National Savings and Investments Estimates Memorandum Supplementary Estimates 2023-24

Table of Contents

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 vision, our purpose is set out below:

- Creating value through delivering cost-effective financing for government and the public good
- Providing valued services to government
- Supporting government to deliver on its policy objectives offering trusted savings and investment propositions.

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

- Building a self-service digital business;
- Increasing efficiency;
- Building a nimble scalable and flexible business.

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Further information 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 four 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 outsourced provider. It now includes the build and implementation costs for new contracted providers that are not PPP arrangements.
- Resource Annually Managed Expenditure (RAME): A limit to cover unforeseen or unplanned expenditure such as revaluation losses or provisions as and when required.
- Capital Annually Managed Expenditure (CAME) To cover potential dilapidation costs on properties on boarded to Government Property Agency (GPA).

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 2023-24 Main Estimate and the 2022-23 outturn year. NS&I's RDEL for 2023-24 has decreased by 22.60 per cent compared to the original budget agreed at the 2023-24 Main Estimate. NS&I's 2023-24 requirement has increased by 16.87% compared to its 2022-23 outturn.

Net spending total sought this year (Supplementary Estimate 2023-24)		Difference (+/-) compared to original budget (Main Estimate 2023-24)		Difference (+/-) compared to final outturn last year (outturn 2022-23)	
	£m	%	£m	%	£m
Resource DEL	194.09	-22.60	-56.66	+16.87	+28.01
Capital DEL	66.02	+597.88	+56.56	+476.59	+54.57
Resource AME	0.70	-	-	∞	+0.70
Capital AME	-	-	-	-	-
Net cash Requirement	259.81	-0.04	-0.10	+53.64	+90.71

1.4. Key drivers of spending changes since original budget this year

<u>RDEL Changes</u>

NS&I's Resource DEL requirement has decreased from £250.75 million (2023-24 Main Estimate) to £194.09 million (2023-24 Supplementary Estimate), a reduction of £56.66 million (22.60%).

The spending changes since the original budget are described below:

Application for additional RDEL of £0.398m from Reserve in relation to the Moorlands site in Blackpool, the ownership of which was transferred to the Government Property Agency (GPA) in December 2020. GPA has subsequently been attempting to dispose of the site and, as the building is not used by NS&I or our outsourced provider, we are seeking to cover charges relating to the ongoing security of the vacant property.

Application for additional RDEL of £0.260m in relation to Green Savings Bonds (GSB) maturity option costs. GSB was set up as a limited tranche product with the only options available to bond holders upon maturity being repayment or reinvestment into Guaranteed Growth Bonds. Following the decision to continue with the product and offer additional maturity options to bold holders, additional funding is required to set up these options. GSBs start maturing in October 2024. To be ready for the commencement of the maturity process, set up work for the additional maturity options must commence in 2023-24

Reduction in RDEL of £57.318m from £97.600m to £40.282m for delivering the re-procurement and implementation of our outsourced business process services through the NS&I Business Transformation Programme (Rainbow). This mandatory procurement event was initiated in April 2021, with 4 of the 5 contracts now signed, and the final one to be signed later this financial year. The programme presents NS&I with an opportunity to transform its operating model with a number of key aims. From the RDEL reduction of £57.318 million, £41.696 million has been transferred to CDEL to cover the implementation and build costs for the transformation.

The delays in signing contracts and therefore starting work has delayed some of the milestone deliveries for Q4 2023/24 into Q1 2024/25. Whilst NS&I is working with suppliers to maintain dates where possible, there will inevitably be delays between financial years which is reflected in this Estimates Memorandum.

CDEL Changes

Reclassification of Rainbow RDEL to CDEL of £41.696 million. This change will increase NS&I's infrastructure investment plans for its business transformation programme from £8.80 million to £50.496 million. A transfer of this significance was anticipated during Main Estimates however, at that stage a reliable estimate was not available.

Additional CDEL of £0.200m to meet IFRS 16 lease capitalisation requirements. The extension of NS&I's temporary occupancy of Sanctuary Buildings lower ground floor and Windsor House has resulted in an additional CDEL requirement in relation to capitalised IFRS 16 right-of-use assets. NS&I's occupancy of the temporary office space in both buildings had been due to end in winter 2023 but this has now been deferred and extended to summer 2024.

