National Savings and Investments
Annual Report and Accounts
and Product Accounts 2013–14

HC25

National Savings and Investments
Annual Report and Accounts and Product Accounts 2013-14

Accounts and Product Accounts presented to the House of Commons pursuant to section 7 of the Government Resources and Accounts Act 2000

Annual Report presented to the House of Commons by Command of Her Majesty

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HC25

This is part of a series of departmental publications which, along with the Main Estimates 2014–15 and the document Public Expenditure: Statistical Analyses 2014, present the Government's outturn for 2013–14 and planned expenditure for 2014–15.

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Who we are

NS&I is one of the largest savings organisations in the UK with over 25 million customers and more than £105 billion invested. NS&I is both a government department and an Executive Agency of the Chancellor of the Exchequer. Our origins can be traced back over 150 years to 1861.

When customers invest in NS&I products, they are lending to the Government. In return the Government pays interest, stock market linked returns or prizes for Premium Bonds. We offer 100% security on all deposits.

Our values

Our values are at the heart of everything we do:

- **Security:** we offer 100% security, backed by HM Treasury
- **Integrity:** we are honest and responsible in everything that we do and say
- **Straightforwardness:** we always use clear, everyday language that is easy to understand
- **Delivered with a human touch, pace and confidence:** we treat our customers as individuals, recognise their needs and act on their behalf decisively and professionally.

Our vision

Service, Value and Trust

Our mission

To help reduce the cost to the taxpayer of government borrowing now and in the future.

Operating framework

To balance the interests of our savers by offering a fair rate; the taxpayer by delivering long-term cost-effective finance; and the stability of the broader financial services sector by acting transparently and maintaining an appropriate competitive position.

Chairman's statement

The primary role of an annual report and accounts is to provide a review and analysis of the past year. I will summarise briefly as follows: NS&I has met its key financial service delivery measures, which include a revised Net Financing target. Spending was as predicted, and the NS&I direct+ strategy was completed. The only measure that was missed was customer satisfaction, which is being carefully monitored following actions taken to improve delivery. The pages that follow provide more detail on all these points.

However, an annual report is also required to look forward and give a sense of an organisation's future direction – and this year, that forward look is arguably in sharper focus than usual. That's because this was the year in which NS&I not only announced the selection of Atos as our operational services partner for the next seven years, but also set out our strategy for the coming five years: **think ahead**. It's an ambitious strategy: one that challenges us to reduce our operating costs further while transforming the customer experience; to build our business-to-business operation while adhering to our core operating framework.

A significant part of what we did in 2013–14 was directly related to this future strategy and the commencement of the new contract. Firstly, the final actions of our previous strategy were finished on schedule, ensuring that we had the right platform for the next stage in our development. Transition plans were put in place to ensure a smooth launch of the new contract in April 2014, and the organisation has been restructured. I would like to recognise and thank the teams at NS&I and Atos who made this possible.

It is also important for our wider stakeholders in government and across the financial services sector that we are transparent about what the strategy will deliver: a continued shift to digital channels, a more attractive customer proposition and an even more efficient organisation.

That, of course, is all within the context of our operating framework, which requires NS&I to balance the interests of savers and taxpayers and the stability of the broader financial services sector. This overarching framework sits above our year-on-year targets and it is the reason why our Net Financing target for 2013–14 was revised.

As detailed in full in the Chief Executive's review, our initial Net Financing target for the year was £zero with a range of £2 billion either side. However, during the first half of the year inflows were substantially higher than predicted, as many banks and building societies cut the interest rates they paid savers – leaving some NS&I products in an unusual position at the top of the 'Best Buy' tables. We therefore reduced our rates in order to meet our obligation to deliver the Net Financing required and support the stability of the broader financial services sector.

Despite these actions – including subsequent further rate cuts – it was clear by November 2013 that we were likely to exceed our Net Financing target. At this time, gilt yields had increased and NS&I was a more cost-effective way for HM Treasury to raise funding. Furthermore, to bring Net Financing within the original range, we would have had to reduce rates very significantly in a very short space of time. It was therefore agreed with HM Treasury that our Net Financing target for the full year would change to £2 billion with a range of £2 billion either side. The revised target was published in the Autumn Statement, giving the financial services market a clear indication of what could be expected from us for the rest of the year. The final Net Financing figure of £3.4 billion was well within the revised target range.

This was the second consecutive year that our Net Financing target changed and underscores the fact that our operating framework is the most important guide to how we will act as an organisation in a market which is still influenced by the aftermath of the global financial crisis. The nature of our business means we must respond to shifting market and external conditions by adhering to our operating framework.

This year we have also been asked by the Chancellor to launch a new savings product: fixed rate savings bonds for those aged 65 and over, to support pensioners who rely on their savings income in retirement.

In mentioning shifting market conditions, it is worth reflecting too on performance against our Value Indicator. As reported last year, exceptionally low gilt yields meant that, for the first time since we have actively measured it, it was cheaper for the Government to raise funding through gilts than through NS&I and the retail savings market. This year, with gilt yields moving towards their historical averages, the comparative value that NS&I delivers returned to more normal levels. Our final figure of £346 million indicates a substantial saving to the taxpayer.

So while the organisation is naturally looking forward to the next stage of NS&I's evolution, it is important to reiterate that the changes that will be seen over the next few years are about how we achieve our mission and follow our framework: they do not alter them. Indeed, it is the consistency of NS&I's mission that allows us to be so clear about our strategy and direction.

John de Trafford

Sir John de Trafford Bt. MBE
Chairman
NS&I

For details of the Board's composition, committees and activities, please see the governance statement on pages 35 to 47.

Chief Executive's review

On 1 April 2014, a new era began for NS&I with the formal commencement of our new operational services contract with Atos. This contract will deliver savings to the taxpayer of over £400 million, ensure that we continue to deliver our core mission of reducing the cost to the taxpayer of government borrowing and transform the customer experience we provide.

The nature of the new contract is very different to its predecessor. 2013–14 was a year of preparing for the transition. We set out our future strategy and finished the few remaining tasks in our previous one, as well as restructuring our organisation to deliver the new contract effectively. At the same time, we maintained business as usual. This report shows that we did so successfully, meeting our core financial targets in raising £3.4 billion in Net Financing and £346 million in value, as measured by our Value Indicator. We also met all of our other service delivery measures (SDMs) except customer satisfaction. The measures being taken to improve customer satisfaction are explained in the 'Our customers' section, pages 13 to 17.

Before looking at this year in depth, it is worth reflecting briefly on the full achievements of the previous contract. It began some 15 years ago and is one of very few Public Private Partnerships from that time to have lasted so long. Our business then was vastly different from the operation today. All transactions were completed on paper and there was very little automation. At that time we had no website – online banking was in its infancy – and our contact centre operations were also minimal, consisting of a very small information unit.

Over the course of the partnership all that has changed. We now have a 24-hour contact centre and customers can buy our products and manage their NS&I holdings online – something that 1.6 million have signed up to do.

An efficient, flexible platform

Behind the scenes, the changes have been more extensive still. All our products are now managed on one banking system, which is modern, secure and reliable. Straight through processing has meant that transactions are completed in an average of just 3.1 days compared with 9.2 days when the contract began. Other processes have been reviewed and streamlined, to the extent that over the 15-year period we have reduced core operating costs by some 55%. That's despite our business being much larger. In 1999, just over £60 billion was invested with us. Today, we have over £105 billion. Put another way, our efficiency ratio – how cost-effectively we manage the funds we hold – has improved from 34 basis points in 1999 to its lowest ever figure of just 14 basis points in 2013–14: a figure we believe is some way ahead of many banks and building societies in the same business areas.

Across its lifetime, the contract has delivered cost reduction of around £530 million to the taxpayer.

Equally importantly, those savings and improvements are not one-off achievements. Now we have a flexible, efficient operating system. We are better equipped to respond quickly to changes in the wider market and adhere to our operating framework, which requires us to balance the interests of our savers and taxpayers and the need for stability within the financial services sector.

Net Financing increase

Our Net Financing target for 2013–14 was set at the start of the year as £0 (with a range of £2 billion either side). That reflected the market conditions at the time and meant we were required to broadly balance inflows with our expected outflows of around £13.7 billion.

However, the first quarter saw a rise in deposits above expectations. While the Bank of England base rate had not changed, many banks and building societies had cut the rates they offered savers. That meant that several of our products moved to the top of the 'Best Buy' tables and inflows exceeded outflows by around £1 billion without us making any rate changes at all. This began to push our forecast above our Net Financing target.

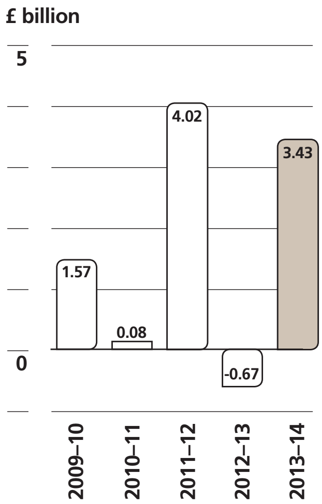
We therefore took the decision to reduce the interest rates on three of our savings products: Income Bonds, Direct Saver and Direct ISA. To ensure that we gave customers adequate notice, the lower rates were announced in June 2013, though they did not take effect until September 2013. With inflows remaining high, in July 2013 we then took the further decision to reduce the interest rates on our fixed-term products – none of which were (or are currently) on sale, but in which customers are able to reinvest on maturity. We also reduced the Premium Bonds prize fund rate for the first time since September 2009.

Evolving targets, consistent operating framework

Together, these changes helped reduce inflows, but retention rates remained high. There was also a noticeable growth in the wider cash deposit savings market, so even though our estimated share of the overall market had actually decreased to under 7.3%, it was clear by November that we were still likely to exceed our original Net Financing target. At this time, gilt yields had increased and NS&I was a more cost-effective way for HM Treasury to raise funding. We shared our forecast with HM Treasury, along with potential options: to reduce interest rates radically to bring the Net Financing level down or to revise the target upward, so that we could give the market an unambiguous message about our intention for the remainder of the year.

It was agreed with HM Treasury that changing the target would be in the interest of taxpayers, and would also be fair to savers while remaining transparent to the wider financial market. In the Autumn Statement in December 2013, our revised target of £2 billion with a range of £2 billion either side was announced.

Net Financing



A few days after the Autumn Statement, we announced a further rate cut for Direct ISA. This was in response to further reductions to the interest rates offered on ISAs across the wider market. The announcement was made some time before the reduced rate would come into effect, on 27 February 2014, giving customers time to consider their options.

Our final Net Financing figure for the year was £3.4 billion, very close to the forecast figure we published along with our second quarter results in December 2013. This meant that we met our revised target and, more importantly, adhered to our overarching operating framework – maintaining transparency for the wider market, while protecting the interests of savers and delivering for the taxpayer. The interest rate decreases and a fall in the Retail Prices Index, which affects the returns on Index-linked Savings Certificates, resulted in the total cost of deposits decreasing even though the total liability to investors increased.

As was announced in the March 2014 Budget, our Net Financing target for 2014–15 is £13 billion, with a range of £2 billion either side. This much higher target is a direct reflection of two other Budget measures directly designed to support savers: an increase in the investment limit for Premium Bonds, and a special issue of two new market-leading savings bonds for people aged 65 and over.

These new bonds are designed to provide additional support to pensioners who rely on the income from their savings in retirement. They will be launched in January 2015 and offer a fixed rate of return, at market-leading rates. The exact rates and product features are to be announced in the 2014 Autumn Statement. The announcement was made several months in advance in line with our commitment to transparency for the wider market.

From June 2014, customers will be able to invest up to £40,000 in Premium Bonds – up from the current investment limit of £30,000. This will then be followed by a further increase in 2015–16, to a maximum of £50,000 per customer. The last time the investment limit for Premium Bonds was increased was in 2003. We will also reinstate, from the August 2014 draw, the second £1 million jackpot prize.

Together, we expect these changes to lead to a substantial increase in our inflows next year – hence our Net Financing target of £13 billion, with a range of £2 billion either side. Importantly, however, they will not radically change our share of the overall savings market, which is currently estimated at 7.08%.

Delivering value

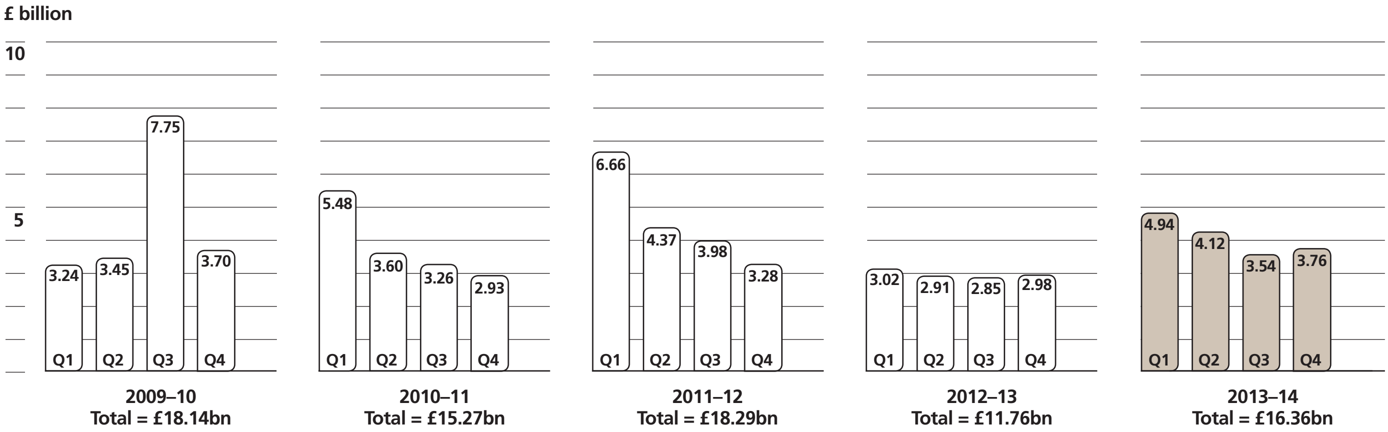
I am pleased to report that this year we delivered £346 million of value as measured by the Value Indicator. As explained in previous reports, this is a comparative measure designed to indicate whether we are providing a cost-effective source of funding for government and hence reducing the cost of government borrowing. It compares raising money through NS&I with raising money through the gilt market.

We fully expect that we will be able to meet next year's Value Indicator target to deliver positive value. However, it is important to clarify that because the special issue savings bonds for older savers are a specific Budget measure distinct from NS&I's normal activities, they will not be included within our Value Indicator target. Instead, the estimated cost of raising finance through this product over gilts has been published as part of the Budget 2014.

Growing our business-to-business services

As we have also made clear in the past, the Value Indicator is not the only measure of the value we deliver. We see our business-to-business services, where we manage transaction processing for other government departments, as a great opportunity to deliver value through creating savings across the public sector, as well as helping NS&I to become increasingly self-funding. This year, we added a third client, taking on in-country immigration application payments processing for the Home Office with the aim of reducing costs and improving effectiveness. We also renewed our highly successful Memorandum of Understanding with the Court Funds Office and continued to progress the Equitable Life Payment Scheme.

Gross inflows to NS&I (including reinvestments)



Time to rethink the customer experience

Over recent years we have made significant progress in enabling our retail customers to use direct channels: over 85% of sales now take place via the contact centre, by post, electronically or through our website. This has been integral to achieving an efficiency ratio of 14 basis points.

But we know the limitations of our website as it stands: not all interactions are as easy as they could be, and not all customers are comfortable using them. For instance, as many as one in four customers already use a mobile device to access our website, and we need to make it easier for them to do so. So, increasing the proportion of interactions that are conducted through digital channels – a central element of our new strategy, **think ahead** – will require us to refresh our customer experience. We need to make our digital channels the simplest and most attractive way to interact with us. We are looking at this from the broadest perspective, and have begun to review what we offer, as well as how we offer it.

The next few years will accordingly see a transformation of the customer experience, supported initially by significant investment in the business. We are very grateful to HM Treasury for agreeing to support this investment, which is essential to our long-term plans. In the short term, it will have a financial impact, as we invest in capital projects. However, over the life of the seven-year contract, this investment will lead to a step change increase in efficiency.

Focusing on customer satisfaction

While the work behind the scenes continues at a high standard, with performance against our customer service SDMs for accuracy and timeliness at their best levels yet, customer satisfaction levels dropped this year. We narrowly failed to reach our SDM target. While the satisfaction level still compares well with external benchmarks and has not translated into increased complaints, it is clearly something we take very seriously. We took steps to address a number of issues in response to customer feedback. We discuss this in more detail in the ‘Our customers’ section, pages 13 to 17.

Issues like this show that customer priorities and expectations are evolving, particularly with regard to digital channels, and it is imperative that we evolve to meet them. We have extended contact centre opening times this year, and also increased our social media presence, but we know that the latter needs to expand further, so that customers can interact with us via a wider range of channels. We will be working closely with Atos to improve the customer experience.

A pioneering partnership model

The new contract challenges our partner by setting out clear outcome targets and gives Atos far greater flexibility in how it responds to them. I fundamentally believe it is a pioneering partnership model – one that builds firmly on what we learned during the previous contract. It means that NS&I staff are required to focus increasingly on assurance rather than management – an important shift of mindset. We have restructured during the year to ensure that we are best placed to do this. This has involved not only creating new roles in our business, but also raising awareness of what the new contract means for staff, including those who work at our operational sites.

I am delighted at the response of our people – those who work for NS&I directly and those who work for NS&I through Atos – to the new contract and strategy. There is a clear understanding of what we are trying to achieve and, equally importantly, a real enthusiasm for it. In the run-up to and immediate aftermath of the contract announcement, service levels were maintained, if not improved. That is testament to the dedication, commitment and professionalism of the team.

Leading by listening

While reflecting on our people, I would also like to acknowledge the work not only of the NS&I board who have led the development of the new strategy, but also all those who have worked as part of the leadership team to complete our previous strategy. In particular, my thanks go to Simon Ricketts, who is leaving our board after completing his two Non-executive Director terms, plus an extension to cover the transition. His deep insight and understanding have been much appreciated. I would also like to thank John Prout, one of the longest-serving members of the board, who retired in 2013. During more than a decade at NS&I, John took on many roles but latterly, as Retail Customer Director, he oversaw the completion of our modernisation programme – a programme he had helped design. He was instrumental in ensuring that, as the programme advanced, we always listened to the voice of our customers. This is a principle we must continue to follow in the coming years.

Jane Platt
Chief Executive
NS&I

4 June 2014

Management commentary, Directors' report and Strategic report

Strategy and performance

Our strategy

For the last four years, we have been working to deliver the NS&I direct+ strategy. This was announced following the Spending Review 2010 and set out NS&I's role in delivering the Coalition's programme for government. It seeks to balance the needs of our customers and taxpayers and the stability of the broader financial services sector. The strategy was completed on schedule during 2013–14, and the table below summarises the key final steps against its core objectives.

Objective	Progress during 2013–14
Delivering the agreed Net Financing target each year	We met our Net Financing target in 2013–14, delivering £3.4 billion of Net Financing. This target was revised in the Autumn Statement 2013 from £0 (+/-£2 billion) to +£2 billion (+/-£2 billion). During the course of NS&I direct+ we delivered £6.8 billion of Net Financing. For more detailed commentary on this, please see the Chief Executive's review (pages 4 to 7).
Delivering positive value as measured by the Value Indicator	We delivered £346 million of value this year. With gilt yields increasing from the historic low of last year, it was once again more cost-effective for the Government to raise and service debt finance through NS&I than the gilt market – which has been the case every year since we actively started measuring value, with the exception of 2012–13. During the course of NS&I direct+, we delivered £517 million of value. For more detailed commentary on this, please see the Chief Executive's review (pages 4 to 7).
Accelerating the move to direct channels for our retail customers	All NS&I products are available directly from NS&I either by phone, online or by post. Premium Bonds are also available at the Post Office. Over 1.6 million customers have now registered to manage their accounts online and/or by phone and 85% of retail customer sales took place via direct channels. For more detailed commentary on this, please see the 'Our customers' section (pages 13 to 17).
Completing our modernisation programme to ensure that we have a low-cost business model	We completed the programme we had begun in 2008 with the transfer of all of our products onto our new banking system. All of our products except our postal only Investment Account can now be managed online. Inconsistencies between product terms and conditions have been removed. All of these changes have helped to reduce our operating costs and improved our service to customers.
Delivering the business-to-business plan, providing services to other government departments and third parties	We have continued operations on our business-to-business activity to deliver payments for the Equitable Life Payment Scheme and funds administration for the Court Funds Office. In March 2014, the Court Funds Office signed an extension to its Memorandum of Understanding. In July 2013, we began a third relationship, with the Home Office for delivery of in-country immigration application payments processing.
Ensuring the continuation of high-quality, cost-effective operational services beyond the 2014 re-tender	In May 2013, we announced that Atos had been selected to take on the Public Private Partnership (PPP) contract for NS&I from April 2014 after a rigorous tender process. The new contract sets clear outcome targets for the quality and cost-effectiveness of operational services for the next seven years, and focuses on making NS&I easier to do business with. For further details on the performance of the partnership in 2013–14, see the 'Our operational partnership' section on pages 18 and 19.
Continuing our risk and compliance plan	We have an established Risk Management Framework and, on a voluntary basis, aim to comply with regulatory requirements where applicable and appropriate. Further details of our risk and compliance plan are included in our governance statement on page 35.

Our new strategy – think ahead

Objective	Description
Meet NS&I's core remit	Our core remit remains the same: to help reduce the cost to the taxpayer of government borrowing, now and in the future.
Achieve retail channel shift to digital channels (i.e. non-paper direct channels) of at least 75% by 2018–19	To achieve the overall savings we need to deliver in line with the Spending Review, and to ensure we are able to meet future efficiency targets we need to reduce the cost of managing customer interactions. As in almost every organisation, we recognise that the key to doing this is by handling a growing proportion of interactions via digital channels. However, rather than compelling customers to use these channels, we want to attract them to do so. This means reviewing our products and in particular the digital environment, so that more and more of our customers choose to use digital channels to manage their NS&I holdings.
Deliver an appealing retail digital customer experience	This is strongly related to the previous objective, but focuses more specifically on the customer experience. We will use enhanced functionality to offer an increasingly personalised experience, giving customers more choice about which digital channels they use for different types of interaction. We will work closely with our customers to develop services that meet their needs.
Deliver a retail product portfolio which meets the needs of target customers	We will continue to review our product portfolio as a whole, developing new propositions where appropriate. We want to give our customers even greater visibility of their NS&I holdings and allow them to manage their holdings across different NS&I products in a more flexible way.
Move progressively towards a self-funding model	The prime reason for developing our business-to-business services was to help us deliver our cost reduction targets over the course of the Spending Review period – and give us a platform to achieve further savings so that we can become increasingly self-funding. We aim to grow the business-to-business contribution significantly over the next five years to offset a larger proportion of our operating costs.
Provide good careers and work/life balance	To deliver the objectives above, it is essential that we can attract and retain high-quality staff. We have therefore made developing our employee proposition a high-level strategic objective.

For details of the principal risks facing NS&I see pages 46 to 47.

Our performance in 2013–14

The table below shows our performance against our service delivery measures (SDMs). These were agreed by NS&I and HM Treasury as part of our reporting process and measure our performance in relation to our overall objectives.

Goals and objectives	Measure	Perfomance 2012–13	Target 2013–14	Perfomance 2013–14	Target 2014–15
1. Net Financing To raise an amount of Net Financing within an agreed range	Absolute amount of Net Financing from NS&I products	-£666 million	£2 billion (+/- £2 billion) (1)	£3.4 billion	£13 billion (+/- £2 billion)
2. Value Indicator Value for the Government as measured using the Value Indicator	Absolute amount of value from NS&I products	-£249 million	Deliver positive value (with lower limit of -£320 million)	£346 million	To deliver positive value for the taxpayer (excluding the special savings bonds for those aged 65 and over)
3. Customer satisfaction (2) To exceed a threshold level of customer satisfaction with NS&I	Average level of satisfaction against question, 'Taking everything into account, how would you rate NS&I's customer service?'	88%	At least 87%	Not met – 86%	At least 87%
4. Customer service – timeliness To meet a consistently high timeliness target	Average performance against timeliness key performance indicator (KPI) targets	99.2%	At least 97%	99.54%	We will be introducing a combined measure for timeliness and accuracy called 'Customer service – operational delivery'. Target: at least 95% (3)
5. Customer service – accuracy To meet a consistently high accuracy target	Average performance against accuracy KPI targets	99.4%	At least 98.5%	99.67%	
6. Customer Service – online availability (4) To meet a consistently high target for availability of NS&I's marketing and transactional website	Independent verification of percentage of time websites are available for customers to use	N/A	At least 97%	99.96%	At least 97%
7. Efficient administration of funds To improve the efficiency of administering total funds	Ratio of total NS&I administrative costs to average funds invested by customers	16 basis points	Fewer than 19 basis points	14 basis points	Fewer than 19 basis points (excluding one-off costs)
8. Contact Centre Association Global Standard V5 accreditation To gain accreditation against this (5)	A respected independent customer service standard, widely used by other organisations with a large contact centre operation	Full accreditation under Customer Service Excellence standard	Gain accreditation under the Contact Centre Association Global Standard V5	Met	Maintain accreditation
9. Financial Ombudsman Service (FOS) To minimise the incidents where FOS intervention is justified	The ratio of the number of complaints upheld by FOS in favour of the complainant to the total number of complaints closed by NS&I	0.18%	Less than 0.5% of total complaints raised found against us by FOS	0.24%	Less than 0.5% of total complaints raised found against us by FOS
10. Fraud To minimise the cost of fraud	The cost of fraud as a percentage of total average stock	0.00051%	Below 0.001% of average funds invested by customers	0.00023%	Below 0.001% of average funds invested by customers

Footnotes on opposite page (page 11).

(1) NS&I's original Net Financing target for 2013–14 was £0 in a range of £2 billion either side of this. However, as a result of changing market conditions – in particular an increase in new deposits – set against the need for NS&I to continue to meet its operating framework, the target was revised by HM Treasury in the Autumn Statement 2013 to £2 billion (in a range of £2 billion either side of this). For further details, see the Chief Executive's review (pages 4 to 7).

(2) Each month 600 NS&I customers who have recently transacted are interviewed by Ipsos Mori on NS&I's behalf. Approximately 500 of those will answer the question on overall satisfaction. They are asked: 'Taking everything into account how would you rate NS&I customer service?'. They answer on a scale where 10 means 'completely meets needs' and 1 means 'does not meet needs at all'. The SDM is based on the percentage of those that give a rating of 7 or above.

(3) The new measure will look at average performance against timeliness and accuracy KPI targets, which have been tightened significantly. Timeliness is now only counted if accuracy is 100%.

(4) This SDM was introduced in 2013–14 to reflect the importance of this channel as NS&I becomes a direct focused business.

(5) Reflecting NS&I's move to become a direct focused business, in agreement with HM Treasury, from April 2013 NS&I sought accreditation under the Contact Centre Association Global Standard V5 as our SDM. This replaced the previous SDM for accreditation under the Cabinet Office-led Customer Service Excellence standard. See the 'Our operational partnership' section, page 18, for further details.

Our finances

The resources available to NS&I are determined by Parliament through the Supply Estimates procedure. These resources are used to deliver the products and customer service discussed throughout this report. Our operating costs include our internal costs, the payments made to Atos (our operational delivery partner under a PPP contract) and the payments made to the Post Office.

The basic payment to our delivery partner (the unitary fee) reduced over the life of the partnership contract as a result of the gains from capital investment and operational efficiency brought about by the agreement. The partner also received variable payments based on transaction volumes and new product and service channel developments.

In 2013–14, NS&I's actual net resource requirement was £147.3 million, which is £8.1 million lower than the net resource requirement approved in the 2013–14 Estimate. It is £21.1 million lower than the net resource outturn in 2012–13. The following table provides a more detailed comparison of NS&I's 2013–14 outturn with the 2013–14 Estimate.

Comparison of outturn with Estimate [1]

	2013–14 Outturn £million	2013–14 Savings compared with Estimate £million	2012–13 Outturn £million	2012–13 Savings compared with Estimate £million
Net resource requirement	147.3	8.1	168.4	7.6
of which:				
Departmental Expenditure Limit (DEL) [2]	147.0	3.1	167.2	2.8
Annually Managed Expenditure (AME) [2]	0.3	5.0	1.2	4.8
Non-budget adjustments [3]	8.4	(8.4)	(7.4)	7.4
Net operating cost (Accounts)	**155.7**	**(0.3)**	**161.0**	**15.0**
Capital expenditure (DEL)	1.5	0.2	0.0	0.2
Non-budget adjustments [3]	13.5	(13.5)	17.0	(17.0)
Total capital expenditure (Accounts)	**15.0**	**(13.3)**	**17.0**	**(16.8)**
Net cash requirement	**147.5**	**6.2**	**175.2**	**2.4**

More information on the use of our resources is contained in the accounts.

(1) Figures are presented here to the nearest £0.1 million. Note SOPS2.1 on page 76 provides figures to the nearest £1,000.
(2) See the glossary for definition of these terms.
(3) Non-budget adjustments reflect the different treatment of items between departmental expenditure limits set by Parliament and the Accounts, which are prepared in accordance with International Financial Reporting Standards.

Savings achieved against the approved net resource requirement

The variance against the net resource requirement is mainly due to a combination of higher transaction volume costs, lower marketing costs and a lower than expected impairment of NS&I's property portfolio. The following table provides a more detailed breakdown of the variance.

Difference between resource outturn and Estimate (1)

	2013–14 £million	2013–14 £million
Higher transaction volume costs	3.1	
Lower marketing costs	(5.0)	
Higher income	(1.4)	
Lower depreciation costs	(0.7)	
Other differences	0.9	
Total DEL(2) underspend		**(3.1)**
Lower than expected requirement for provisions	(0.4)	
Lower than expected impairment charge for NS&I properties	(4.6)	
Total AME(2) underspend		**(5.0)**
Total underspend against Estimate		**(8.1)**

(1) Figures are presented here to the nearest £0.1 million. Note SOPS2.1 on page 76 provides figures to the nearest £1,000.
(2) See the glossary for definition of these terms.

Financial position

The Statement of financial position on page 51 shows that as at 31 March 2014, total assets less total liabilities were £47.8 million, £8.0 million lower than as at 31 March 2013.

Non-current assets decreased by £22.4 million, due to a fall in the value of NS&I's property portfolio following a professional revaluation, and depreciation/amortisation of other non-current assets.

