

National Savings and Investments  
Estimates Memorandum  
Supplementary Estimates 2021-22

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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 2021-22 Main Estimate and the 2020-21 outturn year. NS&I's RDEL for 2021-22 has decreased by 11.50 per cent compared to the original budget agreed at the 2021-22 Main Estimate. NS&I's 2021-22 requirement has increased by 1.27% compared to its 2020-21 outturn.

Net spending total sought this year (Supplementary Estimate 2021-22)		Difference (+/-) compared to original budget (Main Estimate 2021-22)		Difference (+/-) compared to final outturn last year (outturn 2020-21)	
	£m	%	£m	%	£m
Resource DEL	164.32	-11.50	-21.35	+1.27	+2.06
Capital DEL	0.66	-	-	-	-
Resource AME	2.30	+666.67	+2.00		+2.30
Net cash Requirement	171.13	-11.09	-21.35	+5.17	+8.42

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

#### RDEL Changes

NS&I's net Resource DEL requirement has decreased from £185.67 million (2021-22 Main Estimate) to £164.32 million (2021-22 Supplementary Estimate), a reduction of £21.35 million (11.50%).

The spending changes since the original budget are driven by two factors:

- Reduction of £27.0 million in 2021-22 ring fenced budget from £42 million to £15 million for delivering the re-procurement of our outsourced business process services through NS&I's Rainbow Programme. This is a mandatory procurement event that must take place by March 2024. The programme presents NS&I with an opportunity to transform our operating model with a number of key aims. The revised budgetary requirement for 2021-22 includes the re-profiling of the Rainbow programme as agreed in the SR21 process. Future year budgets have been adjusted to take account of the reduced requirement for resources in the current year.
- Increase of £5.65 million for the implementation of the Green Savings Bond. In the Spring Budget 2021 the Chancellor announced that NS&I would have the opportunity to support the Government's green focus by developing and delivering a new green retail savings product. The Green Savings Bond was launched in October 2021. It was agreed in the 2021-22 Main Estimate that funding support for the implementation would be made available in the 2021-22 Supplementary Estimate round.

#### CDEL Changes

NS&I is transferring its leased accommodation at Drummond Gate to the Government Property Agency (GPA) through a process known as on boarding. The process includes transferring other assets that are connected to the property as well as the underlying asset. The net book value of the assets is £0.37 million. The net value of transferring the assets will be zero. However for the purposes of the Supplementary Estimate an amount for Capital Grants in Kind (CGIK) as a cost of £0.37 million is required together with income in capital budget equal to the net book value (£0.37 million) for the disposal of the asset.

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

#### Resource AME Changes

A dilapidation provision of £2 million is required for the conclusion of the on-boarding process to GPA to recognise obligations within the contract. The £2 million provision sought to cover the obligation is seen as reasonable. The changes discussed in this section will increase NS&I's RAME requirements to £2.3 million. The increase is entirely a non-cash cost at this stage.

#### Net cash requirement

The consequences of the earlier changes has an impact on NS&I's Net Cash requirement. This reduces by £21.35 million to £171.13 million.

### 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

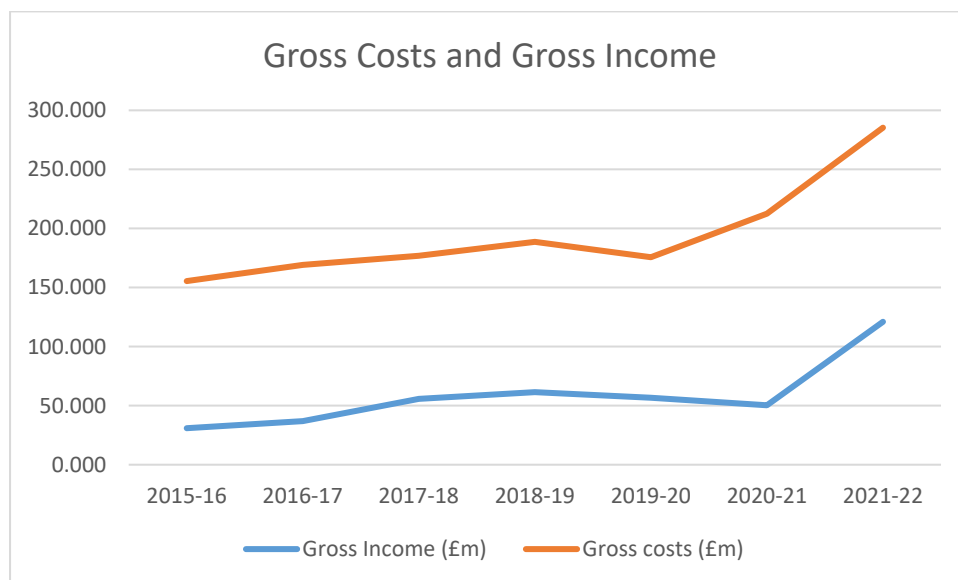
The following table sets out historic net outturn against net budget for both RDEL (including depreciation) and CDEL. Net expenditure has been on a downward trajectory over the past five years (2015-16 to 2019-20) although there has been an increase from 2020-21 where special considerations are in play. Increases in 2020-21 have 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 are expected to be slightly higher than the previous year but lower than the provision in 2020-21.

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.

<b>Previous year's expenditure against Departmental Expenditure Limits</b>					
<b>Resource</b>					
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	162,258	5,612
2021-22	164,320	-	164,320	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	16	645
2021-22	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 both 2020-21 and 2021-22 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 2021-22 and a comparison against 2020-21 budgets is provided at section 1.3.

### Efficiency plans

NS&I's 2021-22 requirements show a decrease of 11.50% against the original budget and an increase of 1.27% compared to the 2020-21 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 2021-22 Resourcing levels were agreed during the 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 2021-22 Supplementary Estimates and 2021-22 RDEL budgets.

RDEL				
	2021-22 Supplementary Estimates budget sought	2021-22 Main Estimates budget approved	Change from Main Estimate	
£m	£m	£m	£m	%
<b>Total RDEL excluding depreciation</b>	<b>161.9</b>	<b>183.3</b>	<b>-21.4</b>	<b>-11.7</b>
<i>o/w infrastructure investment (ring-fenced)</i>	<i>15.0</i>	<i>42.0</i>	<i>-27.0</i>	<i>-64.3</i>
<i>0/w Green Savings Bond</i>	<i>5.7</i>	<i>-</i>	<i>5.7</i>	<i>-</i>
<b>Depreciation</b>	<b>2.4</b>	<b>2.4</b>	<b>-</b>	<b>-</b>
<b>Total RDEL</b>	<b>164.3</b>	<b>185.6</b>	<b>-21.3</b>	<b>-11.5</b>

### 2.2. Ring fenced budgets

NS&I's ring fenced budget for its Rainbow programme for 2021-22 has reduced from £42 million to £15 million. However the resourcing costs of the Green Savings Bond have been added to the remaining £15 million Rainbow costs. The total ring-fenced amount is £20.65 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 operational issues NS&I has faced in 2021-22 is likely to affect its performance against a number of its Service Delivery Measures. NS&I's 2021-22 Annual Report and Accounts (due to be published summer 2022) will provide a full report on performance against each measure and give context around those targets that are not met. 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
	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

NS&I has one major project in its portfolio, the Rainbow Programme which is scheduled to run to at least the end of the current outsourcing arrangements in 2024. The Rainbow 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. The current outsourcing arrangements end in 2024. A number of discretionary change projects are also being undertaken for 2021-22 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  
February