals have not been exceeded; and
- the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of National Savings and Investments in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on National Savings and Investments' ability to continue as a going concern for a period of at least 12 months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

Responsibilities of the Accounting Officer for the financial statements

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

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of National Savings and Investments’ internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Other information

The Accounting Officer is responsible for the other information. The other information comprises information included in the Annual Report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor’s report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance statement does not reflect compliance with HM Treasury’s guidance.

Report

I have no observations to make on these financial statements.

Gareth Davies

Date 17 June 2019

Comptroller and Auditor General

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

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

Opinion on financial statements

I certify that I have audited the financial statements which constitute the Product Accounts of National Savings and Investments for the year ended 31 March 2019 under the Government Resources and Accounts Act 2000.

The financial statements comprise: the Statements of Comprehensive Income, Financial Position, Cash Flows, and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the affairs of the Product Accounts of National Savings and Investments as at 31 March 2019 and of the net operating results for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of National Savings and Investments in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on National Savings and Investments' ability to continue as a going concern for a period of at least 12 months from the date of approval

of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

Responsibilities of the Accounting Officer for the financial statements

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

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of National Savings and Investments' internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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

Other information

The Accounting Officer is responsible for the other information. The other information comprises information included in the Performance Report and Accountability Report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Gareth Davies

Date 17 June 2019

Comptroller and Auditor General

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

03

Financial Statements

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The Help to Save scheme gives people on low incomes a 50% bonus on their savings after two and four years.



Statement of comprehensive net expenditure for the period ending 31 March 2019

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	2018–19 £000	2017–18 £000
Income from sale of goods and services	4	(65,933)	(54,527)
Other operating income	4	(640)	(135)
Total operating income		(66,573)	(54,662)
Staff costs	2	15,458	13,443
Purchase of goods and services	3	151,117	144,393
Depreciation and impairment charges	3	18,791	17,013
Other operating expenditure	3	883	450
Total operating expenditure		186,249	175,299
Net operating expenditure		119,676	120,637
Other comprehensive net expenditure			
Items that will not be reclassified to net operating costs:			
– Net (gain) on revaluation of non-current assets	12	(124)	(165)
Comprehensive net expenditure for the year		119,552	120,472

All income and expenditure is derived from continuing operations.

The notes on pages 98 to 110 form part of these accounts.

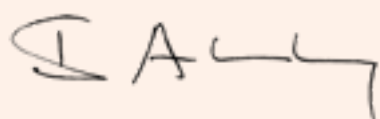
Statement of financial position as at 31 March

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	2019 £000	2019 £000	2018 £000	2018 £000
Non-current assets					
Property, plant and equipment	5	9,426		10,035	
Intangible assets	6	63,253		60,430	
			72,679		70,465
Other receivables	8	–		3,091	–
Total non-current assets			72,679		73,556
Current assets					
Trade and other receivables	8	13,128		14,443	
Cash and cash equivalents	9	196		23	
Client funds	10	64,431		9,633	
Total current assets			77,755		24,099
Total assets			150,434		97,655
Current liabilities					
Trade and other payables	11	(29,437)		(28,284)	
Client funds: liability to HM Treasury, HMRC	10	(64,431)		(9,633)	
Total current liabilities			(93,868)		(37,917)
Total assets less current liabilities			56,566		59,738
Non-current liabilities					
Trade and other payables	11	(15,598)		(21,095)	
Total non-current liabilities			(15,598)		(21,095)
Total assets less total liabilities			40,968		38,643
Taxpayers' equity					
General Fund			40,279		38,052
Revaluation reserve	12		689		591
Total equity			40,968		38,643

The notes on pages 98 to 110 form part of these accounts.



Ian Ackerley
Chief Executive
National Savings and Investments
12 June 2019

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	2018–19 £000	2017–18 £000
Cash flows from operating activities			
Net operating expenditure		(119,676)	(120,637)
Adjustment for non-cash	3	19,241	17,463
Decrease in trade and other receivables	8	4,406	6,090
(Decrease) in trade and other payables	11	(2,677)	(3,878)
Net cash outflow from operating activities		(98,706)	(100,962)
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(2,035)	(988)
Purchase of intangible assets	6	(18,846)	(16,848)
(Decrease) Increase in capital payables	11	(1,840)	2,830
Net cash flows from investing activities		(22,721)	(15,006)
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		121,623	115,991
To the Consolidated Fund (Supply) – prior year		(23)	(1)
Net cash flows from financing activities		121,600	115,990
Net increase in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund			
		173	22
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		13	252
Payments of amounts due to the Consolidated Fund		(13)	(253)
Net increase in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund	9	173	21
Cash and cash equivalents at the beginning of the period	9	23	2
Cash and cash equivalents at the end of the period	9	196	23

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

The notes on pages 98 to 110 form part of these accounts.

Statement of changes in taxpayers' equity as at 31 March

This statement shows the movement in the year on the different reserves held by National Savings and Investments, analysed into 'General Fund and the revaluation reserve' (i.e. those reserves that reflect a contribution from the Consolidated Fund). The revaluation reserve reflects the

change in asset values that have not been recognised as income or expenditure. The General Fund represents the total assets less liabilities of a department, to the extent that the total is not represented by other reserves and financing items.

	Note	General Fund £000	Revaluation reserve £000	Taxpayers' equity £000
Balance at 1 April 2017		42,266	431	42,697
Changes in taxpayers' equity 2017-18				
Net Parliamentary Funding – drawn down		115,990	–	115,990
Net Parliamentary Funding – deemed		1	–	1
Supply payable adjustment		(23)	–	(23)
		115,968	–	115,968
Net operating costs for the year		(120,637)	–	(120,637)
Non-cash adjustments				
Auditor's remuneration	3	450	–	450
Net gain on revaluation of non-current assets	12	–	165	165
		(120,187)	165	(120,022)
Movements in reserves				
Transfer between reserves	12	5	(5)	–
Balance at 31 March 2018		38,052	591	38,643
Changes in taxpayers' equity 2018-19				
Net Parliamentary Funding – drawn down		121,600	–	121,600
Net Parliamentary Funding – deemed		23	–	23
Supply payable adjustment		(196)	–	(196)
		121,427	–	121,427
Net operating costs for the year		(119,676)	–	(119,676)
Non-cash adjustments				
Auditor's remuneration	3	450	–	450
Net gain on revaluation of non-current assets	12	–	124	124
		(119,226)	124	(119,102)
Movements in reserves				
Transfer between reserves	12	26	(26)	–
Balance at 31 March 2019		40,279	689	40,968

The notes on pages 98 to 110 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 2018–19 *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 2019 or later. 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*. It is expected that this standard will impact on NS&I and bring the majority of the operating leases (as disclosed in note 13) on to the Statement of financial position. The standard becomes effective for annual reporting periods beginning on or after 1 January 2020.

1.1.2 Other amendments to the FReM

Other amendments to the FReM due to come into effect on or after 1 April 2019 are considered to have no impact on NS&I.

1.1.3 Other new standards effective for annual periods beginning on or after 1 January 2018

IFRS 15 *Revenue from Contracts with Customers*
IFRS 15 prescribes how and when an entity will recognise contract revenue as well as requiring such entities to provide users of financial statements with more informative relevant disclosure. The standard provides a single, principles five-step model to be applied to all contracts with customers. NS&I contracts apply the standard's principles and there is no further impact on the financial statements.