Current assets, excluding client funds, fell by £2.7 million. Total liabilities, excluding client funds, fell by £16.9 million, driven by a fall in accruals and deferred income.

Cash forecasting

Accurate forecasting of cash requirements is one of the key elements of good cash management in government; this allows the Government to plan and manage its cash flow more cost-effectively.

In the period from April 2013 to March 2014, NS&I achieved first place in the Small Departments Cash Management league table, ahead of 30 other departments, reflecting the accuracy of our cash forecasting against actual outturn.

Payment of suppliers: policy and performance

NS&I is committed to a policy of prompt payment and is a signatory to the Better Payment Practice Code. We endeavour to pay all suppliers within 30 days of acceptance of the relevant goods and services, or receipt of a legitimate invoice if that is later. For 2013–14, the average time taken to pay suppliers was nine days.

In 2013–14 NS&I paid 96.5% (2012–13: 96.5%) of bills within this standard. The Government made a commitment to speed up the payment process for small and medium-sized enterprises (SMEs). HM Treasury's *Managing Public Money* guidance states that: 'Public sector organisations should aim to pay suppliers wherever possible within 10 days.' NS&I has followed this commitment and implemented a process to pay SMEs within 10 days of acceptance of the relevant goods or services, or receipt of a legitimate invoice if that is later.

Details of all expenditure over £25,000 can be found on our website along with a list of all contracts with a value of over £75,000, in line with government guidelines.

Jane Platt

Jane Platt
Chief Executive
NS&I

4 June 2014

Our customers

This year we finished our programme to simplify and modernise our product range. Customers now have the flexibility to manage their NS&I accounts in a range of ways – online, by phone or by post. Equally importantly, because all of our products are now together on a single, modern system, it provides consistency, stability and security. These are the crucial foundations for the next stages in developing our customer offer under the new partnership contract with Atos.

NS&I's Quarterly Savings Survey celebrated its 10th anniversary in February 2014. NS&I marked the anniversary by looking back at the way in which people manage their money and how it has changed over the last decade. In 2004, three-quarters of Britons managed their money in person at a bank or building society. Today this has dropped to 54% as the internet and apps on smartphones grow in popularity for money management.

Steps towards our long-term goal

As set out in our **think ahead** strategy, our aim over the duration of the contract is to make NS&I even easier to do business with. We will develop an appealing retail digital customer experience, which will allow us to achieve retail channel shift to digital channels (that is, non-paper direct channels) of at least 75% by 2018–19. This is not just for sales, but for all retail customer interactions, and the changes we made in 2013–14 all pointed in this direction, including:

- In December, we extended our contact centre opening times. It is now available 24 hours a day, seven days a week – giving customers more flexibility in how and when they contact us.
- In 2014–15, we are launching a new service for customers living abroad or in the UK with an overseas bank account which allows them to request that interest, prizes or withdrawals be paid into an international bank account, rather than a UK one. This new service will benefit NS&I's existing customers. It will also deliver an additional source of revenue to NS&I which will be used to help fund our core business for UK savers, reducing our cost to British taxpayers.

Although all of our products are now running on our new banking system, the transition is not yet complete for all holders of our fixed-term products. Current Issues of our fixed-term products with start dates before 20 September 2012 are not visible online; instead, customers must continue to manage these holdings using existing processes. This is an interim process and means that, over the next few years, as each Issue of the products reaches maturity, all future renewed investments will be made using the new infrastructure. This will enable all product holdings eventually to be managed online, by phone or by post. We recognise that this phased approach has caused some frustration, but we have taken extra steps to ensure that customers are aware of the situation and understand the reasons for this approach.

Rethinking the customer experience

Under the new contract, customers will see significant transformation in their experience of NS&I. We aim to make it more relevant and appealing to today's and tomorrow's customers. That involves not only looking at the channels we use but also improving them. For example, we are upgrading our contact centre system so that team members can see a full customer history while on the phone and also rethinking the entire experience, including the products we provide in the future. Customers increasingly expect different features from their savings products, and our range will evolve to reflect that. The table on page 15 provides a quick summary of our current product range.

We plan to use social media for customer service. Currently, it is predominantly used for information delivery: for example, our YouTube channel (launched in April 2013) features videos explaining how to use our online services, while our Twitter presence has been mainly used as a means to communicate with the media.

To help guide the evolution of the customer experience, Atos is setting up a 'Customer Experience Lab' at our Glasgow site. This will be a bespoke centre for our customers to trial new customer tools and online services and tell us what they think.

New ways to monitor customer satisfaction

We believe that improving the customer experience across channels is essential to maintaining high levels of customer satisfaction. This year, customer satisfaction dipped from our previous high levels. We missed the SDM target but took steps to address the two key reasons behind this.

For example, the introduction of more rigorous security processes in our call centres caused initial dissatisfaction alongside adverse feedback on our wider 'authentication' process where customers verify their details to transact securely by phone and online. These issues have been addressed by new processes within the contact centre and customers can now reset their passwords online.

Secondly, issues with our fixed-term products, in particular relating to how valuation statement information was presented, caused a decline in satisfaction. This was due to statement information not being presented in a clear order. System changes to address these issues have either already been made or are planned for this coming year.

Feedback on customer satisfaction and complaints is consistently monitored and, wherever possible, appropriate short-term changes are made. Otherwise initiatives form part of a longer-term development programme.

We introduced a new customer service evaluation tool, which enabled us to gather feedback immediately after every call to the contact centre. Customers were invited to rate the performance of the team member, and state how effectively NS&I had met their needs. Overall feedback was very positive, and any calls where customers were dissatisfied were immediately flagged to managers, who could then follow up with the team member and – where appropriate – the customer too. This indicated that the slight dip in overall customer satisfaction was not due to the service standards delivered by our contact centre.

As detailed in the Chief Executive's review, we cut interest rates on a number of products throughout the year, in line with our operating framework. However, there was no clear correlation between these rate reductions and trends in customer satisfaction. Nor did the handful of minor service issues we experienced – such as difficulties using the online Premium Bond Prize Checker tool which occurred on a few occasions – appear to affect overall satisfaction. As ever, we resolved these issues as quickly as possible, and in this instance the Prize Checker was running as normal within a couple of days.

Handling complaints effectively

During the year, we introduced a new complaints handling system that allows us to analyse complaints and understand trends faster, so where there is an emerging issue we can take action sooner. Where complaints were received, we dealt with them as quickly as possible: 30% were closed within 2 days and 94% within 40 days. Less than 1% of the complaints we received in that period were referred to the Financial Ombudsman Service (FOS). We publish complaints data every six months on our website. Our latest complaints data can be viewed online at www.nsandi.com/contact-us-make-complaint-nsi-complaints-data.

FOS publishes data about the complaints it receives about more than 200 financial services businesses. Its figures for July to December 2013 show that FOS received 92 complaints about NS&I, compared to 102 in the previous 6 months. This overall level of complaints referred still compares very well to other financial services organisations – NS&I is placed 85th out of 201 financial services providers (with 1 being the provider with the fewest number of upheld complaints and 201 being the provider with the highest number of upheld complaints), and the majority of those above us serve a far smaller customer base.

We measure our performance more specifically on the proportion of cases which the Ombudsman resolves in favour of the customer. In the period from January 2013 to June 2013, that proportion was 28%, against an average for the banking and credit sector of 33%. In the period from July 2013 to December 2013 it was 33%, against an average for the banking and credit sector of 38%. We remain committed to minimising the level of cases in which the Ombudsman needs to intervene. We are committed to the Treating Customers Fairly agenda and to good financial conduct, in line with our values.

NS&I's Welsh language service

In March 2013, we wrote to customers who used NS&I's Welsh language service to inform them that the service would close in April 2013. We took the decision to close the scheme due to its low customer use and high operating costs, which led us to consider that it was not a cost-effective use of public funds.

The Welsh Language Commissioner secured a Judicial Review on this decision and this took place in February 2014. The outcome was that while the judge upheld our view that NS&I has never been under a statutory duty to prepare a Welsh language scheme, he ruled that NS&I did not consult on its proposal to close the scheme and thus it should be reinstated. We accepted the judgment and have now reinstated the Welsh language service and written to the 107 customers affected.

From service to experience

Our performance against other core customer service SDMs remained very good: as well as achieving our highest levels of accuracy and timeliness ever, we met our two new measures around website availability and obtaining accreditation under the Contact Centre Association Global Standard V5 (see 'Our operational partnership', page 18, for further details). This shows the high quality of our current service but we recognise that the broader picture shows that the market is moving swiftly, and we want to do more. That is why we are placing such an emphasis on customer experience within the new partnership contract.

Supporting our customers

We also support our customers in other ways. For example, the My Lost Account service set up by NS&I in partnership with the British Bankers' Association and the Building Societies Association aims to reunite customers with money and accounts they have lost track of. Since February 2008, more than 724,000 people have used the service. Through both My Lost Account and our tracing service, we have now reunited customers with over £586 million held in forgotten or lost NS&I accounts since February 2008.

For some years, we have offered winners of the £1 million Premium Bonds jackpot prize access to financial advice from a nominated firm. The firm is selected via open tender, and as the contract was due to end on 31 March 2014, we held a new tender this year. The contract was won by Matrix Capital, an award-winning Shropshire-based firm.

Working with the Post Office

Our partnership with the Post Office has evolved considerably over the last few years as we have developed our direct channels and the Post Office has developed its own range of savings products. As announced in January 2013, the most recent change was the end of cash sales via the Post Office, which came into effect in April 2013. Customers can still buy Premium Bonds at Post Office branches using cheque or debit card.

Marketing and sponsorship

Our marketing goals for 2013–14 were to continue the focus on promoting our direct channels and the benefits these offer to savers. However, overall our advertising spend was less than originally planned, as market conditions changed and our inflows increased.

Supporting advisers

In April 2013, we launched a new financial adviser website, www.nsandi-adviser.com, which provides information about our products in a way that is more suited to advisers' needs. It also offers a range of resources including not only forms and literature but also information about topics such as powers of attorney, self-invested personal pensions and

Unclaimed assets[(1)]

	Estimate: held at 1 January 2014 £million	Estimate: held at 1 January 2013 £million
Accounts	558	545
Certificates [(2)]	874	832
Bonds	3	1
Other products[(3)]	27	27
Unclaimed Premium Bond prizes	8	9
Total	**1,470**	**1,414**

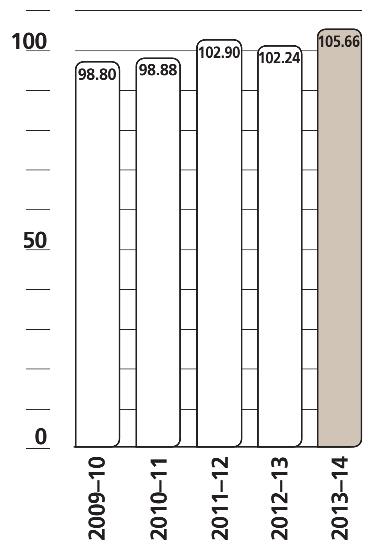
[(1)] 'Unclaimed assets' are defined as holdings with no activity or customer contact for a period of 15 years or more.

[(2)] NS&I Savings Certificates are included here for completeness. However, these are used by many holders as long-term savings products. The majority of customers choose to renew their holdings at the end of their term and thus we would not expect these customers to be in regular contact with NS&I.

[(3)] 'Other products', e.g. SAYE, Yearly Plan, Deposit Bonds, Savings Stamps, Gift Tokens, British Savings Bonds.

Total amount invested by customers at the end of the year

£ billion

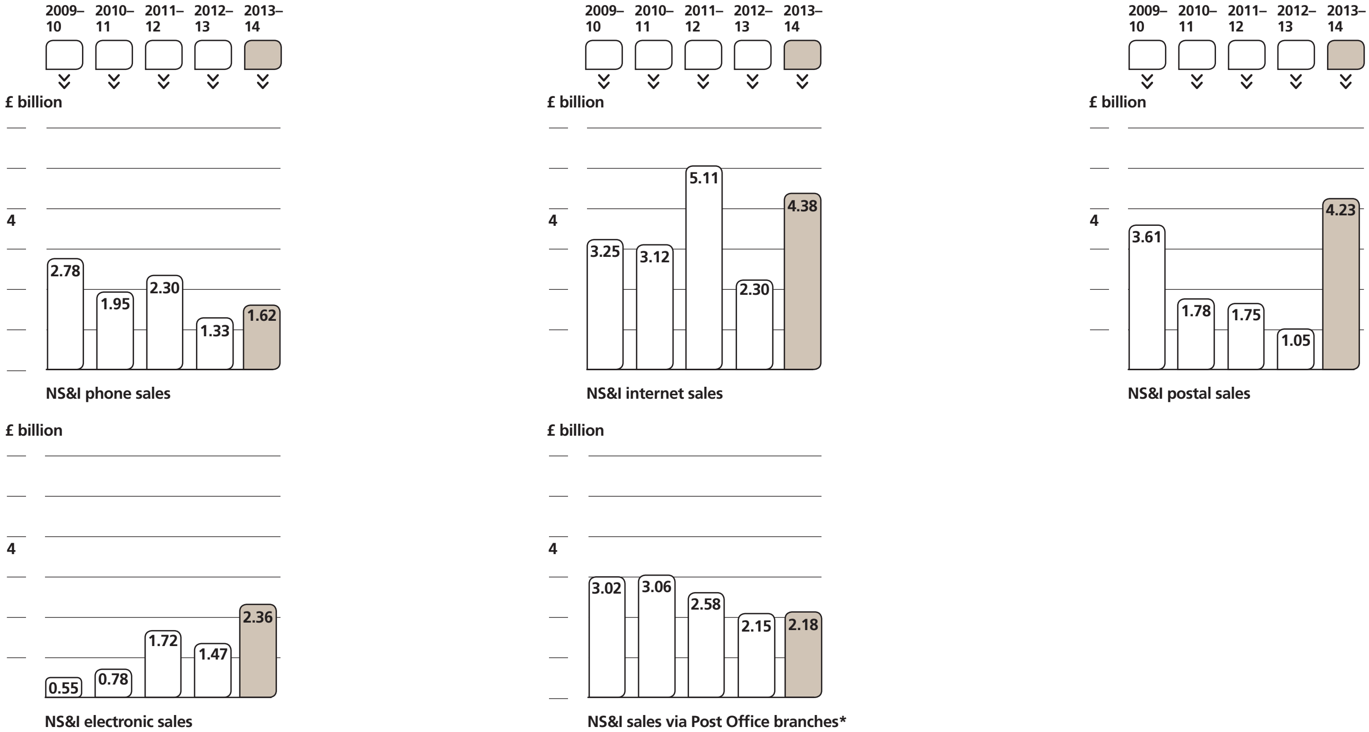


Our product range

Product	Status at 31 March 2014	Tax-free	Fixed rate	Monthly income	Manage online and by phone	Manage by post	Annual statement
Children's Bonds	On sale	✓	✓		✓	✓	✓
Direct ISA	On sale	✓			✓		✓
Direct Saver	On sale				✓		✓
Fixed Interest Savings Certificates*	Not currently on sale	✓	✓		✓	✓	✓
Guaranteed Growth Bonds*	Not currently on sale		✓		✓	✓	✓
Guaranteed Income Bonds*	Not currently on sale		✓	✓	✓	✓	✓
Income Bonds	On sale			✓	✓	✓	✓
Index-linked Savings Certificates*	Not currently on sale	✓			✓	✓	✓
Investment Account	On sale				Holdings can be viewed online but no transactions can be carried out	✓	✓
Premium Bonds	On sale	✓			✓	✓	

*Renewals at maturity still permitted. Current issues of fixed-term products with start dates before 20 September 2012 are not visible online.
NS&I's Guaranteed Equity Bonds are not currently on sale and there is no opportunity for renewal at maturity.

Sales performance by principal channels



*Figures differ slightly from those in Product Accounts note 15, 'Related party transactions', due to timing differences (see page 97).

Previously we reported separately sales where a customer picked up an application form at the Post Office and then sent this by post to NS&I. Our brochures are no longer on display in Post Offices and we no longer pay the Post Office for sales where a customer collects an application form over the counter and then posts it to NS&I. Therefore, for the 2013–14 data only (above), all sales by post are now recorded as one channel. We do still pay for Post Office sales transacted over the Post Office counter, and these are reflected above.

trusts. Our relationships with financial advisers remain key, as they have a relationship with many customers with significant NS&I holdings.

We provide regular email updates to just over 12,000 financial advisers who have registered to receive them. We also have access to additional databases through our continued relationships with unbiased.co.uk and the Assureweb adviser online portal. This enables us to communicate important messages quickly – and at low cost – to the financial adviser audience. Our relationship with unbiased.co.uk – the leading consumer resource for those looking for financial advice – also enables us to use their 'Find an adviser' search facility on our main customer website.

We were pleased to have a presence at the Institute of Financial Planning and the Personal Finance Society annual conferences.

Our product range

Our product range is designed to offer options that meet customers' different savings needs and evolve in line with market conditions and customer demand. Our full product range and the key benefits of each product are shown on page 15. Due to our requirement to balance the interests of our customers and taxpayers and the stability of the wider financial services sector, the full range is not currently available.

Exciting changes to our products

As explained in the Chief Executive's review, the next year will see some important changes to Premium Bonds and the launch of a new product: fixed rate savings bonds for people aged 65 and over, which is specifically designed to provide additional support to pensioners who rely on their savings in retirement.

The bonds will be available from January 2015. For the purposes of costing the measure, the Chancellor assumed interest rates of 2.80% for the 1-year bond and 4.0% for the 3-year bond with an investment limit of £10,000 per Issue. The actual rates will depend on market conditions, and full product details will be announced in the Autumn Statement.

We are also raising the investment limit for Premium Bonds for the first time in over a decade. From 1 June 2014, customers will be able to invest up to £40,000 in Premium Bonds – up from the current investment limit of £30,000. This will then be followed by a further increase in 2015–16, to a maximum of £50,000 per customer. Around 600,000 customers currently have the maximum holding, and we expect a substantial proportion of them to increase their holding up to the new limits.

From the August 2014 draw, we will reinstate the second £1 million jackpot prize for the first time since April 2009.

Business-to-business customers

Our business-to-business services were launched in 2011–12 under the brand NS&I Government Payment Services. Our goal was to start using the NS&I infrastructure to process payments for other government clients – helping them to reduce their operating costs. At the same time, the contribution that NS&I receives for running the services helps us to deliver our cost reduction targets over the course of the Spending Review period.

Services have now been running for three years and our capabilities have increased – we have three clients.

Extending the contract: Court Funds Office

Our work with the Court Funds Office (CFO) continues to deliver tangible savings on operating costs, as well as service improvements for both courts and their clients. High performance levels (over 95%) against KPIs have been maintained throughout the year and the reliability and flexibility of the CFO's service has been improved. For example, by using our contact centre to handle calls to the CFO phone helpline, we have been able to offer additional capacity when call volumes increase.

In April 2014, NS&I and the Office of the Accountant General agreed to extend the relationship for a further seven years.

Enhancing the process: Home Office payments processing

As announced in last year's report, in July 2013 we started new work for the Home Office, processing in-country immigration application payments. We began operations using the existing processes and systems, but have now completed a full infrastructure refresh, which increases the resilience of the underlying system and makes it more user-friendly. We are firmly on track to deliver the projected cost savings of around 10% on a like-for-like basis.

Peter Mycock, Charging Ops, Operational Finance Unit, Home Office, said: *'Getting the right kind of management information is all about close collaboration. I communicate with NS&I's Government Payment Services team daily and through that regular dialogue we have defined the data that best serves our financial planning needs and improves our service. It works very well.'*

Continuing to deliver the Equitable Life Payment Scheme

We have continued to deliver the Equitable Life Payment Scheme and as at 31 March 2014 had made payments totalling £901 million to 860,972 policy holders.

The Scheme was originally scheduled to close in April 2014, but it has now been extended to 2015 to allow more time to find and pay untraced policy holders.

A number of additional methods of tracing individual policy holders have now been introduced, including a national advertising campaign that led to 20,000 people telephoning the Scheme.

Payments also continue to those who acquired their policy through a company pension scheme. As previously reported, Equitable Life did not hold the personal details of most of these policy holders, and so the Scheme is dependent on pension scheme trustees sending the data to the Payment Scheme. As at 31 March 2014, a total of 417,995 payments totalling £156 million have been paid to this group.

A key part of the new partnership contract

These activities provide strong evidence of our ability to provide business-to-business services effectively alongside our services to retail customers. We are now looking to extend our strategy further and actively grow our business-to-business contribution year on year.

The opportunity to build the business-to-business activity was an integral part of the re-tender, and one Atos was keen to embrace. During 2013–14, Atos committed extra staff to the business-to-business side, helping to grow the capability of the business-to-business team. We have set up a joint team between our two organisations, managed in partnership and with shared goals. These include not only building our Government Payment Services activities, but also investigating wider opportunities to use NS&I's infrastructure.

Our operational partnership

From an operational perspective, there were two distinct strands to 2013–14: ensuring that the high performance standards set in previous years were maintained during the final year of the contract; and preparing for the start of the new contract.

Operations during 2013–14

Over the course of the 15 years of our operational partnership, we have had cause on many occasions to praise the efforts of our partner and the commitment of the staff who work for us in Blackpool, Durham, Glasgow and London in the UK, and in Chennai, India. They have coped with huge surges in transaction volumes and significant change.

This year, we saw no such dramatic events: volumes were within expected levels; change was minimal; and there were no major service incidents. That meant that, as soon as the re-tender announcement had been made, Atos staff could concentrate on their everyday work. The results speak for themselves. Performance against each of our two core customer service SDMs of accuracy and timeliness reached its highest level in 10 years, at 99.67% and 99.54% respectively. However, we did not achieve our customer satisfaction SDM. In the 'Our customers' section, page 13, we discuss the reasons behind this and the steps we are taking to address them. Other KPIs were met or exceeded, and the performance of our business-to-business operations continues to go from strength to strength.

As reported in the 'Our customers' section, we also introduced a new tool for evaluating contact centre performance after each call. Customers are invited to rate the team member's manner, and how well they resolved the query. Where a lower rating is received, this is flagged immediately to managers, who can then investigate. Overall, feedback received via this tool indicated a very high level of satisfaction with the performance of our team members.

We also achieved, at the first attempt, the Contact Centre Association Global Standard V5. Unlike previous accreditations we achieved, V5 also includes non-voice channels, as well as best practice in difficult situations such as handling calls from recently bereaved customers. Contact centre opening hours were extended in December 2013: we now have a full 24-hour operation. This change is typical of the kind of developments that will come in the new contract, enhancing the customer experience.

Overall our high operational performance standards were maintained during 2013–14, providing a fitting conclusion to a successful contract. It has lasted some 15 years – far longer than most PPPs, and has delivered substantial positive change. Not only has it helped NS&I to evolve into a modern business, providing high-quality customer service across a range of channels, but it has also delivered like-for-like cost reductions of some £530 million and like-for-like efficiency improvements of 55%.

Throughout that time, we have maintained a very strong relationship with our partner. Each year, an independent third party, 'Service Matters', conducts a partnership survey.

This year the score was maintained at 7.2, well above industry average and an excellent outcome considering the level of change and the re-tender and transition work carried out during the year. The survey demonstrated that the partnership remains strong across all key areas, but one particular area of note is the strong score given to our ability to work together to deliver business-to-business client solutions – a key part of our **think ahead** strategy.

Our new contract

In May 2013, as stated in last year's report, we signed the contract with Atos to provide our operational services for the next seven years. The contract also has the option of three one-year extensions.

Though the provider is the same, the nature of the contract is radically different – reflecting the considerable advances in contracting practice since our first contract was signed. It is based around clear outcome targets, including:

- increasing the proportion of customer 'interactions' that take place via digital channels to more than 80%
- growing our business-to-business and other value creating operations to achieve a contribution of at least 20% of NS&I's total costs by 2020
- maintaining customer service standards as measured by increasingly demanding SDMs
- delivering savings to the taxpayer of more than £400 million over the seven-year term, when compared with the equivalent cost of the existing contract.

Atos has the flexibility to design and manage its operations as it believes is most appropriate to achieve these targets. For example, to increase the use of digital channels, it is clearly essential that they become the easiest and most attractive way for customers to do business with us. Working together, we are examining a range of different ways to improve those channels. This includes natural progressions, such as delivering a mobile-optimised website, but the contract also allows further innovation as new channels emerge.

Management to assurance

NS&I's role is changing from a more conventional management role to predominantly assurance. We look at the operational plans and proposals to deliver our strategy, and assure ourselves that they are appropriate for our organisation and our customers. This means that a number of operational risks have transferred to Atos, and there is clear delineation of responsibility.

However, above all, we see this contract as a partnership that aims to deliver what is right for our customers, our stakeholders and for both organisations. As reported by the

National Audit Office, both NS&I and Atos report a strong sense of partnership. Financially, it is far simpler and clearer: there is a fixed cost to deliver specific services to a set quality, plus a demand-linked service charge that offers increases if our business grows. We have aimed to anticipate potential changes over the next few years, and account for them with flexible KPIs – so reducing the likelihood of the partnership being affected by unexpected developments.

Governance is open and mutual. The Atos account director, one of a new account management team within Atos, attends our Executive Committee, and we have agreed a Partnership Charter, which provides a common set of principles to drive positive behaviours and strong, sustainable relationships.

There are some important provisions within the contract that reflect wider public sector priorities, such as supporting the Government's digital agenda by growing our direct channels. There will also be subcontracting opportunities for SMEs.

Preparing for the new contract

Since May 2013, we have worked hard with Atos to prepare for transition to the new contract. This involved a range of staff events and communications to explain the specific goals of the new partnership, and what would be different under it.

The transition plans were reviewed in January 2014 and given a green status by the Cabinet Office's Major Projects Authority. The changes to the operational environment over the next two years include:

- new ways of working
- governance changes
- change management.

In the coming year, our Glasgow office will move from its old premises to two new sites: a new office in the city centre; and, for our mail processing and scanning team, a site in East Kilbride, both leased by Atos from the buildings' owners. Atos is also outsourcing printing, giving the business increased capability and flexibility and lowering costs.

However, the scale of change, which dropped a little during 2013–14, will once again pick up in 2014–15, a year that will see considerable investment and improvements to our operations, the impact of which will become apparent later in the contract.

01
Blackpool
Marton

02
Durham
Milburngate House

03
Glasgow
Cowglen

04
Blackpool
Moorland
2014

05
Durham
Freeman's Reach – artist's impression, occupation due in 2015

06
Glasgow
Capella
2014

During the 15 years of our PPP, NS&I's operations have been completely transformed. We have grown significantly; simplified, modernised and diversified our customer offer and our working practices; and radically improved our efficiency and service levels.

The images of our older and new operational sites bring those changes vividly to life, and the table on the right helps to quantify the transformation. While not all the figures are directly attributable to the requirements of the contract, they all show how, through the outsourcing model we selected, we have been able to deliver the transformation cost-effectively. Our aim is to achieve a similar level of transformation over the life of the next contract.

Our transformation in numbers

	1999	2014
Total stock	£60 billion	**£105.7 billion**
Operational staff	4,200	**1,410**
Products	15	**10**
Average time to manage a transaction (1)	9.2 days	**3.1 days**
Efficiency ratio	34 basis points	**14 basis points**
Number of calls handled per year	577,000	**3.1 million**
Number of online interactions handled per year	0	**45.9 million**

(1) Includes responding to requests from customers ranging from simpler activities, such as changing an address and processing a repayment or sales request, to more complex transactions, such as registering power of attorney and death claims.

Fifteen years of partnership

1999	NS&I back office operations outsourced to Siemens Business Services (later Siemens IT Solutions and Services) under a 10- to 15-year PPP contract
2000	Creation of our Customer Interactions Centre, allowing customers to invest in NS&I by phone for the first time
2003	Record Premium Bonds sales of £1.1 billion
2004	Launch of Premium Bonds sales by phone
	Some non-customer facing activity is 'offshored' to Chennai, India
2005	nsandi.com re-launched with ability to buy Premium Bonds online
2006	Launch of Direct ISA, first new product that can be managed online
2007	50th anniversary of first Premium Bonds prize draw and special one-off draw with five £1 million prizes
	Our adding value strategy is launched. It focuses on simplifying, modernising and diversifying our business – increasing the use of direct channels
2008	The financial crisis precipitates a huge surge in investments in NS&I products. Siemens staff work round the clock to cope with demand. By the end of the year, our total stock had risen from £84 billion to £97 billion
2009	First products move onto our new banking system
2010	Launch of Direct Saver, first product to run wholly on our new banking system
	Financial Services Act receives Royal Assent, allowing – among other things – NS&I to start leveraging its operational platform to provide services to other government organisations
	Move of Premium Bonds onto our new banking system, requiring 2.3 billion customer records to be securely and accurately moved in a five-day period
	NS&I direct+ strategy is launched
2011	150th anniversary of NS&I
	Atos acquires Siemens IT Solutions and Services – and hence responsibility for delivering the NS&I contract
	NS&I attains accreditation across all 57 areas of the Customer Service Excellence standard – only the second public sector organisation to do so
	Business-to-business service for the Court Funds Office goes live
2012	NS&I saved the Ministry of Justice's Court Funds Office 25% in the first year of delivering its funds administration processing
2013	Income Bonds moves onto our new banking system – the last of our products to do so
	Result of re-tender announced: outsourcing contract awarded to Atos

Our people

For our people, 2013–14 was a year of preparation for the new contract, which requires NS&I to take a different role – of assurance, as opposed to direct management. We have developed new ways of working in partnership with Atos colleagues, and we have reorganised our structure around the key activities needed to deliver the strategy and contract to ensure that we have the right resources and capabilities in place.

Once the contract was announced, NS&I and Atos both began joint transition workstreams. We ran roadshow events led by the executive management team at all our sites, including Chennai. These gave our people a clear understanding of our overall goals and strategy and the changing role of NS&I within the partnership.

Following those events, and the development of the **think ahead** strategy, we ran an 'Ideas Harvest' – inviting all NS&I employees to offer their thoughts and suggestions on any aspect of NS&I and how we could make improvements. This included how we should best structure our organisation to deliver the goals we have set, and what additional skills we may need to develop. Over 200 ideas were received and the majority were adopted, including several that were reflected in the new organisational design. The new organisational design, implemented in January 2014, reflected NS&I's move to an assurance role under the new contract, and also a requirement for new skills such as digital delivery to ensure that we successfully implement our strategy.

