

National Savings & Investments
Estimates Memorandum
Main Estimates 2020-21

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1. Overview

1.1. Objectives

National Savings and Investments (NS&I) is both a Government Department and an Executive Agency of the Chancellor of the Exchequer. Founded in 1861, NS&I is one of the largest savings organisations in the United Kingdom.

In delivering our objectives, we want to inspire a stronger savings culture and we believe everyone should have the opportunity to save confidently. To support the delivery of this purpose, our mission is set out below:

- 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.

NS&I's purpose and mission is delivered through its corporate strategy, "Inspire and Invest". This strategy has six strategic aims:

- Delivering for government;
- Delivering digital first products and services for our customers;
- Using our insight and policy expertise to meet our customers' needs;
- Delivering efficiently;
- Doing the right thing;
- Being inspiring and empowered.

Further information on NS&I's Purpose, Mission, and Strategic Aims and Objectives is available on NS&I's corporate website <https://nsandi-corporate.com/about-nsi>.

1.2. Spending controls

NS&I's net spending is broken down into three spending control totals for which Parliament's approval is sought. These are:

- Resource Departmental Expenditure Limit (RDEL): A net limit comprising day-to-day running costs, less income from the leveraging of NS&I's core infrastructure and capabilities through its Business-to-Business activities. Gross RDEL expenditure is therefore offset by income.
- Capital Departmental Expenditure Limit (CDEL): Investment in capital equipment such as IT equipment, Plant and Machinery, Furniture and Fittings and IT software and other intangible assets, acquired outside the PPP contract in place with NS&I's service provider.
- Resource Annually Managed Expenditure (RAME): A limit to cover unforeseen or unplanned expenditure such as revaluation losses or provisions as and when required.

In addition to these control totals, Parliament votes on NS&I's net cash requirement which covers most of the elements outlined above where NS&I is required to pay out cash in year.

1.3. Comparison of net spending totals sought

The table below sets out how the net spending sought for NS&I compares with the previous year. NS&I's RDEL for 2020-21 has increased by 3.31% per cent compared to the original budget agreed at the 2019-20 Main Estimate. NS&I did not draw down a Supplementary Estimate in 2019-20 thus the original budget and final budget are identical.

Spending total Amounts sought 2020-21 (Main Estimate 2020-21)	Compared to 2019-20 final budget (Main Estimate 2019- 20)		Compared to 2019-20 original budget (Main Estimate 2019-20)		
	£m	%	£m	%	£m
Resource DEL	127.37	+3.31	+4.07	+3.31	+4.07
Capital DEL	0.66	+1.54	+0.10	+1.54	+0.10
Resource AME	3.30	-	-	-	-
Net cash Requirement	130.67	+2.24	2.87	+2.24	+2.87

1.4. Key drivers of spending changes since last year

NS&I's Net Resource DEL requirement has increased from £123.3m in 2019-20 to 127.4m in 2020-21 – an increase of 3.31%. Within this, NS&I's B2B activities will deliver a net contribution to costs of £13.32m in 2020-21 (£13.2m in 2019-20).

The 2020-21 budget reflects an additional £5.0 million of funding to be used for the purposes of preparing the business for the retendering process for the new outsource contract and to support cyber security work. The funding is in addition to existing budgets that NS&I have allocated in this area.

Key drivers to the spending profile are:

- Net Financing targets agreed with HM Treasury drive the Demand Linked Service Charge which is expected to increase in 2020-21 due to the cumulative increase in stock held.
- Investment in NS&I's transformation programme resulted in an increase to ongoing costs. The transformation programme remains a key enabler for the delivery of NS&I's strategy.
- Decreases to the budget are driven by a prioritisation exercise which has taken place across NS&I's activities to ensure resources are utilised in the most effective manner.

1.5. New policies and programmes

In the Budget 2020 published on 11 March 2020, it was announced that the limit for Junior Individual Savings Account would be increasing from £4,368 to £9,000 per annum from April 2020. NS&I will apply this change to its Junior ISA product.

At present, there are no other new policies or programmes impacting NS&I. Any new policy-led savings products will be managed in conjunction with HM Treasury.