Additional CDEL of £14.660m to meet IFRS 16 lease capitalisation requirements. NS&I is working to secure future London office accommodation. A terms of occupancy agreement (TOA) will be in place by 31 March 2024.

These changes will increase NS&I's overall CDEL requirements by £56.556m to £66.016m mainly due to Rainbow programme requirements and IFRS 16 leasing requirements.

Net cash requirement

The consequences of the earlier changes has an impact on NS&I's Net Cash requirement. This reduces by £0.104m to £259.81m

1.5. New policies and programmes; ambit changes

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.

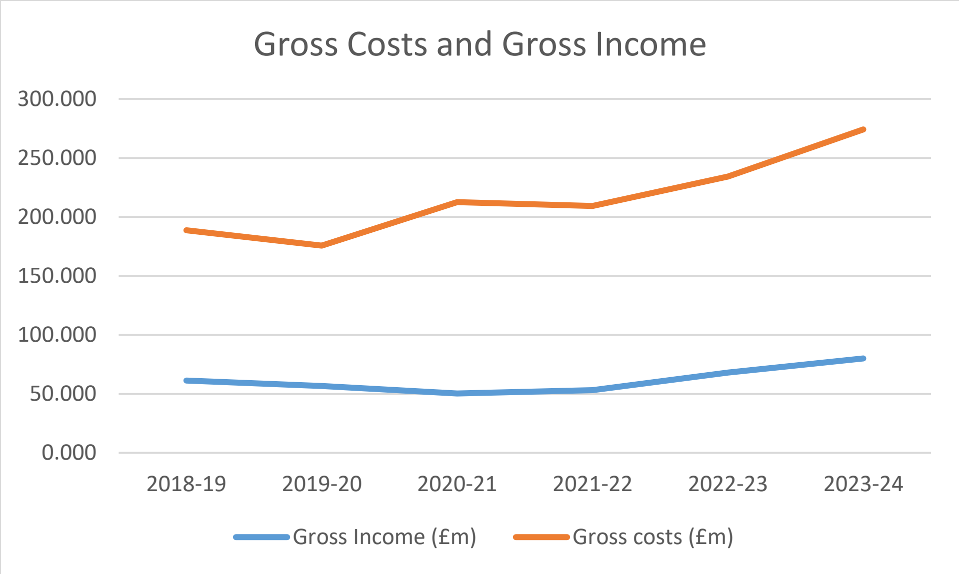
1.6. Spending and income trends

The following table sets out the historic net outturn against net budget for both RDEL (including depreciation) and CDEL. Net expenditure has been increasing steadily over the past three years as the business transformation programme expenditure increases in accordance with a ring fenced budget. Expenditure from 2017-18 through to 2019-20 had been on a decreasing trajectory. Increases in 2020-21 had been due to a combination of factors such as Covid 19, increased level of net financing required by Government which led to higher demand linked costs and preparations for the mandatory retendering of the outsourcing contract. In 2021-22 costs were lower than the previous year but higher than the preceding years. This was due to the expenditure made in the transformation programme. For 2023-24 the net expenditure is expected to increase further due to the work being carried out on the transformation and outsourcing programme.

CDEL requirements have been relatively low since 2017-18 due to the acquisition of capital items through the PPP arrangement with our outsourced delivery partner. However, for 2023-24 CDEL requirements have increased very significantly. This is partly due to the IFRS 16 Leasing requirements but mainly through the investment in infrastructure for the transformation programme. IFRS 16 requirements total £14.86 million. However, transformation investment is expected to be £50.50 million.

Previous year's expenditure against Departmental Expenditure Limits					
Resource					
Year	Voted £000	Non-Voted £000	Total £000	Outturn £000	Variance £000
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	167,870	-	167,870	162,258	5,612
2021-22	164,320	-	164,320	156,260	8,060
2022-23	176,576	-	176,576	166,079	10,497
2023-24	194,093	-	194,093	N/A	N/A
Capital					
2017-18	2,020	-	2,020	-	2,020
2018-19	630	-	630	-	630
2019-20	650	-	650	-	650
2020-21	661	-	661	16	645
2021-22	661	-	661	58	603
2022-23	28,118	-	28,118	11,454	16,664
2023-24	66,016	-	66,016	N/A	N/A

The spending and income trends for RDEL spending have been reasonably consistent over the previous five years. Gross spending levels have increased for 2020-21 onwards in comparison to previous years.