That design meant that a number of roles were no longer needed, while other new roles were created. As a result, 2013–14 saw a higher level of recruitment than previous years, though overall staff numbers have held steady. Excitingly, many staff are taking on new responsibilities, or wholly new roles. We have also looked to increase the use of Atos' skills in certain areas: for example, we recognised that we needed to grow our resource and skills in the business-to-business directorate, but rather than simply recruiting, we have set this up as a joint team. A number of Atos staff with extensive relevant experience, for example in bidding for new clients, have been brought into that team – building our skills and capabilities quickly and efficiently.

Similarly, we have decided to set up a joint team to deliver our ambition of creating an appealing retail customer experience, bringing together NS&I's knowledge of our customers and products, together with Atos' expertise in operations and digital service delivery.

Volunteering and staff charity

In August 2013, staff selected a new charity to support. This was Macmillan Cancer Support. Already, there have been a wide range of fundraising activities, including some staff using their 'giving something back days' within the benefits package to undertake collections for Macmillan. A total of 12% of staff have taken up volunteering opportunities.

Macmillan succeeded Sebastian's Action Trust, which we had supported for three years. Sebastian's provides respite holidays as well as practical support to very sick children and their families.

Wellbeing at work

We are also continuing to make NS&I a great place to work. In October, we ran a Wellbeing at Work week, which featured a range of events on different aspects of health and wellbeing, including diet and exercise. A particular highlight was an inspirational talk by Macmillan Cancer Support, which not only sought to raise awareness of potential early warning signs of cancer but also provided an insight into caring for someone with cancer.

Employee engagement and satisfaction

Given the significant levels of change, we were pleased that staff engagement, as measured by the independent Civil Service-wide staff engagement survey, remained well above the high performance benchmark. There were many important messages in the survey about working at NS&I, both positive and areas to work on. Overall, engagement did dip fractionally from 68% last year to 66% this year – perhaps due to the timing of the survey, which took place in a period of uncertainty just before the new organisational design had been announced.

Importantly, confidence in leadership and managing change has increased – essential for the period ahead. Other pleasing results included a small increase in the percentage of those who said they are involved in decisions that affect their work, perhaps reflecting the impact of the Ideas Harvest. To increase staff involvement in decisions around workplace issues and people policies, in addition to our 'Listening and Action Group', we have now set up a formal staff consultation group.

Pay and reward

Once again, the biggest area of dissatisfaction was around pay, with satisfaction dropping again. We recognise that this is a challenge, particularly as salaries increase across the financial services sector.

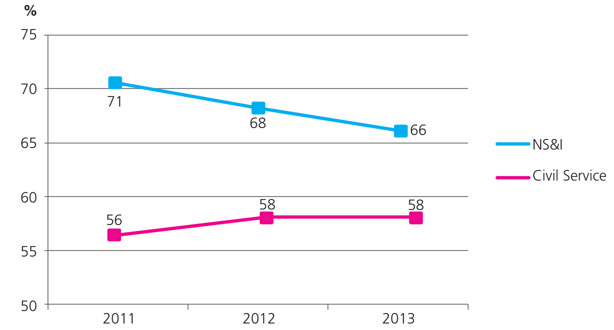
We have an agreed salary budget from HM Treasury called our delegated pay remit, which we allocate in line with our reward principles (available on request) and within Civil Service guidelines. This includes performance-related pay. As part of the Government's deficit reduction strategy, and in line with the approach being taken across the public sector, our pay remit increased by 1% during the year.

Details of executive pay and performance-related pay can be seen in the Remuneration Report on page 29. Details of our board directors' expenses can also be found online at www.nsandi.com/about-nsi-who-we-are-our-board-and-committees. Reward for individual senior staff members is approved by our Appointments and Remuneration Committee.

Speaking up

We have a well-established 'Speaking Up' policy, which includes published processes for whistle-blowing. As well as internal reporting, and the ability to report matters to HM Treasury, staff are able to use an independent external helpline, run by the whistle-blowing charity Public Concern

Civil Service People Survey – engagement



at Work (www.pcaw.org.uk), whose details are published throughout our premises. This helpline is also available for staff working for our delivery partner.

This year, the National Audit Office conducted an investigation into government whistle-blowing policies, which indicated that while no areas of our policy were poor, there was more we could do, in particular in terms of promoting alternatives to reporting concerns to line management. We welcome its feedback and are taking steps to address the issues highlighted.

Learning and development

The staff engagement survey showed a significant increase in the number of staff who feel that NS&I gives them access to the right learning and development opportunities. This confirms our approach, over recent years, of focusing on learning requirements identified in individuals' Personal Development Plans, and using independently accredited learning programmes where appropriate. These provide transferrable skills and respected qualifications that support development – such as those from the Chartered Insurance Institute and the Institute of Leadership and Management.

All NS&I staff are now registered on the Civil Service Learning (CSL) website. CSL is the cross-government approach to providing relevant learning and development for civil servants. There is a core curriculum covering standard skills for all civil servants, and we use CSL where possible for all generic learning, including personal, management and leadership skills. This complements the specific learning and development programmes we run at NS&I. Through the CSL website, NS&I staff can access e-learning, view online resources and book face-to-face courses.

In May 2013, we had a successful Learning at Work Day, an annual awareness campaign organised by the Campaign for Learning since 1999. This year's theme was 'Many Ways to Learn' and highlighted the business benefits of maximising the opportunities for employees to learn by cultivating and supporting different types of learning at work. It underscored the importance of enabling employees to manage their own learning.

We have also actively offered opportunities for development through secondments within the business.

During the year, we drew up a new Learning and Development plan for the business, which includes a full refresh of the e-learning materials around compliance, greater promotion of professional qualifications and a specific business-to-business development programme.

Personal Development Plans are reviewed at senior levels as part of our talent identification and management strategy. The Appointments and Remuneration Committee takes an active role in succession planning for senior management roles, and individuals' plans, progress and objectives feed into this.

In summary, NS&I supports the training and development of employees by:

- providing the time, equipment and opportunities to ensure that our people have the right skills and the knowledge required to carry out their roles
- ensuring that all managers are aware of their role in supporting their team's training and development, and that managers themselves have the skills and knowledge required to help their team in identifying and fulfilling learning and development needs
- encouraging our people to pursue development over and above their job role and to give consideration to career development
- providing mentoring and coaching to colleagues across the business.

Pension liabilities

The majority of our current and previous employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). A new career average scheme is set to be introduced in 2015; employee contributions to the existing schemes rose in April 2012 and April 2013, as announced in the 2010 Spending Review. Full details of the changes to the PCSPS can be found on the Cabinet Office website.

The rate of employer's contribution is determined by the Government Actuary and advised by HM Treasury. For 2013–14 the rates were between 16.7% and 24.3% (2012–13: 16.7% and 24.3%) of pensionable pay, depending on salary.

See the Remuneration Report (pages 29 to 33) for further details.

Recruitment monitoring

As noted above, the restructure meant that there was more recruitment than in previous years, as we filled specific skills gaps in certain areas of the business. Wherever possible, we sought to give opportunities to internal candidates, but we have also used external recruitment and interim appointments to ensure that we have the skills we need in all areas of our business.

In the year, there were a total of 35 permanent and fixed-term appointments, and these are summarised in the table

Permanent and fixed-term appointments in 2013–14

	Non-executive Directors	Senior Civil Servants	Pay band 1	Pay band 2	Pay band 3	Pay band 4	Pay band 5	Pay band 6	Pay band 7
Male	0	0	1	2	1	4	5	3	0
Female	0	0	1	0	0	6	3	6	3
White	0	0	2	2	1	3	4	4	3
Non-white	0	0	0	0	0	7	4	5	0
Disabled	0	0	0	0	0	0	0	0	0

above. Full details of staff numbers can be found in Table 5 of the Departmental Report information on page 103.

We operate fair and open competition for all recruitment campaigns, in line with the Civil Service Commissioners' guidelines. Appointments are made against robust criteria that are applied throughout the recruitment and assessment process. There were 22 permitted exceptions to the recruitment principle of fair and open competition, which were short-term appointments to meet short-term business needs (maternity covers or roles to cover a short-term resource requirement).

We compare CVs against the selection criteria and review diversity breakdowns to ensure that the criteria were fair and robustly applied. We submit an annual audit return to the Office of the Civil Service Commissioners which summarises campaigns, policy and processes. All activities may then be subject to a further audit review by the Civil Service Commissioners, and campaign files are kept for two years to comply with these requirements.

Equal opportunities

NS&I seeks to promote a culture that values difference and recognises that diversity enriches the economy and society and is an essential ingredient of change and progress.

As an employer, NS&I seeks to be open and inclusive in its management policies and processes and seeks to recruit and develop a diverse and talented workforce that is representative of the society it serves. Our Equality Information Statement provides full details of the diversity of NS&I's employees, and is available at www.nsandi.com/files/asset/pdf/equality-information-statement.pdf.

Sick absence data

The average number of sick days per person in the 12 months ending 31 March 2014 was 4.99 days (2012–13: 3.63). This figure includes all absences – including long-term absence. Short-term absences were 2.80 days (2012–13: 2.21).

Health and safety

We recognise and accept our responsibility as an employer for ensuring that, as far as is reasonably practical, every employee has a safe workplace that does not pose risks to their health. We comply with current health and safety legislation and approved codes of practice and are committed to continuous assessment and improvement of the health and safety culture of the organisation. This year, we underwent an independent health and safety audit, which found no issues and rated us as 'green'. We had no material issues in 2013–14.

NS&I directors, senior managers and all employees as at 31 March 2014

	Male	Female
Number of persons of each sex who were directors of NS&I at year end	5	2
The number of persons of each sex who were senior managers of NS&I at year end [1]	17	14
The total number of persons who were employed at year end	74	93

(1) NS&I pay band 2 and 3 combined.

Table 1: For all off-payroll engagements as at 31 March 2014, for more than £220 per day and that last for longer than six months

Number of existing engagements as at 31 March 2014	**9**
of which	
Number that have existed for less than one year at time of reporting	3
Number that have existed for between one and two years at time of reporting	6
Number that have existed for between two and three years at time of reporting	
Number that have existed for between three and four years at time of reporting	
Number that have existed for four or more years at time of reporting	

Table 2: For all new off-payroll engagements between 1 April 2013 and 31 March 2014, for more than £220 per day and that last for longer than six months

Number of new engagements, or those that reached six months in duration, between 1 April 2013 and 31 March 2014	**9**
Number of the above that include contractual clauses giving the Department the right to request assurance in relation to income tax and National Insurance obligations	9
Number for whom assurance has been requested	9
of which	
Number for whom assurance has been received	9
Number for whom assurance has not been received	0
Number that have been terminated as a result of assurance not being received	0

Table 3: For any off-payroll engagements of board members, and/or senior officials with significant financial responsibility, between 1 April 2013 and 31 March 2014

Number of off-payroll engagements of board members, and/or senior officials with significant financial responsibility, during the financial year	0
Number of individuals that have been deemed board members, and/or senior officials with significant financial responsibility during the financial year. This figure should include both off-payroll and on-payroll engagements	0

Sustainability report

2013–14 saw some major strands of our medium-term carbon reduction plan being completed. With a number of additional activities also helping to cut carbon emissions, the target we set of cutting emissions by over 7,000 tonnes a year from the end of March 2015 against the 2009–10 baseline is now well within reach.

As the graph on the right shows, we reduced CO_2e emissions by 2,343 tonnes this year (25% lower than last year and 40% lower than our 2009–10 baseline year) giving us a total figure of 7,018 tonnes. The key factor in this reduction was the completion of the office move at our Blackpool site. Now most staff work in the new, energy-efficient Moorland building.

Next year, a number of projects will be completed to provide a significant reduction in our carbon emissions and meet our overall target:

- We move to new premises in Glasgow in 2014. In our original plan, we had stated the intention to acquire or lease new, more energy-efficient premises. However, during the re-tender, each of the bidders indicated they would be willing to facilitate a move to one of their sites in the city. Therefore, plans could only be finalised once the new contract was announced. Staff will move from the old location to two new ones: a main office in the city centre; and, for our mail processing and scanning team, a site at East Kilbride. Both sites will be leased directly from their respective landlords by Atos. The combined energy use and carbon emissions of the two sites will be significantly lower than the energy use and emissions of our one existing site.
- Construction is now well under way on our new site in Durham. The new offices are being built to the latest sustainable construction standards. In addition, plans are in place to use a small hydro-electric generation system on site, through the installation of an Archimedes screw.
- At Blackpool, we are installing around 100 solar panels, weighing 10 tonnes, on the 850m^2 south-facing roof of the Moorland building. This project, which was not part of our original carbon reduction plan, is expected to generate 125,000–135,000 kilowatts of solar energy a year, which will help to reduce our electricity costs by £10,000–£12,000 per year. With additional revenues from the Feed-in Tariff, payback is projected within eight to nine years – and the carbon reduction benefits will clearly be felt immediately.

At all our UK operational sites, Atos has for some time used zero carbon electricity. In October 2013, it moved to 100% renewable electricity at these sites.

Water consumption across our four sites has dropped slightly; total waste figures are higher than may have been expected. This reflects both the fact that large amounts of waste were generated in the site moves, and a change in the way we measure waste: we now use actual figures rather than estimates. Recycling levels have improved on all three operational sites and remained consistent at our London office.

In line with the Cabinet Office's estate rationalisation programme headed by the Government Property Unit, NS&I is close to delivering its estate strategy, which will see significant savings (in excess of £5 million per annum) delivered to NS&I, HM Treasury and taxpayers alike. This will be delivered through the relocation into modern, fit-for-purpose, right-sized buildings that meet the sustainability agenda. The disposal of the old buildings at our three sites, due to be completed by mid–2015, will be the concluding phase of the delivery of that strategy.

We have retained ISO14001 accreditation for our environmental management system, as well as retaining Sustainable Mail™ accreditation. Changes to our print supplier also mean that we will be able to reduce the amount of printed waste and print more documents on demand.

We now give retail customers the option of going 'paperless'. This means that instead of receiving correspondence from us through the post, all written communications are via email or secure message. Over 250,000 have signed up to do so.

Adapting to climate change

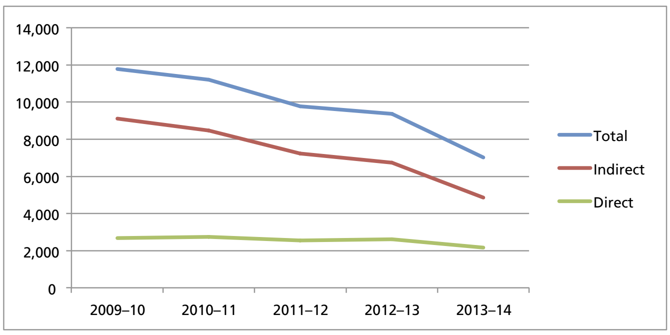
We have assessed our policies and our premises against the risks of changing weather, extreme events and sea-level rise from climate change. While both our current Durham office and the new one are based by the River Wear, they are protected against rising river levels. Though the sites are susceptible to road closures due to flooding, our operations have not been affected during floods.

Sustainability in our new contract

As our carbon reduction plan extends beyond the contract date, there were no additional sustainability targets set within the new contract. Instead, Atos is required to help us meet our existing targets, and adhere to any cross-government sustainability standards. One of the core objectives of the new contract and our strategy is to achieve substantial channel shift towards digital channels. This will help to reduce further our use of paper.

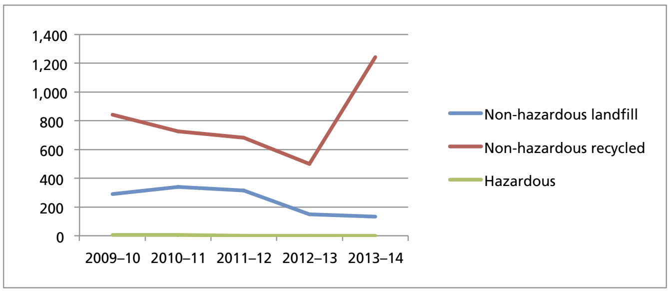
CO_2e emissions (four sites)

Tonnes



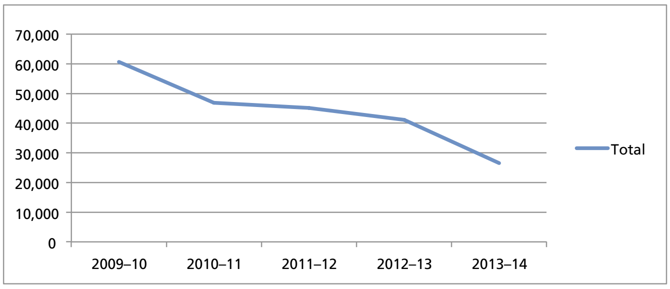
Waste (four sites)

Tonnes



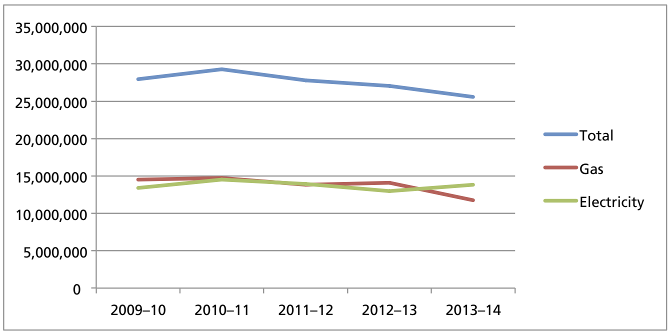
Water consumption (four sites)

Cubic metres



Energy consumption (four sites)

kWh



Note: Conversion factors for the 2013–14 reporting year are taken from the following government document: www.ukconversionfactorscarbonsmart.co.uk. Direct CO_2 emissions relate to gas or diesel fuel for heating. Indirect CO_2 emissions relate to electricity, water, waste and transport.

Waste

	2009–10	2010–11	2011–12	2012–13	2013–14
Location					Tonnes
Blackpool	190.93	227.01	156.64	125	159
Durham	481.99	529.05	378.81	262	297
Glasgow	395.01	251.13	416.39	229	884
London	71.49	65.25	45.12	31	38
Total	1,139.42	1,072.44	996.96	647	1,378

Water

	2009–10	2010–11	2011–12	2012–13	2013–14
Location					Cubic metres
Blackpool	30,197	21,376	16,318	17,641	9,350
Durham	12,346	13,459	19,576	13,360	10,772
Glasgow	14,308	10,958	9,162	8,877	5,092
London	3,784	1,076	59	1,220	1,301
Total	60,635	46,869	45,115	41,098	26,515

Note on water consumption: Figures for water consumption include some estimates, supplied by the water companies, for our consumption during periods in the year when our water meters failed.

Percentage of waste recycled

	2009–10	2010–11	2011–12	2012–13	2013–14
Location					%
Blackpool	71.07	48.26	45.54	56.56	78.94
Durham	66.17	69.78	58.65	76.2	85.84
Glasgow	84.88	78.96	84.16	86.46	93.23
London	73	86.49	84.91	100	100
Total	74	67.71	68.43	77.16	90.24

Energy (CO_2e)

	2009–10	2010–11	2011–12	2012–13	2013–14
Location					Tonnes
Blackpool	2,839	3,796	3,232	3,010	2,091
Durham	3,451	3,616	3,300	3,430	2,692
Glasgow	2,249	2,852	2,476	2,606	1914
London	355	366	300	315	273
Total	8,894	10,630	9,308	9,361	6,970

Monitoring performance

All sustainability performance data continues to be audited by KPMG, who further support us to deliver continuous improvement. We monitor our performance closely, as part of our Corporate Social Responsibility risk policy.

The full NS&I Sustainability Annual Report can be found at www.nsandi.com

Jane Platt

Jane Platt
Chief Executive
National Savings and Investments

4 June 2014

Remuneration report

Appointments and Remuneration Committee

The Appointments and Remuneration Committee comprised Non-executive Directors James Furse (as Chairman) and Sir John de Trafford Bt. It also comprised two Executive Directors: the Chief Executive and the People and Strategy Director. Support to the Committee was provided by Gerard Hutchinson (Director of Global Reward, Rolls-Royce plc) in an independent advisory capacity. Gerard stepped down in March 2014. I would like to thank him for his advice and support. In 2014–15, the Committee will seek independent advice from KPMG.

The Committee reviews and approves the Chief Executive's recommendations on pay and performance-related awards to confirm that they are consistent with government policy, HM Treasury pay guidance and the needs of the business. Agency performance measures are audited outcomes; individual performance objectives are assessed by the Chief Executive using appropriate measures of outcomes.

The Committee also advises on the role and appointment of Executive NS&I board members. The Committee reviews succession planning arrangements for senior staff within NS&I for the board.

Service contracts

The remuneration arrangements for senior staff are set out in their contracts and are subject to annual review in line with awards recommended by the Chief Executive. The Chief Executive is on a rolling three-year fixed-term contract (now extended until September 2015). Sarah Tebbutt, People and Strategy Director, joined NS&I in June 2013. She is a Senior Civil Servant on loan from HM Treasury and is transferring permanently to NS&I.

The notice period for senior staff at NS&I is three months. The arrangements for early termination of senior staff contracts are made in accordance with the service contract of the relevant individual. Compensation for early termination is determined by the Civil Service Compensation Scheme.

With the exception of the Chief Executive, whose remuneration is determined by HM Treasury, Executive board members' pay awards and performance-related pay are determined by the NS&I Appointments and Remuneration Committee, based on performance against targets of both NS&I and the individual Director.

Under the Chief Executive's contract, provided performance is satisfactory, her salary is adjusted by HM Treasury, with reference to the annual increase in salary bands for the Senior Civil Service (SCS) laid down by the Cabinet Office in accordance with the Senior Salaries Review Body report. The position of Chief Executive could qualify for a performance award, depending on the achievement of targets set by HM Treasury.

Non-executive Directors have fixed-term appointments not exceeding three years. Normally they can serve for two terms of office. Their remuneration is accounted for in 'other costs'. The details of their payments are shown in Table C.

Salary and pension entitlements

The salary and pension entitlements of the Executive board members are shown in Tables A and B. There were no taxable benefits in kind paid.

Salary and performance-related pay

'Salary' includes gross salary and any other allowance to the extent that it is subject to UK taxation. Performance-related payments are made as part of NS&I's performance management system. The payments reported in 2013–14 relate to performance in 2012–13 and the comparative payments reported for 2012–13 relate to performance in 2011–12.

Pay multiples

Reporting bodies are required to disclose the relationship between the total remuneration of the highest-paid director in their organisation and the median total remuneration of the organisation's workforce.

'Total remuneration' includes salary and non-consolidated performance-related pay. It does not include employer pension contributions and the cash equivalent transfer value (CETV) of pensions. 'Workforce' includes agency/temporary workers covering staff vacancies.

The total remuneration of the highest-paid Director in NS&I in the financial year 2013–14 was £190,000–£195,000 plus performance-related pay of £15,000–£20,000 (no change in band from 2012–13). This was 4.8 times (2012–13: 4.7 times) the median remuneration of the workforce, which was £43,273 (2012–13: £43,924).

No employee received remuneration in excess of the highest paid Director in either 2013–14 or 2012–13. Remuneration ranged from £15,000–£20,000 to £140,000–£145,000 in 2013–14 (2012–13: £20,000–£25,000 to £140,000–£145,000).

Table A: Salary and performance-related pay entitlements of the Executive board members of NS&I[1]

Audited

	2013–14 Salary £000	2013–14 Performance-related pay £000	2013–14 Total £000	2012–13 Salary £000	2012–13 Performance-related pay £000	2012–13 Total £000
Jane Platt[2] *Chief Executive*	190–195	15–20[3]	205–210	190–195	15–20	205–210
Peter Cornish *Risk Director*	110–115	15–20	125–130	105–110	15–20	125–130
Dax Harkins[4] *B2B Director*	20–25 (95–100 annualised equivalent)	–	20–25 (95–100 annualised equivalent)	–	–	–
Julian Hynd *Retail Director*	115–120	20–25	140–145	115–120	15–20	135–140
Gillian McGrattan[5] *Corporate Services Director*	20–25 (105–110 annualised equivalent)	15–20	35–40 (125–130 annualised equivalent)	105–110	15–20	125–130
Rodney Norman[6] *Finance Director*	120–125	10–15	135–140	85–90 (120–125 annualised equivalent)	–	85–90 (120–125 annualised equivalent)
Steve Owen *Partnership Director*	120–125	20–25	140–145	115–120	15–20	135–140
John Prout[7] *Retail Customer Director*	95–100 (115–120 annualised equivalent)	15–20	115–120 (135–140 annualised equivalent)	115–120	15–20	130–135
Sarah Tebbutt[8] *People and Strategy Director*	85–90 (100–105 annualised equivalent)	–	85–90 (100–105 annualised equivalent)	–	–	–
Band of highest-paid Director	190–195	15–20		190–195	15–20	–
Remuneration median for workforce	£43,273		–	£43,924		–
Ratio of highest-paid Director to median salary of the workforce	4.8			4.7[9]		

(1) Performance-related payments are based on performance levels attained and are made as part of the appraisal process. NS&I has brought forward the date of publication of its Annual Report and Accounts this year as part of an overall drive to accelerate government financial reporting. Given the timing of the appraisal process, performance-related payments relating to 2013–14 are yet to be finalised. As a result, disclosure is based on the period in which payments are made rather than the performance year to which they relate. This is a change to disclosures made in prior years, but brings us in line with other government departments. Performance-related payments in this report for 2013–14 are performance-related payments for the 2012–13 performance year, which were paid in July 2013. Performance-related payments for 2012–13 are performance-related payments for the 2011–12 performance year.

(2) Until 1 June 2013, the Chief Executive was a Non-executive Director of Royal London Group. The remuneration for this position was paid directly to NS&I and amounted to £9,778 for the year. Since 1 June, she has been a Non-executive Director of the Financial Conduct Authority (FCA). The remuneration for the FCA role was £35,000 and was paid directly to NS&I.

(3) In view of the economic background, the Chief Executive chose to limit her performance-related pay for 2012–13 (paid in 2013–14) to the maximum performance-related amount set for Senior Civil Servants, regardless of her contractual entitlement.

(4) Dax Harkins joined the Executive board on 1 January 2014.

(5) Gillian McGrattan left NS&I in June 2013.

(6) Rodney Norman joined NS&I in July 2012.

(7) John Prout left NS&I in January 2014.

(8) Sarah Tebbutt joined NS&I in June 2013 on loan from HM Treasury.

(9) In the absence of actual performance-related payment for 2013–14 for the Chief Executive, the 2012–13 performance-related payment has been used to calculate the ratio.

Table B: Pension benefits of the Executive board members of NS&I

Audited

	Accrued pension at pension age as at 31 March 2014 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31 March 2014	CETV at 31 March 2013	Real increase in CETV	Employer contribution to partnership pension account
	£000	£000	£000	£000	£000	Nearest £100
Jane Platt *Chief Executive*	20–25	2.5–5	432	352	32	–
Peter Cornish *Risk Director*	20–25 (plus lump sum of 60-65)	0–2.5 (plus lump sum of 2.5-5)	399	358	13	–
Dax Harkins (1) *B2B Director*	15–20	0–2.5	183	173	6	–
Julian Hynd *Retail Director*	20–25	0–2.5	280	243	13	–
Gillian McGrattan (2) *Corporate Services Director*	10–15	0–2.5	197	189	6	–
Rodney Norman *Finance Director*	15–20	0–2.5	238	195	22	–
Steve Owen *Partnership Director*	50–55 (plus lump sum of 150–155)	0–2.5 (plus lump sum of 2.5–5)	992	919	8	–
John Prout (3) *Retail Customer Director*	30–35	0–2.5	579	545	26	–
Sarah Tebbutt (4) *People and Strategy Director*	20–25 (plus lump sum of 65-70)	7.5–10 (plus lump sum of 25-27.5)	345	205	124	–

(1) Dax Harkins joined the Executive board on 1 January 2014.
(2) Gillian McGrattan left NS&I in June 2013.
(3) John Prout left NS&I in January 2014.
(4) Sarah Tebbutt joined NS&I in June 2013 on loan from HM Treasury.

Table C: The remuneration of Non-executive Directors
Audited

	2013–14 £000	2012–13 £000
Sir John de Trafford Bt. (Chairman)	20–25	20–25
James Furse	15–20	15–20
David Hulf	15–20	15–20
Simon Ricketts	15–20	15–20

Civil Service pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes: either a final salary scheme (Classic, Premium or Classic Plus); or a whole career average scheme (Nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under Classic, Premium, Classic Plus and Nuvos are increased annually in line with Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary related and range between 1.5% and 6.25% of pensionable earnings for Classic and between 3.5% and 8.25% for Premium, Classic Plus and Nuvos. Benefits in Classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For Premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike Classic, there is no automatic lump sum. Classic Plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per Classic and benefits for service from October 2002 worked out as in Premium. In Nuvos a member builds up a pension based on pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill-health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of Classic, Premium and Classic Plus and 65 for members of Nuvos.

Further details about the Civil Service pension arrangements can be found at www.civilservice.gov.uk/pensions

Cash equivalent transfer values

Table B on the previous page shows each member's CETV accrued at the beginning and the end of the reporting period. The table reflects the increase in CETV effectively funded by the employer.

A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational and Personal Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation or contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement), and uses common market valuation factors for the start and end of the period.

Compensation for loss of office

A new organisational design, implemented in January 2014, reflected NS&I's move to an assurance role under the new operational services contract, and also a requirement for new skills such as digital delivery to ensure that we successfully implement our strategy.

That design meant that a number of roles were no longer needed, while other new roles were created. In total, 20 roles were identified as at risk. Of these, 12 roles were successfully re-deployed. Eight employees left NS&I through voluntary redundancy. As a result, 2013–14 saw a higher level of recruitment than previous years, though overall staff numbers have held steady.

Details of compensation paid due to loss of office are included in note 2.1 on page 59.

Jane Platt

Jane Platt
Chief Executive
National Savings and Investments
4 June 2014

Statement of Accounting Officer's responsibilities

Accounts

Under the Government Resources and Accounts Act 2000, HM Treasury has directed NS&I to prepare, for each financial year, accounts detailing the resources acquired, held or disposed of during the year and the use of resources by the Department during the year. The accounts are prepared on an accruals basis and must give a true and fair view of the state of the Department's affairs as at 31 March 2014 and of its net cash requirement, net resource outturn, net operating cost, changes in taxpayers' equity and cash flows for the financial year.

