



Service Delivery Agreement

Section A: Accountability

Statement of Accountability

National Savings and Investments (NS&I) is a government department and an Executive Agency of the Chancellor of the Exchequer. As an integral part of the Government's debt management NS&I is responsible for providing financing by issuing and selling savings and investment products to the public.

The Chancellor of the Exchequer is responsible for: determining the policy and financial framework within which NS&I operates; approving the interest rates and the terms and conditions of NS&I products; appointing the Chief Executive and non-executive members to the NS&I Board; and setting and monitoring key performance targets for NS&I. The Chancellor delegates these responsibilities to the Financial Secretary to the Treasury.

The Chancellor delegates management of NS&I to the Chief Executive, who is accountable to the Chancellor for the performance of NS&I in accordance with its framework document and corporate plan. The Chief Executive is appointed by HM Treasury as Director of Savings and Accounting Officer for NS&I. As such he or she is accountable for: the NS&I resource and product accounts; the proper, effective and efficient use of public funds; and ensuring that the requirements of government accounting are met and that NS&I observes any general guidance issued by central departments.

Section B: Delivering Key Results

Objectives

NS&I's aim is to help reduce the cost to the taxpayer of government borrowing now and in the future. To achieve this NS&I's single strategic objective is to:

- provide retail funds for the Government that are cost effective in relation to funds raised on the wholesale market

In order to provide cost-effective financing for the Government NS&I must give customers a fair deal in a highly competitive marketplace. Therefore NS&I aims to offer products that meet customers' needs, backed by excellent customer service.

In recognition of these aims the NS&I Service Delivery Agreement (SDA) is built around four key goals:

- To achieve the financing remit and improve efficiency
- To improve the effectiveness of fraud management
- To improve the accessibility of NS&I for customers
- To maintain the current high levels of customer service and satisfaction

Objectives under each of these key goals are described in Section C and Annex A provides a summary table including: the goals; the objectives; and definitions of the associated performance measures.

In addition, the handling of outstanding targets from the Spending Review 2000 (SR2000) SDA is explained in Annex B.

Section C: Context

Goal 1: To achieve the financing remit and improve efficiency

As set out in section 2.1, NS&I's primary objective is to provide retail funds for the Government that are cost effective in relation to funds raised on the wholesale market.

NS&I's objectives under this key goal are:

- To create at least an agreed minimum amount of value added
- To raise an amount of net financing within an agreed range
- To invest in capability and subsequently return the efficiency of administering total funds to the level achieved in 2002-03

Value Added is the name given to the way NS&I measures how cost effective it is at raising funds for Government. The total cost of raising funds (including interest, tax foregone and administrative costs) is compared to how much it would cost the Government to raise funds in the wholesale market via equivalent gilts and Treasury Bills. Net financing measures the net contribution (including sales, reinvestments, repayments and accrued interest) of NS&I to government financing. NS&I measures its efficiency in administering total funds by the ratio of total NS&I administrative costs to the average level of funds invested by customers over the period under consideration.

Targets for each of these measures are agreed annually through discussion with HM Treasury as part of the planning process and are designed to enable NS&I to fulfil its primary objective more cost effectively year on year.

Goal 2: To improve the effectiveness of fraud management

NS&I's contracts with Siemens Business Services and Post Office Limited impose clear incentives for both to have effective systems and measures against internal and external fraud and also limit NS&I's exposure to the cost of fraud. However, NS&I has a duty to ensure policies and procedures are in place to minimise the level of fraud and to ensure fraud that does take place is detected.

NS&I's objective under this key goal is:

- To minimise the proportion of fraud resulting in actual losses

Goal 3: To improve the accessibility of NS&I for customers

As part of its new strategy, and in line with the e-government agenda, NS&I is developing direct channels (e.g. telephone and internet) to improve the accessibility of NS&I for customers, in line with their changing preferences.

NS&I's objectives under this key goal are:

- To increase the proportion of customer transactions with NS&I capable of being carried out via non-paper based means
- To increase the percentage of customer transactions with NS&I actually carried out via non-paper based means

The number of customer transactions swamps the number of supplier transactions. With just 400-500 low value purchase orders issued each year, versus c.25million customer transactions, it is unlikely that NS&I will be able to introduce a cost effective system to enable electronic dealings with suppliers. Currently only 20-30% of low value

purchases are made electronically and this is primarily driven by the use of BACS for invoice payments. Hence, the focus of NS&I in this area is access for customers.

