

Our governance and board

Ministerial responsibility

NS&I is 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
- approving interest rates and the terms and conditions of NS&I products
- appointing the Chief Executive and Non-executive Directors to the NS&I board
- setting and monitoring key performance targets for NS&I.

The Chancellor may delegate these responsibilities to another Minister within HM Treasury. The Minister with the portfolio for NS&I was the Economic Secretary to the Treasury (EST), Ian Pearson MP, until 16 June 2009. On 16 June 2009, the Minister responsible for NS&I changed to the Financial Services Secretary and Minister for the City, Paul Myners CBE. Following the general election in May 2010, Lord Sassoon was appointed Commercial Secretary to the Treasury with responsibility for NS&I. Details of the Ministers' salary and pension entitlements are shown in HM Treasury's 2009–10 Resource Accounts.

Code of Good Practice for Corporate Governance for Central Government Departments

The NS&I board reviewed its composition and practices against the Code of Good Practice for Corporate Governance for Central Government Departments and has concluded that it is compliant with the Code's provisions.

Senior Independent Director

One area where it was decided not to follow the Code was in the appointment of a Senior Independent Director. 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 Non-executive Directors can meet the responsible Minister annually, means that there is no need for a Senior Independent Director other than the Chairman.

Independence of Non-executive Directors

The board comprises the Chief Executive (who is also the Accounting Officer), six Executive Directors, four Non-executive Directors (appointed by the Chancellor of the Exchequer following an open recruitment process) and two representatives from HM Treasury. The four Non-executive Directors are fully independent. In reaching this conclusion, the board took into account a number of factors that might appear to affect their independence, including length of service on the board, cross-directorships, whether they have been an employee of the company and whether they have received remuneration other than directors' fees. In each case, the board is completely satisfied that the independence of the relevant Non-executive Director is not compromised.

The HM Treasury board members are also considered to be independent. Full board meetings are held every two months, and additional board workshops are held to discuss specific issues, such as strategy and planning.

In the light of the Accounting Officer's overall government delegated responsibility and accountability for the performance of NS&I, the board is advisory. However, to ensure good governance practice, individual board members act as if they have full corporate legal responsibilities, accepting the consequences of their actions, recommendations and decisions. The Chief Executive is therefore expected to accept the majority view of the board, except where she sees this as conflicting with her Accounting Officer responsibilities. Should such an occasion arise, the board minutes would record why the Chief Executive declined to accept the majority view.

Operating within instructions and guidance from HM Treasury, and in support of the Chief Executive in the achievement of the Agency's objectives, the board operates within terms of reference that are available at nsandi.com

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Board appointments

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

There is a formal induction programme for all new Directors (both Executive and Non-executive) that is tailored to their specific requirements and that includes meetings with senior management and HM Treasury representatives, and visits to sites. Additional business updates on particular issues are arranged as appropriate.

Board member performance and effectiveness review

In addition to its normal meetings, the board meets to review the way in which it operates in discharging its responsibilities once every two years, now moving to an annual cycle. The board Chairman discusses performance with board members on an individual basis, feeding back comments both individually and to the board as a whole. The board Chairman's performance review is co-ordinated and led by a different Non-executive Director.

New board members are encouraged to attend relevant government and private sector training programmes as part of their Continuing Professional Development programmes.

Terms of reference

We make available our board's responsibilities and Terms of Reference on our website at nsandi.com/files/asset/pdf/board_termsofref.pdf

Changes to our board

2009–10 saw no changes to our Executive Management Team, but some significant changes to the Non-executive Directors. Martin Gray became Chairman of NS&I in

September 2009; he had previously been a Non-executive Director since 2005 and chair of the Audit Committee. Paul Spencer CBE, our outgoing Chairman, and Michael Medlicott both stepped down at the end of their maximum two terms as Non-executive Directors, and in January 2010 David Hulf and Sir John de Trafford Bt. joined the board and now chair the Audit Committee and Appointments and Remuneration Committee respectively.

Board members

Executive members of the board who served during the year

Jane Platt (Chief Executive, Accounting Officer and Director of Savings), appointed in September 2006.

Mike Chilton (Finance and Risk Director), appointed in January 2007.

Peter Cornish (Customer Offer Director), appointed in April 2006.