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 (Impairments of non-current assets) and note 1.13 (Provisions). In the application of NS&I's accounting policies, management has made a number of judgements that have a significant effect on the amounts recognised in the financial statements.

The most significant 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 a particular focus on assets whose initial cost was over £50,000. The review is carried out at year end. The majority of these assets are included under information technology software. Asset values are assessed as to whether the carrying value on the Statement of financial position is overstated in comparison with fair value, usually market value. Also, an assessment is carried out to ensure that the assets are performing to the levels determined in business cases and also on the organisation as a whole. This includes an assessment of assets under construction. NS&I management ensures as far as possible that asset-carrying values reflect current values.
- Intangible asset impairments – for software development assets under construction, where there are significant changes to the proposed project solution, management judgement is applied in assessing the ongoing carrying value of the capitalised assets. Detailed assessments are carried out by technical experts with extensive experience within NS&I's outsourced provider, Atos, to identify work of ongoing benefit. These assessments are reviewed and considered by NS&I in forming its view on the value of its assets. Where carrying values are higher than the assessed current value, an impairment is recognised in the Statement of comprehensive net expenditure.

The most significant estimates are:

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

1.4 Service concession arrangements (Public Private Partnership)

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

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

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

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

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

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

Further information regarding NS&I's service concession arrangements with Atos is provided in note 16.

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 these assets are grouped together for capitalisation purposes.

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

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

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

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

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

1.6 Depreciation and amortisation

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

Property, plant and equipment

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

Intangible assets

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

Other

Assets available for sale	Not depreciated
---------------------------	-----------------

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 or 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 introduction 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 the VAT legislation. However, one business-to-business contract that NS&I operates is not exempt 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. These amounts are held in separate bank accounts and segregated from NS&I's voted monies. Client funds held are recognised as current assets in the Statement of financial position, with the corresponding liability in current liabilities.

As part of HMRC's Tax-Free Childcare scheme, NS&I holds monies on behalf of parents. It also holds funds on behalf of savers as part of 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:

	2018–19 £000	2017–18 £000
Wages and salaries	12,024	10,378
Social security costs	1,311	1,145
Other pension costs	2,123	1,920
Total staff costs	15,458	13,443

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

3 Expenditure

	Note	2018–19 £000	2018–19 £000	2018–19 £000	2017–18 £000	2017–18 £000	2017–18 £000
Public Private Partnership (PPP) provider costs ⁽¹⁾		152,329			144,864		
Transfer of PPP provider costs to capital		(20,881)			(17,836)		
Net PPP costs			131,448			127,028	
Goods and services			18,063			15,521	
Rentals under operating leases			1,679			1,916	
Unwinding discount on property debtor ⁽²⁾			(76)			(72)	
Losses and special payments			3			–	
Total goods and services				151,117			144,393
Other operating expenditure				433			–
Non-cash items							
Depreciation	5		2,429			2,764	
Amortisation	6		16,138			13,348	
Loss on disposal of property, plant and equipment, intangible assets	5,6		722			1,105	
Reversal of previous downward revaluation	5		(58)			(739)	
Revaluation of non-current assets	5,6,12		(440)			535	
Depreciation and impairment			18,791			17,013	
Auditor's remuneration and expenses ⁽³⁾			450			450	
Total non-cash items				19,241			17,463
				170,791			161,856

(1) PPP gross costs were £152,329,000 (2017–18: £144,864,000). These are reduced by infrastructure and development work, which is 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 £20,881,000 (2017–18: £17,836,000). The treatment is outlined in accounting policy note 1.4.

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

(3) The audit remuneration costs include fees for the Product Accounts statutory audit of £380,000 (£380,000 in 2017–18) and fees for the Resource Accounts statutory audit of £70,000 (£70,000 in 2017–18). The audit remuneration costs are exclusive of VAT.

4 Income

	2018–19 £000	2018–19 £000	2017–18 £000	2017–18 £000
Operating income comprises:				
Business-to-business	65,933		54,527	
Income from sale of goods and services		65,933		54,527
Other receipts	640		135	
Other operating income		640		135
Total operating income		66,573		54,662

5 Property, plant and equipment

5(a) Current year

	Land £000	Buildings £000	Information technology £000	Plant and machinery £000	Furniture and fittings £000	Assets under construction £000	Total £000
Cost or valuation							
At 1 April 2018	750	2,337	21,520	1,237	5,127	–	30,971
Additions	–	–	586	–	1,449	–	2,035
Transfer from 'Assets under construction'	–	–	–	–	–	–	–
Disposals	–	–	(1,220)	–	(2,117)	–	(3,337)
Reclassification	–	–	–	–	–	–	–
Revaluation ⁽¹⁾	–	57	–	–	–	–	57
At 31 March 2019	750	2,394	20,886	1,237	4,459	–	29,726
Depreciation							
At 1 April 2018	–	(337)	(16,906)	(438)	(3,255)	–	(20,936)
Charged in year	–	(57)	(1,858)	(107)	(407)	–	(2,429)
Disposals	–	–	993	–	2,072	–	3,065
Reclassification	–	–	–	–	–	–	–
Revaluation	–	–	–	–	–	–	–
At 31 March 2019	–	(394)	(17,771)	(545)	(1,590)	–	(20,300)
Carrying amount							
At 31 March 2019	750	2,000	3,115	692	2,869	–	9,426
Owned assets	750	2,000	1	687	704	–	4,142
IFRIC 12 assets	–	–	3,114	5	2,165	–	5,284
Total	750	2,000	3,115	692	2,869	–	9,426

(1) The freehold land and building at NS&I's Moorlands site in Blackpool was revalued as at 31 March 2019 by our professional valuers, chartered surveyors Cushman and Wakefield.

5(b) Prior year

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

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

6 Intangible assets

6(a) Current year

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

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

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

6(b) Prior year

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

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

(2) Information technology software and the website were revalued during the year using an appropriate ONS index, the Computer Services Producer Price Index. The net decrease in value of the assets was £0.52 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

	2019 £000	2018 £000
Amounts falling due within one year		
Deposits and advances	67	77
Prepayments	111	134
Accrued income	9,138	9,677
Proceeds from the sale of property	3,167	4,555
Other receivables	645	–
Total trade and other receivables falling due within one year	13,128	14,443
Amounts falling due after more than one year		
Proceeds from the sale of property	–	3,091
Subtotal	–	3,091
Total trade and other receivables	13,128	17,534

NS&I has no amounts falling due after more than one year. The final proceeds for the sale of the Blackpool Tower stock and computer buildings were received in December 2018.

The final proceeds (£3,167,000) for the sale of the Glasgow site will be received in October 2019.

