Presented pursuant to Act 11 and 12 Geo. 5, c.52, ss.4 and 6

National Savings Resource Accounts 1999–2000

(For the year ended 31 March 2000)

Ordered by the House of Commons to be printed
2 November 2000

LONDON: The Stationery Office 2 November 2000
HC 830

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Contents

Introduction

As required by HM Treasury the financial statements on pages 10 to 27 together with the Foreword and other statements on pages 7 and 8 and the Certificate and Report of the Comptroller and Auditor General on page 9, reproduce in full those included in the National Savings Annual Report and Accounts for 1999–2000, laid before Parliament on 30 October 2000 under House of Commons reference 884 and published by the Stationery Office in November 2000.

The accounts are in the format prescribed by HM Treasury for the presentation of Resource Accounts to Parliament and accordingly do not include other material contained in the National Savings Annual Report and Accounts for 1999–2000, notably the Chief Executive's Foreword, the review of 1999–2000 and performance against key targets. The accounts and the Certificate and Report of the Comptroller and Auditor General, should be read in that context.

Signed: Date: 24 October 2000

Peter Bareau
Chief Executive
National Savings

Foreword to the Accounts

Statutory Background

The Department for National Savings was established in 1969, having previously been part of the Post Office. Continuing as a government department, National Savings was also established as an Executive Agency of the Chancellor of the Exchequer on 1 July 1996. National Savings administration costs are funded by Parliamentary Vote. Interest costs on National Savings products are part of the total cost of servicing the National Debt. These costs are a charge on the National Loans Fund and do not feature in these resource accounts.

The accounts have been prepared in accordance with the Treasury accounts direction reproduced in the Appendix to these accounts and in pursuance of section 5 (1) of the Exchequer and Audit Departments Act 1921.

Aims and objectives

The Agency's aim is to add value by helping to reduce the costs to the taxpayer of Government borrowing and by supporting Government savings policies. For 1999-2000 this aim was supported by the following objectives: to market Government debt to retail investors so as to help to minimise the combined cost and risk of the total National Debt and to contribute to the Government's funding needs; and to promote Government savings policies amongst personal investors. In meeting these objectives the Agency must operate cost effectively and in a competitive and commercial manner that does not distort the savings market; and in a manner that benefits both Government and the retail saver–now and in the future. In support of these objectives National Savings sold and managed a number of Government-backed retail investment products during 1999–2000. The resource costs of these investment products are shown in Schedule 5 of the accounts.

In pursuit of its principal objective, financing through National Savings in 1999–2000 was at a cost competitive with equivalent financing through gilt-edged stock. Sales, deposits, renewals and interest earned on National Savings products during the period totalled £11.7 billion and redemptions, withdrawals and interest paid totalled £12.7 billion and there was a net reduction over the year of £1 billion in the overall level of financing provided by National Savings to the Government. Further details of the Agency's performance targets are set out in the Executive Agencies Report 1999 which was published in March 2000. A review of the Agency's performance against these targets is included in the Annual Report.

Principal Activities

National Savings' principal activities involve financing a part of the National Debt by selling savings instruments to the public. This involves designing and promoting the sale of products to customers, taking in and paying back money invested by customers and dealing with customer records, correspondence and day to day enquiries. National Savings also supports the Government's policies for personal savings. Further details are set out in its **Framework Document** (1996).

Important events occurring since the year end

There have been no significant events since the end of the financial year which would affect the results for the year.

The five year review of National Savings was announced in Parliament on 11 January 2000 and was completed in July 2000. The review confirmed National Savings role in making a valuable contribution to the cost effectiveness of the National Debt and that the agency should continue with its policy of modernisation.

Matters covered in the Departmental Report

As an Executive Agency of the Chancellor of the Exchequer, National Savings contributes to the Chancellor's Departmental Report. The departmental report, which contains the Government's expenditure plans for 2000–2001 to 2002–2003, provides details of National Savings objectives and PSA targets and its modernising government action plan. It also provides details of recruitment practice, public appointments and senior civil service salaries. The report was published in April 2000.