1.6. Ambit changes

There is one minor change to NS&I's ambit, as underlined below:

Departmental Expenditure Limit

Expenditure arising from:

Cost of delivery of National Savings and Investments operations, and leveraged activities with other bodies including administration, operational research and development works, other payments and non-cash items. The sale of National Savings and Investments properties resulting in negative expenditure to reflect generated profits. Expenditure on capital items

Income arising from:

The leveraging of National Savings and Investments core infrastructure and capabilities and associated contracts including rent receipts and other receipts such as loss recovery payments. The sale of National Savings and Investments properties resulting in some capital income that will be used a sale proceeds against the disposed assets.

Annually Managed Expenditure

Expenditure arising from:

Non cash movements in provisions including and changes to fair value of National Savings and Investment's properties and other assets.

1.7. Spending and income trends

The following table sets out historic outturn against budget for both RDEL and CDEL; the overall RDEL spending and income trends for the last five years; the plans presented in Estimates for 2020-21; and current future spending plans.

The total underspend for 2019-20 is £4.3 million. The majority of the underspend relates to the depreciation ring-fence which remained unutilised (£2.2 million). The remaining underspend of £2.1 million is made up of a number of minor variances against budget which materialised over the course of the year.

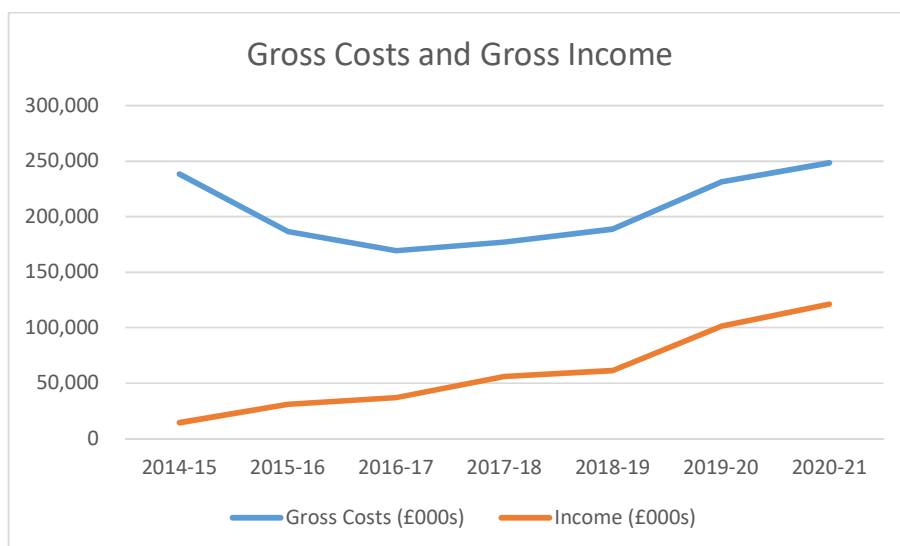
CDEL requirements have been low since 2017-18 and are forecast to remain low due to the acquisition of capital items through the PPP arrangement with our outsourced delivery partner.

Previous year's expenditure against Departmental Expenditure Limits**Resource**

Year	Voted £000	Non-Voted £000	Total £000	Outturn £000	Variance £000
2014-15	228,350	-	228,350	223,865	4,485
2015-16	158,220	-	158,220	155,453	2,767
2016-17	139,089	-	139,089	132,333	6,756
2017-18	130,611	-	130,611	121,109	9,502
2018-19	130,100	-	130,100	127,285	2,815
2019-20	123,294	-	123,294	118,943	4,351
2020-21	127,370	-	127,370	N/A	N/A

Capital

2014-15	1,673	-	1,673	1,383	290
2015-16	(1,352)	-	(1,352)	(1,585)	233
2016-17	(7,710)	-	(7,710)	(12,482)	4,772
2017-18	2,020	-	2,020	-	2,020
2018-19	630	-	630	-	630
2019-20	650	-	650	-	650
2020-21	660	-	660	N/A	N/A



Gross spending levels peaked in 2014-15 before declining over the subsequent two years. Since 2016-17, however, gross expenditure has increased in line with the increase in income over the same period, reflecting the growth of the business and the associated investment in Business-to-Business activities.