9 Cash and cash equivalents

	2019 £000	2018 £000
Balance at 1 April	23	2
Net change in cash and cash equivalent balances	173	21
Closing cash and cash equivalent balance	196	23
The following balances are held at:		
Government Banking	196	23
Balance at 31 March	196	23

10 Client funds

	2019 £000	2018 £000
Balance at 1 April	9,633	482
Net change in client funds balances	54,798	9,151
Closing client funds balance	64,431	9,633
The following balances are held at:		
Government Banking	64,431	9,633
Balance at 31 March	64,431	9,633
Corresponding liability for payments to be made on behalf of HMRC, HM Treasury	(64,431)	(9,633)

Client funds are being held on behalf of HMRC for the operation of the Tax-Free Childcare scheme, which was launched in 2018. The balance held in the account for HMRC was £50,926,000 (2018: £9,628,000). These amounts are included in NS&I's Statement of financial position. NS&I is also holding £46,384,000 (2018: £18,019,000) 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 on its Statement of financial position £13,500,000 on behalf of HM Treasury (2018: Nil) in the

operation of the Help to Buy scheme, which was launched in 2019. This amount is included in NS&I's Statement of financial position.

NS&I is also holding on its Statement of financial position £5,000 (2018: £5,000) on behalf of HMRC for the operation of the Help to Save scheme, which was launched in 2018. It is also holding £16,999,000 (2018: £121,500) 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

	2019 £000	2018 £000
Amounts falling due within one year		
VAT	94	55
Taxation and social security	369	295
Trade payables	5,647	3,397
Other payables	255	215
Accruals	16,124	17,850
Deferred income	6,752	6,449
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	196	23
Total trade payables and other liabilities due within one year	29,437	28,284
Amounts falling due after more than one year		
Deferred income ⁽¹⁾	15,598	21,095
Non-current liabilities	15,598	21,095
Total trade payables and other liabilities	45,035	49,379

(1) Amounts falling due after more than one year refers 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	2019 £000	2018 £000
Revaluation reserve changes			
Balance in revaluation reserve at 1 April		(591)	(431)
Total downward revaluation of non-current assets	6	–	520
Charged to expenditure	3	498	204
Upward revaluation	5,6	(622)	(889)
Revaluation movement		(124)	(165)
Depreciation adjustment		26	5
Subtotal		26	5
Balance at 31 March		(689)	(591)

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.

	2019 £000	2018 £000
Obligations under operating leases comprise:		
Buildings:		
Not later than one year	1,737	1,745
Later than one year and not later than five years	5,958	7,164
Later than five years	5,418	6,723
Total	13,113	15,632

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 initial 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 has been extended for a further three years. The contract will now complete in March 2024. The value of the contract extension is estimated to be over £300 million for the additional three years.

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

	£000
Amounts falling due within one year	53,817
Net present value of amounts falling due within two to five years	212,171
	265,988
£000	
Comparable figures at March 2018 were:	
Amounts falling due within one year	82,809
Net present value of amounts falling due within two to five years	149,743
	232,552

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 2019 (31 March 2018: Nil).

16 Contingent liabilities disclosed under IAS 37

NS&I did not have any provisions at 31 March 2019 (31 March 2018: 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, Office for National Statistics, Home Office, HM Treasury and HM Revenue and Customs;

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

Balance at 31 March	2019 £000	2018 £000
Executive Directors and Non-executive Directors	1,440	801

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

18 Events after the reporting period date

There are no reportable events between the Statement of financial position date and 17 June 2019, 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 127.

Scope of the Product Accounts

These accounts record transactions for the year ended 31 March 2019 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

65+ Guaranteed Growth Bonds	The National Savings (No. 2) Regulations 2015
Investment Guaranteed Growth Bonds	The National Savings (No. 2) Regulations 2015
Premium Bonds	The National Savings (No. 2) Regulations 2015

Products governed by the National Savings Bank Act 1971

Individual Savings Account	The National Savings Regulations 2015
Junior Individual Savings 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 2019

The financial year ended 31 March 2019 was the first financial year of our new Inspire & Invest strategy. During this period, there were no new products added to the product range. However, we did make some changes to the customer proposition in some of our products.

In the first quarter of the financial year, changes were made to the maturity options for Children's Bonds. Effective April 2018, customers with maturing Children's Bonds are no longer able to reinvest in this product. They instead have the option to transfer into our Junior ISA or invest in any other NS&I product currently on sale.

The first quarter of the financial year also saw the remaining 3-year 65+ Guaranteed Growth Bonds reach maturity. The last of these bonds matured in May 2018. Customers with maturing bonds were given the option to seek repayment or reinvest into Guaranteed Growth Bonds or any other NS&I products that were currently on sale.

In June 2018, we reduced the maximum amount savers could invest in Guaranteed Growth Bonds and Guaranteed

Income Bonds from £1 million to £10,000, thus enabling these bonds to remain on sale, so that potentially more savers would benefit from investing in these products.

In the last quarter of the financial year, we made it easier for customers to invest in Premium Bonds by reducing the minimum investment to £25 from £100. This change took effect in February 2019.

In making these changes under our new Inspire & Invest strategy, we sought to encourage a stronger savings culture while continuing to balance the interests of savers and taxpayers and the stability of the broader financial services sector.

Audit

These accounts have been audited by the Comptroller and Auditor General, whose Certificate and Report appears on pages 91 to 92.

Statement of comprehensive income for the year ended 31 March

	Note	2018–19 £000	2017–18 £000
Income			
Interest and prizes financed by the NLF	4	2,447,662	2,487,349
Interest and prizes financed by the NLF		2,447,662	2,487,349
Cost			
Interest and prizes earned by investors	2	(2,447,662)	(2,487,349)
Interest and prizes earned by investors		(2,447,662)	(2,487,349)
Income less cost		-	-

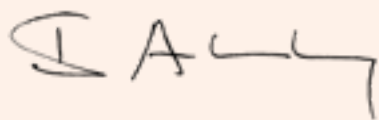
The notes on pages 116 to 126 form part of these accounts.

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

Statement of financial position at 31 March

	Note	2019 £000	2018 £000
Current assets			
Held by the NLF	4	166,473,104	155,170,333
Other receivables	5	318,072	368,642
Cash and cash equivalents	9	777,956	1,203,769
Total current assets	10	167,569,132	156,742,744
Current liabilities			
Liability to investors	6	(167,568,044)	(156,736,736)
Other payables	7	(1,088)	(6,008)
Total current liabilities	10	(167,569,132)	(156,742,744)
Net current assets		–	–
Assets less liabilities		–	–

The notes on pages 116 to 126 form part of these accounts.



Ian Ackerley
Chief Executive
National Savings and Investments
12 June 2019

Statement of cash flows for the year ended 31 March

	Note	2018–19 £000	2017–18 £000
Cash flows from operating activities			
Income less cost		–	–
Increase in net funds held by the NLF	8	(11,302,771)	(9,127,453)
Decrease/(increase) in other receivables	5	50,570	(132,300)
Increase in total funds invested	2	10,831,308	9,796,478
(Decrease)/increase in other payables	7	(4,920)	3,381
Net cash flow from operating activities		(425,813)	540,106
Net (decrease)/increase in cash and cash equivalents in the period	9	(425,813)	540,106
Cash and cash equivalents at the beginning of the period	9	1,203,769	663,663
Cash and cash equivalents at the end of the period	9	777,956	1,203,769

The notes on pages 116 to 126 form part of these accounts.

Notes to the Product Accounts

1 Statement of accounting policies

These accounts are prepared in accordance with the 2018–19 *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.