Pension liabilities

The majority of present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The PCSPS is a defined benefit scheme which, in the main, provides benefits based upon length of service and final salary. The scheme is non-contributory and unfunded. Liability for payment of future benefits lies with the PCSPS. There is a separate scheme statement for the PCSPS as a whole. The Agency meets the cost of pension cover provided for its employees by payment of charges calculated on an accruing basis. The rate of the employer's contribution is determined from time to time by the Government Actuary and advised by the Treasury. For 1999–2000 the rates were between 12% and 18.5% of pensionable pay depending on salary (1998–99 between 12% and 18.5%).

The Agency is required to meet the additional cost of benefits beyond the normal PCSPS benefits in respect of employees who retire early unless the retirement is on approved medical grounds. The Agency 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 balance sheet.

Payment of Suppliers

National Savings is committed to a policy of prompt payment and has signed up to the British Standard on Prompt Payment of Suppliers. We endeavour to pay all suppliers within 30 days of acceptance of the relevant goods and services or the receipt of a legitimate invoice if that is later. Payment terms are agreed with suppliers when purchasing goods and services and National Savings representatives alert suppliers to the Agency's standard payment terms.

During the year 97.1% of bills were paid within this standard.

Disabled Employees

All disabled staff are covered by the Agency's Equal Opportunities policy. National Savings has met the five criteria set by the Employment Service to become a disability (Two Ticks) symbol user. To do this National Savings has made five commitments:

- to interview all candidates with a disability who meet the minimum criteria for a job vacancy;
- to ask disabled employees at least annually what can be done to make sure that they develop and use their abilities at work;
- to make every attempt when employees become disabled to keep them in employment;
- to ensure that key employees develop an awareness of disability to make these commitments work; and
- to review these commitments annually, seek improvements and communicate progress and future plans to all employees.

Promotion, recruitment and appraisal in respect of disabled staff is carefully monitored to ensure that their opportunities are maximised and also to ensure that any special equipment or assistance required by disabled staff to help them to perform their duties are provided without delay.

Equal Opportunities

It is the policy of National Savings that all eligible people shall have equal opportunity for employment and development in National Savings on the basis of their qualifications, skills, performance and ability for the job. And that all our customers and contractors have a right to fair treatment. There must be no direct or indirect discrimination against any person on the grounds of race, religion, sex, marital status, sexual orientation, disability, age, ethnic, national origin, or part-time working.

Audit

These accounts have been audited by the Comptroller and Auditor General whose Certificate and Report appears on page 9.

Ministerial Responsibility

The Department for National Savings is an Executive Agency of the Chancellor of the Exchequer and as such the government minister with portfolio for National Savings is the Economic Secretary to the Treasury (EST). During the accounting period the position of EST was held by Patricia Hewitt M.P., followed by Melanie Johnson M.P., who was appointed on 29 July 1999. The ministerial salary of the EST is not met by National Savings. Details of the minister's salary and pension entitlements are shown in the Treasury's 1999–2000 Resource Accounts.

Management Board Members

Membership of the National Savings Management Board during the financial year 1999–2000 and subsequently up to the date of preparation of these accounts comprised:

Peter Bareau	Chief Executive and Chairman of the Management Board; also Departmental/Agency Accounting Officer and Director of Savings
Executive Directors:	
Jeannie Bevan	Sourcing Director
Gill Cattanach	Acting Commercial Director (from 19 June 2000)
Michael Corcoran	Funding Director (until 31 March 2000)

Richard Douglas	Finance Director
Scott Speedie	Personnel Director
Christopher Moxey	Commercial Director (until 16 June 2000)

Non-executive Directors:
Judy Lowe
James Turner

Management Board changes

Peter Bareau was re-appointed by Treasury Ministers on 15 July 1999 for a further term. Michael Corcoran left National Savings on 31 March 2000 at the end of a secondment from HM Treasury. He has not been replaced and his responsibilities have been re-allocated between the Finance Director and the Commercial Director. Christopher Moxey resigned from National Savings with effect from 16 June 2000 and Gill Cattanach, formerly National Savings' Head of Commercial Development, was named Acting Commercial Director.