1.7. Administration costs and efficiency plans

Administration costs

NS&I's RDEL control total is classified as administration. Amounts sought for 2023-24 and a comparison against 2023-24 budgets is provided at section 1.3.

Efficiency plans

NS&I's 2023-24 requirements show a decrease of 22.60% against the original budget and an increase of 16.87% compared to the 2022-23 outturn.

NS&I through the delivery of its transformation programme has a strong emphasis on productivity. Benefits expected are as follows:

- **Reduced running costs** – making reductions to the costs to run the business post transformation that will impact for the duration of the Rainbow Business Case modelling period and beyond.
- **Improved customer experience** – significantly enhancing the services our customers receive, the cost to serve and the time to deliver customer-facing enhancements.
- **Increased business agility** – increasing the pace at which new changes and services can be delivered, enabling NS&I to be more responsive to the needs of customers and our stakeholders.
- **Increased social value** – increasing the broader impacts of running the NS&I business through engagement with our supply chain to deliver tangible value.
- **Increased security and resilience** – enhancing our security and resilience and ensuring a dedicated focus on managing and monitoring potential cyber threats, while ensuring services are scalable to deal with changes in demand.

1.8. Funding: Spending Review and Budgets

The 2023-24 Resourcing levels were agreed during the Spending Review 2021.

2. Spending and income detail

2.1. Explanations of changes in spending detail

The table below sets out the key movements between the 2023-24 Supplementary Estimates and 2023-24 RDEL budgets.

RDEL				
	2023-24 Supplementary Estimates budget sought	2023-24 Main Estimates budget approved	Change from Main Estimate	
£m	£m	£m	£m	%
Total RDEL excluding depreciation	**190.24**	**246.90**	**-56.66**	**-22.95**
o/w infrastructure investment (ring-fenced)	*40.28*	*97.60*	*-57.32*	*-58.73*
Depreciation	**3.85**	**3.85**	-	-
Total RDEL	**194.09**	**250.75**	**-56.66**	**-22.59**

The table below sets out the key movements between the 2023-24 Supplementary Estimates and 2023-24 CDEL budgets

CDEL				
	2023-24 Supplementary Estimates budget sought	2023-24 Main Estimates budget approved	Change from Main Estimate	
£m	£m	£m	£m	%
o/w infrastructure investment (ring-fenced)	*50.50*	*8.80*	*+41.70*	*+473.86*
Total CDEL	**66.02**	**9.46**	**+56.56**	**+597.89**

2.2. Ring fenced budgets.

NS&I's ring fenced RDEL budget was reduced by £57.32 million. This was due to the transfer of RDEL to CDEL for investment in the transformation programme (£41.70 million) and some re-phasing of the work on the transformation programme.

CDEL ring fenced budget increased from £8.80 million to £50.50 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

The table below sets out how NS&I's Service Delivery Measures contribute to the three strategic aims:

Service Delivery Measures (2023-24)	Targets
Net Financing	£7.5 billion (+/-£3.0 billion)
Customer Satisfaction	At least 80%
Digital First	87%
Efficient Administration of Funds	Less than 7.2 basis points
Government Payment Services performance delivery	95%
Employee Engagement	NS&I to be a high performing department for employee engagement

For 2023–24, we have reduced the number of SDMs from 11 to six to ensure that we focus on key priorities.

3.3. Major projects

NS&I has one major project in its portfolio, the Business Transformation Programme (formally the Rainbow Programme) which is scheduled to run to at least the end of the current outsourcing arrangements in 2025. The Business Transformation Programme concerns decoupling NS&I's IT infrastructure, banking engine re-engineering, process automation to support modernisation and resilience, continuation of paper reduction strategy and a move to more digitalisation with support for vulnerable and digitally excluded customers. A number of discretionary change projects are also being undertaken for 2023-24 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 Supplementary Estimates Memorandum has been approved by me as Accounting Officer for NS&I.

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Dax Harkins
Accounting Officer and Chief Executive
February