

National Savings and Investments
Estimates Memorandum
Supplementary 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 & 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 2020-21 Main Estimate and the 2019-20 outturn year. NS&I's RDEL for 2020-21 has increased by 31.80 per cent compared to the original budget agreed at the 2020-21 Main Estimate. NS&I's 2020-21 requirement has increased by 41.14% compared to its 2019-20 outturn.

Net spending total sought this year (Supplementary Estimate 2020-21)		Difference (+/-) compared to original budget (Main Estimate 2020-21)		Difference (+/-) compared to final outturn last year (outturn 2019-20)	
	£m	%	£m	%	£m
Resource DEL	167.87	+31.80	+40.50	+41.14	+48.93
Capital DEL	0.66	-	-	+100.00	+0.66
Resource AME	3.30	-	-	+633.33	+2.85
Net cash Requirement	172.49	+30.68	+40.50	+51.45	+58.6

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

NS&I's Net Resource DEL requirement has increased from £127.37 million (2020-21 Main Estimate) to £167.87 million (2020-21 Supplementary Estimate), an increase of 31.80%.

Key drivers to the additional spending profile have included funding for unforeseeable operational pressures, primarily as a consequence of Covid-19, which were agreed with HM Treasury Ministers in July. This included £8 million for raising additional Net Financing, £9 million for additional temporary operational support and customer services; and £10 million funding to cover decoupling of NS&I's IT infrastructure, recruiting procurement specialists and beginning work to support retender preparations for NS&I's major outsourcing contract. A further £13.5 million was agreed in November to support further organisational development work.

- £8.0 million for raising additional Net Financing. HM Treasury agreed to revise NS&I's 2020-21 Net Financing target in July from £6 billion (+/- £3 billion) to £35 billion (+/- £5 billion) to reflect government funding requirements. The additional RDEL funding is required to cover additional demand-linked service costs resulting from the costs of delivering this higher Net Financing target.
- £9.0 million for temporary operational support and customer services. The funding was agreed to improve operational resilience through the Covid-19 pandemic. This has included opening up a temporary operations hub and recruiting additional customer service resources.
- £23.5 million funding for continuing the modernisation of NS&I's infrastructure in readiness for the mandatory retendering of the outsourcing contract. This includes decoupling NS&I's IT infrastructure, recruiting procurement specialists, work to support retender preparations, banking engine re-engineering, process automation to support modernisation and resilience, continuation of paper reduction strategy and a move to digitalisation.

Neutral change: Disposal of Moorlands site

NS&I and the Government Property Agency (GPA) are concluding arrangements to transfer NS&I's Moorland site in Lancashire to the GPA. The date of transfer was 1 December 2020. The disposal of the assets is being carried out through a process known as on-boarding. The net impact for NS&I of transferring the property to the GPA will be zero. However, for the purposes of the Supplementary

Estimate, an amount for Capital Grants in Kind (CGIK) as a cost of £2.177 million is required, together with income in the capital budget equal to the net book value (£2.177 million) for the disposal of the asset. All of this activity occurs through CDEL.

A token vote of £1,000 has been added to CDEL in the Supplementary Estimate to recognise the transaction with GPA.

Contingencies Fund advance

NS&I obtained a cash advance of £40,500,000 from the Contingencies Fund in December to meet ongoing cash requirements in advance of Royal Assent to the next Supply and Appropriation Act. The advance will be repaid by the end of March 2021.

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.