Product Accounts

Under the Government Resources and Accounts Act 2000, HM Treasury has directed NS&I to prepare, for each financial year, accounts covering all its products. The accounts are prepared on an accruals basis and must give a true and fair view of the products' balances at the year end and of the income and expenditure and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government *Financial Reporting Manual* and in particular to:

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards as set out in the Government *Financial Reporting Manual* have been followed, and disclose and explain any material departures in the accounts
- prepare the accounts on a going concern basis.

HM Treasury has appointed the Chief Executive as Accounting Officer of NS&I.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding NS&I's assets, are set out in *Managing Public Money* published by HM Treasury.

The Accounting Officer's responsibility to keep information relating to proper records includes responsibility for the maintenance, the integrity and the upkeep of both the Accounts and the Product Accounts on the NS&I website.

Governance statement

The purpose of the governance statement

This governance statement gives a clear understanding of the dynamics of NS&I and its control structure. It provides information on the stewardship of NS&I and how it has managed the risks it has faced during 2013–14.

Scope of responsibility

NS&I is both a government department and an Executive Agency of the Chancellor of the Exchequer. The Chancellor of the Exchequer is responsible for determining the policy and financial framework within which NS&I operates. Sajid Javid MP was the Minister with the portfolio responsible for NS&I until 9 April 2014 when he was promoted to Secretary of State for Culture, Media and Sport and Minister for Equalities at the Department of Culture, Media and Sport. Nicky Morgan MP is now the Minister with the portfolio responsible for NS&I.

As an Executive Agency, NS&I has a clear focus on reducing the cost to the taxpayer of government borrowing now and in the future. With this in mind, its single, long-term strategic objective is to provide the Government with cost-effective retail finance compared with raising funds on the wholesale market.

The Chief Executive is appointed by the Chancellor of the Exchequer as Accounting Officer for NS&I. As Accounting Officer, the Chief Executive is accountable for the management of the Agency, for NS&I's Annual Report and Accounts and for the proper, efficient and effective use of public funds, ensuring that the requirements of government accounting are met and that NS&I observes any general guidance issued by central departments.

Why have governance?

Sound governance principles are the foundations on which a good organisation is built. These principles are critical to the reputation and trust that NS&I has established and allow NS&I to manage risk to a reasonable level to ensure that it achieves its policies, aims and objectives.

How is governance achieved?

Accounting Officer

As the Accounting Officer, the Chief Executive has responsibility for maintaining sound, internal governance arrangements that support the achievements of NS&I's policies, aims and objectives and are supported by the board.

Role of the NS&I board and its committees

NS&I's remit and policies are decided by Ministers, on advice from HM Treasury officials.

The board consists of six Non-executive Directors (including the Chairman), two whom are representatives from HM Treasury and seven Executive Directors. All appointments to NS&I's board are made on merit, and political activity plays no part in the selection process.

The board does not decide policy or exercise the powers of the Minister. It provides collective strategic and operational leadership and advises on the operational implications and effectiveness of policy proposals, as well as scrutinising performance and challenging Executive Directors on how well NS&I is achieving its objectives.

NS&I is committed to achieving the highest standards of corporate governance, integrity and business ethics. Throughout 2013–14, NS&I complied with the Code for Corporate Governance in Central Government Departments except as detailed in the paragraph below.

NS&I has adopted a Board Operating Framework consistent with the principles of the Corporate Governance in Central Government Departments: Code of Best Practice 2011 ('the Code'). During a review in 2012–13, there were three recommendations which, after due consideration, NS&I's board agreed not to comply with:

- Lead Non-executive board member – because NS&I's Chair was a non-executive and effectively held this position
- the establishment of a governance committee – this role was discharged by the board
- the maximum number of executive members – because each Executive Director had specific expertise and experience to contribute.

A further review of the Board Operating Framework will take place in the next financial year.

Further details of NS&I's board and its committees and their compliance with the Code are detailed below.

Role of HM Treasury and the Minister

The powers governing the way in which NS&I products are structured and managed are derived from specific NS&I legislation, and all strategic decisions affecting our products require Ministerial consent. NS&I is regulated by HM Treasury and aims to comply with the Financial Conduct Authority (FCA) requirements where applicable and appropriate on a voluntary basis. As NS&I holds no capital, has no lending or dealing activities and offers primarily simple, deposit-based products, some of the rules that make up the FCA regulatory regime are not directly relevant.

NS&I continues to embed compliance with the relevant regulatory requirements and this has been discussed periodically with the FCA. Progress against the programme is tracked through the Risk Management Committee, with reports provided to the Audit Committee.

Partnership working

NS&I incorporates good governance arrangements in respect of partnerships, particularly with its main operational services partner, by:

- fostering effective delivery relationships
- establishing appropriate arrangements to engage with partners and other parts of government to ensure that they are able to interact with NS&I on matters of mutual interest.

The process of governance

NS&I's governance framework consists of the Board Operating Framework, the Risk Management Framework, financial management systems and supporting policies and procedures. The governance framework delivers the systems and processes by which NS&I is directed and managed. It sets out how NS&I monitors the achievement of its strategic objectives and considers whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of the governance framework and is designed to manage risk to an acceptable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is an ongoing process designed to identify and prioritise the risks to the achievement of NS&I's policies, aims and objectives, to evaluate the likelihood of those risks being realised and their potential impact and to manage them efficiently, effectively and economically. The system of internal control has been in place in NS&I throughout the year ended 31 March 2014 and up to the date of approval of the Accounts.

The governance framework

NS&I's governance framework is overseen by the board, which provides collective strategic and operational leadership. Responsibility for developing strategy and the day-to-day management of NS&I is delegated to the Chief Executive and the Executive Committee.

More detail on the board and its committees can be found below. NS&I's governance framework is based on:

- a clear organisational structure, a strategic plan and accountability structures
- strong business planning processes, including appropriate evaluation and performance metrics
- financial management protocols, risk management and administrative procedures, including delegated authority levels
- strong financial governance and management
- rigorous appraisal of any new or changed projects prior to approval, project delivery monitoring and project evaluation
- proper management supervision, including receiving regular management information on business as usual, continuing projects, the transfer of projects and closing projects
- close monitoring of performance by the Chief Executive, the board and its committees, including KPIs
- effective stakeholder and partner engagement and feedback mechanisms.

NS&I optimises its resources in accordance with the Corporate Plan by:

- having in place sound systems for providing management information for performance measurement purposes
- ensuring that performance information is collected at appropriate intervals across all activities
- having comprehensive and understandable performance plans in place
- monitoring and reporting performance against agreed targets
- maximising its resources and allocating them according to priorities.

The Board Operating Framework defines and documents the roles and responsibilities of the board, committees and officers with clear delegation arrangements. The document, in addition, sets out the standards of conduct expected of the board and committee members, including standards of individual behaviour; registration of financial and other interests, including offers of gifts and hospitality; disclosure of interests; and participation in the decision-making process where a member has a conflict of interest. NS&I publishes declarations of interests and a register of gifts, hospitalities and expenses of the board on its website.

Board, committees and how we operate

In particular, NS&I's board advises on five main areas:

- Strategic Clarity: setting the NS&I vision
- Commercial Sense: scrutinising the allocation of financial and human resources
- Talented People: ensuring that NS&I has the capability to meet current and future needs
- Results Focus: agreeing the Corporate Plan
- Management Information: ensuring that clear, consistent, comparable performance information is used to drive improvements.

Operating within instructions and guidance from HM Treasury, and in support of the Chief Executive in the achievement of the Agency's objectives, NS&I's board is responsible for:

- approving the annual planning criteria and timetable
- assisting in developing NS&I's vision, strategy and corporate policies
- reviewing annually the five-year strategic plan
- approving the annual business plan, ensuring consistency with the five-year strategic plan
- approving NS&I's risk appetite
- ensuring that we have robust systems in place for compliance with legal, regulatory and government security requirements
- adopting the Annual Report and Accounts and giving its support to their signature by the Accounting Officer, taking into account the recommendations and comments from the Audit Committee
- ensuring the existence of adequate succession plans for senior management.

Other specific responsibilities are delegated to the board's committees, which operate within clearly defined terms of reference. Details of the responsibilities delegated to the committees are given on pages 39 and 40.

Terms of reference for the board can be found on our website at www.nsandi.com/files/asset/pdf/board_termsofref.pdf. The terms of reference are reviewed annually.

Our board

NS&I's board consists of seven Executive Directors (including the Chief Executive), six Non-executive Directors of whom four are independent and appointed by the Chancellor of the Exchequer following an open recruitment process including the Non-executive Chairman, and two are representatives of HM Treasury.

The Chairman's report is at the start of this document but the description of the activities of the board and its committees, along with details of changes to Non-executive Directors, are included within this section. During this period, NS&I undertook a formal organisational redesign, which has been completed. In summary, the organisational design, implemented in January 2014, reflected NS&I's move to an assurance role under the new contract. As a result of the redesign, there were some changes in responsibility for Executive Directors, and a number of their titles were changed. These new titles have been used in the governance statement. Further information on this new organisational redesign is detailed in the Annual Report under the 'Our people' section.

Members of the board at 31 March 2014 were:

- Jane Platt, Chief Executive
- Peter Cornish, Risk Director
- Dax Harkins, Business-to-Business Director (from 1 January 2014)
- Julian Hynd, Business-to-Business Director and Change Director (until 31 December 2013), Retail Director (from 1 January 2014)
- Steve Owen, Partnership Director
- Rodney Norman, Finance Director
- Sarah Tebbutt, People and Strategy Director (from 12 June 2013)
- Sir John de Trafford Bt. MBE, independent Non-executive Chairman (and Lead Non-executive Director)
- David Hulf, independent Non-executive Director and Chairman of the Audit Committee
- Simon Ricketts, independent Non-executive Director
- James Furse, independent Non-executive Director and Chairman of the Appointments and Remuneration Committee
- Chris Sharrock, Non-executive Director – HM Treasury (from December 2013)
- James Richardson, Non-executive Director – HM Treasury

In October 2013, Clare Roberts (HM Treasury) stepped down from the board and was replaced by Chris Sharrock. Sarah Tebbutt joined NS&I on loan from HM Treasury in June 2013, replacing Gillian McGrattan. Julian Hynd moved into an expanded role of Retail Director when John Prout retired in January 2014, and Dax Harkins was appointed as Business-to-Business Director.

All Directors uphold the seven principles of public life: selflessness, integrity, objectivity, accountability, openness, honesty and leadership. Each Director brings a valuable range of experience and expertise to the board. The profiles of the board members can be found on pages 43 to 45.

No individual or group of individuals dominates the board's decision-making. In line with the Code, we reviewed the maximum number of Executive Directors and, given the developments and demands on NS&I, it was concluded that it was not appropriate to change the maximum number of Executive Directors.

Chairman and Chief Executive

As Chairman, Sir John de Trafford Bt. is responsible for:

- ensuring the effectiveness and successful operation of the board, its agenda and processes
- reporting annually to the board on its performance and effectiveness
- providing input as part of the Chief Executive's annual performance assessment.

As Chief Executive, Jane Platt is responsible for:

- fulfilling NS&I's statutory objectives, general functions and duties and exercising its legal powers
- developing strategy proposals for recommendation to the board and Minister, ensuring that agreed strategies are reflected in the business plan
- ensuring that the board receives regular financial management and performance reports that are accurate, timely and clear
- establishing a relationship of trust with the Chairman, informing and consulting him on key developments in a timely manner and seeking advice and support as appropriate.

The Chief Executive is also the Accounting Officer and the Director of Savings. The statement of Accounting Officer's responsibilities is on page 34.

The independent Non-executive Directors

The four independent Non-executive Directors have no cross-directorships or significant links which could materially interfere with the exercise of independent judgement.

Lead Non-Executive board member

The Board has decided not to follow the Code in relation to the appointment of a Lead Non-executive board member other than the Chairman. The board has identified HM Treasury as NS&I's main stakeholder and considers that HM Treasury representation on the board, together with agreement that the independent Non-executive Directors can meet the responsible Minister annually, means that there is no need for a Lead Non-executive board member other than the Chairman.

Board Secretary and independent advice

The Board Secretary is responsible for advising the board on all corporate governance matters and ensuring that all board procedures are followed. All Directors have access to the advice and services of the Board Secretary.

Procedures are in place for the board and its committees to take independent professional advice, if necessary, at NS&I's expense.

Board meetings and attendance

Board meetings are held every two months and additional board workshops are held to discuss specific issues such as strategy and effectiveness. Board meetings are structured to allow open discussion of the strategy, financial performance and risk management of NS&I.

Senior executives below board level are invited to attend certain board meetings to present on the results and strategies of their directorate. Board members are given relevant documents in advance of each board meeting and each committee meeting as appropriate.

The attendance of the individual Directors at board and committee meetings of which they were members during 2013–14 was as follows:

Name	Board (6 meetings)		Audit Committee (5 meetings)		Appointments and Remuneration Committee (5 meetings)	
	Possible	Actual	Possible	Actual	Possible	Actual
Sir John de Trafford Bt.	6	6	N/A	N/A	5	5
David Hulf	6	6	5	5	N/A	N/A
Simon Ricketts	6	5	5	5	N/A	N/A
James Furse	6	6	N/A	N/A	5	5
*Clare Roberts (1)	4	3	3	3	N/A	N/A
*James Richardson	6	1	N/A	N/A	N/A	N/A
*Chris Sharrock (2)	2	2	1	1	N/A	N/A
Jane Platt	6	6	N/A	N/A	5	5
Peter Cornish	6	6	N/A	N/A	N/A	N/A
Dax Harkins (3)	2	2	N/A	N/A	N/A	N/A
Julian Hynd	6	6	N/A	N/A	N/A	N/A
Gillian McGrattan (4)	2	2	N/A	N/A	2	2
Sarah Tebbutt (5)	4	4	N/A	N/A	3	3
Steve Owen	6	6	N/A	N/A	N/A	N/A
John Prout (6)	5	4	N/A	N/A	N/A	N/A
Rodney Norman	6	6	N/A	N/A	N/A	N/A

N/A means that the specified Director is not a member of that committee, although he or she may attend meetings at the invitation of the chair of the committee.

*Only one member of HM Treasury is expected to attend each board meeting.

(1) Clare Roberts resigned as NS&I's HM Treasury representative in October 2013 to take on a new role in Washington.

(2) Chris Sharrock replaced Clare Roberts as HM Treasury representative.

(3) Dax Harkins joined the board as Business-to-Business Director on 1 January 2014.

(4) Gillian McGrattan left NS&I on 12 June 2013.

(5) Sarah Tebbutt replaced Gillian McGrattan on 12 June 2013.

(6) John Prout retired on 5 January 2014.

Board appointments

All executive board members, including the Chief Executive, were appointed, where applicable, in accordance with the Civil Service Commissioners' Recruitment Code. Each member of the board has a personal contract, which stipulates the procedures for termination.

The two HM Treasury members of the board are appointed by HM Treasury by virtue of their role there.

The independent Non-executive members of the board are appointed by the Chancellor of the Exchequer and contracted by the Director of Savings. Non-executive Directors have fixed-term appointments not exceeding three years. Normally they can serve for two terms of office, subject to satisfactory performance and business need. Simon Ricketts' appointment was extended for a further additional year due to exceptional circumstances, and he will be standing down in June 2014.

A selection panel comprising the HM Treasury representative, Chairman and Chief Executive reviewed the mix and balance of skills required for the board and those skills gaps were reflected in the advertisement for Simon Ricketts' replacement. After an open and transparent recruitment process, Cheryl Millington's appointment was approved by the Financial Secretary to HM Treasury and she will take up her post on 1 July 2014.

Board induction

On joining the board, Directors are given background information describing NS&I and its activities. They receive an induction pack, which includes information on all the governance processes of NS&I; the roles and responsibilities of the board, committees and officers; and a range of other appropriate information about NS&I, its activities and its relationship with HM Treasury. Meetings are arranged with a range of key people from across the entity on a structured basis to assist with a Director's induction.

During 2013–14, the board members were all engaged in a range of training and professional development activities. The Appointments and Remuneration Committee considers the training needs of the Executives. All board members are encouraged to attend relevant training courses at NS&I's expense.

Board evaluation

NS&I recognises the importance of a comprehensive evaluation of the effectiveness of the board, the board committees and officers. NS&I ensures that comments and recommendations are considered carefully and implemented, where appropriate, to enable its continued development.

The board has adopted the recommendation in the Code to hold an annual evaluation of the board's, the committees' and officers' effectiveness, with an external evaluation at least once every three years. The next external evaluation will take place in 2014–15.

The previous external review, which took place in 2012–13, identified some actions to be taken, all of which were implemented and reviewed by the board in December 2012. The key recommendations/areas for improvement have continued to be implemented, with the emphasis remaining on strategic and forward planning. The board has received regular updates on business-to-business/leveraging projects, transition and implementation and the operational review.

An internal review of board effectiveness took place during 2013–14, the results of which were positive with no strong messages of concern arising. It was noted that the board had been successful in discussing strategic issues more thoroughly, and this continues to be a priority.

Quality of data used by the board

As part of its effectiveness review and as a result of general discussions throughout the year, the board considered the quality of data it receives, and actions have been taken to improve this – for example revised report format, detailed reporting on transition and implementation, and reporting around benefit realisation, where the board agreed the following stages:

- Stage 1 – Complete the transition programme and draw NS&I's direct+ strategy to a close, noting and celebrating the achievements.
- Stage 2 – Start the new **think ahead** strategy, with a clear definition of the major benefits.

At the beginning of each financial year, the board receives the proposed board scorecard reflecting NS&I's strategy for consideration and approval. These measures are updated and presented to each board meeting.

The board considers that it receives adequate assurance from its committees and through the reports it receives at its meetings, which include a regular and detailed Chief Executive overview.

Conflicts of interest

NS&I's Board Operating Framework includes provisions that reflect recommended practice concerning conflicts of interest. The board has procedures in place for Directors to report any potential or actual conflicts to the other members of the board for their authorisation where appropriate. Any such conflicts or potential conflicts considered by the board are recorded in the board minutes and in the Register of Directors' Interests, which is published at www.nsandi.com/about-nsi-who-we-are-our-board-and-committees.

The Product Dealing Policy and Code restricts the ability of Directors to transact in NS&I products when they have access to unpublished inside or price-sensitive information. The Board Secretary maintains a register of relevant holdings for Directors and persons connected or related to them.

Ministerial Directions

There have been no new Ministerial Directions during this financial year.

Board committees

The board has delegated authority to three permanent committees that deal with specific matters, in accordance with written terms of reference, which can be found at www.nsandi.com/about-nsi-who-we-are-our-board-and-committees. The terms of reference for all committees are reviewed on a regular basis to ensure that they are still appropriate and reflect any changes in good practice and governance.

The board is responsible for corporate governance arrangements and is supported by the Audit Committee in terms of the provision of assurances.

Audit Committee

The Audit Committee consists solely of Non-executive Directors. It is chaired by David Hulf and comprises Simon Ricketts and an HM Treasury representative (previously Clare Roberts, who has been replaced by Chris Sharrock). As required by the Code, at least one of the Audit Committee members has recent and relevant financial experience.

The main responsibilities of the Audit Committee are to assure the Accounting Officer and the board as to the adequacy of:

- the strategic processes for risk control, governance and security within NS&I and also NS&I work outsourced to our operational delivery partner, and during the year has advised on changes to top risks and the annual review of risk appetite
- the accounting policies, Annual Report and Accounts including the governance statement and those areas which require management to make judgements such as depreciation, asset valuations and impairments
- internal and external audit plans and the results of this work, along with management's responses to any issues identified
- the system of internal control within both NS&I and our delivery partner, including internal audit arrangements within NS&I and the NS&I account within the partner organisation
- processes in place to ensure appropriate compliance with regulation
- anti-fraud policies, whistle-blowing processes and arrangements for special investigations.

The Audit Committee met five times during the year. At the invitation of the Committee, the Chief Executive, Finance Director and Risk Director also attend, as well as the Head of Internal Audit, the director from the National Audit Office and a representative from the external audit partner (under the National Audit Office's framework agreement). All Directors have access to the minutes of the Audit Committee meetings and both the Chairman and James Furse have attended a meeting as an observer during the year.

During 2013–14, the Audit Committee discharged fully its responsibilities listed above and, in doing so, considered the following:

- the Annual Report and Accounts and the governance statement
- the internal and external audit plans and progress against these plans, as well as the adequacy of management's responses to any issues identified
- reports on compliance, risk and fraud strategies, including developments to the risk assurance framework
- business continuity, disaster recovery and physical and data arrangements
- red issues associated with the modernisation, transition and implementation programme
- review of the Audit Committee and the achievement of its terms of reference.

As well as producing an annual report for the Board on its activities, the Chairman of the Audit Committee reports back to each board meeting and has included regular risk reports, its recommendations on the risk appetite report for approval by the board, revisions to its terms of reference, an update on the anti-money laundering strategy and a review of the new Financial Crime Report. The board also received updates on the deep dives undertaken by the Audit Committee, for example cyber security, the IT assurance framework and two key change areas associated with the transition between the outsourcing contracts.

Appointments and Remuneration Committee

The Appointments and Remuneration Committee comprises Non-executive Directors James Furse (as Chairman) and Sir John de Trafford Bt. It also comprises two Executive Directors: the Chief Executive and the Director of People and Strategy. Support for the Committee was provided by Gerard Hutchinson (Director of Global Reward, Rolls-Royce plc) in an independent advisory capacity. Gerard stepped down in March 2014.

The Committee reviews and approves the Chief Executive's recommendations on pay and performance-related awards to confirm that they are consistent with government policy, HM Treasury pay guidance and the needs of the business. Performance-related awards are judged on two elements: NS&I's performance against its service delivery measures, which are audited, and individual performance objectives, which are assessed by the Chief Executive using appropriate measures of outcomes.

The Chair of the Committee provides a report back on its meetings to the board, taking into account the confidential nature of the Committee's business.

The Committee reviews succession planning arrangements for senior staff within NS&I.

Details of Directors' remuneration and emoluments are set out in the Remuneration Report on pages 29 to 33.

Executive Committee

The Executive Committee consists of all Executive Directors and is chaired by the Chief Executive. The Account Director for our delivery partner (Atos) is also a member.

The Executive Committee meets twice monthly to discuss issues relating to strategy, people, risk and financial results. Representatives from across NS&I and our operating delivery partner are invited to the meetings, as appropriate, to discuss aspects of their business or to give presentations on specific topics.

Risk management

NS&I employs the following structure and approach to the risk management process.

Responsibilities and culture

The Executive Committee has responsibility for the management of NS&I's Risk Management Framework, including NS&I's risk appetite, which is agreed by the board, and its strategic risks. The board ensures NS&I's compliance with the Risk Management Framework protocols by annually reviewing NS&I's risk appetite and bi-annually reviewing NS&I's key operational and strategic risks, as well as NS&I's compliance with best corporate governance practice. In May 2013, the board agreed NS&I's risk appetite as 'open' – '*Willing to consider all options and choose the one that is most likely to result in successful delivery while also providing an acceptable level of reward*'. This was reviewed and reaffirmed by the board at its meeting on 8 April 2014.

The Audit Committee is responsible for assuring the Accounting Officer and the Board on the adequacy of the processes for risk control, governance, security and accounting policies adopted. In addition, the Audit Committee assures the adequacy of internal audit arrangements, including resourcing, to provide the level of independent assurances.

NS&I encourages a positive risk culture whereby risk management is embedded in day-to-day operations. The 'tone at the top', clear ownership, training, performance measurement through individual contribution agreements and knowledge sharing are regarded as essential elements of NS&I's risk management culture and the foundation for sound decision-making. In addition, NS&I's corporate governance structure enables delegation of responsibilities to ensure that there are appropriate flows of information in relation to the business, the use of resources, responses to risks and the extent to which year-end budgets and targets are met. This includes ensuring that all risks identified across NS&I are reviewed, understood and actioned at an appropriate level.

Approach

NS&I's approach to risk management is guided by the provisions set out in the FCA Handbook and *Management of Risk – Principles and Concepts* (the Orange Book) issued by HM Treasury. NS&I has established a risk appetite that addresses the risks NS&I will tolerate and manage and those that should be transferred or eliminated. This forms the basis for decision-making and is central to NS&I's Risk Management Framework.

Reports from the Risk Management Framework are reported on a monthly basis to the Risk Management Committee, a formal committee of the Executive Committee, according to an agreed set of priorities and strategy assured by the Audit Committee on a bi-annual basis. This is also reviewed by the Executive Committee and the board.

The objectives of NS&I's Risk Management Framework are to:

- identify and prioritise risks to the achievement of NS&I's aims, objectives and business priorities that reflect the interests of all stakeholders
- manage and reduce risk as far as reasonably practicable or achievable rather than to eliminate all risk of failure
- identify new risks as they arise and remove those risks that are no longer relevant.

NS&I's risk strategy is complemented by a set of operational risk management policies which include a definition of the risk appetite specific to the policy, attaching roles and responsibilities, the risk management process and procedures for escalation where control failings have been identified.

Risk identification

The primary purpose of risk identification is to identify risks to NS&I that will reduce or remove the likelihood of NS&I meeting its objectives. NS&I's risk environment encompasses both internal and external risks. Internal risks include significant business, operational, financial or other risks. Externally NS&I is subject to political, economic, social and technological changes. Both these dimensions are brought together in a top-down and bottom-up approach which links strategic to operational levels.

Risk assessment

The potential effect of each identified risk on the achievement of our business priorities and the wider stakeholders is assessed according to the likelihood of something happening and the impact that arises should it happen (the 'inherent risk') and responding to them in line with the risk profile based on NS&I's risk appetite for that area of policy.

Risk planning and control

Each identified and assessed risk is assigned to a risk owner, who is responsible for controlling, managing and developing a robust and effective plan to reduce the likelihood of it materialising or the impact should it occur. The impact of the risk is then reassessed against NS&I's risk appetite in the light of risk planning and control activity (the 'residual risk').

Risk monitoring

NS&I's risk register sets out the results of the risk identification, assessment and control process arising from the use of the risk appetite criteria and is the subject of a monthly review of risk by the Executive Committee and its sub-committees. The risk register is tracked by indicators allowing management to prioritise the allocation of resources to the areas showing the highest level of threat. In doing so, decisions can be reached on the grounds of cost-effectiveness, reputational impact and business value.

Managing and mitigating risk

Some of our key management controls are set out below:

- Our delegations manual and committee governance structure reflect the principles of clear delegation of authority and segregation of duties.
- Our governance committees ensure that we have a monthly, systematic review of risks and controls across NS&I's operations, including those areas of significant expenditure, and that these risks are reviewed, understood and actioned at an appropriate level. In addition, NS&I conducts independent and objective reviews of all activities relating to budget management, cost improvements and financial performance of projects.
- The management of information risk is a key priority for NS&I based around a set of related IT and information management policies and procedures, covering

corporate and personal data. Controls are in place to mitigate the risks of incorrect disclosure, loss or misuse/ lack of access to customer data and destruction in line with our obligations under the Data Protection Act 1998 and Cabinet Office guidance.

- Selective and open recruitment, succession planning and other human resource policies and practices ensure that staff skills are aligned with NS&I's current and future needs.
- Robust project management and change implementation disciplines are applied to all major projects, including new technology applications, change programmes and other major initiatives.
- In terms of procurement, NS&I is subject to the European Public Contracts Directive, which sets out detailed procedures for the award of contracts above a specific threshold. Below the £90,000 threshold either a formal or informal tender process is employed. A list of contractors with a contract value of £90,000 or more is available at www.nsandi.com/files/asset/pdf/ojeu-contracts-december-2013.pdf.
- Staff can report illegal, dishonest or unethical activities to a confidential reporting service.
- We employ a range of internal controls to mitigate our fraud risk, which are reviewed regularly.
- Business continuity and disaster recovery plans are in place to manage incidents or crisis events.

Central to the integrity of NS&I's risk management arrangements is a 'three lines of defence' arrangement, ensuring that risks are managed at the most appropriate place and that robust assurance is achieved.

The first line of defence is represented by line managers who are responsible for complying with and managing compliance. The second line of defence consists of risk policy owners, NS&I's oversight committees and functions including responsibility for control and assurance. The third line comprises the internal and external audit functions which are independent of day-to-day business and which report to the Audit Committee on the effectiveness of the overall risk framework.

To gain assurance that risk management is effective and to identify when further action is necessary, the Risk Management Framework is subject to regular review, including, for example, arrangements to assess:

- *ownership and oversight:* the clarity in the apportionment and delegation of roles and responsibilities for operational management and the effectiveness of NS&I's committees in responding to the risk profile as reported by policy owners
- *clarity of strategy and policies:* NS&I's strategy for developing and implementing an operational risk framework and the comprehensiveness of its policy documentation and its communication within NS&I
- *risk profile:* the effectiveness of the risk management process, encompassing the extent of understanding of the types of operational risk faced by NS&I, its exposure to them and the adequacy of the control environment.

Significant governance issues

Details of customer service issues are detailed on pages 13 and 14. Effective governance arrangements and senior officer oversight are maintained to ensure appropriate and timely responses to such issues that arise.

The Audit Committee has provided assurance that there have been no major breakdowns in internal controls that have led to a material loss and that there is no major weakness in the governance systems that has exposed, or continues to expose, NS&I to an unacceptable risk.

No serious or untoward incidents were reported during the year.

Principal risks and uncertainties

The principal risks and uncertainties facing NS&I which could cause our financial results or operational delivery to materially differ from expected results are set out on pages 46 and 47 along with a summary of how we managed or mitigated these risks in 2013–14.

Assurances

NS&I's governance framework is subject to an annual review by independent internal auditors who report to the Audit Committee on its effectiveness. This annual audit enables the Audit Committee to gain assurance that NS&I's risk profile is being monitored and provides independent verification on the appropriateness of the risk management and assurance processes in place.

In addition, the Audit Committee is provided with an independent evaluation of the governance framework through the following:

- The quarterly Integrated Assurance Report brings together the results of 2013–14 assurance activity from NS&I's three lines of defence. This includes assessment of the first line assurance completed by line managers; the risk-based second line assurance programme incorporating operations, compliance, IT and project assurance; and the third line risk-based internal audit programme.
- The risk-based internal audit programme was agreed by the Audit Committee and has been delivered during 2013–14 by KPMG, NS&I's internal audit provider. From this programme, internal audit reports, including management responses to the recommendations, were generated, summarised and submitted for consideration by the Audit Committee. A comprehensive tracker system is used to monitor delivery of the control improvements.

