

# 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 of a non-departmental public body (NDPB).

## 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 Resource Accounts.

## Basis point

This is usually one-hundredth of a percentage point.

## Bonds

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

## Capital

The total amount of deposits in the customer's account, or the original investment in the customer's bond or certificate.

## 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.

## Departmental expenditure limit (DEL)

Expenditure limit within which a government department has responsibility for allocation, although some elements may be demand led.

## 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 and the National Savings Bank Act. Since we acquired Executive Agency status, the Director of Savings has also been the Chief Executive and the Accounting Officer.

## End-year flexibility (EYF)

A financial system that allows government departments to carry forward any unspent resources from one year to the next.

## Executive Agency

NS&I is 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 Ombudsman Service (FOS)

The independent service for settling disputes between businesses that provide financial services and their customers.

## Financial Services Authority (FSA)

The regulator for the financial services industry in the UK.

## Fixed or guaranteed rate products

Savings and investments which have rates of interest fixed at the outset for a specified period.

## Flight to safety

In autumn 2008, the global economic crisis generated a significant increase in the amount of savers' funds being invested in NS&I.

## Flows

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

## Gilts (or gilt-edged stock)

The name given to marketable UK Government securities. The name came from the original certificate issued for these securities, which had gilded edges.

## Gross inflows

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

## Growth

How a customer's savings grow through the addition of interest.

### 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-linking

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 commonly used measure of inflation.

### Inflation-beating

Inflation beating is achieved through the addition of interest, on top of index-linking.

### ISO 14001

An international standard used to evaluate an organisation's environmental management systems.

### Issue

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

### 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. A positive Net Financing figure represents a positive contribution to government financing.

### Public Private Partnership (PPP)

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

### Retail Prices Index (RPI)

A frequently used measure of price inflation, calculated by the Office for National Statistics each month.

### Sustainable Development Action Plan (SDAP)

A plan which states how an organisation will change its operations and activities to become more sustainable. All government organisations must produce an SDAP annually, setting out how they are contributing to meeting the aims and objectives of the UK Sustainable Development Strategy *Securing the Future*.

### Sustainable Operations on the Government Estate (SOGE)

Government-wide targets to drive improvements in sustainability across public sector operations. From 2011–12, these will be replaced by the Sustainable Development in Government (SDiG) framework.

### 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

This means that the interest is exempt from UK Income Tax and Capital Gains Tax.

### Term

For fixed rate products, this refers to the period of time for which the interest rates are fixed.

### Treasury Bills

Treasury Bills are 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)

An Executive Agency of HM Treasury 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 [mylostaccount.org.uk](http://mylostaccount.org.uk)

### **Value Add**

A measure of our cost-effectiveness in raising finance for the Government. The total cost of NS&I raising funds is compared with how much it would cost the Government to raise funds through the wholesale market via gilts and Treasury Bills. Unprecedented market conditions – specifically the base rate falling to an exceptionally low level – had a significant effect on this measure and made the comparators invalid. HM Treasury and NS&I agreed to formally suspend the Value Add measure for 2008–09 and no Value Add target was set for 2009–10 or 2010–11. As an alternative, NS&I has developed the Value Indicator.

### **Value Indicator**

An alternative measure of our cost-effectiveness in raising finance for the Government which 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 and Treasury Bills.

### **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.

### **Wholesale markets**

Used to describe the market in which non-retail financial services customers operate, for example the sale of gilts or Treasury Bills by the Government to banks and other financial institutions such as pension funds or other fund managers.