Julian Hynd (Change and Strategy Support Director), appointed in April 2007.

Gillian McGrattan (People and Environment Director), appointed in September 2008.

Steve Owen (Channel Delivery Director), appointed in February 2002.

John Prout (Customer Sales and Retention Director), appointed in August 2003.

Representatives of HM Treasury

Sam Beckett (Director of Fiscal Policy), appointed in April 2008.

Sarah Tebbutt (Debt and Reserves Management Team Leader). Sarah rejoined the board in April 2009 after being on maternity leave from February 2008.

Non-executive members of the board

Martin Gray, joined in January 2005 as Non-executive Director and was appointed Chairman effective from September 2009 to run until December 2010.

David Hulf, appointed in January 2010 for a three-year term.

Michael Medlicott, joined in September 2003 as a Non-executive Director. He was contracted until September 2009 and, for continuity, agreed to stay on until December 2009 while two new Non-executive Directors were recruited.

Simon Ricketts, appointed in July 2007 for a three-year term, now extended for a further three years. Paul Spencer CBE, appointed in September 2003, became Chairman of the board in January 2005 and served as Chairman until August 2009. Sir John de Trafford Bt., appointed in January 2010 for a three-year term.

Board activities

The board has three key subsidiary committees:

- Audit Committee
- Appointments and Remuneration Committee
- Executive Management Team.

Audit Committee

The main responsibilities of the Audit Committee are to advise the Accounting Officer and the board on:

- the adequacy of the strategic processes for risk, control and governance within NS&I and also NS&I work outsourced to Siemens
- the accounting policies, accounts and Annual Report of NS&I
- the adequacy of internal and external audit plans and the results of this work, along with management's responses to any issues identified
- assurances relating to the system of internal control within both NS&I and Siemens, including internal audit arrangements within NS&I and the NS&I account within Siemens
- the adequacy of the risk-mitigation policies for key risks
- anti-fraud policies, whistle-blowing processes and arrangements for special investigations.

The Audit Committee of NS&I meets quarterly. Membership of the Audit Committee during 2009–10 comprised Martin Gray as Chair until May 2010 when he was succeeded by David Hulf, Simon Ricketts and a member of HM Treasury's Debt and Reserves Management team, usually Sarah Tebbutt. Executive Directors have a standing invitation to attend for appropriate matters, as do NS&I's Head of Internal Audit, the National Audit Office (NAO) and

PricewaterhouseCoopers LLP, who are the NAO's framework partners for the NS&I Product Accounts. Siemens also has a standing invitation for appropriate matters.

During the year under review, the Audit Committee debated a wide range of issues, including, but not limited to, the following:

- implementation progress on compliance, risk and fraud strategies
- business continuity and security arrangements, including data centres
- the annual budget and annual accounts, including NS&I's preparatory work on the planned implementation of International Financial Reporting Standards (IFRS)
- internal and external audit plans and progress against these plans, as well as the adequacy of management's responses to any issues identified.

Other risks to the business assessed by the Audit Committee are detailed in 'How we operate' on pages 34–35. Our Audit Committee's Terms of Reference can be found on our website at

nsandi.com/files/asset/pdf/auditcommittee_terms.pdf

Appointments and Remuneration Committee

This Committee's role relates to the pay and performance of NS&I staff. It determines NS&I pay strategy for Senior Civil Service (SCS) members. This includes reviewing the Chief Executive's recommendations on pay and performance-related pay within the parameters set by the Cabinet Office for the SCS following recommendations by the Senior Salaries Review Body. The Cabinet Office gives overall approval to the pay and performance-related awards for the NS&I SCS members. The Committee also advises on the role and appointment of Executive NS&I board members. It also reviews succession planning arrangements for senior staff within NS&I.

Further details of the Committee's membership and role and full details of senior staff salary entitlements are given in the remuneration report on pages 37–42.

Our Appointments and Remuneration Committee's Terms of Reference can be found on our website at nsandi.com/files/asset/pdf/aap_renum_committee.pdf

Executive Management Team (EMT)

The EMT consists of the Executive Directors of NS&I and the Siemens Account Director, supported by the board secretary. The EMT met twice monthly to discuss issues relating to strategy, people, risk and financial results. This is in the process of being revised as appropriate for the Public Private Partnership contract re-tender period.