Independent evaluation of the governance framework is also provided through:

- internal audit's annual opinion for the year ended 31 March 2014
- discussion, where appropriate, with the responsible NS&I and operational executives on any key control issues
- external third party evidence through, for example, NS&I measuring progress against external standards/ requirements and regular discussion with the FCA on the compliance agenda

- provision of ISAE 3402 operational controls assurance for Government Payment Services' clients.

As part of the review of effectiveness of the governance framework, each Executive Director and risk policy owner provides an annual Assurance Statement in relation to their responsibilities for supporting the effectiveness of the internal control and governance environment.

The Audit Committee, in addition, receives from the external auditors an audit completion report and management letter, which includes observations and recommendations on internal control arising from the annual audit of the financial statements.

The board remains fully committed to effective governance and financial control in line with the governance framework and to ensuring that it is properly and fully applied.

Quality assurance

In October 2012, the Cabinet Secretary and the Head of the Civil Service commissioned a review of the quality assurance of analytical models that inform government policy. NS&I operates two such models – to calculate its Net Financing and Value Indicator metrics. NS&I is confident that robust quality assurance processes are in place around these metrics.

Auditors

The Comptroller and Auditor General is responsible for the audit of the Accounts and Product Accounts, in accordance with section 7 of the Government Resources and Accounts Act 2000. The notional external audit fees include fees for the Product Accounts statutory audit of £719,000 (2012–13: £719,000) and Accounts statutory audit of £94,000 (2012–13: £94,000). The Accounting Officer has taken all the steps that ought to have been taken to make herself aware of any relevant audit information and to establish that NS&I's auditors are aware of that information. So far as she is aware, there is no relevant audit information of which NS&I's auditors are unaware.

NS&I's internal audit service provides an independent appraisal service for management by measuring and evaluating the adequacy, reliability and effectiveness of management and financial control systems. Internal audit make recommendations based on the appraisal of each system reviewed. An annual assurance report is provided to the Accounting Officer and considered by the Audit Committee. The report confirms that NS&I has adequate and effective risk management, control and governance processes to manage the achievement of its objectives.

To ensure wholly independent and fully professional analysis and recommendations, NS&I chooses to outsource the provision of internal audit. The service is currently provided by KPMG.

Board members' biographies

Sir John de Trafford Bt. MBE

Independent Non-executive Chairman

John became a Non-executive Director in January 2010 and was appointed Chairman on 1 January 2012. His early career was spent at Unilever and Guinness before he moved into financial services, as Head of Consumer Marketing in the UK for American Express. After a spell overseas, he was appointed Country Head for the UK and Ireland, before becoming Regional President for Northern Europe and Chair of the company's European, Middle East and Africa Executive. He is now retired from American Express and currently has a portfolio of not-for-profit and commercial activities.

James Furse

Independent Non-executive Director and Chairman of the Appointments and Remuneration Committee

James was appointed as Non-executive Director in January 2012. He enjoyed a long and distinguished career with the John Lewis Partnership, which he joined in 1981, progressing through a series of roles to become a managing director within the retail operation. He later moved to managing outsourced relationships, including a key contract with HSBC, and subsequently became Director of Card Services reporting directly to the Chairman. His final role with the John Lewis Partnership was as Managing Director of Greenbee.com, now John Lewis Financial Services. In 2010, James was appointed Executive Director of The Prince's Social Enterprises Ltd and became a member of a number of related boards, including Duchy Originals Ltd.

David Hulf

Independent Non-executive Director, Chairman of the Audit Committee

David was appointed a Non-executive Director in January 2010. Previously, he held senior financial positions at BP, including responsibilities for finance, strategy and business development, on a regional and global basis. He retired from BP as the Refining and Marketing deputy global Chief Financial Officer. David is a Fellow of the Institute of Chartered Accountants in England and Wales and a Member of the Audit Committee Institute. He is also Chair of the NHS Business Service Authority's Audit and Risk Committee.

James Richardson

Non-executive Director – HM Treasury

James is Director, Fiscal and Deputy Chief Economic Adviser at HM Treasury. He joined HM Treasury in 1998 and has worked predominantly on public spending issues: he was Director of Public Spending from 2008 and ran the Spending Review 2010. He is currently responsible for advising on the fiscal judgement and framework. He is also responsible for the Exchequer funds and accounts and is HM Treasury's Chief Scientific Adviser. James joined the NS&I board in July 2012.

Simon Ricketts

Independent Non-executive Director (to 30 June 2014)
Simon was appointed Non-executive Director in July 2007. He is the Chief Information Officer for Rolls-Royce plc. Prior to this he was Transformation Director at Logica plc. He was the Chief Information Officer for Scottish and Newcastle plc for 4 years, and spent 13 years with Cadbury Schweppes plc in various roles, including Operations Director of the Trebor Bassett Group, Managing Director of ITNET Ltd and Group Chief Information Officer. Prior to this he had a 10-year career at British Steel, holding roles in operations research, production and IT. He also sits on the Board of UKCeB, the UK Council for Electronic Business.

Chris Sharrock

Non-executive Director – HM Treasury
Chris Sharrock has been Deputy Director, Debt and Reserves Management at HM Treasury since December 2013. He is responsible for advising on the debt financing remit (both wholesale, working with the Debt Management Office, and retail, working with NS&I) and for managing the UK's foreign currency reserves and coinage policy. He also oversees HM Treasury analysis and policy on credit conditions, markets and interventions. Chris joined the board in December 2013 and also sits on the Themes group of the Royal Mint Advisory Committee on the design of coins.

Jane Platt

Chief Executive
Jane was appointed Chief Executive of NS&I in September 2006. Having trained as an investment manager, Jane spent the first part of her career managing pension funds with Mercury Asset Management before moving to BZW, where she held a number of senior management positions in their asset management division to become Chief Operating Officer at the time of the creation of Barclays Global Investors. She then became Chair and Chief Executive of Barclays Stockbrokers and Barclays Bank Trust Company before moving to Reuters as President of their newly created global division, Services for Asset Managers.

Jane has acted as a plc non-executive director and a pension fund trustee and was Chair of ACE, the Association of Agency and Non-departmental Public Body Chief Executives. She is a Chartered Fellow of the Chartered Institute for Securities and Investment and in April 2013 became a Non-executive Director of the FCA.

Peter Cornish

Risk Director
Peter joined NS&I in December 1998 having held a number of roles managing savings and investment products in Lloyds Banking Group. From 2006 he was responsible for developing and managing our products and the customer offer, initially as Marketing Director and then as Director of Customer Offer. He was appointed Risk Director in April 2011.

Peter holds a law degree from Manchester University and an MBA from Warwick University. He is a member of the Chartered Institute of Financial Services.

Dax Harkins

Business-to-Business Director
Dax joined NS&I in 2003 and moved from marketing in 2011 to lead the re-tender of the NS&I outsourcing contract. Dax was appointed to the board as Business-to-Business Director in January 2014.

Dax is responsible for the development and delivery of the business-to-business strategy. His accountabilities include the management of existing clients, winning and transitioning new clients and the development of value added services for NS&I retail customers.

A joint honours degree graduate of the University of Manchester Institute of Science and Technology, Dax has worked in financial services for 20 years. Starting his career in sales, Dax quickly progressed into various marketing roles, with a focus on product development, customer management and customer experience.

Julian Hynd

Retail Director
Julian joined NS&I in 2002 from Siemens southern Africa where he was responsible for group strategy across the 14 countries in the Southern Africa Development Community. Prior to that Julian worked in retail financial services for First National Bank in South Africa.

Julian has been an Executive Director and board member of NS&I since 2007 and was previously responsible for business-to-business and change. He is now responsible for leading the development, management and growth of the retail business on behalf of NS&I. This includes customer offer, marketing and sales, brand, product management, retail experience and complaints.

Julian holds a business degree and an MBA from De Montfort University. He is a member of the Institute of Directors, Chartered Management Institute and the Institute of Financial Services.

Rodney Norman

Finance Director
Rodney Norman was previously the Treasury Accountant, Head of Exchequer Funds and Accounts at HM Treasury. His team was responsible for public sector funding and oversaw a balance sheet of more than £1 trillion. He was also a Non-executive board member of the Government Banking Service.

Before joining HM Treasury in 2007, Rodney was Finance Director of the banking arm of Close Brothers, a FTSE 250 company regulated by the Financial Services Authority (now the FCA), having worked in the City for most of his career after qualifying as a Chartered Accountant with PricewaterhouseCoopers. Rodney has a degree in economics and econometrics from the University of Nottingham.

Steve Owen

Partnership Director

Steve Owen is responsible for managing the agency's key partnership with Atos.

A graduate of Warwick University, where he gained a degree in management sciences, Steve commenced his career working in an engineering/manufacturing environment. After joining NS&I in 1993 and carrying out a range of procurement roles, he went on to design and deliver a sourcing strategy to support NS&I's broader business aims, resulting in the outsourcing contract awarded to Siemens in 1999.

In 2010 Steve led the second generation outsourcing that ultimately resulted in NS&I's operational partnership with Atos.

Sarah Tebbutt

People and Strategy Director

Sarah Tebbutt joined NS&I in June 2013. Sarah is a Senior Civil Servant on loan from HM Treasury, which she joined in 1992 and where recently she has been responsible for corporate change, and debt and reserves management, working closely with NS&I, the Bank of England, the Debt Management Office and the Royal Mint. She has an MBA.

Sarah is Chair of Trustees of the Royal Mint Museum.

Principal risks facing NS&I

The principal risks and uncertainties facing NS&I which could cause our financial results or operational delivery to materially differ from expected results are set out below, along with a summary of how we managed or mitigated these risks in 2013–14.

Principal risk factor	Key factors	Key specific risks and mitigation
Net Financing risk Net Financing risk is the failure to meet the annual Net Financing target agreed annually with HM Treasury.	Our ability to remain within the agreed Net Financing remit depends on a number of factors, including: • any potential impact of a changing deposit market or competition for retail deposits which may distort usual pricing patterns • market shocks that may impact on consumer confidence • material changes to (and awareness of) depositor insurance arrangements.	**Inability to meet Net Financing target** Mitigating actions include pricing, taking products on or off sale and managing retention rates and marketing activity.
Change programme risk Change programme risk is the failure to deliver NS&I's change programme within agreed cost, time and quality parameters.	As part of the NS&I direct+ strategy, we continued to upgrade and modernise our infrastructure and product range.	**Failure to meet the change programme objectives** To manage the risks associated with this, we have put the requisite programme and project management disciplines in place, including enhanced joint working with Atos, project and programme tracking processes, and associated joint governance of the end-to-end project lifecycle.
Brand risk Brand risk is the failure to manage the gap between what we want to communicate about NS&I (e.g. our brand values, our product range, our pricing policy) and what others (e.g. customers, industry competitors, consumer groups, etc.) think and understand about us.	The risks of any negative trends for an organisation, for whatever reason, are significant. NS&I, like any national brand, needs to actively monitor its 'brand health'; however, it has additional responsibilities given its unique role as a savings organisation in ensuring public confidence across the financial sector and delivering for its business-to-business clients.	**Impact on NS&I brand** In line with our overall risk management process, NS&I actively monitors a variety of indicators (e.g. through customer and media monitoring), and also places great importance on the anticipation, avoidance and management of risk events.
Outsourcing risk Outsourcing risk is the failure to manage the transfer of the provision of key functions to a third party supplier whether or not there is any transfer of staff or assets.	NS&I's business model relies on Atos for operational delivery and on the Post Office as a sales channel for a proportion of our sales. NS&I will always retain ultimate accountability and responsibility for service provision. Transitioning to a new outsourced supplier has formed a significant part of our outsourcing and operations planning over the year and a robust selection and transition process was followed. Our ability to manage and oversee the new contract with Atos over the next five years, while retaining ultimate accountability and responsibility for service provision.	**Failure of outsourcing partnerships** In order to manage the risks associated with these partners and the new contract, we have well-developed governance and relationship structures, coupled with formal contract arrangements and targets, so that issues are dealt with promptly and the partnerships remain aligned. We have also established new KPIs.

Principal risks facing NS&I (continued)

Principal risk factor	Key factors	Key specific risks and mitigation
Business-to-business risk Business-to-business risk is the failure to achieve the revenue targets set as part of the direct+ strategy	The NS&I strategy brings with it uncertainties inherent in the sourcing of business-to-business income while maintaining NS&I's core business. New business-to-business activity has meant that there has been an increase in the number of change requests and the related additional workloads and resources.	**Delivering business-to-business revenue** In the light of our direct+ strategy experience over the year we revised our governance arrangements within our business-to-business directorate, and these changes took effect from 1 January 2014. We will continue to monitor the strategy and revised structure to ensure that we remain on track.
Operations risk Operations risk is the failure of NS&I's outsourced provider to process customer transactions to meet the requirements of NS&I's customers and stakeholders to agreed standards, regulations and quality measures.	In any large organisation with many systems, processes, partners, suppliers and people, there is a risk that operational losses can occur. Sources of such risks include system reliability, IT security, failure of key partners or suppliers to deliver, change management, human error, fraud and failure to comply with legislation or regulations.	**Operations risks in the normal course of business** Some of our key management controls used to manage these risks are highlighted earlier in this statement on pages 41 and 42.
Information risk Information risk is the failure to control, protect, deliver and enhance the value of NS&I's data and information assets.	We hold personal information relating to our customers and readily acknowledge our responsibility to ensure that this information is accurate and up to date, and our duty to ensure that the personal information entrusted to us is properly used and safeguarded from loss, damage and unauthorised access.	**Data and information loss** The overall accountability for information risk lies with the Senior Information Risk Owner (SIRO), a board and Executive Committee member, supported by a network of Information Asset Owners. The SIRO reports quarterly to the board and Audit Committee. Information risk mitigations are provided through a robust security and business continuity programme that aligns with the requirements set out in the HM Government Security Policy Framework covering physical, personnel and information security. Outcomes are reported annually to the Cabinet Office through the Security Risk Management Overview. No serious or untoward incidents were reported during the year.

Jane Platt

Jane Platt
Chief Executive
National Savings and Investments

4 June 2014

The certificate and report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of the National Savings and Investments for the year ended 31 March 2014 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. I have also audited the Statement of Parliamentary Supply and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to National Savings and Investment's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2014 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of National Savings and Investments' affairs as at 31 March 2014 and of its net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Management commentary, Directors' report and Strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

Date: 5 June 2014

National Audit Office
157-197 Buckingham Palace Road
Victoria,
London,
SW1W 9SP

Statement of comprehensive net expenditure
for the year ended 31 March

	Note	2013–14 £000	2012–13 £000
Administration costs			
Staff costs	2	11,778	11,494
Other administration costs	3	174,670	187,578
Operating income	5.1	(39,535)	(31,885)
Net administration costs		**146,913**	**167,187**
Programme costs			
Programme costs	4	13,694	(2,211)
Operating income	5.1	(4,902)	(4,012)
Net programme costs		**8,792**	**(6,223)**
Net operating costs		**155,705**	**160,964**
Total expenditure		200,142	196,861
Total income		(44,437)	(35,897)
Net operating costs		**155,705**	**160,964**
Other comprehensive net expenditure			
Items that will not be reclassified to net operating costs			
– Net loss on revaluation of non-current assets	14	633	1,223
Items that may be reclassified subsequently to operating costs		–	–
Total comprehensive expenditure		**156,338**	**162,187**

All income and expenditure are derived from continuing operations.

The notes on pages 54 to 73 form part of these accounts.

Statement of financial position

as at 31 March

	Note	2014 £000	2014 £000	2013 £000	2013 £000
Non-current assets					
Property, plant and equipment	6	20,281		23,231	
Intangible assets	7	50,645		65,704	
			70,926		88,935
Other receivables	9		–		4,371
Total non-current assets			70,926		93,306
Current assets					
Trade and other receivables	9	3,598		6,287	
Cash and cash equivalents	10	115		105	
Client funds	11	19,605		173,552	
Total current assets			23,318		179,944
Total assets			94,244		273,250
Current liabilities					
Trade and other payables	12	(41,830)		(201,837)	
Provisions	13	(56)		(132)	
Total current liabilities			(41,886)		(201,969)
Non-current assets plus net current assets			52,358		71,281
Non-current liabilities					
Trade and other payables	12	(4,601)		(15,486)	
Total non-current liabilities			(4,601)		(15,486)
Total assets less liabilities			**47,757**		**55,795**
Taxpayers' equity					
General Fund			38,028		45,326
Revaluation reserve			9,729		10,469
Total equity			**47,757**		**55,795**

The notes on pages 54 to 73 form part of these accounts.

Jane Platt

Jane Platt
Chief Executive
National Savings and Investments
4 June 2014

Statement of cash flows
for the year ended 31 March

	Note	2013–14 £000	2012–13 £000
Cash flows from operating activities			
Net operating cost		(155,705)	(160,964)
Adjustment for non-cash transactions	3, 4	33,192	23,232
Decrease in trade and other receivables	9	7,060	1,422
Decrease in trade and other payables	12	(16,472)	(15,252)
Use of provision – product fraud losses	13	(61)	–
Use of provision – Glasgow sports ground	13	(16)	(16)
Net cash outflow from operating activities		**(132,002)**	**(151,578)**
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(2,475)	(565)
Purchase of intangible assets	7	(12,527)	(16,415)
Decrease in trade and other payables	12	(483)	(6,652)
Net cash flows from investing activities		**(15,485)**	**(23,632)**
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		147,602	175,312
From the Consolidated Fund (Supply) – prior year		(102)	(552)
Net Financing		**147,500**	**174,760**
Net decrease in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		13	(450)
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		(31)	(26)
Payments of amounts due to the Consolidated Fund		28	27
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund	10	10	(449)
Cash and cash equivalents at the beginning of the period	10	**105**	**554**
Cash and cash equivalents at the end of the period	10	**115**	**105**

Cash flows regarding client funds are not included as those monies are not accounted through the Consolidated Fund.

The notes on pages 54 to 73 form part of these accounts.

Statement of changes in taxpayers' equity
as at 31 March

This statement shows the movement in the year on the different reserves held by National Savings and Investments, analysed into 'general fund reserves' (i.e. those reserves that reflect a contribution from the Consolidated Fund). Financing and the balance from the provision of services are recorded here. The revaluation reserve reflects the change in asset values that have not been recognised as income or expenditure.

	Note	General Fund £000	Revaluation reserve £000	Total reserves £000
Balance at 1 April 2012		**29,824**	**12,135**	**41,959**
Changes in taxpayers' equity 2012–13				
Net Parliamentary Funding – drawn down		174,760	–	174,760
Net Parliamentary Funding – deemed		552	–	552
Supply payable adjustment		(102)	–	(102)
		175,210	**–**	**175,210**
Comprehensive net expenditure for the year		(160,964)	–	(160,964)
Non-cash adjustments				
Auditor's remuneration	3	813	–	813
Net loss on revaluation of non-current assets	14	–	(1,223)	(1,223)
		(160,151)	(1,223)	(161,374)
Movements in reserves				
Transfer between reserves		443	(443)	–
Balance at 31 March 2013		**45,326**	**10,469**	**55,795**
Changes in taxpayers' equity 2013–14				
Net Parliamentary Funding – drawn down		147,500	–	147,500
Net Parliamentary Funding – deemed		102	–	102
Supply payable adjustment		(115)	–	(115)
		147,487	**–**	**147,487**
Comprehensive net expenditure for the year		(155,705)	–	(155,705)
Non-cash adjustments				
Auditor's remuneration	3	813	–	813
Net loss on revaluation of non-current assets	14	–	(633)	(633)
		(154,892)	(633)	(155,525)
Movements in reserves				
Transfer between reserves		107	(107)	–
Balance at 31 March 2014		**38,028**	**9,729**	**47,757**

The notes on pages 54 to 73 form part of these accounts.

Notes to the Departmental Resource Accounts

1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2013–14 Government *Financial Reporting Manual* (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of NS&I for the purpose of giving a true and fair view has been selected. The particular policies adopted by NS&I for the accounts are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

In addition to the primary statements prepared under IFRS, the FReM also requires the Department to prepare one additional primary statement. The Statement of Parliamentary Supply and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement.

Accounts direction for these departmental accounts is given by HM Treasury in accordance with section 5(2) of the Government Resources and Accounts Act 2000.

NS&I also prepares the Product Accounts covering transactions and balances on all NS&I products, which are prepared under a separate direction issued by HM Treasury (disclosed in Annex 1).

1.1 Standards in issue but not in force

Certain standards, amendments and interpretations to existing standards have been published that may be mandatory for NS&I's accounting periods beginning on or after 1 April 2014 or later periods. NS&I has not early adopted the standards, amendments or interpretations described below.

1.1.1 IFRS 13 Fair value measurement (consistent guidance on fair value measurement for all relevant balances and transactions covered by IFRS except where IFRS 13 explicitly states otherwise, effective for annual periods beginning on or after 1 April 2015)

The standard defines fair value and provides guidance on fair value measurement techniques and sets out disclosure requirements. The standard has established a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets and liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3). NS&I will be required to maximise the use of relevant observable inputs when determining fair value. The inference is that the more observable the inputs, the higher the quality of the reported value. The application of IFRS 13 is subject to further review by HM Treasury and other relevant authorities following a further due consultation process which took place in 2013.

1.1.2 Other amendments to the FReM

Other amendments to the FReM due to come into effect on or after 1 April 2014 are considered to have no impact on NS&I.

1.2 Accounting convention

These accounts have been prepared under the historical cost convention, modified to account for the revaluation of property, plant and equipment and intangible assets.

1.3 Accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based on amounts which differ from those estimates. Estimates, judgements and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the Estimate is revised and in any future periods affected.

The accounting policies set out areas involving a higher degree of judgement, complexity, assumptions and estimation techniques, such as note 1.4 (service concession arrangements), note 1.6 (depreciation and amortisation), note 1.7 (impairments) and note 1.13 (provisions). In the application of NS&I's accounting policies, management has made a number of judgements that have a significant effect on the amounts recognised in the financial statements. The most significant of these are:

- Intangible assets – substantial amounts of software development costs have been capitalised since International Financial Reporting Interpretations Committee (IFRIC) 12 was implemented. Capitalisation of these costs requires considerable judgement. The development work is being carried out to modernise NS&I's infrastructure, simplify its products and develop its business-to-business capability. NS&I capitalises the implementation costs of developments where future benefits will accrue. Management judgement has been applied in quantifying the benefit expected to accrue to NS&I over the useful life of the relevant assets. The benefits relate to the fact that such software allows NS&I to carry out its functions more efficiently and to leverage its capability. Where the software does not produce the expected benefits in terms of NS&I achieving its objectives then the carrying value would require adjustment.

- Property, plant and equipment – under IFRIC 12 IT, plant and machinery and furniture and fittings costs were capitalised during the year. NS&I obtains information regarding movements of assets (either additions or disposals) directly from its outsourced provider.

- Impairments – NS&I carries out a comprehensive review of the value of its assets at the end of the reporting period. Asset values are assessed as to whether the carrying value on the Statement of financial position is overstated in comparison to market value. Also, an assessment is carried out to ensure that the assets are performing to the levels determined in business cases and also on the organisation as a whole. NS&I management ensures as far as possible that asset carrying values reflect current values.
- Depreciation and amortisation – under IFRIC 12, depreciation costs have risen substantially since NS&I has included these assets on its Statement of financial position. Depreciation is dependent on the carrying values and useful economic lives that NS&I uses for its assets. NS&I management ensures as far as is possible that the values used reasonably reflect NS&I's position.

1.4 Service concession arrangements (Public Private Partnership)

NS&I follows the principles provided in IFRIC 12: Service Concession Arrangements, as interpreted and adapted by HM Treasury.

Service concession arrangements fall within the scope of IFRIC 12 where the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and the price; and the grantor controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the infrastructure at the end of the service arrangement.

Following a review of IFRIC 12, it was determined that NS&I's Public Private Partnership (PPP) contract with Atos falls within the scope of the FReM interpretation of this standard. Accordingly, the assets created or acquired under the contract are treated as assets of NS&I and recorded as non-current assets in the accounts.

NS&I capitalises all assets that are used by Atos for carrying out NS&I work. The main source of asset information is provided by Atos through their asset register. NS&I reviews all additions and disposals on a monthly basis and also ensures that carrying values of the assets brought onto the Statement of financial position are not in excess of their recoverable value. NS&I also brings onto its Statement of financial position project implementation work that is carried out by Atos which provides future economic benefits to NS&I.

Assets are recognised at an amount equal to the value of work performed by Atos where:

a. it is probable that future economic benefits associated with the asset will flow to NS&I; and

b. the cost of the asset can be measured reliably.

Further information regarding NS&I's service concession arrangements with Atos is provided in note 17.

1.5 Non-current assets

Property, plant and equipment and intangible assets are initially recognised at cost. The threshold for capitalising non-current assets is £500. Where a significant purchase of individual assets which are individually below the prescribed capitalisation limit arises then these assets are grouped together for capitalisation purposes.

Assets under construction are valued at historical cost within non-current assets and are not depreciated or amortised. An asset ceases to be classified as an asset under construction when it is ready for use. Its carrying value is then removed from assets under construction and transferred to the respective asset category. Depreciation or amortisation is then charged on the asset in accordance with the stated accounting policy.

Land and buildings are subsequently measured at fair value, as interpreted by the FReM, on the basis of professional valuations. A full valuation is carried out each year by DTZ Debenham Tie Leung Limited in accordance with the RICS Valuation Standards.

Information technology software assets are subsequently measured at fair value. As no active market exists for this asset category, information technology software is revalued at each reporting date using the Computer Service Producer Price Index produced by the Office for National Statistics.

Other non-current assets are carried at historical cost less accumulated depreciation. This is a suitable proxy for fair value and is allowable as per the FReM for those assets with short useful economic lives or low values. This includes assets held as fixtures and fittings, plant and machinery, IT equipment and intangible assets other than information technology software.

Any surplus arising on revaluation is credited to the revaluation reserve and any loss arising is debited to the revaluation reserve to the extent of the gains that have been recorded previously, with any balance being charged to the Statement of comprehensive net expenditure, within other comprehensive net expenditure. The revaluation surplus is not transferred to the General Fund until the asset's ultimate disposal.

Components of an asset are separated where their value is significant in relation to the total value of the asset and where those components have different useful lives to the remainder of the asset.

1.6 Depreciation and amortisation

The charge for depreciation or amortisation is calculated to write down the cost or valuation of property, plant and equipment and intangible assets to their estimated residual values by equal instalments over their estimated useful lives. The useful lives of buildings are reviewed annually. Where a change in asset life is determined, the asset is depreciated on a straight-line basis over its remaining assessed life.

Estimated useful lives are within the following ranges:

<u>Property, plant and equipment</u>	
Freehold buildings	20 to 50 years
Information technology	3 to 10 years
Plant and machinery	5 to 15 years
Furniture and fittings	Shorter of remaining lease term or 5 to 20 years

Intangible assets	
Information technology software	3 to 10 years
Software licences	3 to 10 years
Website	3 to 5 years
Assets under construction	Not depreciated
Assets available for sale	Not depreciated

The range of useful economic lives has been widened to reflect actual usage more accurately.

1.7 Impairment of non-current assets

Impairments are permanent diminutions in the service potential of non-current assets. All assets are assessed annually for indications of impairment. If an indication of impairment exists, the assets in question are tested for impairment by comparing the carrying value of those assets with their recoverable amounts. Where the recoverable amount of an asset is less than its carrying value, the carrying value of the asset is reduced to its recoverable amount.

The recoverable amount of an asset is the higher of its 'fair value less costs to sell' and 'value in use'. Within the public sector, the FReM defines 'value in use' of a non-cash generating asset as the present value of the asset's remaining service potential, which can be assumed to be at least equal to the cost of replacing that service potential.

An impairment loss is recognised in the Statement of comprehensive net expenditure to the extent that it cannot be offset against the revaluation reserve. Any reversal of an impairment charge is recognised in the Statement of comprehensive net expenditure to the extent that the original charge, adjusted for subsequent depreciation, was previously recognised in the Statement of comprehensive net expenditure. The remaining amount is recognised in the revaluation reserve.

1.8 Non-current assets held for sale

Non-current assets are classified as 'held for sale' when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. Assets held for sale are stated at the lower of their carrying amount prior to classification as 'held for sale' or their fair value less the costs of selling the asset. Any subsequent impairment or reversal is recognised in the Statement of comprehensive net expenditure. Assets classified as held for sale are not depreciated.

1.9 Leases

Leases are accounted for as operating leases as a significant portion of the risks and rewards of ownership is retained by the lessor.

The total payments made under operating leases are charged to the Statement of comprehensive net expenditure on a straight-line basis over the period of the lease. When discounts are provided, the discount is treated as deferred income and is used to offset costs over the operating lease term.

1.10 Employee benefits

Short-term employee benefits (those payable within 12 months after service is rendered in a period such as wages, bonuses, paid vacation and sick leave) are recognised in the period service is rendered. In the case of accumulating absences, such as paid annual leave, any days not taken are accrued into the relevant period.

1.11 Early departure costs

NS&I is required to meet the additional cost of benefits beyond the normal Civil Service pension benefits in respect of employees who retire early unless the retirement is on approved medical grounds. NS&I provides for this cost when it has entered into contractual arrangements with the early retirees and creates a corresponding provision for its future payments in the Statement of financial position. In accordance with the requirements of IAS 37, this provision has been discounted. NS&I may, in certain circumstances, settle some or all of its liability in advance by making a payment for the credit of the Civil Superannuation Vote.

1.12 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The defined benefit schemes are unfunded and are non-contributory except in respect of dependants' benefits. NS&I recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, NS&I recognises the contributions payable for the year.

1.13 Provisions

Provisions are recognised for present obligations arising as consequences of past events where it is likely that a transfer of economic benefit will be necessary to settle the obligation, and it can be reliably estimated.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the Statement of financial position date taking into consideration the risks and uncertainties surrounding the obligation. Where a provision is measured using cash flows over a number of accounting periods to settle the present obligation, its carrying amount is the present value of those cash flows, where the effect of the time value of money is material.

1.14 Contingent liabilities

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is uncertain or cannot be reliably measured. Contingent liabilities are not recognised but are disclosed unless they are remote.

In addition to contingent liabilities disclosed in accordance with IAS 37, NS&I discloses for Parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of *Managing Public Money*.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to

Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

1.15 Financial instruments

All financial instruments are recognised at fair value. Fair value of financial instruments is determined by using the discounted future cash flow method. Financial assets and financial liabilities, including derivative financial instruments if any, are recognised in the Statement of financial position when NS&I becomes a party to the contractual provisions of the instrument. Gains and losses are dealt with through the Statement of comprehensive net expenditure.