Goal 4: To maintain the current high levels of customer service and satisfaction

NS&I's new strategy called Direction 2007, launched in May 2003, focuses the business on the customer as the centre of value creation. As NS&I aims to become more customer focused, the service offered by NS&I to customers and their overall satisfaction with NS&I's savings and investment offers becomes even more important.

NS&I's objectives under this key delivery area are:

- To achieve consistent accuracy in meeting increasingly challenging targets
- To achieve consistent timeliness in meeting increasingly challenging targets
- To establish and then exceed a threshold level of customer satisfaction with NS&I

Accuracy and timeliness Key Performance Indicators (KPIs) exist for each of the major sales, after sales and repayment transactions and performance is monitored against targets at an individual product level. Performance levels in meeting these targets are established by NS&I each year and overall performance is reported by aggregating across these transactions and products.

Customer service targets on timeliness have been tightened significantly in recent years and further tightening continues. In view of this and the high levels of accuracy, the emphasis moving forward is on ensuring the achievement of these stretching targets.

Performance Measurement

Annual targets for each objective will be agreed with the Minister responsible as part of NS&I's planning process and will be documented within NS&I's corporate plan.

The NS&I Executive Management Team reviews business performance (including performance against these targets) monthly, as does the NS&I Board at each of its meetings. Performance against targets is audited by Deloitte & Touche, contracted as internal auditors, and is published within NS&I's corporate reports (Annual Report and Accounts, Departmental Report and Autumn Performance Report) which are laid before both Houses of Parliament.

Annex A – SR2002 SDA Summary

SR2002 SDA Goals	SR 2002 SDA Objectives	SR2002 SDA Performance Measures
1. To achieve the financing remit and improve business efficiency	To create at least an agreed minimum amount of value added	Absolute amount of (delagged) value added from NS&I products, excluding Index Linked Savings Certificate Extension Terms
	To raise an amount of net financing within an agreed range	Absolute amount of net financing from all NS&I products
	To invest in capability and subsequently return the efficiency of administering total funds to the level achieved in 2002-03	Ratio of total NS&I administrative costs to average funds invested by customers
2. To improve the effectiveness of fraud management	To minimise the proportion of fraud resulting in actual losses	Ratio of net fraud losses after blame assessment to total fraud detected
3. To improve the accessibility of NS&I for customers	To increase the proportion of customer transactions with NS&I capable of being carried out via non-paper based means	Ratio of the number of customer transactions capable of being carried out via non-paper based means to the total number of customer transactions
	To increase the percentage of customer transactions with NS&I actually carried out via non-paper based means	Ratio of the number of customer transactions actually carried out via non-paper based means to the total number of customer transactions
4. To maintain the current high levels of customer service and satisfaction	To achieve consistent accuracy in meeting increasingly challenging targets	Average performance against accuracy KPI targets
	To achieve consistent timeliness in meeting increasingly challenging targets	Average performance against timeliness KPI targets
	To establish and then exceed a threshold level of customer satisfaction with NS&I	[new measure to be established during 2003-04]

Annex B – Outstanding Targets

SR2000 Performance Targets

The table below outlines the SR2000 Service Delivery Agreement and indicates performance to date. As many of the targets are ongoing, rather than milestone targets, the table also highlights how they have been handled in the SR2002 SDA. In light of this NS&I intends to supersede all of its SR200 targets with those within SR2002 with effect from April 2003.

SR2000 Objective	SR 2000 Target	Performance	SR2002 Handling
To deliver an agreed amount of added value and an agreed level of net financing, whilst maintaining and enhancing the long term value of the National Savings business	Targets agreed annually with the Treasury before the start of the financial year	Met	Value added and net financing measures rolled forward to SR2002 SDA
To raise customer service levels and establish appropriate benchmarks	Measured annual improvement in comparative benchmarked levels of service Improve specified timeliness targets by an average of 5% a year until 2004	Met Met	SR 2002 SDA emphasis moves from tightening of customer service targets to achievement of targets
To improve availability of customer access to best practice standards	By 31 December 2001 implement 24/7/365 telephony service By 31 December 2002 implement electronic transaction option for all investment products To introduce effective benchmarks for all access channels as they come on line	Met Partly met Met	SR2002 SDA emphasis moves from channel implementation to availability of functionality and customer usage No longer a SDA target
To make continuous improvements in quality and efficiency	Efficiency milestones, set annually by Ministers, according to the Business Plan and market conditions, and subject to the value added and net financing targets	Met	New measure proposed in SR2002 SDA