1.1.1 Adoption of new standards and interpretations

The accounting policies are consistent with the prior financial year with the exception of IFRS 9 adoption. IFRS 9 *Financial Instruments* replaces the earlier accounting standard for financial instruments IAS 39 *Financial Instruments: Recognition and Measurement*. NS&I adopted IFRS 9 on 1 April 2018, with no retrospective application or restatement of the comparative period.

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

- Classification and measurement
- Hedge accounting
- Impairment.

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

Classification and measurement

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

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

In compliance with IFRS 9, NS&I completed an assessment of the cash flow characteristics of its financial assets to establish which business model they should be held under.

The assessment determined that the cash flows are solely payments of principal and interest (SPPI) and financial assets will be held at amortised cost under IFRS 9.

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

Hedge accounting

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

Impairment

IFRS 9 replaces the IAS 39 'incurred loss' impairment recognition framework with a three stage 'expected credit loss' (ECL) approach. The IFRS 9 approach results in earlier recognition of potential future losses. IFRS 9 requires a loss allowance to be recognised at an amount equal to either 12-month ECLs or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

The impairment recognition framework from the adoption of IFRS 9 has not had any impact on NS&I as the net assets are held by the NLF and the agency nature of the retail operations ensures that NS&I does not suffer the risk of credit losses on its financial instruments.

Differences in classification of financial assets and liabilities from IAS 39 to IFRS 9

Financial assets

The classification of financial assets under IAS 39 is based on the nature of the financial asset and the purpose for which it is held. IAS 39 requires financial assets to be classified in one of the following categories, which in turn determine the recognition and measurement criteria:

- Financial assets at fair value through profit or loss
- Available for sale (measured at fair value)
- Loans and receivables (measured at amortised cost)
- Held to maturity investments (measured at amortised cost).

IFRS 9 classification is based on contractual cash flow terms and the business model in which financial assets are held. Financial assets are classified in one of the following categories: amortised cost, FVTPL or FVOCI.

Financial liabilities

The classification of financial liabilities under IFRS 9 is broadly the same as in IAS 39. Financial liabilities under IAS 39 are classified at either amortised cost using the effective interest method or fair value through profit or loss (FVTPL). The same classification categories also apply to IFRS 9.

1.1.2 Other new standards effective for annual periods beginning on or after 1 January 2018

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 prescribes how and when an entity will recognise contract revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles-based five-step model to be applied to all contracts with customers. This standard exempts financial instruments and therefore has no impact on the Product Accounts.

1.2 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 2019. 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*.

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 2019 are considered to have no impact on the NS&I product accounts.

1.3 Interest and prizes recognition

Interest and prizes are earned by investors in accordance with the terms and conditions applicable to each product. Interest is recognised in accordance with IFRS 9 using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense over the expected life of a financial instrument.

Capitalised and accrued interest is included in interest and prizes payable to investors in the Statement of

comprehensive income, and liability to investors in the Statement of financial position. Capitalised interest is interest that has been added to the customer's investment and may now be earning further interest in accordance with the terms and conditions of the product. Accrued interest is interest which has been earned but not yet capitalised. Interest, where applicable, is accrued from the date of funds received or most recent capitalisation to the end of the accounting period.

The monthly Premium Bonds prizes are drawn on the first day of the following month. The prizes are accrued for Premium Bonds which are eligible and still held at the end of each month.

Interest has been disclosed in accordance with IFRS 7 and IAS 1 in these accounts.

1.4 Financed by the NLF

The interest and prizes payable to investors are funded by the NLF. The accounting policy for the NLF interest and prizes is as outlined in note 1.3.

1.5 Cash and cash equivalents

Cash and cash equivalents include cash at bank and amounts due from banks with an original maturity of less than three months.

1.6 Financial liabilities

Financial liabilities primarily comprise the deposits and investments made by customers in NS&I's products. All financial liabilities are measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest over the relevant period up to the date of maturity. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial liability or, where appropriate, a shorter period. Financial liabilities include other payables. Financial liabilities are derecognised when the obligation is discharged.

A receipt from an investor is recognised as a liability when NS&I or one of its agents receives a payment for a valid investment. Repayments to investors are recognised as a reduction in the liability to the investor on the date of the payment instrument.

Where payment instruments are not cashed by the investor within their stipulated time limit, the liability to the investor is reinstated.

If an investor decides to reinvest funds in the same or another product, this is termed a reinvestment and is recognised as a payment and new receipt. An automatic or default rollover of funds within the same product, which

requires no action by the investor, is not recognised as a payment or receipt. The undiscounted maturity profiles for the total liability for all products are disclosed in note 12.

1.7 Relationship with the NLF

NS&I is the Government's retail savings agency. All funds from investors are payable to the NLF, and all liabilities to investors are discharged from funds payable by the NLF, on a statutory basis. Risks relating to liabilities to investors are met wholly by the NLF. Further, the Product Accounts present only a part of the Government's overall financing requirement managed by HM Treasury through the NLF, and which is financed ultimately from the Government's tax revenues or borrowings.

Due to the nature of these arrangements, some of the risk management and capital disclosure requirements of IFRS 7 are not applicable to these accounts. The risk management disclosure requirements of IFRS 7 comprise qualitative and quantitative disclosures that show the extent of risks arising from financial instruments and how that risk is managed by an entity during the period and at the reporting date. The capital disclosures of IFRS 7 are disclosures that enable users of financial statements to evaluate the significance of financial instruments for an entity's financial position and performance.

The analysis of the total funds held or financed by the NLF (note 4) does not equal the total funds invested by product (note 6), i.e. liability to investors. This is due to timing differences in the flow of funding and defunding movements between NS&I, its agents, the Government Banking Service and the NLF (via HM Treasury's bank account at the Bank of England). This difference is represented by net cash plus receivables minus other payables

1.8 Financial assets

Financial assets comprise the loan with the NLF and other receivables, based on deposits and investments made by customers.

The following policies have been applied to financial assets.

Current year financial assets – recognition, classification and measurement

Current year 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:

- FVOCI
- 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 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).

Prior year financial assets – recognition, classification and measurement

Prior year financial assets are recognised, classified and measured in accordance with IAS 39. On initial recognition, financial assets are classified as loans and receivables.

Loans and receivables are assets with fixed or determinable repayments that are not quoted in an active market. Loans and receivables are initially recognised at fair value. Due to the agency nature of the business, the loan with the NLF is derived from the value of the financial liabilities upon which it is based (see note 1.6).

Derecognition of financial assets

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

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 2018
	£000	£000	£000	£000	£000	£000
Children's Bonds	8,380	10,193	(79,861)	(11,904)	(73,192)	386,530
Direct Saver	8,462,271	86,265	(6,481,335)	–	2,067,201	11,812,523
65+ Guaranteed Growth Bonds	10	326,566	(7,857,078)	–	(7,530,502)	1,937,191
Guaranteed Bonds	12,140,542	151,172	(1,282,561)	(2)	11,009,151	17,628,988
Income Bonds	5,595,640	158,611	(7,667,640)	–	(1,913,389)	17,463,768
Individual Savings Account	721,607	38,780	(636,814)	–	123,573	4,598,207
Investment Account	355,111	13,678	(430,306)	–	(61,517)	2,572,315
Investment Guaranteed Growth Bonds	600,197	9,985	(2,857)	–	607,325	607,325
Junior Individual Savings Account	3,508	19	(29)	–	3,498	3,498
Premium Bonds	14,509,759	894,868	(9,440,737)	–	5,963,890	75,520,514
Residual Account	26,012	610	(39,166)	11,952	(592)	638,811
Savings Certificates	248,903	796,602	(1,444,427)	(46)	(398,968)	23,567,066
Total	42,671,940	2,487,349	(35,362,811)	–	9,796,478	156,736,736

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 £90,000 in 65+ Guaranteed Growth Bonds (2018–19) relates to repayments awaiting customer encashment.