1.16 Administration costs

The Statement of comprehensive net expenditure is analysed between administration costs and programme costs. The classification of expenditure as administration costs or as programme costs follows the definition of administration costs set out in the FReM by HM Treasury.

NS&I's administration costs in the Statement of comprehensive net expenditure are broadly consistent with the amount shown as DEL expenditure in the Statement of Parliamentary Supply. The one item that causes a difference is the inclusion of cash payments that are made to cover liabilities on provisions. These amounts are not included in the Statement of comprehensive net expenditure.

1.17 Programme costs

NS&I recognises the majority of its costs as administration costs. NS&I also accounts for certain costs as programme costs. These include costs covered in AME such as property revaluation, increases to provisions which are included in the Statement of Parliamentary Supply totals and also IFRIC 12 impacts which no longer form part of a control total following the implementation of HM Treasury's Clear Line of Sight requirements. These include depreciation, amortisation and impairment of assets covered by IFRIC 12. Programme costs are reduced by Atos project costs capitalised under IFRIC 12. The transfer of costs to capital reduces NS&I's operating costs and increases the level of assets held in the Statement of financial position.

NS&I accounts for all its business-to-business activity costs in resource DEL in the first instance. Such costs include feasibility costs which are expensed within resource DEL. Programme costs are reduced by business-to-business activity development costs capitalised under IFRIC 12.

1.18 Operating income

All operating income received is recognised in full in net administration costs initially. In net administration costs operating income is income which relates directly to the operating activities of NS&I. It comprises rent from external tenants including Atos, loss recoveries due from Atos for external fraud, income from business-to-business feasibility, development activities and delivery. Adjustments are made through programme income to transfer income received for development work to deferred income. These amounts are released back to operating income over the useful life of the development asset as programme income. The result of the adjustment is to reduce the level of operating income in the Statement of comprehensive net expenditure.

1.19 Value added tax

NS&I's activities are exempted under the terms of the value added tax (VAT) legislation and therefore input VAT is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase of non-current assets. NS&I's business-to-business activities are also exempted from VAT under the same terms of the VAT legislation.

1.20 Operating segments

Within the definitions of IFRS 8 Segmental Reporting, NS&I is an entity with a single reportable segment since NS&I's financial planning and reporting is based on NS&I being one single entity. The chief operating decision-maker as defined by IFRS 8 is NS&I's Management Board and financial information that is required regularly by the Management Board to make decisions about planning and resource allocation and performance assessment is reported on an NS&I entity basis. Accordingly, NS&I does not report separately for the costs of its business-to-business activities and as such does not segment business-to-business from its overall activities.

NS&I's Product Accounts are reported separately in this Annual Report but are deemed not to be a separate operating segment as they relate to NS&I's core activity with all head office functions being incidental to delivering this.

1.21 Client funds

NS&I is holding funds on behalf of HM Treasury for the payment of amounts to former Equitable Life savers. These amounts are held in a separate bank account and segregated from NS&I's voted monies. Client funds held are recognised as current assets in the Statement of financial position, with the corresponding liability in trade and other payables.

2 Staff numbers and related costs

Staff costs comprise:

	2013–14 Permanently employed UK staff £000	2013–14 Others £000	2013–14 Total £000	2012–13 Total £000
Wages and salaries	8,939	451	9,390	9,165
Social security costs	875	–	875	842
Other pension costs	1,513	–	1,513	1,487
Total net costs	**11,327**	**451**	**11,778**	**11,494**

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but NS&I is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. You can find details in the Resource Accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/pensions).

For 2013-14, employers' contributions of £1,401,866 were payable to the PCSPS (2012–13: £1,436,975) at one of four rates in the range 16.7% to 24.3% (2012–13: 16.7% to 24.3%) of pensionable pay, based on salary bands. The scheme actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2013–14 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account which is a stakeholder pension with an employer contribution. Employers' contributions of £104,063 (2012–13: £45,937) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3.0% to 12.5% (2012–13: 3.0% to 12.5%) of pensionable pay. Employers also match employee contributions up to 3.0% of pensionable pay. In addition, employer contributions of £6,610, 0.8% (2012–13: £2,977, 0.8%) of pensionable pay were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. Contributions due to the partnership pension providers at the Statement of financial position date were nil (2012–13: £9,006). Contributions prepaid at that date were nil.

Average number of persons employed

The average number of whole-time equivalent persons employed during the year was as follows:

	2013–14 Permanently employed UK staff	2013–14 Others	2013–14 Total	2012–13 Total
Administration of NS&I	173	17	190	186
Total	**173**	**17**	**190**	**186**

All NS&I staff costs are charged to administration costs. There are no staff costs charged to programme costs.

2.1 Reporting of Civil Service and other compensation schemes – exit packages

Exit package cost band	Number of compulsory redundancies 2013–14	Number of other departures agreed 2013–14	Total number of exit packages by cost band 2013–14	Number of compulsory redundancies 2012–13	Number of other departures agreed 2012–13	Total number of exit packages by cost band 2012–13
<£10,000	–	1	1	–	–	–
£10,000 – £25,000	–	1	1	–	–	–
£25,000 – £50,000	–	5	5	–	–	–
£50,000 – £100,000	–	1	1	–	–	–
£100,000 – £150,000	–	–	–	–	–	–
£150,000 – £200,000	–	1	1	–	–	–
Total number of exit packages by type	**–**	**9**	**9**	**–**	**–**	**–**
Total resource cost £000	**–**	**480**	**480**	**–**	**–**	**–**

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where NS&I has agreed early retirements, the additional costs are met by NS&I and not by the PCSPS. Ill-health retirement costs are met by the PCSPS and are not included in the table.

3 Other administration costs

	Note	2013–14 £000	2013–14 £000	2012–13 £000	2012–13 £000
Public Private Partnership provider		143,672		147,831	
Selling agents (1)		7,000		13,268	
Banking charges		723		1,075	
			151,395		162,174
Marketing and research costs					
Marketing		5,315		6,380	
Research (2)		1,737		1,697	
			7,052		8,077
Other expenditure					
Consultancy, internal audit contract and personnel costs		3,944		4,374	
Professional services		6,222		7,516	
Other costs		2,225		1,517	
Losses and special payments	20	295		446	
Rentals under operating leases		852		852	
			13,538		14,705
Non-cash items					
Depreciation	6	1,805		1,682	
Amortisation	7	55		33	
Reduction in non-current assets	6	–		89	
Loss on disposal	6	12		5	
Notional external audit fees (3)		813		813	
			2,685		2,622
Total			**174,670**		**187,578**

(1) Selling agents include our distribution partner, the Post Office.

(2) Research costs include costs related to customer research, customer satisfaction surveys, data clean up-work, media relations research, data modelling activity and other analysis activity.

(3) The notional external audit fees include fees for the Product Accounts statutory audit of £719,000 (£719,000 in 2012–13) and for the Resource Accounts statutory audit fees of £94,000 (£94,000 in 2012–13).

4 Programme costs

	Note	2013–14 £000	2013–14 £000	2012–13 £000	2012–13 £000
Transfer of Public Private Partnership provider costs to capital [(1)]		(16,813)		(22,821)	
			(16,813)		(22,821)
Non-cash items					
Depreciation	6	2,197		2,377	
Amortisation	7	27,485		16,738	
Impairment: land and buildings	6	642		1,873	
Impairment: other	7	368		–	
Reversal of previous downward revaluation	6	(218)		(682)	
Reduction in non-current assets	6, 7	–		288	
Increase in fraud losses provisions provided in year [(2)]	13	55		77	
Reversal of fraud losses provision [(2)]	13	(55)		(71)	
Loss on disposal	6, 7	33		10	
			30,507		20,610
Total			**13,694**		**(2,211)**

(1) Capitalisation of Atos costs for infrastructure purchase and development work. These costs are negative as they are a transfer of service costs to capital. This transfer is carried out through non-budget which forms part of programme costs. The overall impact of the transfer is to reduce NS&I's operating costs but increase NS&I's assets in its Statement of financial position. The treatment is outlined in accounting policy note 1.17.

(2) Reversal of provisions and provision increases are carried out in AME and form part of programme costs.

(3) NS&I recognises all costs in note 4 as programme costs because they are either AME costs or non-budget. If they are not administration costs they should be programme costs. Non-budget costs are not subject to a control total.

5 Income

5.1 Operating income

Operating income comprises:

	Note	2013–14 £000	2012–13 £000
Contracted fraud loss recovery from Atos	20	240	443
Rent from external tenants		6,673	6,499
Business-to-business		25,577	24,943
Other receipts [(1)]		7,045	–
Total income (net administration costs)		**39,535**	**31,885**
Transfer to deferred income		(620)	–
Transfer from deferred income to operating income		5,522	4,012
Total income (net programme expenditure)		**4,902**	**4,012**
Total operating income		**44,437**	**35,897**

Total income is accounted for within net administration costs and the transfer of income to deferred income is accounted for in non-budget and forms a part of programme expenditure. The treatment is outlined in accounting policy note 1.18.

(1) NS&I received income of £7 million during the year from the Department for Business, Innovation and Skills to enable access to NS&I services that are provided through Post Office branches.

5.2 Fees and charges

NS&I is required in accordance with HM Treasury's *Managing Public Money* to disclose results for the areas of its activities where fees and charges are levied. The analysis provided below is for fees and charges purposes and is not intended to meet the requirements of IFRS 8 Operating Segments. Business-to-business activities are not managed as a separate division but as a series of independent projects.

	Gross income £000	Full cost £000	Surplus £000
Business-to-business	30,479	29,300	1,179

The financial objective of business-to-business is to recover the costs of providing payment services and make a contribution towards financing other costs. Investments that have been made in NS&I's capabilities have enabled NS&I to offset some of its costs by offering government and third parties payment processing services within agreed spending limits. From 2010–11, NS&I started developing its business-to-businesss activities with HM Treasury with regard to the Equitable Life Payment Scheme and the Ministry of Justice (Office of Accountant General (OAG)) with regard to the Court Funds Service. NS&I acquired a further client for its business-to-business activities, Home Office Payment Processing, during 2013–14.
Figures for 2012–13 were not provided due to the commercial sensitivities in publishing this information.

6 Property, plant and equipment

6(a) Current year

	Land	Buildings	Information technology	Plant and machinery	Furniture and fittings	Assets under construction[3]	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or valuation							
At 1 April 2013	11,276	20,296	15,068	2,279	3,651	–	52,570
Additions	–	–	364	211	1,154	746	2,475
Disposals	–	–	(470)	(1,572)	(46)	–	(2,088)
Upward revaluation [1]	720	218	45	–	–	–	983
Downward revaluation [1]	(1,080)	(1,262)	–	(3)	(2)	–	(2,347)
Reclassification	–	–	6	–	–	–	6
At 31 March 2014	**10,916**	**19,252**	**15,013**	**915**	**4,757**	**746**	**51,599**
Depreciation							
At 1 April 2013	–	(16,929)	(8,430)	(2,253)	(1,727)	–	(29,339)
Charge in year	–	(1,280)	(2,332)	(15)	(375)	–	(4,002)
Disposals	–	–	452	1,566	45	–	2,063
Revaluation	–	–	(42)	1	–	–	(41)
Reclassification	–	–	1	–	–	–	1
At 31 March 2014	**–**	**(18,209)**	**(10,351)**	**(701)**	**(2,057)**	**–**	**(31,318)**
Carrying amount							
At 31 March 2014	**10,916**	**1,043**	**4,662**	**214**	**2,700**	**746**	**20,281**
Owned assets	**10,916**	**1,043**	**725**	**159**	**1,365**	**746**	**14,954**
IFRIC 12 assets	**–**	**–**	**3,937**	**55**	**1,335**	**–**	**5,327**
Total	**10,916**	**1,043**	**4,662**	**214**	**2,700**	**746**	**20,281**

(1) The freehold land and buildings at Blackpool, Durham and Glasgow were revalued as at 31 March 2014 by professional valuers on a market value basis. Chartered surveyors DTZ Debenham Tie Leung Limited carried out the valuations in accordance with the RICS Valuation Standards. Out of the total upward revaluation of £0.938 million on land and buildings only £0.218 million was used to offset costs in programme costs (note 4).The £0.218 million offset represented a reversal of a previous downward revaluation at Blackpool Moorlands. The other increases were for land at Glasgow and Blackpool.
The remainder increased the amount held in the revaluation reserve. From the total downward revaluation of £2.342 million only £0.642 million was charged to programme costs (note 4). This was because a substantial amount was available in the revaluation reserve to absorb the charge. Downward revaluation covered Durham land and buildings and the main Blackpool building.

(2) The land and buildings are owned by NS&I but leased to Atos under an operating lease. Plans have been made to vacate and sell the Glasgow and Durham sites and part of the Blackpool site. However, given that the properties are not available for immediate sale and they are still in use they continue to be reported as non-current assets.

(3) The assets under construction are mainly for leasehold improvements at a property at Freeman's Reach in Durham. Work also commenced to install solar panels at Blackpool Moorlands.

6(b) Prior year

	Land £000	Buildings £000	Information technology £000	Plant and machinery £000	Furniture and fittings £000	Total £000
Cost or valuation						
At 1 April 2012	10,246	22,356	14,292	2,433	4,068	53,395
Additions	–	–	540	6	19	565
Disposals	–	–	(260)	(3)	(1)	(264)
Transfer from assets under construction	–	–	695	–	–	695
Upward revaluation	1,100	157	–	–	–	1,257
Downward revaluation	(70)	(2,217)	–	–	–	(2,287)
Reclassifications (1)	–	–	(239)	15	29	(195)
Increase adjustments (1)	–	–	106	–	–	106
Reduction adjustments (1)	–	–	(66)	(172)	(464)	(702)
At 31 March 2013	**11,276**	**20,296**	**15,068**	**2,279**	**3,651**	**52,570**
Depreciation						
At 1 April 2012	–	(14,392)	(6,011)	(2,394)	(1,921)	(24,718)
Charge in year	–	(1,152)	(2,574)	(7)	(326)	(4,059)
Disposals	–	–	246	3	–	249
Backlog depreciation	–	(1,385)	–	–	–	(1,385)
Reclassification (1)	–	–	44	(4)	(20)	20
Increase adjustments (1)	–	–	(135)	–	–	(135)
Reduction adjustments (1)	–	–	–	149	540	689
At 31 March 2013	**–**	**(16,929)**	**(8,430)**	**(2,253)**	**(1,727)**	**(29,339)**
Carrying amount						
At 1 April 2012	10,246	7,964	8,281	39	2,147	28,677
At 31 March 2013	**11,276**	**3,367**	**6,638**	**26**	**1,924**	**23,231**
Owned assets	**11,276**	**3,367**	**884**	**13**	**1,451**	**16,991**
IFRIC 12 assets	**–**	**–**	**5,754**	**13**	**473**	**6,240**
Total	**11,276**	**3,367**	**6,638**	**26**	**1,924**	**23,231**

(1) In the 2012–13 accounts a number of reclassifications, reduction adjustments and increase adjustments were made to complete the alignment of the accounts to the underlying accounting records. The overall impact of these adjustments was to reduce the carrying value of property, plant and equipment by £0.217 million of which £0.175 million arose from assets being reclassified as intangible rather than tangible non-current assets. The balance of £0.042 million was charged to programme costs in the Statement of comprehensive net expenditure.

7 Intangible assets

7(a) Current year

	Information technology software £000	Software licences £000	Website £000	Assets under construction(1) £000	Total £000
Cost or valuation					
At 1 April 2013	86,678	7,117	886	10,334	105,015
Additions	81	671	–	11,775	12,527
Transfer from 'assets under construction'	17,621	–	–	(17,621)	–
Upward revaluation	339	141	–	–	480
Downward revaluation	(10)	–	–	–	(10)
Disposals	(49)	(706)	–	–	(755)
Reclassifications (2)	(1,473)	1,454	–	13	(6)
Impairment (3)	(247)	–	–	(276)	(523)
At 31 March 2014	**102,940**	**8,677**	**886**	**4,225**	**116,728**
Amortisation					
At 1 April 2013	(33,896)	(4,832)	(583)	–	(39,311)
Charged in year	(26,211)	(1,140)	(189)	–	(27,540)
Disposals	37	698	–	–	735
Revaluation	–	(131)	–	–	(131)
Reclassifications (2)	611	(612)	–	–	(1)
Impairment (3)	165	–	–	–	165
At 31 March 2014	**(59,294)**	**(6,017)**	**(772)**	**–**	**(66,083)**
Carrying amount					
At 31 March 2014	**43,646**	**2,660**	**114**	**4,225**	**50,645**
Owned assets	**63**	**117**	**–**	**238**	**418**
IFRIC 12 assets	**43,583**	**2,543**	**114**	**3,987**	**50,227**
Total	**43,646**	**2,660**	**114**	**4,225**	**50,645**

(1) Assets under construction during 2013–14 mainly included development work in connection with the modernisation programme.

(2) A number of software licences incorrectly categorised as intangible software technology assets were transferred into the appropriate category. The net book value of these was £0.843 million. There were also a number of other smaller adjustments.

(3) The impaired assets under construction (£0.276 million) were for a development that had not been deployed. The asset as a result was impaired by its full value. The impairment under information techology software (net book value £0.082 million) was for an asset that is not currently being used for the purpose it was developed for.

7(b) Prior year

	Information technology software £000	Software licences £000	Website £000	Assets under construction[(1)] £000	Total £000
Cost or valuation					
At 1 April 2012	72,355	6,412	886	9,873	89,526
Additions	781	261	–	15,373	16,415
Transfer from 'assets under construction'	13,767	450	–	(14,912)	(695)
Disposals	–	(21)	–	–	(21)
Reclassifications [(2)]	23	172	–	–	195
Increase adjustments [(2)]	–	92	–	–	92
Reduction adjustments [(2)]	(248)	(249)	–	–	(497)
At 31 March 2013	**86,678**	**7,117**	**886**	**10,334**	**105,015**
Amortisation					
At 1 April 2012	(18,253)	(3,953)	(405)	–	(22,611)
Charged in year	(15,793)	(800)	(178)	–	(16,771)
Disposals	–	21	–	–	21
Reclassifications [(2)]	(6)	(14)	–	–	(20)
Increase adjustments [(2)]	–	(92)	–	–	(92)
Reduction adjustments [(2)]	156	6	–	–	162
At 31 March 2013	**(33,896)**	**(4,832)**	**(583)**	**–**	**(39,311)**
Carrying amount					
At 1 April 2012	54,102	2,459	481	9,873	66,915
At 31 March 2013	**52,782**	**2,285**	**303**	**10,334**	**65,704**
Owned assets	**–**	**108**	**–**	**–**	**108**
IFRIC 12 assets	**52,782**	**2,177**	**303**	**10,334**	**65,596**
Total	**52,782**	**2,285**	**303**	**10,334**	**65,704**

(1) Assets under construction during 2012–13 mainly included development work in connection with the modernisation programme.

(2) In 2012–13, a number of reclassifications, reduction adjustments and increase adjustments were made to complete the alignment of the accounts with the underlying accounting records. The overall impact of these adjustments was to reduce the carrying value of intangible assets by £0.160 million, of which an increase of £0.175 million arose from assets being reclassified as intangible rather than tangible non-current assets. The balance of £0.335 million was charged to programme costs in the Statement of comprehensive net expenditure.

8 Financial instruments

As the cash requirements of NS&I are met through the Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size. The financial instruments that NS&I has are cash, trade receivables and trade payables. They are in line with NS&I expectations in terms of purchase and usage requirements. NS&I is therefore exposed to little credit, liquidity or market risk.

NS&I's net revenue resource requirements, including capital expenditure, are financed by resources voted annually by Parliament which include income and expenditure on its business-to-business activities. NS&I's Resource Accounts are not, therefore, exposed to significant liquidity risks.

There are no differences between the book value of receivables, payables or cash held and their fair value.

NS&I is not exposed to any credit or liquidity risk in its performance of business-to-business services. Customers are central government departments.

9 Trade receivables, financial and other current assets

9(a) Trade and other receivables

as at 31 March

	2014 £000	2013 £000
Amounts falling due within one year:		
Trade receivables	559	874
Deposits and advances	69	68
Prepayments	109	198
Accrued income	2,861	5,147
Subtotal	**3,598**	**6,287**
Amounts falling due after more than one year:		
Trade receivables	–	4,371
Total trade and other receivables	**3,598**	**10,658**

9(b) Intra-government balances – trade receivables, financial and other assets

as at 31 March

	2014 £000	2013 £000
Amounts falling due within one year:		
Balance with other central government bodies	3,421	5,124
Subtotal: intra-government balances	3,421	5,124
Balance with bodies external to government	177	1,163
Subtotal	**3,598**	**6,287**
Amounts falling due after more than one year:		
Balance with other central government bodies	–	4,371
Total trade and other receivables	**3,598**	**10,658**

10 Cash and cash equivalents

	2013–14 £000	2012–13 £000
Balance at 1 April	105	554
Net change in cash and cash equivalent balances	10	(449)
Closing cash and cash equivalents balance	**115**	**105**
The following balances are held at:		
Government Banking Service	115	105
Balance at 31 March	**115**	**105**

11 Client funds

	2013–14 £000	2012–13 £000
Balance at 1 April	173,552	332,908
Net change in cash and cash equivalent balances	(153,947)	(159,356)
Closing cash and cash equivalents balance	**19,605**	**173,552**
The following balances are held at:		
Government Banking Service	19,605	173,552
Balance at 31 March	**19,605**	**173,552**

Client funds are being held on behalf of HM Treasury for the payment of sums through NS&I to Equitable Life savers as part of business-to-business activities under the Equitable Life Payment Scheme. The net change in balance represents the payment of amounts to Equitable Life Payment Scheme holders less amounts received from HM Treasury.

12 Trade payables and other current liabilities

12(a) Trade and other liabilities

as at 31 March

	2014 £000	2013 £000
Amounts falling due within one year:		
Taxation and social security	241	255
Trade payables	12,293	9,228
Other payables	163	165
Accruals	3,789	14,520
Deferred income	5,624	4,012
Consolidated Fund extra receipts due to be paid to the Consolidated Fund	–	3
Amounts issued from the Consolidated Fund for supply but not spent at year end	115	102
Payments to be made on behalf of HM Treasury	19,605	173,552
Subtotal	**41,830**	**201,837**
Amounts falling due after more than one year:		
Trade payables	–	4,371
Deferred income	4,601	11,115
Subtotal	**4,601**	**15,486**
Total trade and other payables	**46,431**	**217,323**

Amounts falling due after more than one year refer to payments to be made to Atos and deferred income due from other government departments.

12(b) Intra-government balances – trade and other payables

as at 31 March

	2014 £000	2013 £000
Amounts falling due within one year:		
Balance with other central government bodies	25,744	178,089
Balance with public corporations and trading funds	33	–
Subtotal: intra-government balances	25,777	178,089
Balance with bodies external to government	16,053	23,748
Subtotal	**41,830**	**201,837**
Amounts falling due after more than one year:		
Balance with other central government bodies	4,601	11,115
Balance with bodies external to government	–	4,371
	4,601	**15,486**
Total trade and other payables	**46,431**	**217,323**

13 Provisions for liabilities and charges

13(a) Movements in provisions

	Provision for fraud losses (1)	Provision for Glasgow sports ground	Total
	£000	£000	£000
Balance at 1 April 2013	117	15	**132**
Provided in the year	55	1	**56**
Provision written back	(55)	–	**(55)**
Provisions utilised in the year	(61)	(16)	**(77)**
Balance at 31 March 2014	**56**	**–**	56
Balance at 1 April 2012	111	31	**142**
Provided in the year	77	–	**77**
Provision written back	(71)	–	**(71)**
Provisions utilised in the year	–	(16)	**(16)**
Balance at 31 March 2013	**117**	**15**	132

13(b) Analysis of expected timing of discounted cash flows

	Provision for fraud losses (1)	Provision for Glasgow sports ground	Total
	£000	£000	£000
Not later than one year	56	–	**56**
Balance at 31 March 2014	**56**	**–**	56
Not later than one year	117	15	**132**
Balance at 31 March 2013	**117**	**15**	132

(1) NS&I provides for fraud losses that have been identified during the year and it is probable that a liability will result.

14 Net loss on revaluation of non-current assets

as at 31 March

	Note	2014 £000	2013 £000
Revaluation reserve changes:			
Total downward revaluation		2,714	2,287
Charged to programme costs	4	(792)	(1,192)
Upward revaluation		(1,289)	(1,257)
Backlog depreciation adjustment		–	1,385
Movement in revaluation reserve		**633**	**1,223**

15 Capital commitments

as at 31 March

	2014 £000	2013 £000
Contracted for but not provided	1,428	12,637
Total	**1,428**	**12,637**

16 Commitments under leases

16(a) Operating leases with tenants

NS&I leased all of its buildings to Atos under operating lease agreements. The initial leases ended on 31 March 2014. The renewed leases are all at peppercorn rents and no rent from Atos is receivable. However, NS&I receives rents via Atos from third parties where sub-tenancies are granted, and this is reflected in the amounts shown receivable at 31 March 2014. The future operating leases with tenants are discounted to present value.

	2014 £000	2013 £000
Buildings		
Not later than one year	1,400	6,464
Total	**1,400**	**6,464**
Land (1)		
Not later than one year	18	–
Later than one year and not later than five years	76	66
Later than five years	247	237
Total	**341**	**303**

16(b) Commitments under operating leases

The future minimum lease payments under operating leases are given in the table below, discounted to present value and analysed between future years.

	2014 £000	2013 £000
Obligations under operating leases comprise:		
Buildings		
Not later than one year	872	860
Later than one year and not later than five years	2,479	3,306
Total	**3,351**	**4,166**
Land (1)		
Not later than one year	18	16
Later than one year and not later than five years	77	66
Later than five years	524	510
Total	**619**	**592**

None of these leases relates to the hire of plant.

(1) NS&I holds a lease on land in Glasgow with Pollok and Corrour Ltd. The lease commenced in 1974. The original lease term was for 99 years. NS&I paid £16,000 rent to the landlord annually. This has been increased to £17,930 from 2014. The lease was subleased to another party from July 2011. NS&I paid the lease costs to March 2014 after which the other party will reimburse NS&I the rent costs for a further 22 years to March 2036. A possibility remains that NS&I has a future liability of around £300,000.

17 Commitments under the Public Private Partnership contract

In May 2013,following a competitive tender, NS&I entered into a new seven-year PPP contract with Atos for the provision of operational services which came into effect on 1 April 2014. The contract is to design, develop, procure, finance and operate, including maintaining, certain assets over the period of the contract to enable the provision of a back office function and Customer Interaction Centre. The contract value is over £600 million for the seven-year operational term in nominal terms; however, this will vary depending on the level of stock and business-to-business activity.

If Atos meets the performance standards in the contract the service charge payable under the contract at constant price levels would be:

	£000
Amounts falling due within one year	171,913
Amounts falling due within two to five years	320,933
Amounts falling beyond five years	118,450
Total	**611,296**

	£000
Comparable figures at 31 March 2013 were:	
Amounts falling due within one year	109,255
Total	**109,255**

The total amount payable to Atos will vary depending on the levels of stock and business-to-business activity. These amounts cannot be predicted with any certainty.

18 Other financial commitments

There were no other financial commitments at 31 March 2014 (nil 31 March 2013).

19 Contingent liabilities disclosed under IAS 37

There were no material contingent liabilities at 31 March 2014 (nil 31 March 2013).

20 Losses and special payments

as at 31 March

	2013–14 Number of cases	**2013–14 £000**	**2012–13 Number of cases**	**2012–13 £000**
Compensation payments	28	55	–	–
Fraud loss	67	240	127	446
Fruitless payments	–	–	–	–
Special payments	–	–	–	–
Total	**95**	**295**	**127**	**446**

Net fraud losses are shown in the table below:

	2013–14 £000	**2012–13 £000**
Fraud loss	240	446
Reversal of fraud losses in provisions	(55)	(71)
Increase in provisions for fraud losses	55	77
	240	452
Contracted fraud loss recovery	(240)	(443)
Total net fraud losses charged to Statement of comprehensive net expenditure	**–**	**9**

21 Related party transactions

NS&I is an Executive Agency of the Chancellor of the Exchequer and a government department. The Chancellor of the Exchequer is regarded as a related party. NS&I has not undertaken any material transaction with the Chancellor of the Exchequer during the year.

The Post Office is a major distributor of NS&I products and, as a public body, the Post Office is a related party. NS&I had a significant number of transactions with the Post Office during the accounting period. NS&I's Post Office costs during 2013–14 were £7,000,000 (2012–13: £13,000,000) for contract services.

In addition NS&I has carried out a number of significant transactions with the Government Banking Service, Ministry of Justice OAG, the Office for National Statistics, Department for Business, Innovation and Skills, Home Office and HM Treasury, and a small number of various immaterial transactions with other government departments: the Treasury Solicitor's Department, HM Revenue and Customs, the Cabinet Office and the Financial Ombudsman Service. All related party transactions undertaken were at arm's length.

Neither the Economic Secretary to HM Treasury nor the Financial Secretary to HM Treasury (from October 2013), nor any board member, nor any key manager or other related party has undertaken any material transactions with NS&I during the year. Investments in NS&I products by members of staff are not considered to be related party transactions and are therefore excluded from this declaration. Ministers, board members and key managers are judged to be related parties as they have authority and responsibility for planning, directing and controlling the activities of the entity.

The following table relates to deposits (excluding Premium Bond holdings) held by key management personnel and persons connected to them in NS&I.

	2013–14	**2012–13**
	£000	**£000**
Executive Directors and Non-executive Directors	**2,035**	**1,933**

In relation to holdings in Premium Bonds, the Premium Bond Regulations 1972 (Statutory Instrument (SI) 1972 No 765) prohibit the disclosure of the number of bonds purchased or held by any person. The Accounting Officer and persons connected with her are prohibited under NS&I's policies from holding Premium Bonds.

22 Events after the reporting period date

There are no reportable events between the Statement of financial position date and 5 June 2014, the date of authorisation of these accounts. The financial statements do not reflect events after that date.

Statement of Parliamentary Supply

In addition to the primary statements prepared under IFRS, the Government *Financial Reporting Manual* (FReM) requires National Savings and Investments to prepare a Statement of Parliamentary Supply and supporting notes to show resource outturn against the Supply Estimate presented to Parliament, in respect of each budgetary control limit.