1.8. Administration costs and efficiency plans

Administration costs

NS&I's RDEL control total is classified as administration. Amounts sought for 2020-21 and a comparison against 2019-20 budgets is provided at section 1.3.

Efficiency plans

NS&I's 2020-21 budget requirements show an increase of 3.31% compared to 2019-20. Although this is a small increase NS&I continues to prioritise its spending commitments. Without the additional £5 million funding provided for retendering preparations and cyber security, NS&I's resource level would have been just over £122 million. This demonstrates real efficiencies within the Department. The budget in 2019-20 was over £123.0 million.

NS&I is actively managing its head count ensuring staff are working in the most efficient way. It is also actively challenging discretionary budgets to ensure only high priority change projects, which deliver maximum return on investment over future years, are undertaken. NS&I is also pursuing further operational efficiencies such as greater use of lower cost ways for customers to complete transactions.

1.9. Funding: Spending Review and Budgets

The 2020-21 Resourcing levels were agreed during the Spending Round 2019. A substantial amount of work has also been carried out with regard to the anticipated Spending Review 2020, although further clarification of this process is currently awaited.

2. Spending and income detail

2.1. Explanations of changes in spending detail

The table below sets out the key movements between the 2018-19 and 2019-20 RDEL budgets.				
RDEL				
	2020-21 Main Estimates budget sought	2019-20 Main Estimates budget approved	Year-on-year movement	
£m	£m	£m	£m	%
Outsourced provider costs*	102.6	97.7	4.9	5.0%
Other Corporate costs	35.7	36.4	-0.7	-1.9%
B2B marginal cost recharge	-2.2	-2.2	0	0.0%
B2B net contribution after marginal costs	-11.1	-11.1	0	0.0%
Total RDEL excluding depreciation	125	120.8	4.2	3.5%
Depreciation	2.4	2.5	-0.1	-4.0%
Total RDEL	127.4	123.3	4.1	3.3%

* this also includes all investment in NS&I's transformation programme

2.2. Ring fenced budgets

Within NS&I's control totals, the only ring-fence relates to depreciation. The depreciation ring fence for 2020-21 is for £2.4 million (2019-20, £2.5 million).

2.3. Changes to contingent liabilities

NS&I has no contingent liabilities which are reportable to Parliament.

3. Priorities and performance

3.1. How spending relates to objectives

All of NS&I's expenditure is classed as Administration. Each of NS&I's objectives is delivered through this resource.

3.2. Measures of performance against each priority

NS&I's 2020-21 Annual Report and Accounts (due to be published summer 2020) will set out performance against NS&I's Service Delivery Measures. The table below sets out how NS&I's service delivery measures contribute to our six strategic aims:

Strategic Aims	Service delivery measures
1. Delivering for Government and 3. Using our insight and policy expertise to meet customers' needs	Net Financing
	Value Indicator (suspended for first three months of 2020-21)
	Customer satisfaction
	Customer service - operational delivery
	GPS service delivery
	GPS contribution to DEL
2. Delivering digital first products and services for our customers	Digital First
4. Delivering efficiently	Efficient administration of funds
5. Doing the right thing	Financial Ombudsman Service complaints
	Fraud management
6. Being inspired and empowered	Employee engagement
	Diversity index

3.3. Major projects

Although no spending on major projects is planned in 2020-21 some work will be carried out to prepare for the retendering process for the new outsource contract. The current outsource arrangements end in 2023-24. A number of discretionary change projects are also planned for 2020-21 that will deliver benefits for the business in the future.

4. Accounting Officer Approval

This memorandum has been prepared according to the requirements and guidance set out by HM Treasury and the House of Commons Scrutiny Unit, available on the Scrutiny Unit website. The information in this Estimates Memorandum has been approved by me as Accounting Officer for NS&I.

Ian Ackerley
Accounting Officer and Chief Executive
20 April 2020