The notable events section on page 112 of these accounts discloses notable occurrences in the product range during the period.

3 Interest and prizes

	Note	2018–19 £000	2017–18 £000
Total interest and prizes earned in year	2	(2,447,662)	(2,487,349)
Add accrued interest and prizes opening balance		(739,277)	(712,536)
Less interest capitalised in year		1,495,754	1,585,641
Less interest and prizes paid in year		1,074,750	879,329
Add movements in out-of-date warrants and outstanding prizes in year		(6,338)	(4,362)
Accrued interest and prizes at 31 March	6	(622,773)	(739,277)

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

4 Amounts held by the NLF

	Note	2018–19 £000	2017–18 £000
Balance at 1 April		155,170,333	146,042,880
Interest and prizes financed by the NLF		2,447,662	2,487,349
Received from the NLF	8	(27,990,800)	(34,724,138)
Paid to the NLF	8	36,845,909	41,364,242
Balance at 31 March		166,473,104	155,170,333

The amount held by the NLF includes interest and prizes accrued in 2018–19 of £531,437,000 (2017–18: £654,279,000).

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

	2019 £000	2018 £000
Agents	317,725	368,201
Other receivables	347	441
Total	318,072	368,642

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

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 (£622,773,000) is accrued interest in respect of the principal liability to investors. Note 4 discloses accrued interest (£531,437,000) in respect of balances

held by the NLF. The difference between these amounts is due to outstanding interest liabilities (£91,336,000) which have been drawn down from the NLF and are pending settlement, such as prizes and interest warrants.

All products are repayable on demand and therefore are classified as current liabilities.

6(b) Prior year

	Principal liability	Accrued interest and prizes	Liability
	£000	£000	31 March 2018 £000
Current liabilities			
Children's Bonds	382,071	4,459	386,530
Direct Saver	11,812,523	–	11,812,523
65+ Guaranteed Growth Bonds	1,875,528	61,663	1,937,191
Guaranteed Bonds	17,564,961	64,027	17,628,988
Income Bonds	17,437,614	26,154	17,463,768
Individual Savings Account	4,561,119	37,088	4,598,207
Investment Account	2,567,960	4,355	2,572,315
Investment Guaranteed Growth Bonds	597,366	9,959	607,325
Junior Individual Savings Account	3,479	19	3,498
Premium Bonds	75,364,092	156,422	75,520,514
Residual Account	635,595	3,216	638,811
Savings Certificates	23,195,151	371,915	23,567,066
Total liability to investors	155,997,459	739,277	156,736,736

7 Other payables

	2019	2018
	£000	£000
NLF	229	171
Other payables including sales repayments and evidence of identity repayments	859	5,837
Total	1,088	6,008

8 Movement in net funds held by the NLF

	2018-19	2017-18
	£000	£000
Received from the NLF	27,990,800	34,724,138
Paid to the NLF	(36,845,909)	(41,364,242)
Net inflow to the NLF	(8,855,109)	(6,640,104)
Interest and prizes payable to investors	(2,447,662)	(2,487,349)
Increase in net funds held by the NLF	(11,302,771)	(9,127,453)

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

	2019	2018
	£000	£000
Balance at 1 April	1,203,769	663,663
Net change in cash and cash equivalent balances	(425,813)	540,106
Balance at 31 March	777,956	1,203,769

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

10 Categorisation of financial assets and liabilities**10(a) Current year**

	2019
	£000
Assets	
Financial assets measured at amortised cost	166,791,176
Cash and cash equivalents	777,956
Total	167,569,132
Liabilities	
Financial liabilities measured at amortised cost	(167,569,132)
Total	(167,569,132)

10(b) Prior year

	2018
	£000
Assets	
Loans and receivables	155,538,975
Cash and cash equivalents	1,203,769
Total	156,742,744
Liabilities	
Financial liabilities measured at amortised cost	(156,742,744)
Total	(156,742,744)

Current year (2019) assets and liabilities are categorised under IFRS 9. Prior year (2018) assets and liabilities are

categorised under IAS 39. Note 1.1.1 details the differences in classification categories from IAS 39 to IFRS 9.

11 Market, liquidity and credit risk

NS&I is an Executive Agency of the Chancellor of the Exchequer. NS&I's principal activity is to finance a part of the Government's borrowing by selling savings and investment products to retail savers and investors. Monies received by NS&I are passed to the NLF, which guarantees to honour the product terms and conditions in the form of a 100% HM Treasury guarantee.

NS&I's banking services provider is the Government Banking (GB). GB has contracted the Royal Bank of Scotland Group (RBSG) to provide transaction processing services for NS&I. Monies held at RBSG are transferred to the Government's accounts at the Bank of England during, and/or at the end of, each day to mitigate credit risks to both NS&I and HM Treasury. In the event that RBSG was unable to meet its obligations, HM Treasury would step in to provide NS&I

with the necessary funds to meet its liabilities to investors as part of the HM Treasury underwritten guarantee. Therefore, NS&I does not face any material credit risk. Credit risk relating to the agents and other debtors is not material and is mitigated by the short settlement periods, which are typically less than seven days.

NS&I has no liquidity risk in respect of customer sales and repayments, as liquidity risk is managed through a main bank account held at the Bank of England and linked to the Ways and Means account at the NLF to ensure a smooth flow of funds between the NLF and NS&I. Interest rate risk belongs to the UK Government and is managed by the NLF in conjunction with the DMO. There is no currency exposure, as all assets and liabilities are denominated in sterling.

12 Product maturity profile**12(a) Current year**

All products are repayable on demand. As required by IFRS 7, the undiscounted maturity profile for the total liability for all products is as follows:

	2019	2019	2019	2019
	Variable rate, prize-based and index-linked products	Fixed rate products	Non-interest bearing products	Total
	£000	£000	£000	£000
Maturing in one year or less or repayable on demand	143,017,716	24,479,001	71,327	167,568,044
Total	143,017,716	24,479,001	71,327	167,568,044

12(b) Prior year

	2018	2018	2018	2018
	Variable rate, prize-based and index-linked products	Fixed rate products	Non-interest bearing products	Total
	£000	£000	£000	£000
Maturing in one year or less or repayable on demand	132,933,572	23,719,154	84,010	156,736,736
Total	132,933,572	23,719,154	84,010	156,736,736

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

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

13(b) Prior year

	2018 Total per accounts £000	2018 Fair value £000
Assets		
Held by the NLF	155,170,333	155,676,371
Other receivables	368,642	368,642
Cash and cash equivalents	1,203,769	1,203,769
Total	156,742,744	157,248,782
Liabilities		
Fixed rate products	(23,719,154)	(24,225,192)
Variable rate products	(132,933,572)	(132,933,572)
Non-interest bearing products	(84,010)	(84,010)
Other payables	(6,008)	(6,008)
Total	(156,742,744)	(157,248,782)

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

14(b) Prior year

	Level 1 2018 £000	Level 2 2018 £000	Total 2018 £000
Assets			
Held by the NLF – fixed rate products	–	23,935,004	23,935,004
Held by the NLF – variable rate products	–	131,660,345	131,660,345
Other assets ⁽¹⁾	1,653,433	–	1,653,433
	1,653,433	155,595,349	157,248,782
Liabilities			
Liability to investors – fixed rate products	–	(24,225,192)	(24,225,192)
Liability to investors – variable rate products	–	(132,933,572)	(132,933,572)
Other liabilities ⁽²⁾	–	(90,018)	(90,018)
	–	(157,248,782)	(157,248,782)

(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 111 and 112. 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 110 of this Annual Report and Accounts and Product Accounts.