Summary of resource and capital outturn

								2013–14	2012–13
		Estimate			Outturn			Voted outturn compared with Estimate: saving/ (excess)	Outturn
	SOPS note	Voted	Non-voted	Total	Voted	Non-voted	Total		Total
		£000	£000	£000	£000	£000	£000	£000	£000
Departmental Expenditure Limit (DEL)									
– Resource	2.1, 3.2	150,115	–	150,115	146,990	–	146,990	3,125	167,203
– Capital	2.2	1,715	–	1,715	1,517	–	1,517	198	34
Annually Managed Expenditure (AME)									
– Resource	2.1	5,300	–	5,300	347	–	347	4,953	1,181
– Capital		–	–	–	–	–	–	–	–
Total budget		**157,130**	**–**	**157,130**	**148,854**	**–**	**148,854**	**8,276**	**168,418**
Total		**157,130**	**–**	**157,130**	**148,854**	**–**	**148,854**	**8,276**	**168,418**
Total resource	2.1	155,415	–	155,415	147,337	–	147,337	8,078	168,384
Total capital	2.2	1,715	–	1,715	1,517	–	1,517	198	34
Total		**157,130**	–	157,130	**148,854**	–	148,854	**8,276**	**168,418**

Net cash requirement

		2013–14		2013–14	2012–13
		Estimate	Outturn	Outturn compared with Estimate: saving	Outturn
	SOPS note	£000	£000	£000	£000
	4	153,710	147,487	6,223	175,210

Administration costs

	SOPS note	2013–14 Estimate £000	2013–14 Outturn £000	2012–13 Outturn £000
	3.2	150,115	146,990	167,203

Figures in the areas outlined in **bold** are voted totals or other totals subject to Parliamentary control. In addition, although not a separate voted limit, any breach of the Administration Budget will also result in an excess vote.

Explanations of variances between Estimate and outturn are given in SOPS note 2 and in the Management Commentary.

The notes on pages 54 to 73 form part of these accounts.

Notes to the Departmental Resource Accounts (Statement of Parliamentary Supply)

SOPS1 Statement of accounting policies

The Statement of Parliamentary Supply and supporting notes have been prepared in accordance with the 2013–14 Government *Financial Reporting Manual* (FReM) issued by HM Treasury. The Statement of Parliamentary Supply accounting policies contained in the FReM are consistent with the requirements set out in the 2013–14 *Consolidated Budgeting Guidance* and *Supply Estimates Guidance Manual*.

SOPS1.1 Accounting convention

The Statement of Parliamentary Supply and related notes are presented consistently with HM Treasury budget control and Supply Estimates. The aggregates across government are measured using National Accounts, prepared in accordance with the internationally agreed framework European System of Accounts (ESA95). ESA95 is in turn consistent with the System of National Accounts (SNA93), which is prepared under the auspices of the United Nations.

The budgeting system and the consequential presentation of Supply Estimates and the Statement of Parliamentary Supply and related notes have different objectives to IFRS-based accounts. The system supports the achievement of macro-economic stability by ensuring that public expenditure is controlled, with relevant Parliamentary authority, in support of the Government's fiscal framework. The system provides incentives to departments to manage spending well so as to provide high-quality public services that offer value for money to the taxpayer.

The Government's objectives for fiscal policy are set out in the Charter for Budget Responsibility. These are to:

- ensure sustainable public finances that support confidence in the economy, promote intergenerational fairness, and ensure the effectiveness of wider government policy
- support and improve the effectiveness of monetary policy in stabilising economic fluctuations.

SOPS1.2 Comparison with IFRS-based accounts

Many transactions are treated in the same way in National Accounts and IFRS-based accounts, but there are a number of differences.

SOPS1.2a Public Private Partnership and other service concession arrangements

The National Accounts basis for recognising service concession arrangements is broadly similar to UK-GAAP, applying a risk-based test to determine the financial reporting. IFRS-based recognition of service concession arrangements (IFRIC 12) is determined using control tests, which can result in different treatments of assets and liabilities, income and expenditure in the National Accounts and IFRS Accounts. Where income is received from business-to-business activities for development assets in relation to a Public Private Partnership or other service concession arrangement, the treatment of the income matches the treatment of the related asset. As above, this can result in different treatments in the National Accounts and IFRS Accounts.

SOPS1.2b Provisions – Administration and Programme expenditure

Provisions recognised in IFRS-based accounts are not recognised as expenditure for National Accounts purposes until the actual payment of cash (or accrual liability) is recognised. To meet the requirements of both resource accounting and National Accounts, additional data entries are made in the Statement of Parliamentary Supply across AME and DEL control totals, which do not affect the Statement of comprehensive net expenditure. As the Administration control total is a sub-category of DEL, Administration and Programme expenditure reported in the Statement of Parliamentary Supply differs from that reported in the IFRS-based accounts. A reconciliation is provided in SOPS note 3.2.

SOPS2 Net outturn

SOPS2.1 Analysis of net resource outturn by section

	2013–14									Outturn 2012–13
	Outturn							Estimate		
	Administration			Programme						
	Gross £000	Income £000	Net £000	Gross £000	Income £000	Net £000	Total £000	Net total £000	Net total compared with Estimate £000	Outturn 2012–13 £000
Spending in Departmental Expenditure Limit (DEL)										
Voted										
Administration	186,525	(39,535)	146,990	–	–	–	146,990	150,115	3,125	167,203
Spending in Annually Managed Expenditure (AME)										
Voted										
Administration	–	–	–	347	–	347	347	5,300	4,953	1,181
Total	**186,525**	**(39,535)**	**146,990**	**347**	**–**	**347**	**147,337**	**155,415**	**8,078**	**168,384**

		2013–14
Difference between resource outturn and Estimate	**£000**	**£000**
Higher transaction volume costs	3,146	
Lower marketing costs	(4,997)	
Higher income	(1,450)	
Lower depreciation costs	(728)	
Other differences	904	
Total DEL underspend		(3,125)
Lower than expected requirement for provisions	(377)	
Lower than expected impairment charge for NS&I properties	(4,576)	
Total AME underspend		(4,953)
Total underspend against Estimate		**(8,078)**

SOPS2.2 Analysis of net capital outturn by section

	2013–14					Outturn 2012–13
	Outturn			Estimate		
	Gross £000	Income £000	Net £000	Net £000	Net total compared with Estimate £000	Net £000
Spending in Departmental Expenditure Limit (DEL)						
Voted						
Administration	1,517	–	1,517	1,715	198	34
Total	**1,517**	**–**	**1,517**	**1,715**	**198**	**34**

The capital outturn disclosed above excludes capitalised Public Private Partnership (PPP) provider assets that are brought onto NS&I's Statement of financial position through the application of IFRIC 12.

SOPS3 Reconciliation of outturn to net operating cost and against Administration Budget

SOPS3.1 Reconciliation of net resource outturn to net operating cost

	Note	2013–14 Outturn £000	2012–13 Outturn £000
Total resource outturn in Statement of Parliamentary Supply		147,337	168,384
	SOPS2.1	**147,337**	**168,384**
Add			
Income recognised in budget but transferred to deferred income	5.1	620	–
Income transferred from deferred income to operating income	5.1	(5,522)	(4,012)
PPP asset depreciation	4	2,197	2,377
PPP asset amortisation	4	27,485	16,738
PPP asset reduction	4	–	288
PPP asset impairment	4	368	–
PPP asset loss on disposal	4	33	10
		25,181	**15,401**
Less			
Transfer of PPP costs to capital	4	(16,813)	(22,821)
		(16,813)	**(22,821)**
Net operating cost in Statement of comprehensive net expenditure		**155,705**	**160,964**

SOPS3.2 Outturn against final Administration Budget and administration net operating cost

	Note	2013–14 Outturn £000	2012–13 Outturn £000
Estimate – administration costs limit		**150,115**	**169,950**
Gross outturn – administration costs		186,525	199,088
Gross outturn – income relating to administration costs	5.1	(39,535)	(31,885)
Outturn – net administration costs		**146,990**	**167,203**
Reconciliation to operating costs			
Provisions utilised	13	**(77)**	**(16)**
Administration net operating costs in Statement of comprehensive net expenditure		**146,913**	**167,187**

SOPS4 Reconciliation of net resource outturn to net cash requirement

	Note	Estimate £000	Outturn £000	Net total outturn compared with Estimate: saving/ (excess) £000	Outturn 2012–13 £000
Resource outturn	SOPS2.1	155,415	147,337	8,078	168,384
Capital outturn					
– Addition of property, plant and equipment	SOPS2.2	1,715	1,162	553	37
– Addition of intangible assets	SOPS2.2	–	355	(355)	(3)
Accruals to cash adjustments					
Adjustments to remove non-cash items:					
– Depreciation		(7,600)	(2,296)	(5,304)	(3,000)
– New provisions and adjustments to previous provisions		(300)	0	(300)	(6)
– Other non-cash items		(820)	(813)	(7)	(813)
Adjustments to reflect movements in working balances:					
– Decrease in debtors		(300)	(7,060)	6,760	(1,422)
– Decrease in creditors		5,600	8,725	(3,125)	12,017
– Use of provisions	13	–	77	(77)	16
Net cash requirement		**153,710**	**147,487**	**6,223**	**175,210**

SOPS5 Income payable to the Consolidated Fund

SOPS5.1 Analysis of income payable to the Consolidated Fund

In addition to income retained by the Department, the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in *italics*).

	Outturn 2013–14		Outturn 2012–13	
	Income £000	*Receipts £000*	Income £000	*Receipts £000*
Operating income outside the ambit of the Estimate	28	*28*	27	*27*
Excess cash surrenderable to the Consolidated Fund	–	–	–	–
Total income payable to the Consolidated Fund	**28**	***28***	**27**	***27***

The certificate and report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements which constitute the Product Accounts of National Savings and Investments for the year ended 31 March 2014 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Income, Financial Position, Cash Flows; and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive and Director of Savings, as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to National Savings and Investments' circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by National Savings and Investments'; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the affairs of the Product Accounts of National Savings and Investments' affairs as at 31 March 2014 and of the net operating results for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion the information given in the Management commentary, Directors' report and Strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

Date: 5 June 2014

National Audit Office
157-197 Buckingham Palace Road
Victoria,
London,
SW1W 9SP

Product Accounts background

Accounts

These accounts have been prepared under a direction issued by HM Treasury in accordance with section 7(2) of the Government Resources and Accounts Act 2000. This direction is disclosed at Annex 1 to these accounts.

Scope of the Product Accounts

These accounts record transactions for the year ended 31 March 2014 on retail savings and investment products administered by NS&I and balances in respect of these products as at that date. They do not include:

- *The investment or use of funds*. Customer funds are not directly invested by NS&I. They are passed to the National Loans Fund (NLF) to fund public sector activity.
- *NS&I's administration costs*. These are funded by Parliamentary Vote and accounted for separately in the Accounts section in the Annual Report. However, the interest and prizes costs on NS&I products are included in the total cost of servicing the national debt, and these costs are therefore reflected as a charge on both the NLF account and these accounts.
- *Tax foregone.* Some NS&I products are tax free. The notional cost of tax foregone by the Exchequer is not recognised as a cost in these accounts, but is considered as part of NS&I's overall Value Indicator measure when computing how cost-effective NS&I has been at financing the national debt.

The National Loans Fund

The NLF is central government's main borrowing and lending account. The NLF undertakes borrowing and uses the proceeds to meet any deficits on the Consolidated Fund. Most of the NLF's borrowing needs are met indirectly through borrowing on its behalf by NS&I and the Debt Management Office (DMO). The NLF ends each day with a nil balance on its bank account because any cash surpluses or deficits are offset by transfers to or from the Debt Management Account. HM Treasury is responsible for the operation of the NLF and guarantees to honour NS&I's products' terms and conditions. In legal terms, section 120 of the Finance Act 1980 (in respect of investment deposits) and section 12 of the National Loans Act 1968 (for other NS&I payments) both make provision for such repayments to be issued from the NLF with recourse to the Consolidated Fund. Should the NLF prove insufficient, payment (customer liability) will be a charge on the Consolidated Fund and against the tax revenue being raised.

NS&I's products and regulation

NS&I's Product Accounts cover transactions and balances on all NS&I's products.

The products covered by these accounts and their governing legislation and regulations are as follows:

Products governed by the National Debt Act 1972

Capital Bonds	National Savings Stock Register Regulations 1976
Children's Bonds (previously known as Children's Bonus Bonds)	Savings Certificates (Children's Bonus Bonds) Regulations 1991
First Option Bonds	National Savings Stock Register Regulations 1976
Guaranteed Income Bonds and Guaranteed Growth Bonds (previously known as Fixed Rate Savings Bonds)	National Savings Stock Register Regulations 1976
Guaranteed Equity Bonds	National Savings Stock Register Regulations 1976
Income Bonds	National Savings Stock Register Regulations 1976
Pensioners' Guaranteed Income Bonds	National Savings Stock Register Regulations 1976
Premium Bonds	Premium Savings Bonds Regulations 1972
Savings Certificates	Savings Certificates Regulations 1991

Products governed by the National Savings Bank Act 1971

Direct Saver Account	National Savings Bank Regulations 1972
Easy Access Savings Account	National Savings Bank Regulations 1972
Individual Savings Account	National Savings Bank Regulations 1972
Investment Account	National Savings Bank Regulations 1972
Residual Account	National Savings Bank Regulations 1972

As part of NS&I's dormancy strategy, matured funds that remain unclaimed after 30 days are transferred to the Residual Account in order to continue earning interest for customers.

Capital Bonds, Pensioners' Guaranteed Income Bonds, First Option Bonds, Savings Certificates, Children's Bonds, Guaranteed Income Bonds and Guaranteed Growth Bonds have had unclaimed matured funds transferred to the Residual Account in order to continue earning interest for customers.

Easy Access Savings Account closed at the end of July 2012 and the bulk of the funds were either repaid or reinvested in other NS&I products. A small amount of these funds remains unclaimed within the Residual Account in order to continue earning interest for customers.

Audit

These accounts have been audited by the Comptroller and Auditor General, whose Certificate and Report appears on pages 79 to 80.

Statement of comprehensive income

for the year ended 31 March

	Note	2013–14 £000	2012–13 £000
Income			
Interest and prizes financed by the NLF (excluding revaluation of embedded derivatives)		2,010,601	2,277,476
(Loss)/Gain on revaluation of embedded derivatives		(15,651)	10,813
Interest and prizes financed by the NLF		1,994,950	2,288,289
Cost			
Interest and prizes earned by investors (excluding revaluation of embedded derivatives)		(2,010,601)	(2,277,476)
Gain/(Loss) on revaluation of embedded derivatives		15,651	(10,813)
Interest and prizes earned by investors	2	(1,994,950)	(2,288,289)
Income less cost		–	–

The notes on pages 86 to 97 form part of these accounts.

An analysis of interest and prizes by product is disclosed in note 2.

Statement of financial position

as at 31 March

	Note	2014 £000	2013 £000
Current assets			
Held by the NLF	4	105,060,830	101,585,990
Other receivables	5	152,908	158,490
Cash and cash equivalents	9	452,882	500,820
Total current assets	10	105,666,620	102,245,300
Current liabilities			
Liability to investors	6	(105,662,675)	(102,146,244)
Other payables	7	(3,945)	(7,494)
Total current liabilities		(105,666,620)	(102,153,738)
Net current assets		**–**	**91,562**
Non-current liabilities			
Liability to investors	6	–	(91,562)
Total non-current liabilities		–	**(91,562)**
Assets less liabilities		–	–

The notes on pages 86 to 97 form part of these accounts.

Jane Platt

Jane Platt
Chief Executive
National Savings and Investments
4 June 2014

Statement of cash flows

for the year ended 31 March

	Note	2013–14 £000	2012–13 £000
Cash flows from operating activities			
Income less cost		–	–
(Increase)/Decrease in net funds held by the NLF	8	(3,471,366)	846,760
(Decrease) in amortisation of Guaranteed Equity Bonds' principal liabilities	4	(3,474)	(5,548)
Decrease/(Increase) in other receivables	5	5,582	(54,409)
Increase/(Decrease) in total funds invested	2	3,424,869	(665,578)
(Decrease)/Increase in other payables	7	(3,549)	1,036
Net cash flow from operating activities		(47,938)	122,261
Net (Decrease)/Increase in cash and cash equivalents in the period	9	(47,938)	122,261
Cash and cash equivalents at beginning of the period	9	500,820	378,559
Cash and cash equivalents at end of the period	9	**452,882**	**500,820**

The notes on pages 86 to 97 form part of these accounts.

3 Product Accounts 2013–14

Notes to the accounts

1 Statement of accounting policies

These accounts are prepared in accordance with the Government 2013–14 *Financial Reporting Manual* (FReM) issued by HM Treasury subject to exemptions outlined in clause 3 of the Product Accounts direction issued by HM Treasury, which is disclosed at Annex 1. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of NS&I for the purpose of giving a true and fair view has been selected. The particular policies adopted by NS&I for the Product Accounts are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of embedded derivatives in Guaranteed Equity Bonds (GEBs).

1.2 Standards in issue but not in force

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for NS&I's accounting periods beginning on or after 1 April 2014. NS&I has not early adopted the standards, amendments and interpretations described below:

1.2.1 IFRS 9 – Financial instruments (effective from annual periods beginning on or after 1 January 2018)

IFRS 9 will replace IAS 39 – Financial instruments: recognition and measurement. IFRS 9 will address classification and measurement issues and impairments, in particular how impairments of financial assets should be calculated and recorded. The standard will address hedge accounting with more detailed guidance and principles on hedge accounting. In February 2014 the International Accounting Standards Board (IASB) amended the effective date and tentatively decided that the mandatory application of IFRS 9 would be no earlier than 1 January 2018.

1.2.2 IFRS 13 – Fair value measurement (consistent guidance on fair value measurement for all relevant balances and transactions covered by IFRS except where IFRS 13 explicitly states otherwise, effective for annual periods beginning on or after 1 April 2015)

The standard defines fair value, provides guidance on fair value measurement techniques and sets out disclosure requirements. The standard establishes a hierarchy for input quality: Level 1 inputs (highest quality) to Level 3 (lowest quality). NS&I will be required to use the most appropriate inputs available to them in determining fair value. The inference is that the higher the quality, the more appropriate the input. The application of IFRS 13 is subject to further review by HM Treasury and the other relevant authorities following a further due consultation process which took place in 2013. The new standard is not expected to have a significant impact on the Product Accounts as the disclosure requirements in IFRS 13 extend to other types of asset, those disclosures that already apply to financial instruments under IFRS 7, with which the Product Accounts comply.

1.2.3 Other amendments to the FReM

Other amendments to the FReM due to come into effect on or after 1 April 2014 are considered to have no impact on NS&I.

1.3 Interest and prizes recognition

Interest and prizes are earned by investors in accordance with the terms and conditions applicable to each product. Interest is recognised using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense over the expected life of a financial instrument.

Capitalised and accrued interest is included in interest and prizes payable to investors in the Statement of comprehensive income, and liability to investors in the Statement of financial position. Capitalised interest is interest that has been added to the customer's investment and may now be earning further interest in accordance with the terms and conditions of the product. Accrued interest is interest which has been earned but not yet capitalised. Interest, where applicable, is accrued from the date of funds received or most recent capitalisation to the end of the accounting period.

The monthly Premium Bond prizes are drawn on the first day of the following month. The prizes are accrued for Premium Bonds which are eligible and still held at the end of each month.

Interest has been recognised and disclosed in accordance with IAS 18 and IAS 1 in these accounts.

1.4 Financed by the NLF

The interest and prizes payable to investors are funded by the NLF. The accounting policy for the NLF interest and prizes is as outlined in note 1.3.

1.5 Cash and cash equivalents

Cash and cash equivalents include cash at bank and amounts due from banks with an original maturity of less than three months.

1.6 Financial liabilities

Financial liabilities primarily comprise the deposits and investments made by customers in NS&I's products. All financial liabilities are measured at amortised cost using the effective interest method, with the exception of GEB embedded derivatives which are measured at fair value, with the movements recognised through the Statement of comprehensive income. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest income over the relevant period up to the date of maturity. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial liability or, where appropriate, a shorter period. Financial liabilities include other payables. Financial liabilities are derecognised when the obligation is discharged.

A receipt from an investor is recognised as a liability when NS&I or one of its agents receives a payment instrument for a valid investment. Repayments to investors are recognised as a reduction in the liability to the investor on the date of the payment instrument. Where payment instruments are not cashed by the investor within their stipulated time limit, the liability to the investor is reinstated.

If an investor decides to reinvest funds in the same or another product, this is termed a reinvestment and is recognised as a payment and new receipt. An automatic or default roll-over of funds within the same product, which requires no action by the investor, is not recognised as a payment or receipt. The undiscounted maturity profiles for the total liability for all products are disclosed in note 12.

1.7 Relationship with the NLF

NS&I is the Government's retail savings agency. All funds from investors are payable to the NLF, and all liabilities to investors are discharged from funds payable by the NLF, on a statutory basis. Risks relating to liabilities to investors are met wholly by the NLF. Further, the Product Accounts present only a part of the Government's overall financing requirement managed by HM Treasury through the NLF, and which is financed ultimately from the Government's tax revenues or borrowings.

Due to the nature of these arrangements, some of the risk management and capital disclosure requirements of IFRS 7 are not applicable to these accounts. The risk management disclosure requirements of IFRS 7 comprise qualitative and quantitative disclosures that show the extent of risks arising from financial instruments and how that risk is managed by an entity during the period and at the reporting date. The capital disclosures of IFRS 7 are disclosures that enable users of financial statements to evaluate the significance of financial instruments for an entity's financial position and performance.

The analysis of the total funds held or financed by the NLF (note 4) does not equal the total funds invested by product (note 6), i.e. liability to investors. This is due to timing differences in the flow of funding and defunding movements between NS&I, its agents, the Government Banking Service and the NLF (via HM Treasury's bank account at the Bank of England). This difference is represented by net cash plus receivables minus other payables.

1.8 Financial assets

Financial assets comprise the loan with the NLF and other receivables, based on deposits and investments made by customers. On initial recognition, financial assets are classified as loans and receivables.

Loans and receivables are assets with fixed or determinable repayments that are not quoted in an active market. Loans and receivables are initially recognised at fair value. Due to the agency nature of the business, the loan with the NLF is derived from the value of the financial liabilities upon which it is based (see note 1.6).

Derecognition of financial assets only occurs when NS&I transfers both its contractual right to receive cash flows from the financial assets and substantially all of the risks and rewards of ownership.

1.9 Derivative financial instruments

A derivative embedded in a product is accounted for as a stand-alone derivative if it is not closely related to the product. It is recognised initially, and subsequently measured, at fair value. Gains and losses arising from changes in the fair value of a derivative are recognised in the Statement of comprehensive income.

In March 2002, NS&I began to issue GEBs in partnership with the DMO. GEBs include an embedded equity derivative, which is exposed to equity index risk and interest rate risk over the life of each of the GEB issues. The equity index exposure is hedged by the DMO and these risks do not fall on NS&I as they are underwritten by HM Treasury.

The GEB embedded derivative is an Asian option on the FTSE 100. The value is determined by the use of a local volatility model, which includes the following standard factors for options: FTSE 100 strike; FTSE dividend yield; time to maturity; implied FTSE volatility; and the risk-free yield. Note 14 details the fair value hierarchy disclosures.

The gains and losses on revaluation of GEB embedded derivatives are equal and opposite on the Statement of comprehensive income due to the agency nature of the business. The gains or losses are passed on to both the NLF and the investors.

2 Transactions with investors by product

2(a) Current year

	Received from investors	Interest and prizes earned by investors	Paid to investors including tax deducted at source	Transfer to Residual Account	Increase/ (Decrease) in investors' funds	Invested 31 March 2014
	£000	£000	£000	£000	£000	£000
Capital Bonds	–	–	–	(698)	(698)	–
Children's Bonds	15,913	21,912	(156,619)	(37,399)	(156,193)	787,710
Direct Saver	2,886,408	52,959	(2,015,084)	–	924,283	4,614,321
First Option Bonds	–	–	–	(192)	(192)	–
Guaranteed Equity Bonds	–	5,687	(116,870)	–	(111,183)	96,506
Guaranteed Income Bonds and Guaranteed Growth Bonds	181,898	161,709	(792,346)	(1,334)	(450,073)	5,173,534
Income Bonds	3,805,050	133,595	(2,222,720)	–	1,715,925	9,671,488
Individual Savings Account	842,043	64,427	(803,097)	–	103,373	3,360,708
Investment Account	203,171	22,825	(482,241)	–	(256,245)	2,951,314
Pensioners' Guaranteed Income Bonds	(7)	–	–	(2,777)	(2,784)	–
Premium Bonds	8,042,286	626,196	(6,120,796)	–	2,547,686	48,306,707
Residual Account	36,665	532	(101,255)	44,754	(19,304)	608,075
Savings Certificates	350,162	905,108	(2,122,642)	(2,354)	(869,726)	30,092,312
Total	**16,363,589**	**1,994,950**	**(14,933,670)**	**–**	**3,424,869**	**105,662,675**

Amounts received from investors includes cash received in the period plus reinvestments into the same or another product due to an investor instruction. It excludes automatic or default roll-overs within the same product that require no action from an investor. The (£7,000) in Pensioners' Guaranteed Income Bonds, received from investors, relates to a payment returned to a customer.

Amounts paid to investors includes both capital and interest payments.

First Option Bonds, Guaranteed Income Bonds and Guaranteed Growth Bonds are the only products that have tax deducted at source. The total tax deducted in 2013–14 was £33,860,000 (2012–13: £37,710,000).

The GEB interest earned figure includes a revaluation loss arising from a decrease in fair value of the embedded derivative in 2013–14 of £15,651,000 (2012–13: increase £10,813,000) and equity linked payments to customers in 2013–14 of £21,338,000 (2012–13: £269,000).

During the year, any unclaimed funds were transferred to the Residual Account from the following closed products: Capital Bonds, First Option Bonds and Pensioners' Guaranteed Income Bonds.

2(b) Prior year

	Received from investors £000	Interest and prizes earned by investors £000	Paid to investors including tax deducted at source £000	Transfer to Residual Account £000	Increase/ (Decrease) in investors' funds £000	Invested 31 March 2013 £000
Capital Bonds	–	4,166	(233,863)	(20,663)	(250,360)	698
Children's Bonus Bonds	24,666	29,564	(180,390)	(99,112)	(225,272)	943,903
Direct Saver	1,953,211	51,775	(1,377,220)	–	627,766	3,690,038
Easy Access Savings Account	41,760	1,223	(680,138)	(268,530)	(905,685)	–
First Option Bonds	–	241	(52,384)	–	(52,143)	192
Guaranteed Equity Bonds	–	11,082	(51,814)	–	(40,732)	207,689
Guaranteed Income Bonds and Guaranteed Growth Bonds	626,827	184,914	(1,024,662)	(2,671)	(215,592)	5,623,607
Income Bonds	1,192,280	134,263	(1,353,989)	–	(27,446)	7,955,563
Individual Savings Account	445,177	67,666	(597,149)	–	(84,306)	3,257,335
Investment Account	235,593	23,101	(817,342)	–	(558,648)	3,207,559
Pensioners' Guaranteed Income Bonds	7	5,547	(285,218)	(5,894)	(285,558)	2,784
Premium Bonds	6,676,098	662,718	(5,718,515)	–	1,620,301	45,759,021
Residual Account	102,170	549	(355,418)	415,352	162,653	627,379
Savings Certificates	460,475	1,111,480	(1,984,029)	(18,482)	(430,556)	30,962,038
Total	**11,758,264**	**2,288,289**	**(14,712,131)**	**–**	**(665,578)**	**102,237,806**

The Easy Access Savings Account closed at the end of July 2012 and prior to this customers were encouraged to reinvest in Direct Saver. The transfer of £268,530,000 to the Residual Account represented the amount that had not been withdrawn or reinvested in any NS&I product at the end of July 2012. The bulk of these funds was paid out at the start of August 2012 and only a small amount of these funds remains unclaimed as part of the Residual Account balance.

Children's Bonus Bonds were renamed Children's Bonds during 2012–13 to reflect changes in the way interest would be earned on new issues and any matured bonds being renewed for a further term.

3 Interest and prizes

	Note	2013–14 £000	2012–13 £000
Total interest and prizes earned in year	2	(1,994,950)	(2,288,289)
Add accrued interest and prizes opening balance		(928,417)	(947,224)
Less interest capitalised in year		1,611,337	1,510,323
Less interest and prizes paid in year		656,175	800,669
Add movements in out of date warrants/outstanding prizes in year		(14,330)	(3,896)
Accrued interest and prizes at 31 March	6	**(670,185)**	**(928,417)**

This table reconciles the interest and prizes earned in note 2 with those accrued in note 6.

4 Amounts held by the NLF

	Note	2013–14 £000	2012–13 £000
As at 1 April		101,585,990	102,427,202
Interest and prizes financed by the NLF		1,994,950	2,288,289
Received from the NLF	8	(14,290,727)	(13,778,655)
Paid to the NLF	8	15,767,143	10,643,606
Net funds held by the NLF		105,057,356	101,580,442
Amortisation movements of GEB principal liabilities		3,474	5,548
As at 31 March		**105,060,830**	**101,585,990**

The amount held by the NLF includes interest and prizes accrued in 2013–14 of £599,921,000 (2012–13: £858,743,000).

The difference in the amounts held by the NLF and the total amount invested (note 2) is explained in note 1.7.

5 Other receivables

	2014 £000	2013 £000
Agents	109,320	129,229
Post Office	43,562	27,485
Other receivables	26	1,776
Total	**152,908**	**158,490**

Changes were made to the Post Office partnership during 2012–13. Prior to September 2012, a range of NS&I products were distributed by the Post Office, which provided counter and brochure pick-up services for customers across its UK network. As part of our direct channels strategy, the only product now available for purchase at the Post Office is Premium Bonds. The ‘Our customers’ section in the Annual Report provides more detail.

NS&I also uses agents, such as Barclays Merchant Acquirer, to process debit card transactions.