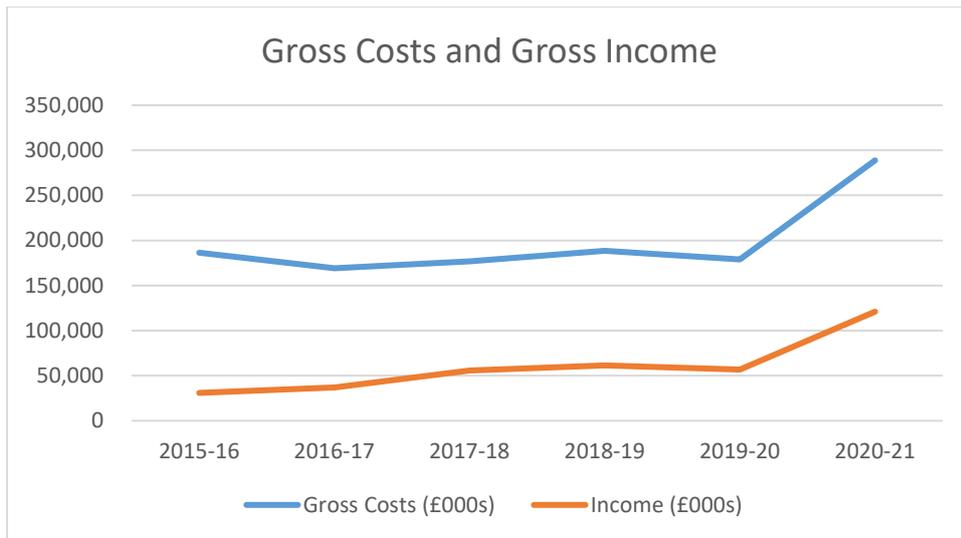
1.6. Spending and income trends

The following table sets out historic net outturn against net budget for both RDEL (including depreciation) and CDEL. Net expenditure has been on a downward trajectory over the past five years (2015-16 to 2019-20) although there has been an increase in the current year where special considerations are in play. These are described fully in section 1.4.

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	
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	167,870	-	167,870	N/A	N/A	
Capital						
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	661	-	661	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 in comparison to previous years. The reasons for that are discussed fully in section 1.4.



1.7. 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 requirements show an increase of 31.80% against the original budget and 41.14% compared to the 2019-20 outturn. This is a substantial difference. The reasons for the increase in NS&I's RDEL levels are explained fully in section 1.4. The increase of £40.5 million is essential in the context of the current year. Prior to the Supplementary Estimate, the increase was only 3.31% compared to the 2019-20 outturn.

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.

1.8. Funding: Spending Review and Budgets

The 2020-21 Resourcing levels were agreed during the Spending Round 2019. 2021-22 Resourcing levels were agreed in Spending Review 2020.

2. Spending and income detail

2.1. Explanations of changes in spending detail

The table below sets out the key movements between the 2020-21 Supplementary Estimates and 2020-21 RDEL budgets.

RDEL				
	2020-21 Supplementary Estimates budget sought	2020-21 Main Estimates budget approved	Change from Main Estimate	
£m	£m	£m	£m	%
Total RDEL excluding depreciation	165.5	125.0	40.5	32.4
<i>o/w infrastructure investment (ring-fenced)</i>	28.5	5.0	23.5	470.0
<i>o/w Covid-19 operational support (ring-fenced)</i>	9.0	-	9.0	-
<i>o/w additional operational costs (ring-fenced)</i>	8.0	-	8.0	-
Depreciation	2.4	2.4	-	-
Total RDEL	167.9	127.4	40.5	31.8

2.2. Ring fenced budgets

Within NS&I's control totals, the full Supplementary Estimate addition of £40.5 million is ring fenced for specific expenditure as described in Section 1.3. Other ring-fenced budgets relate to the initial amounts in Main Estimates, £5 million for infrastructure investment and depreciation which is always ring fenced.

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 operational issues NS&I has faced in 2020-21 will affect its performance against a number of its Service Delivery Measures. NS&I's 2020-21 Annual Report and Accounts (due

to be published summer 2021) will provide a full report on performance against each measure and give context around those targets that are missed. 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 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 being carried out in 2020-21, considerable work is being undertaken to prepare for the retendering process for the new outsourcing contract. This work includes 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. The current outsourcing arrangements end in 2024. A number of discretionary change projects are also being undertaken 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 Supplementary Estimates Memorandum has been approved by me as Accounting Officer for NS&I.

Ian Ackerley
Accounting Officer and Chief Executive
17 February 2021