

National Savings & Investments
Estimates Memorandum
Main Estimates 2019-20

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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 five-year 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.

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 of 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 2019-20 has fallen by 7.09% per cent compared to the original budget agreed at the 2018-19 Main Estimate, and by 5.23% compared to the revised budget agreed at the 2018-19 Supplementary Estimate.

Amounts sought for Capital DEL and for Resource AME remain consistent to previous years.

Spending total Amounts sought 2019-20 (Main Estimate 2019-20)	Compared to 2018-19 final budget (Supplementary Estimate 2018-19)			Compared to 2018-19 original budget (Main Estimate 2018-19)	
	£m	£m	%	£m	%
Resource DEL*	123.294	-6.806	-5.23%	-9.406	-7.09%
Capital DEL	0.650	+0.020	+3.08%	+0.020	+3.08%
Resource AME	3.300	-	-	-	-
Net cash requirement	127.804	-6.886	-5.11%	-9.486	-6.91%

*Note that all RDEL expenditure and income is classified as Administration

1.4. Key drivers of spending changes since last year

NS&I's Net Resource DEL requirement has reduced from £130.1m in 2018-19 to £123.3m in 2019-20 – a decrease of 5.23%. Within this, NS&I's B2B activities will deliver a net contribution to costs of £11.1m in 2019-20.

The 2019-20 budget reflects a budget exchange of £2.6m from 2018-19 which was agreed at the 2018-19 Supplementary Estimate, and additional funding of £0.39m agreed by HM Treasury to reflect increased pension contribution costs which fall due from 2019-20.

Key drivers to the spending profile are:

- Net Financing targets agreed with HM Treasury drive the Demand Linked Service Charge. This is expected to increase in 2019-20 due to the cumulative increase in stock held.
- Investment in NS&I's transformation programme resulted in an increase on ongoing costs. The transformation programme remains a key driver 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 is utilised in the most effective manner, coupled with the completion of a one-off refurbishment of premises in 2018-19.

1.5. New policies and programmes

At present, there are no 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 outlined 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

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 ~~and receipts to enable access to NS and I product~~. 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.

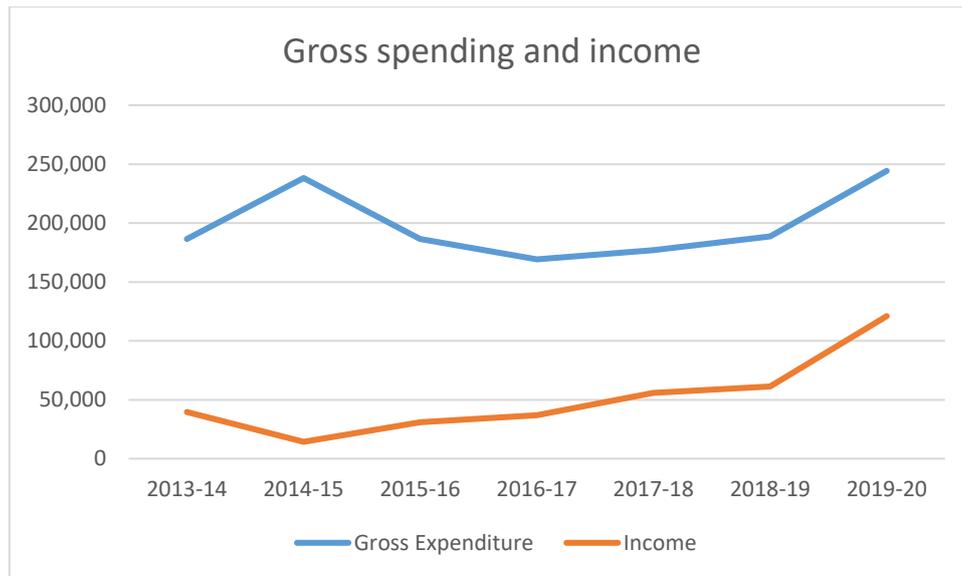
1.7. Spending and income trends

The table below 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 2019-20; and current future spending plans.

The total underspend for 2018-19 is £2.8 million. The majority of the underspend relates to the depreciation ringfence which remained unutilised (£2.1 million). The remaining underspend of £0.7 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 years' expenditure against Departmental Expenditure Limits (DEL)					
Year	Voted	Non-voted	TOTAL	Outturn	Variance
<i>Resource</i>					£'000
2013-14	150,115	-	150,115	146,990	3,125
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	n/a	n/a
<i>Capital</i>					
2013-14	1,715	-	1,715	1,517	198
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	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 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 2019-20 and a comparison against 2018-19 budgets is provided at section 1.3.

Efficiency plans

NS&I's 2019-20 budget requirements show a reduction of 5.23% compared to 2018-19. Achievement of this reduction has been achieved by prioritisation of existing spending commitments to ensure the most effective use of resources.

At SR15 NS&I committed to delivering real-term savings of 25% against its RDEL budget. NS&I's 2019-20 budget before Budget Exchange and agreement of additional funding in relation to increased pension contributions was £120.3m, demonstrating achievement of this savings target.

1.9. Funding: Spending Review and Budgets

The budgetary envelope for years beyond 2019-20 is subject to the forthcoming Spending Review. Good progress is being made in preparation and we have been in engagement with HM Treasury in relation to this.

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			
	2019-20 Main Estimates budget sought	2018-19 Supp Estimates budget approved	Year-on-year movement	
	£m	£m	£m	%
Outsourced provider costs*	97.7	104.9	(7.2)	(6.84%)
Other Corporate costs	36.4	35.7	0.7	1.96%
B2B marginal cost recharge	(2.2)	(2.0)	(0.2)	8.51%
B2B net contribution after marginal costs	(11.1)	(11.6)	0.5	(3.90%)
Total net spending	120.8	127.0	(6.2)	(4.86%)
Total RDEL excluding depreciation	120.8	127.7	(6.9)	(5.41%)
Budget surplus/(deficit)	0.0	0.7	(0.7)	--
Depreciation	2.5	2.4	0.1	(4.17)
Total RDEL	123.3	130.1	(6.8)	(5.23%)

*this includes 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. This is outlined in more detail in section 0.

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

NS&I's expenditure falls under one sub-heading. Each of NS&I's objectives is delivered through this resource.

3.2. Measures of performance against each priority

NS&I's 2018-19 Annual Report and Accounts (due to be published summer 2019) 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 measure
1. Delivering for Government & 3. Using our insight and policy expertise to meet customers' needs	Net Financing
	Value Indicator
	Customer satisfaction
	Customer service – operational delivery
2. Delivering digital first products and services for our customers	Customer service – online availability
	Customer contact Associations accreditation
4. Delivering efficiently	Efficient administration of funds
5. Doing the right thing	Financial Ombudsman Service
	Fraud
6. Being inspired and empowered	Employee engagement
	Diversity index

3.3. Major projects

No spending on major projects is planned in 2019-20.

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

9 May 2019