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

16 Events after the reporting period date

There are no reportable events between the Statement of financial position date and 17 June 2019, 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.



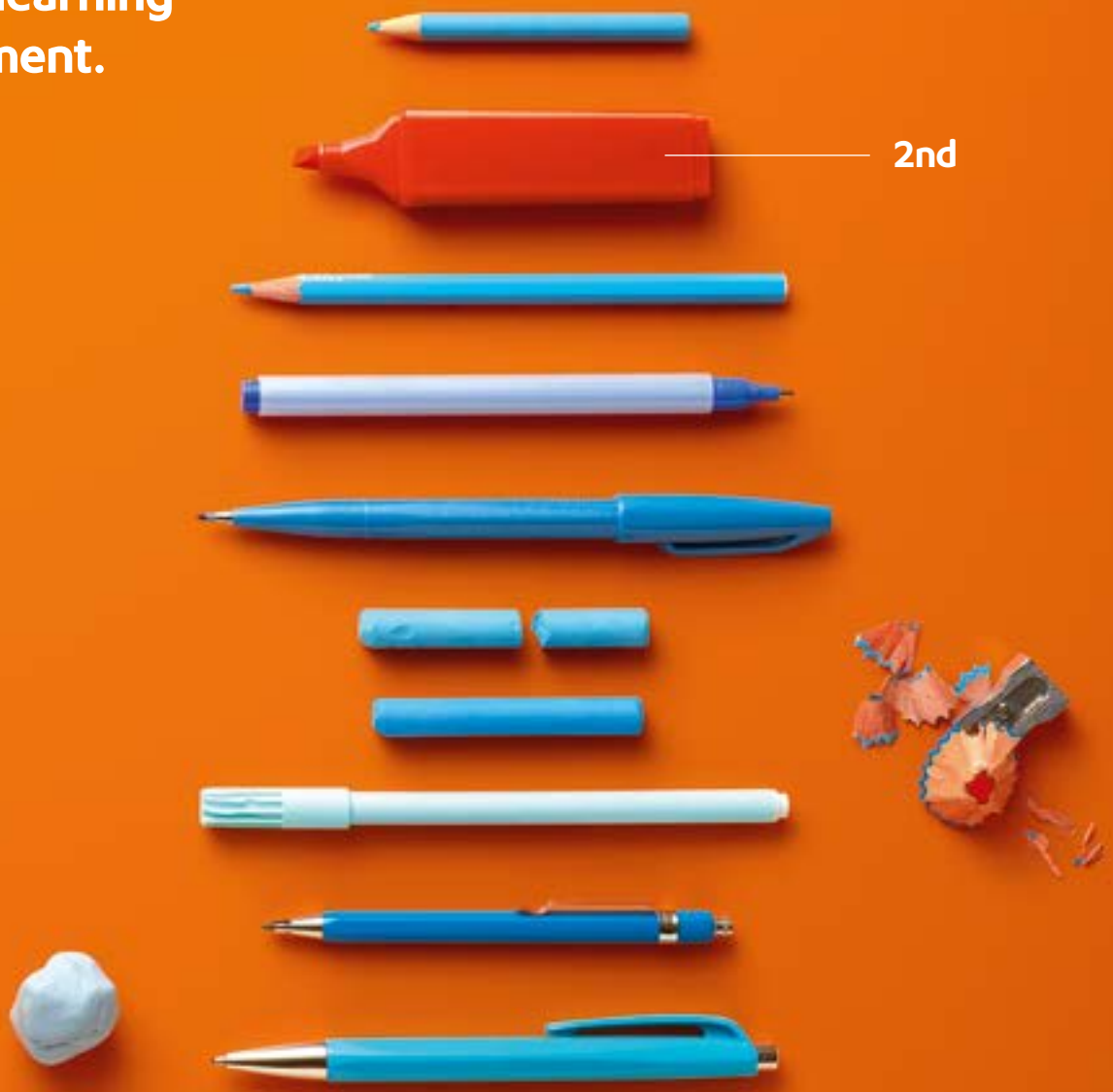
Michael Sunderland
Acting Deputy Director
Government Financial Reporting
HM Treasury
19 April 2016

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We came second out of 106 departments for access to learning and development.



2nd

Departmental report information

The 2018–19 Departmental report information shown in the tables on the following pages is not consistent with the information shown in the 2017–18 Accounts. As a result, there is no direct link to the Statement of comprehensive net expenditure found in the Accounts.

The differences in the information below and the Accounts are a result of HM Treasury guidance on Departmental report content leading to a divergence of treatment of a number of items in departmental budgets, Supply Estimates and the Accounts.

The main difference is that departmental budgets are not adjusted for IFRS and hence they do not reflect the assets brought onto the Statement of financial position following the application of the HM Treasury adaptation of IFRIC 12 *Service Concession Arrangements*. The Departmental report tables provide information on NS&I's expenditure within resource and capital DEL and resource AME limits. Table 1, Total departmental spending does not include any spending that is classified as non-budget.

There are also further differences brought about by treatments in HM Treasury's required budgetary framework

which are not used in the IFRS accounts. The main items of this type are shown below:

- Creation and increases in provisions are within the resource AME limit and also in programme costs.
- Cash payments related to paying off the obligation recognised by a provision are transferred from resource AME to resource DEL. These payments are not recognised as costs in the Accounts.
- Revaluations to properties owned by NS&I are accounted for in resource AME and also in programme costs.
- IFRIC 12 adjustments for depreciation, impairment of assets and transfers to IFRIC 12 capital are accounted for under non-budget and programme costs. They do not feature in the Departmental report tables.

The above treatments have been used for the figures shown in each year of the Departmental report. As a result, the data shown in this Departmental report does not directly reconcile to the Accounts.