Directors' interests

The Company Secretary maintains a record of directors' interests. The board has concluded that these do not give rise to any conflicts of interest.

Auditors

The Comptroller and Auditor General is responsible for the audit of the Resource Accounts and Product Accounts, in accordance with section 7 of the Government Resources and Accounts Act 2000. The notional charges for audit of both the Resource Accounts and the Product Accounts are £78,000 (2008–09: £76,000) and £690,000 (2008–09: £658,000) respectively. There was no auditors' remuneration (actual or notional) for non-audit work. 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 makes recommendations based on the appraisal of each area reviewed. An annual assurance report is provided to the Accounting Officer. NS&I chose to outsource the provision of internal audit services to ensure independent and professional analysis, insight and recommendations. Deloitte was NS&I's provider of the internal audit function to June 2009. Following a re-tender, KPMG became NS&I's new internal auditors from July 2009.



Meet our Non-executive Directors

1 Martin Gray

Martin Gray joined NS&I as a Non-executive Director in January 2005 and was appointed Chairman of the board from September 2009. He is also Non-executive Chairman of The Evolution Group plc. He was Chief Executive of NatWest UK between 1992 and 1999, and has held a number of board-level appointments within the financial services industry, including NatWest Bank Group, MasterCard Inc Global board and Visa European board.

2 David Hulf

David Hulf was appointed a Non-executive Director from 1 January 2010. Until recently he held senior financial positions at BP, including responsibilities for finance, strategy and business development, on a regional and global basis and 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 Services Authority's Audit and Risk Committee.

3 Simon Ricketts

Simon Ricketts 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 four 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.

4 Sir John de Trafford Bt.

Sir John de Trafford became a Non-executive Director from 1 January 2010. His early career was spent in Unilever and at 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 EMEA Executive. He retired from American Express four years ago and currently has a portfolio of not-for-profit and commercial activities, including Chair of the Pension, Disability and Carers Service.

5 Sam Beckett

Sam Beckett is an HM Treasury representative on the NS&I board and a Non-executive member of HM Treasury's Debt Management Office board. She became Director of Fiscal Policy in January 2008 and is responsible for the fiscal policy framework. She is also responsible for fiscal policy advice, analysis and forecasting for public sector finances, and for government debt, cash and reserves management. Prior to this she was Director of Policy and Planning and Director of Operations, and has four years' experience as an HM Treasury board member, plus over 20 years' experience in macro and micro-economic policy-making.

6 Sarah Tebbutt

Sarah Tebbutt has been Head of the Debt and Reserves Management Team at HM Treasury since 2005 and a member of the NS&I board as HM Treasury representative during this period. She has worked in the Treasury on trade, European and expenditure policy since 1992. She has a Masters in Business Administration.

Our Executive Directors

7 Jane Platt, Chief Executive

8 Mike Chilton, Finance and Risk Director

9 Peter Cornish, Customer Offer Director

10 Julian Hynd, Change and Strategy Support Director

11 Gillian McGrattan, People and Environment Director

12 Steve Owen, Channel Delivery Director

13 John Prout, Customer Sales and Retention Director



Board attendance

Name	Board (seven meetings)		Audit Committee (four meetings)		Appointments and Remuneration Committee (three meetings)	
	Possible	Actual	Possible	Actual	Possible	Actual
Martin Gray	7	7	4	4	3	3
David Hulf	1	0	1	1		
Simon Ricketts	7	7	4	3		
Sir John de Trafford Bt.	1	1			1	1
Paul Spencer CBE	3	2			3	3
Michael Medlicott	6	5			2	2
Sam Beckett (HM Treasury)	7	3				
Sarah Tebbutt (HM Treasury)	7	4	4	2		
Dan Dorner (HM Treasury)			1	1		
Rodney Norman (HM Treasury)			1	1		
Jane Platt	7	7			3	3
Mike Chilton	7	7				
Peter Cornish	7	6				
Julian Hynd	7	7				
Gillian McGrattan	7	7			3	3
Steve Owen	7	7				
John Prout	7	7				

HM Treasury representatives attend all board and Audit Committee meetings. Attendance was shared between the Treasury officials named above.

Jane Platt

Jane Platt
Chief Executive
National Savings and Investments
 30 June 2010