6 Liability to investors

6(a) Current year

	Principal liability £000	Accrued interest and prizes £000	Liability 31 March 2014 £000
Current liabilities			
Children's Bonds	768,002	19,708	787,710
Direct Saver	4,614,321	–	4,614,321
Guaranteed Equity Bonds	72,534	23,972	96,506
Guaranteed Income Bonds and Guaranteed Growth Bonds	5,137,277	36,257	5,173,534
Income Bonds	9,650,056	21,432	9,671,488
Individual Savings Account	3,299,324	61,384	3,360,708
Investment Account	2,945,891	5,423	2,951,314
Premium Bonds	48,199,445	107,262	48,306,707
Residual Account	605,511	2,564	608,075
Savings Certificates	29,700,129	392,183	30,092,312
	104,992,490	**670,185**	**105,662,675**
Non-current liabilities	**–**	**–**	**–**
Total liability to investors	**104,992,490**	**670,185**	**105,662,675**

Principal liability comprises initial investment plus capitalised interest that has been added to the holding where applicable. Accrued interest and prizes comprise only interest and prizes earned that have not been paid out or capitalised and added to the holding. The accrued interest disclosed above (£670,185,000) is accrued interest in respect of the principal liability to investors. Note 4 discloses accrued interest (£599,921,000) in respect of balances held by the NLF. The difference between these amounts is due to outstanding interest liabilities (£70,264,000) which have been drawn down from the NLF and are pending settlement, such as prizes and interest warrants.

All products are payable on demand and therefore are classified as current liabilities, except for GEBs, which have a five-year term and repay at maturity. There are no non-current liabilities as all remaining GEB issues mature during 2014–15.

The GEB accrued interest figure of £23,972,000 (2013: £39,623,000) represents the fair value of the embedded derivative contained within the GEB products. The GEB principal liability is amortised using the effective interest method as described in note 1.6.

As described in note 2, any unclaimed funds from the following closed products were transferred during the year to the Residual Account: Capital Bonds, First Option Bonds and Pensioners' Guaranteed Income Bonds.

6(b) Prior year

	Principal liability £000	Accrued interest and prizes £000	Liability 31 March 2013 £000
Current liabilities			
Capital Bonds	698	–	698
Children's Bonds	915,102	28,801	943,903
Direct Saver	3,690,038	–	3,690,038
First Option Bonds	192	–	192
Guaranteed Equity Bonds	96,554	19,573	116,127
Guaranteed Income Bonds and Guaranteed Growth Bonds	5,579,303	44,304	5,623,607
Income Bonds	7,931,979	23,584	7,955,563
Individual Savings Account	3,192,829	64,506	3,257,335
Investment Account	3,201,651	5,908	3,207,559
Pensioners' Guaranteed Income Bonds	454	2,330	2,784
Premium Bonds	45,649,052	109,969	45,759,021
Residual Account	626,845	534	627,379
Savings Certificates	30,353,180	608,858	30,962,038
	101,237,877	**908,367**	**102,146,244**
Non-current liabilities			
Guaranteed Equity Bonds	71,512	20,050	91,562
	71,512	**20,050**	**91,562**
Total liability to investors	**101,309,389**	**928,417**	**102,237,806**

7 Other payables

	2014 £000	2013 £000
NLF	137	99
HM Revenue and Customs	118	151
Other payables including sales repayments and evidence of identity repayments	3,690	7,244
Total	**3,945**	**7,494**

8 Movement in net funds held by the NLF

	2013–14 £000	2012–13 £000
Received from the NLF	14,290,727	13,778,655
Paid to the NLF	(15,767,143)	(10,643,606)
Net NLF (inflow)/outflow	(1,476,416)	3,135,049
Interest and prizes payable to investors	(1,994,950)	(2,288,289)
(Increase)/decrease in net funds held by the NLF	**(3,471,366)**	**846,760**

Cash received from investors is not invested by NS&I but is passed daily to the NLF for all products. Cash is drawn from the NLF for payments to investors as and when required.

9 Cash and cash equivalents

	2013–14 £000	2012–13 £000
Balance at 1 April	500,820	378,559
Net change in cash and cash equivalent balances	(47,938)	122,261
Closing balance	**452,882**	**500,820**
The following balances at 31 March are held at:		
Bank of England	486,643	544,322
Government Banking Service (items in transit)	(33,761)	(43,502)
Balance at 31 March	**452,882**	**500,820**

10 Categorisation of financial assets and liabilities

	Note	2014 £000	2013 £000
Assets			
Financial assets measured at fair value through the Statement of comprehensive income	14	23,972	39,623
Loans and receivables		105,189,766	101,704,857
Cash and cash equivalents		452,882	500,820
Total		**105,666,620**	**102,245,300**
Liabilities			
Financial liabilities measured at fair value through the Statement of comprehensive income	14	(23,972)	(39,623)
Financial liabilities measured at amortised cost		(105,642,648)	(102,205,677)
Total		**(105,666,620)**	**(102,245,300)**

11 Market, liquidity and credit risk

NS&I is an Executive Agency of the Chancellor of the Exchequer. NS&I's principal activity is to finance a part of the Government's borrowing by selling savings and investment products to retail savers and investors. Monies received by NS&I are passed to the NLF, which guarantees to honour the product terms and conditions in the form of a 100% HM Treasury guarantee.

NS&I's banking services provider is the Government Banking Service (GBS). GBS has contracted the Royal Bank of Scotland Group (RBSG) and Citigroup to provide transaction processing services for NS&I. Monies held at RBSG and Citigroup are transferred to the Government's accounts at the Bank of England during, and/or at the end of, each day to mitigate credit risks to both NS&I and HM Treasury. In the event that either of the banks were unable to meet their obligations, HM Treasury would step in to provide NS&I with the necessary funds to meet its liabilities to investors as part of the HM Treasury underwritten guarantees. Therefore, NS&I does not face any material credit risk. Credit risk relating to the agents and other debtors is not material and is mitigated by the short settlement periods which are typically less than seven days.

NS&I has no liquidity risk in respect of customer sales and repayments, as liquidity risk is managed through a main bank account held at the Bank of England and linked to the Ways and Means account at the NLF to ensure a smooth flow of funds between the NLF and NS&I. Interest rate risk belongs to the UK Government and is managed by the NLF in conjunction with the DMO. There is no currency exposure, as all assets and liabilities are denominated in sterling.

12 Product maturity profile

12(a) Current year

All products are repayable on demand, except for GEB products, which are repayable at maturity. As required by IFRS 7, the undiscounted maturity profile for the total liability for all products is as follows:

	2013–14 Variable rate, prize-based and index-linked products £000	2013–14 Fixed rate products £000	2013–14 Non-interest bearing products £000	2013–14 Total £000
Maturing in one year or less or repayable on demand	95,381,556	10,214,153	67,613	105,663,322
Total	**95,381,556**	**10,214,153**	**67,613**	**105,663,322**

There are no products maturing in more than one year.

Variable rate products include Guaranteed Equity Bonds, Direct Saver, Income Bonds, Investment Account and Residual Account. Other products are prize-based Premium Bonds and Index-linked Savings Certificates.

Fixed rate products include Children's Bonds, Guaranteed Growth Bonds, Guaranteed Income Bonds and Fixed Interest Savings Certificates.

Non-interest bearing products are historical balances on products which have been closed and maturities which are temporarily awaiting customer instruction.

12(b) Prior year

	2012–13 Variable rate, prize-based and index-linked products £000	2012–13 Fixed rate products £000	2012–13 Non-interest bearing products £000	2012–13 Total £000
Maturing in one year or less or repayable on demand	90,900,449	11,197,566	49,308	102,147,323
Maturing in more than one year but not more than two years	93,768	–	–	93,768
Total	**90,994,217**	**11,197,566**	**49,308**	**102,241,091**

There are no products maturing in more than two years.

Variable rate products include Guaranteed Equity Bonds, Direct Saver, Income Bonds, Investment Account and Residual Account. Other products are prize-based Premium Bonds and Index-linked Savings Certificates.

Fixed rate products include Children's Bonds, First Option Bonds, Guaranteed Growth Bonds, Guaranteed Income Bonds, Pensioners' Guaranteed Income Bonds and Fixed Interest Savings Certificates.

Non-interest bearing products are historical balances on products which have been closed and maturities which are temporarily awaiting customer instruction.

13 Fair values of assets and liabilities

13(a) Current year

	2014 Total per accounts £000	2014 Fair value £000
Assets		
Held by the NLF – all products apart from GEB	104,964,574	105,231,799
Held by the NLF – GEB	96,256	96,820
Cash and cash equivalents	452,882	452,882
Other receivables	152,908	152,908
Total	**105,666,620**	**105,934,409**
Liabilities		
Fixed rate products	(10,214,153)	(10,481,378)
GEB	(96,506)	(97,070)
Variable rate products – apart from GEB	(95,284,403)	(95,284,403)
Non-interest bearing products	(67,613)	(67,613)
Other payables	(3,945)	(3,945)
Total	**(105,666,620)**	**(105,934,409)**

13(b) Prior year

	2013 Total per accounts £000	2013 Fair value £000
Assets		
Held by the NLF – all products apart from GEB	101,379,396	101,869,716
Held by the NLF – GEB	206,594	206,487
Cash and cash equivalents	500,820	500,820
Other receivables	158,490	158,490
Total	**102,245,300**	**102,735,513**
Liabilities		
Fixed rate products	(11,197,566)	(11,687,887)
GEB	(207,689)	(207,581)
Variable rate products – apart from GEB	(90,783,243)	(90,783,243)
Non-interest bearing products	(49,308)	(49,308)
Other payables	(7,494)	(7,494)
Total	**(102,245,300)**	**(102,735,513)**

Note 12 states which products are in each of the above categories.

There is no material difference between the carrying value and the fair value of the variable rate products, non-interest bearing products, other payables and receivables. The variable rate products in the fair value table include all variable rate, prize-based and index-linked products apart from the GEB product which has been disclosed separately. The rates for variable rate products are determined by our operating framework and are closely linked to current retail savings rates, therefore they are deemed to be at fair value. The fixed rate products are products with rates being fixed for the duration of the products' term. The fair value of the fixed rate products is derived by discounting future expected cash flows using relevant gilt rates. Any impact of early repayments is ignored, as their impact is immaterial. Subject to timing differences the fair value of the assets held by the NLF is a mirror of the related liabilities which it guarantees.

The fair value of the GEB product is the total of the fair value of the embedded derivative and the fair value of the related host contract. The fair value of the embedded derivative is calculated by an independent specialist company and provided to NS&I by the DMO. The fair value of the host contract is derived by discounting future expected cash flows at an appropriate zero coupon bond rate. The impact of early repayments on the GEB product has proved to be immaterial, and therefore does not impact on the fair values shown. For each GEB issue, a matched hedge is taken out by the DMO to hedge HM Government's overall exposure.

14 Fair values hierarchy disclosures

IFRS 7 requires financial instruments measured at fair value to be classified into hierarchy levels, which are based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy levels are as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or the liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table presents financial assets and liabilities measured at fair value in the Statement of financial position in accordance with the fair value hierarchy.

	Level 2 2014 £000	Total 2014 £000	Level 2 2013 £000	Total 2013 £000
Assets				
GEB embedded derivative [1]	23,972	23,972	39,623	39,623
	23,972	**23,972**	**39,623**	**39,623**
Liabilities				
GEB embedded derivative [1]	(23,972)	(23,972)	(39,623)	(39,623)
	(23,972)	**(23,972)**	**(39,623)**	**(39,623)**

(1) GEB embedded derivative

When active market prices are not available (for example, for the equity leg of equity index/interest rate swaps), fair values are determined by using valuation techniques that refer to observable market data. Such instruments are classified as Level 2 in the fair value hierarchy defined by IFRS 7. Note 1.9 contains further details of how the fair value of the GEB embedded derivative is calculated.

15 Related party transactions

NS&I is an Executive Agency of the Chancellor of the Exchequer. The Chancellor of the Exchequer is regarded as a related party. NS&I has not undertaken any material transactions with the Chancellor of the Exchequer during the year.

The DMO, NLF and HM Treasury are related parties. NS&I's relationships with these parties are mentioned in the 'Product Accounts background' and the governance statement. In addition, note 4 contains details of the NLF transactions. The Post Office was a major distributor of Premium Bonds during the year and, as a public body, the Post Office is a related party. NS&I had a significant number of transactions with the Post Office during the accounting period in relation to sales received from investors. Repayments are no longer made to investors through Post Office channels. The total amount received from the Post Office during 2013–14 was £2.18 billion (2012–13: £2.14 billion) and the total amount transferred to the Post Office for repayment during 2013–14 was nil (2012–13: £0.04 billion). The outstanding amount due from the Post Office at 31 March 2014 is £43.56 million (2013: £27.48 million).

NS&I has carried out transactions with HM Revenue and Customs (HMRC) on behalf of investors, in respect of tax deducted at source (2013–14: £33.88 million, 2012–13: £37.58 million) on interest earned on First Option Bonds, Guaranteed Income Bonds and Guaranteed Growth Bonds. The outstanding tax due to HMRC at 31 March 2014 is £0.12 million (2013: £0.15 million). In this regard as a public body, HMRC is a related party.

Neither the Economic Secretary to HM Treasury nor the Financial Secretary to HM Treasury (from October 2013), nor any board member, nor any key manager or other related party has undertaken any material transactions with NS&I during the year. Investments in NS&I products by members of staff are not considered to be related party transactions and are therefore excluded from this declaration. Ministers, board members and key managers are judged to be related parties as they have authority and responsibility for planning, directing and controlling the activities of the entity.

The deposits of Executive and Non-executive Directors, with the exception of Premium Bonds, are disclosed on page 73 of this Annual Report and Accounts and Product Accounts.

16 Events after the reporting period date

There are no reportable events between the Statement of financial position date and 5 June 2014, the date on which these accounts are authorised. The financial statements do not reflect events after that date.

Annex 1: Product Accounts direction

ACCOUNTS DIRECTION GIVEN BY HM TREASURY IN ACCORDANCE WITH SECTION 7(2) OF THE GOVERNMENT RESOURCES AND ACCOUNTS ACT 2000

1. This direction applies to the Department of National Savings and Investments.

2. The Department of National Savings and Investments shall prepare accounts for its Product Accounts for the year ending 31 March 2014 (and each subsequent financial year) that give a true and fair view of the state of affairs of the Product Accounts at the reporting date and of their income and expenditure and cash flows for the year then ended.

3. The accounts shall be prepared in accordance with applicable accounting standards, and shall be consistent with relevant requirements of the extant Government *Financial Reporting Manual* (FReM) except to the extent set out below:

   a. a Statement of Comprehensive Income shall be prepared instead of a Statement of Comprehensive Net Expenditure; and

   b. the Statement of Parliamentary Supply and the Statement of Changes in Taxpayers' Equity are not relevant to the Product Accounts.

4. Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed in the first instance with the Treasury.

5. This Accounts Direction shall be reproduced as an Appendix to the Product Accounts.

6. This Accounts Direction supersedes all previous directions.

Ross Campbell
Deputy Director, Government Financial Reporting
HM Treasury
12 February 2014

Annex 2: Departmental Report information

The 2013–14 Departmental Report information shown in the tables below is not consistent with the information shown in the 2013–14 Accounts. As a result there is no direct link to the Statement of comprehensive net expenditure found in the Accounts.

The differences in the information below and the Accounts are as a result of HM Treasury guidance on Departmental Report content leading to a divergence of treatment of a number of items in departmental budgets, Supply Estimates and the Accounts.

The main difference is that departmental budgets are not adjusted for IFRS and hence they do not reflect the assets brought onto the Statement of financial position following the application of the HM Treasury adaptation of IFRIC 12 – Service concession arrangements. The Departmental Report tables provide information on NS&I's expenditure within resource and capital DEL and resource AME limits. Table 1: Total departmental spending does not include any spending that is classified as non-budget.

There are also further differences brought about by treatments in HM Treasury's required budgetary framework which are not used in the IFRS accounts. The main items of this type are shown below:

- Creation and increases in provisions are within the resource AME limit and also in programme costs.
- Cash payments related to paying off the obligation recognised by a provision are transferred from resource AME to resource DEL. These payments are not recognised as costs in the Accounts.
- Revaluations to properties owned by NS&I are accounted for in resource AME and also in programme costs.
- IFRIC 12 adjustments for depreciation, impairment of assets and transfers to IFRIC 12 capital are accounted for under non-budget and programme costs. They do not feature in the Departmental Report tables.

The above treatments have been used for the figures shown in each year of the Departmental Report and also to plans for 2014–15 to 2015–16. As a result the data shown in this Departmental Report does not directly reconcile to the Accounts.

Table 1: Total departmental spending

	Outturn 2009–10 £000	Outturn 2010–11 £000	Outturn 2011–12 £000	Outturn 2012–13 £000	Outturn 2013–14 £000	Plans 2014–15 £000	Plans 2015–16 £000
Resource DEL							
Section A: Administration	179,189	169,103	172,465	167,203	146,990	195,370	148,420
Total resource DEL	**179,189**	**169,103**	**172,465**	**167,203**	**146,990**	**195,370**	**148,420**
of which:							
Pay	9,514	9,770	9,695	10,350	11,327	11,500	11,600
Net current procurement (1)	167,696	157,545	160,348	154,231	132,978	180,357	133,300
Current grants and subsidies to the private sector and abroad	–	–	–	–	–	–	–
Current grants to local government	–	–	–	–	–	–	–
Depreciation (2)	1,211	1,026	1,563	1,809	1,872	2,700	2,700
Other	768	762	859	813	813	813	820
Resource AME							
Section B: Administration	1,502	3,747	639	1,181	347	5,300	5,300
Total resource AME	**1,502**	**3,747**	**639**	**1,181**	**347**	**5,300**	**5,300**
of which:							
Pay							
Net current procurement (1)	–	–	–	–	–	–	–
Current grants and subsidies to the private sector and abroad	–	–	–	–	–	–	–
Current grants to local government	–	–	–	–	–	–	–
Net public service pensions (3)	–	–	–	–	–	–	–
Take-up of provisions	93	480	(107)	6	–	300	300
Release of provisions	(277)	(392)	(198)	(16)	(77)	–	–
Depreciation (2)	1,686	3,659	944	1,191	424	5,000	5,000
Other	–	–	–	–	–	–	–
Total resource budget	**180,691**	**172,850**	**173,104**	**168,384**	**147,337**	**200,670**	**153,720**
of which:							
Depreciation	2,897	4,685	2,507	3,000	2,296	7,700	7,700

Table 1: Total departmental spending (continued)

	Outturn 2009–10 £000	Outturn 2010–11 £000	Outturn 2011–12 £000	Outturn 2012–13 £000	Outturn 2013–14 £000	Plans 2014–15 £000	Plans 2015–16 £000
Capital DEL							
Section A: Administration	4,991	1,415	191	34	1,517	273	273
Total capital DEL	**4,991**	**1,415**	**191**	**34**	**1,517**	**273**	**273**
of which:							
Net capital procurement (4)	4,991	1,415	191	34	1,517	273	273
Capital grants to the private sector and abroad	–	–	–	–	–	–	–
Capital support for local government	–	–	–	–	–	–	–
Capital support for public corporations	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–
Capital AME							
Total capital AME	**–**	**–**	**–**	**–**	**–**	**–**	**–**
of which:							
Capital grants to the private sector and abroad	–	–	–	–	–	–	–
Net lending to the private sector	–	–	–	–	–	–	–
Capital support for public corporations	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–
Total capital budget	**4,991**	**1,415**	**191**	**34**	**1,517**	**273**	**273**
Total departmental spending (5)	**182,785**	**169,580**	**170,788**	**165,418**	**146,558**	**193,243**	**146,293**
of which:							
Total DEL	181,283	165,833	170,149	164,237	146,211	187,943	140,993
Total AME	1,502	3,747	639	1,181	347	5,300	5,300

(1) Net of income from sales of goods and services.

(2) Includes impairments.

(3) Pension schemes report under IAS 19 accounting requirements. The figures therefore include cash payments made and contributions received, as well as certain non-cash items.

(4) Expenditure on tangible and intangible fixed assets net of sales.

(5) Total departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly, total DEL is the sum of the resource budget DEL and capital budget DEL less depreciation in DEL, and total AME is the sum of resource budget AME and capital budget AME less depreciation in AME.

Table 2: Public spending control

	Supply estimate					Winter supplementary			Final provision	Final outturn	Differences
	Admin £000	Other current £000	Gross total £000	A in A £000	Net total £000	Change in gross provision £000	Change in A in A £000	Change in net provision £000	£000	£000	£000
Resources											
Spending in DEL	171,200	–	171,200	(19,585)	151,615	17,000	(18,500)	(1,500)	150,115	146,990	3,125
Spending in AME	–	5,300	5,300	–	5,300	–	–	–	5,300	347	4,953
	171,200	**5,300**	**176,500**	**(19,585)**	**156,915**	**17,000**	**(18,500)**	**(1,500)**	**155,415**	**147,337**	**8,078**

	Supply estimate	Winter supplementary			Final provision	Final outturn	Differences
	Capital £000	Change in gross provision £000	Change in A in A £000	Change in net provision £000	£000	£000	£000
Capital							
Spending in DEL	215	1,500	–	1,500	1,715	1,517	198

Table 3: NS&I capital employed

	Outturn 2009–10 £000	Outturn 2010–11 £000	Outturn 2011–12 £000	Outturn 2012–13 £000	Outturn 2013–14 £000	Plans 2014–15 £000	Plans 2015–16 £000
Assets on balance sheet at end of year							
Non-current assets							
Intangible	38,371	55,726	66,915	65,704	50,645	37,500	33,500
Property, plant and equipment	40,539	38,877	28,677	23,231	20,281	12,900	11,700
of which:							
Land and buildings	27,642	23,819	18,210	14,643	11,959	2,000	2,000
Information technology	9,793	12,383	8,281	6,638	4,662	8,000	7,000
Plant and machinery	634	435	39	26	214	400	400
Furniture and fittings	2,470	2,240	2,147	1,924	2,700	2,500	2,300
Assets under construction	–	–	–	–	746	–	–
Other receivables	–	–	5,245	4,371	–	–	–
Current assets	855	4,525	340,297	179,944	23,318	20,300	4,000
Creditors <1 year	(34,146)	(31,330)	(378,201)	(201,837)	(41,830)	(30,500)	(16,000)
Provisions <1 year	(287)	(424)	(126)	(132)	(56)	–	–
Creditors >1 year	(2,532)	(7,616)	(20,832)	(15,486)	(4,601)	(460)	(340)
Provisions >1 year	(72)	(23)	(16)	–	–	–	–
Capital employed within main department	**42,728**	**59,735**	**41,959**	**55,795**	**47,757**	**39,740**	**32,860**

Table 4: Administration budget

	Outturn 2009–10 £000	Outturn 2010–11 £000	Outturn 2011–12 £000	Outturn 2012–13 £000	Outturn 2013–14 £000	Plans 2014–15 £000	Plans 2015–16 £000
Section A: Administration	179,189	169,103	172,465	167,203	146,990	195,370	148,420
Total administration budget	**179,189**	**169,103**	**172,465**	**167,203**	**146,990**	**195,370**	**148,420**
of which:							
Pay	9,514	9,770	9,695	10,350	11,327	11,500	11,600
Expenditure	175,507	171,089	194,025	188,738	175,198	216,567	180,120
Income	(5,832)	(11,756)	(31,255)	(31,885)	(39,535)	(32,697)	(43,300)

Table 5: NS&I staff numbers

Staff numbers at:	1 April 2009	1 April 2010	1 April 2011	1 April 2012	1 April 2013	1 April 2014[(1)]
Permanent	141	143	140	140	170	164
Others	6	13	17	15	25	14
Total	**147**	**156**	**157**	**155**	**195**	**178**

(1) The staff numbers shown in the table above for 1 April 2014 do not agree with the table in note 2 of the Accounts. The figures in the Accounts are calculated by averaging the staff numbers over the year while the numbers above are shown on spot dates.

Table 6: NS&I consultancy and professional services

	Outturn 2009–10 £000	Outturn 2010–11 £000	Outturn 2011–12 £000	Outturn 2012–13 £000	Outturn 2013–14 £000
Consultancy services	1,903	1,435	1,776	1,742	789
Professional services	4,186	5,687	7,846	7,516	6,222
Contract staff	717	491	1,795	1,143	451
Other services	1,463	1,656	1,476	1,544	1,920
Total	**8,269**	**9,269**	**12,893**	**11,945**	**9,382**

Glossary

Accounting Officer
A person appointed by HM Treasury or designated by a department to be accountable for the operations of an organisation and the preparation of its accounts. The appointee is, by convention, usually the head of a department or other organisation or the Chief Executive.

Accrued interest
Interest earned by the customer that has not yet been paid out or capitalised.

Annually Managed Expenditure (AME)
Spending which does not fall within Departmental Expenditure Limits (DEL). Expenditure in AME is generally less predictable and controllable than expenditure in DEL.

Appropriations in aid (A in A)
Income received by a government department which it is authorised to retain to finance related expenditure. Such income is voted by Parliament and accounted for in departmental accounts.

Basis point
This is one-hundredth of a percentage point (0.01%).

Bonds
Apart from specific bonds issued by NS&I, a bond is another name given to fixed-term securities, including those issued by governments.

Capitalised interest
Interest that has been added to the customer's investment and may now be earning further interest in accordance with the terms and conditions of the product.

Consolidated Fund
The Consolidated Fund is the Government's general bank account for revenue and expenditure. It is held at the Bank of England.

Contact Centre Association (CCA)
The Contact Centre Association is the leading independent authority on customer contact strategies and operations. It offers accreditation under the CCA Global Standard© – a set of key contact centre operations and customer service principles, which have been defined and agreed by industry experts and stakeholders. Obtaining accreditation under CCA Global Standard Version 5 is one of NS&I's service delivery measures.

Court Funds Office
The Court Funds Office provides a banking and administration service for some 140,000 customers with a total of £2.6 billion cash and £0.1 billion securities held under the control of the civil courts in England and Wales, including the Court of Protection.

Departmental Expenditure Limit (DEL)
Expenditure limit within which a government department has responsibility for resource allocation.

Director of Savings
The person appointed by HM Treasury to manage NS&I in accordance with the statutory functions set out in the National Debt Act 1972 and the National Savings Bank Act 1971. Since we became an Executive Agency, the Director of Savings has also been the Chief Executive and the Accounting Officer.

Equitable Life Payment Scheme
Established by the Government to 'implement the Parliamentary and Health Ombudsman's recommendation to make fair and transparent payments to Equitable Life policy holders, through an independent payment scheme, for their relative loss as a consequence of regulatory failure'.
(*The Coalition: our programme for government*, Cabinet Office, 2010.)

Executive Agency
NS&I is both a government department and an Executive Agency of the Chancellor of the Exchequer. Executive Agencies have greater autonomy in making management decisions to ensure the effective delivery of their services.

Financial Conduct Authority (FCA)
From 1 April 2013 the Financial Services Authority was replaced by two new bodies: the FCA, which is responsible for regulation of conduct in retail and wholesale financial markets and some prudential regulation; and the Prudential Regulation Authority, which is responsible for promoting the stable and prudent operation of the financial system, through regulation of all deposit-taking institutions, insurers and investment banks.

Financial Ombudsman Service (FOS)
The independent service for settling disputes between businesses that provide financial services and their customers.

Fixed term
The period of time for which the interest rate is fixed.

Gilts (or gilt-edged stock)
UK Government securities issued by HM Treasury and listed on the London Stock Exchange.

Gross inflows
The total inflows from all deposits, including retention of maturing monies.

Hedge
Using our Guaranteed Equity Bond as an example, the Exchequer's exposure to paying an equity-linked return is covered by entering a swap (exchanging a variable rate of interest for the equity-linked return) with a third party bank. (No NS&I customer is exposed to risk with a third party bank through this process.)

Index-linked
For Index-linked Savings Certificates, this means that the value of a Certificate moves in line with changes in the Retail Prices Index (RPI) – a measure of inflation.

Inflows
Annual inflows of total sales and repayments on NS&I products and investments.

Issue
Our fixed rate products are sold in Issues, each with its own guaranteed interest rate. We periodically bring out a new Issue and always do so when the fixed rate on offer changes.

National Loans Fund (NLF)
The National Loans Fund is the Government's main account for borrowing and lending. It is administered by HM Treasury with the bank account maintained at the Bank of England.

Net Financing
Net Financing is the measure of the net change of NS&I funds, meaning total inflows from deposits, retention of maturing monies and capitalised and accrued interest less the total outflows from withdrawals and interest or Premium Bond prize draw payments.

Public Private Partnership (PPP)
A long-term partnership between a public sector and private sector organisation, designed for mutual benefit. Our PPP encompasses the provision of transaction processing together with front and back office operations.

Retail Prices Index (RPI)
A measure of price inflation, calculated by the Office for National Statistics each month.

Spending Review
Spending Reviews set budgets for government departments. They outline the improvements that the public can expect from government spending.

Tax foregone
As NS&I's tax-free products potentially deprive HM Treasury of tax revenue, this tax foregone is taken into account when calculating the Value Indicator.

Tax free
When used in the context of NS&I products, this means that interest earned or prizes won are exempt from UK Income Tax and Capital Gains Tax.

Treasury Bills
Treasury Bills are ultra short-term government bonds. They do not earn interest. Instead, they are sold at a discount to their face value.

UK Debt Management Office (DMO)
Part of the HM Treasury group responsible for cash management on behalf of the Exchequer and the sale of government stock (gilts) and Treasury Bills.

UK Government securities
Our bonds and certificates are UK Government securities issued by HM Treasury under the National Loans Act 1968.

Unclaimed assets
Savings or investments belonging to a customer with whom we have lost contact. Customers who think they have unclaimed assets can contact us to trace them through www.mylostaccount.org.uk.

Value Indicator
An indication of our cost-effectiveness in raising finance for the Government. It compares the total cost of delivering Net Financing and servicing existing customers' deposits with how much it would cost the Government to raise funds through the wholesale market via equivalent maturity gilts.

Variable rate products
Savings and investments where the rate of interest can be changed from time to time, in accordance with the terms and conditions.

Warrant
A type of payment similar to a cheque.

Contacts and more information

We want to make it as easy as possible for you to contact us at any time in a way that is convenient to you.

Internet
Visit our website at **www.nsandi.com** or our YouTube channel at youtube.com/nsandi

Email
enquiries@nsandi.com

Phone

- For general enquiries, call us free on **0500 007 007**
- To buy our products, call us free on **0500 500 000**

Our customer service team is available 24 hours a day, seven days a week (Calls from mobiles and some landline providers may not be free). Calls may be recorded.

Textphone
Use our free textphone service on **0800 056 0585** if you have Minicom equipment.

Post
Write to us at National Savings and Investments,
Glasgow, G58 1SB.

Thank you
NS&I would like to thank all staff for their contribution to the 2013–14 Annual Report and Accounts.

POSITIVE ABOUT DISABLED PEOPLE

CCA CUSTOMER CONTACT ASSOCIATION CERTIFIED MEMBER 2014

Internet
Visit our website at **www.nsandi.com** or our YouTube channel at youtube.com/nsandi

Email
enquiries@nsandi.com

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