Table 1: Total departmental spending

	Outturn 2014–15 £000	Outturn 2015–16 £000	Outturn 2016–17 £000	Outturn 2017–18 £000	Outturn 2018–19 £000	Plans 2019–20 £000
Resource DEL						
Section A: Administration	223,865	155,453	132,333	121,109	127,285	123,294
Total resource DEL	223,865	155,453	132,333	121,109	127,285	123,294
<i>of which:</i>						
Pay	10,811	11,236	11,731	12,987	14,717	16,000
Net current procurement ⁽¹⁾	211,725	142,848	119,401	106,914	111,838	104,154
Current grants and subsidies to the private sector and abroad	–	–	–	–	–	–
Current grants to local government	–	–	–	–	–	–
Depreciation ⁽²⁾	583	734	751	758	280	2,500
Other	746	635	450	450	450	640
Resource AME						
Section B: Administration	420	(682)	(262)	(739)	(58)	3,300
Total resource AME	420	(682)	(262)	(739)	(58)	3,300
<i>of which:</i>						
Pay	–	–	–	–	–	–
Net current procurement ⁽¹⁾	–	–	–	–	–	–
Current grants and subsidies to the private sector and abroad	–	–	–	–	–	–
Current grants to local government	–	–	–	–	–	–
Net public service pensions ⁽³⁾	–	–	–	–	–	–
Take-up of provisions	683	(296)	–	–	–	300
Release of provisions	(45)	(397)	–	–	–	–
Depreciation ⁽²⁾	(218)	11	(262)	(739)	(58)	3,000
Other	–	–	–	–	–	–
Total resource budget	224,285	154,771	132,071	120,370	127,227	126,594
<i>of which:</i>						
Depreciation	365	745	489	19	222	5,500

Table 1: Total departmental spending (continued)

	Outturn 2014–15 £000	Outturn 2015–16 £000	Outturn 2016–17 £000	Outturn 2017–18 £000	Outturn 2018–19 £000	Plans 2019–20 £000
Capital DEL						
Section A: Administration	1,383	(1,585)	(12,482)	–	–	650
Total capital DEL	1,383	(1,585)	(12,482)	–	–	650
<i>of which:</i>						
Net capital procurement ⁽⁴⁾	1,383	(1,585)	(12,482)	–	–	650
Capital grants to the private sector and abroad	–	–	–	–	–	–
Capital support for local government	–	–	–	–	–	–
Capital support for public corporations	–	–	–	–	–	–
Other	–	–	–	–	–	–
Capital AME						
Total capital AME	–	–	–	–	–	–
<i>of which:</i>						
Capital grants to the private sector and abroad	–	–	–	–	–	–
Net lending to the private sector	–	–	–	–	–	–
Capital support for public corporations	–	–	–	–	–	–
Other	–	–	–	–	–	–
Total capital budget	1,383	(1,585)	(12,482)	–	–	650
Total departmental spending⁽⁵⁾	225,303	152,441	119,100	120,351	127,005	121,744
<i>of which:</i>						
Total DEL	224,665	153,134	119,362	121,090	127,063	118,444
Total AME	420	(682)	(262)	(739)	(58)	3,300

(1) Net of income from sales of goods and services.

(2) Includes impairments.

(3) Pension schemes report under IAS 19 accounting requirements. The figures therefore include cash payments made and contributions received, as well as certain non-cash items.

(4) Expenditure on tangible and intangible fixed assets net of sales.

(5) Total departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly, total DEL is the sum of the resource budget DEL and capital budget DEL less depreciation in DEL, and total AME is the sum of resource budget AME and capital budget AME less depreciation in AME.

Table 2: Public spending control

Resources				Supply Estimate		Supplementary Estimate			Final provision	Final outturn	Differences
	Admin £000	Other current £000	Gross total £000	A in A £000	Net total £000	Change in gross provision £000	Change in A in A £000	Change in net provision £000	£000	£000	£000
Spending in DEL	233,700	–	233,700	(101,000)	132,700	(2,600)	–	(2,600)	130,100	127,285	2,815
Spending in AME	–	3,300	3,300	–	3,300	–	–	–	3,300	(58)	3,358
Total	233,700	3,300	237,000	(101,000)	136,000	(2,600)	–	(2,600)	133,400	127,227	6,173

Capital			Supply Estimate		Supplementary Estimate			Final provision	Final outturn	Differences
	Capital £000	Change in gross provision £000	Change in A in A £000	Change in net provision £000	£000	£000	£000	£000	£000	
Spending in DEL	630	–	–	–	630	–	–	630	–	630

Table 3: NS&I capital employed

	Outturn 2014–15 £000	Outturn 2015–16 £000	Outturn 2016–17 £000	Outturn 2017–18 £000	Outturn 2018–19 £000	Plans 2019–20 £000
Assets on balance sheet at end of year						
Non-current assets						
Intangible	61,615	57,048	57,748	58,678	63,253	60,000
Property, plant and equipment	23,047	14,323	11,729	10,022	9,426	9,600
<i>of which:</i>						
Land and buildings	12,279	1,802	2,000	2,750	2,750	2,700
Information technology	6,379	8,020	6,521	4,601	3,115	3,300
Plant and machinery	468	1,017	909	799	692	800
Furniture and fittings	2,370	2,689	2,277	1,872	2,869	2,800
Assets under construction	1,551	795	22	–	–	–
Other receivables	–	–	7,593	3,091	–	–
Current assets	3,758	49,476	16,515	24,099	77,755	74,000
Creditors <1 year	(36,061)	(50,992)	(30,170)	(38,671)	(93,868)	(83,000)
Provisions <1 year	(16)	–	–	–	–	–
Creditors >1 year	–	(14,799)	(20,718)	(20,339)	(15,598)	(18,000)
Provisions >1 year	(677)	–	–	–	–	–
Capital employed within main department	51,666	55,056	42,697	36,880	40,968	42,600

Table 4: Administration budget

	Outturn 2014–15 £000	Outturn 2015–16 £000	Outturn 2016–17 £000	Outturn 2017–18 £000	Outturn 2018–19 £000	Plans 2019–20 £000
Section A: Administration	223,865	155,453	132,333	121,109	127,285	123,294
Total Administration Budget	223,865	155,453	132,333	121,109	127,285	123,294
<i>of which:</i>						
Pay	10,811	11,236	11,731	12,987	14,717	16,000
Expenditure	227,337	175,127	157,453	163,891	173,947	228,294
Income	(14,283)	(30,910)	(36,851)	(55,769)	(61,379)	(121,000)

Table 5: NS&I staff numbers

Staff numbers at:	1 April 2013	1 April 2014	1 April 2015	1 April 2016	1 April 2017 ⁽¹⁾	1 April 2018 ⁽¹⁾	1 April 2019 ⁽¹⁾
Permanent	170	164	173	166	184	191	210
Others	25	14	12	11	3	9	2
Total	195	178	185	177	187	200	212

(1) The staff numbers shown in the table above for 1 April do not agree with the Remuneration and staff report. The figures in the report are calculated by averaging the staff numbers over the year while the numbers above are shown on spot dates.

Table 6: NS&I consultancy and professional services

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

Glossary

Accounting Officer

A person appointed by HM Treasury or designated by a department to be accountable for the operations of an organisation and the preparation of its accounts. The appointee is, by convention, usually the head of a department or other organisation or the Chief Executive.

Accrued interest

Interest earned by the customer that has not yet been paid out or capitalised.

Annually Managed Expenditure (AME)

Spending which does not fall within Departmental Expenditure Limits (DEL). Expenditure in AME is generally less predictable and controllable than expenditure in DEL.

Appropriations in aid (A in A)

Income received by a government department which it is authorised to retain to finance related expenditure. Such income is voted by Parliament and accounted for in departmental accounts.

Basis point

This is one-hundredth of a percentage point (0.01%).

Bonds

Apart from specific bonds issued by NS&I, a bond is another name given to fixed-term securities, including those issued by governments.

Business-to-business services

Payment processing services provided to other government departments, agencies and arm's-length bodies by NS&I Government Payment Services. The 'client' department pays NS&I to manage the payments on its behalf; payments are processed using NS&I's established technology, skills and processes, reducing the cost to the department and ultimately the taxpayer.

Capitalised interest

Interest that has been added to the customer's investment and may now be earning further interest in accordance with the terms and conditions of the product.

Consolidated Fund

The 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.

Customer Contact Association (CCA)

The CCA is the leading independent authority on customer contact strategies and operations. It offers accreditation under the CCA Global Standard® – a set of key contact centre operations and customer service principles that have been defined and agreed by industry experts and stakeholders. Retaining accreditation under CCA Global Standard© V6 is one of NS&I's Service Delivery Measures.

Court Funds Office

The Court Funds Office provides a banking and administration service for some 185,000 customers with a total of £2.6 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 the regulation of conduct in retail and wholesale financial markets and for some prudential regulation.

Financial Ombudsman Service (FOS)

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

Fixed term

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

Gilts (or gilt-edged stock)

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

Gross inflows

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

65+ Guaranteed Growth Bonds (65+ Bonds)

A special savings measure announced by HM Treasury in the 2014 Budget, designed to offer market-leading interest rates to support savers who rely on their savings during retirement. The 65+ Bonds were based on NS&I's Guaranteed Growth Bonds product, with rates set by HM Treasury. Both 1-year and 3-year 65+ Bonds were on sale from January to May 2015, with the final Issue reaching maturity in May 2018.

Help to Buy ISA

The Help to Buy ISA is a government-backed scheme to support people buying their first home. 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. NS&I is delivering the scheme in partnership with HM Revenue and Customs (HMRC).

Index-linked

For Index-linked Savings Certificates, this means that the value of a certificate moves in line with inflation.

Inflows

Annual flows of total sales and repayments on NS&I products and investments.

Investment Guaranteed Growth Bonds

A special savings measure announced by HM Treasury in the 2016 Autumn Statement, designed to offer a market-leading interest rate to help savers who have been affected by low interest rates. Investment Guaranteed Growth Bonds are based on NS&I's Guaranteed Growth Bonds product, with interest rates set by HM Treasury. Investment Guaranteed Growth Bonds were on sale from 11 April 2017 to 10 April 2018.

ISO 14001

ISO 14001 is the international standard that specifies requirements for an effective environmental management system. It provides a framework that an organisation can follow, rather than establishing environmental performance requirements.

Issue

Our fixed-rate products are sold in Issues, each with its own guaranteed interest rate. We periodically bring out a new Issue and always do so when the fixed rate on offer changes.

Main Estimate/Supply Estimate

The means through which government departments seek Parliamentary approval for their spending plans for the year ahead. Presented to Parliament within five weeks of the Budget Statement.

National Loans Fund (NLF)

The NLF is the Government's main account for borrowing and lending. It is administered by HM Treasury with the bank account maintained at the Bank of England.

Net Financing

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

Open banking

A means of enabling personal customers and small businesses to share their data securely with other banks and with third parties, allowing them to manage their accounts with multiple providers through a single digital app, to take more control of their funds (for example, to avoid overdraft charges and manage cash flow) and to compare products on the basis of their own requirements. Under a directive from the Competition and Markets Authority, the largest retail banks in the UK are all required to make this possible. NS&I has committed to voluntarily doing so, too.

PAS 3000

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

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 Departmental Expenditure Limit (DEL). Where a department makes a Reserve Claim, it is subject to an assessment of need, realism and affordability at the time at which the funds are released and requires approval by the Chief Secretary to HM Treasury. Support from the Reserve to departments' Resource or Capital DELs is non-recurrent, i.e. it will not affect departments' Spending Review baselines.

Resource Departmental Expenditure Limit (RDEL)

RDEL forms part of the voted limits on departmental spending in line with budgetary controls, along with Resource AME and Capital DEL. RDEL can be in either 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 a 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

How departments can seek to amend Parliamentary authority provided through Main Estimates by altering the limits on resources, capital and/or cash or varying the way in which provision is allocated. Normally presented in January of each year.

Tax foregone

As NS&I's tax-free products potentially deprive HM Treasury of tax revenue, this tax foregone is taken into account when calculating the Value Indicator.

Tax-free

When used in the context of NS&I products, this means that interest earned or prizes won are exempt from UK Income Tax and Capital Gains Tax.

Tax-Free Childcare

A government scheme that allows eligible working parents to receive up to £2,000 per year towards the costs of registered childcare. NS&I is delivering the scheme in partnership with HM Revenue and Customs (HMRC).

Treasury Bills

Treasury Bills are ultra-short-term government bonds. They do not earn interest. Instead, they are sold at a discount to their face value.

UK Debt Management Office (DMO)

Part of the HM Treasury group responsible for cash management on behalf of the Chancellor of the Exchequer and the sale of government stock (gilts) and Treasury Bills.

UK Government securities

Our bonds and certificates are UK Government securities issued by HM Treasury under the National Loans Act 1968.

Unclaimed assets

Savings or investments belonging to a customer with whom we have lost contact. Customers who think they have unclaimed assets can contact us to trace them through www.mylostaccount.org.uk

Value Indicator

An indication of our cost-effectiveness in raising finance for the Government. In general, it compares the total cost of delivering Net Financing and servicing existing customers' deposits with how much it would cost the Government to raise funds through the wholesale market via equivalent gilts. Some adjustments and assumptions are made to the calculation, including in identifying and applying an equivalent gilt, in response to specific NS&I product features. Index-linked Savings Certificates are included in the calculation of the Value Indicator and use the same approach as for other products, with one exception to the formula. As the real yield gilt comparators for RPI linked products are currently negative, NS&I applies a floor to the comparative yield set at zero, which means the calculation does not fully reflect the Value Indicator profile of this product. The Value Indicator methodology is agreed with HM Treasury and is reviewed and revised periodically, with its agreement, to support a long-term approach to product strategy.

Calculating the Value Indicator

The Value Indicator equals:

Less:

Comparator cost to the government⁽¹⁾

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

Note

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

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

Variable rate products

Savings and investments where the rate of interest can be changed from time to time, in accordance with the terms and conditions.

Warrant

A type of payment similar to a cheque.

Contacts and more information

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

Internet

Visit our website



[nsandi.com](https://www.nsandi.com)

Visit our YouTube channel



[youtube.com/nsandi](https://www.youtube.com/nsandi)

Email



enquiries@nsandi.com

Twitter

For customer enquiries



[@nsandihelp](https://twitter.com/nsandihelp)

For media enquiries



[@nsandi](https://twitter.com/nsandi)

Telephone

For sales and general enquiries, call us free on



08085 007 007

Our customer service team is available 24 hours a day, seven days a week. Calls may be recorded.

Textphone

Use our free textphone service if you have Minicom equipment



0800 056 0585

Post

Write to us at



NS&I, Glasgow G58 1SB

Thank you

NS&I would like to thank all colleagues for their contribution to the 2018–19 Annual Report and Accounts.