Management Board Appointments

All executive Management Board members, including the Chief Executive, were appointed in accordance with the Civil Service Commissioners' Recruitment Rules and National Savings equal opportunities policy. Each member of the Management Board has a personal contract which stipulates the procedures for termination in accordance with the National Savings Management Code. Non-Executive members of the Management Board are appointed by the Chancellor of the Exchequer and contracted by the Director of Savings.

The current members of the Management Board are contracted to National Savings until the following dates:

Peter Bareau	–	until May 2002
Jeannie Bevan	–	until August 2003
Gill Cattanach	–	until April 2003
Judy Lowe	–	until September 2001
James Turner	–	until September 2001

Richard Douglas and Scott Speedie are permanent members of the Senior Civil Service and as such are not on fixed term contracts.

Remuneration of the Management Board Members

The remuneration arrangements of the Chief Executive and executive members of the National Savings Management Board contain variable elements and are designed to attract and retain the people needed to do what is required and to incentivise high levels of performance without adding excessively to fixed costs.

With the exception of the Chief Executive, whose remuneration is determined by the Treasury, executive Management Board Members' Pay awards and bonuses were determined by the National Savings Appointments and Remuneration Committee with reference to the guidelines laid down by the Cabinet Office on the basis of the Senior Salaries Review Body Report, 1999. Salaries are adjusted on the basis of performance.

Membership of the National Savings Appointments and Remuneration Committee is as follows:

Chairman	–	Peter Bareau
	–	Judy Lowe
	–	James Turner
Advisor	–	Tim Wilson (Head of Reward, Lloyds TSB Bank Plc)
Secretary	–	Anne Layen

Non-Executive members remuneration is set by the Treasury at a fixed rate.

Under the Chief Executive's contract, provided performance is satisfactory, his salary is adjusted by the Treasury, with reference to the annual increase in salary bands for Senior Civil Servants laid down by the Cabinet Office in accordance with the senior salaries Review Body Report. The position of Chief Executive also attracts a performance bonus dependent on the achievement of targets set by the Treasury.

Note 2 of the accounts provides details of Management Board Members' remuneration.

Signed: Date: 24 October 2000

Peter Bareau
Chief Executive
National Savings

Statement of Accounting Officer's responsibilities

Under Section 5 of the Exchequer and Audit Departments Act 1921 the department is required to prepare resource accounts for each financial year, in conformity with a Treasury direction, detailing the resources acquired, held or disposed of during the year and the use of resources by the department during the year.

The resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the department, the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year.

The Treasury has appointed the Chief Executive of the Department as Accounting Officer of the Department with responsibility for preparing the Department's accounts and for transmitting them to the Comptroller and Auditor General.

In preparing the accounts the Accounting Officer is required to comply with the Resource Accounting Manual prepared by the Treasury, and in particular to:

- observe 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 Resource Accounting Manual, have been followed, and disclose and explain any material departures in the accounts;
- prepare the accounts on a going concern basis.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the Department's assets, are set out in the Accounting Officer's Memorandum, issued by the Treasury and published in Government Accounting.

Statement on the System of Internal Financial Control

This statement is given in respect of the 1999–2000 Resource account for National Savings. As Accounting Officer for the Agency, I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated within National Savings.

The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures including segregation of duties, and a system of delegation and accountability. In particular, it includes:

- comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Management Board;
- regular reviews by the Management Board of periodic and annual financial reports which indicate financial performance against the forecasts;
- setting targets to measure financial and other performance;
- the preparation of regular financial reports which indicate actual expenditure against the forecasts;
- a continuous process of monitoring SBS performance and payments due under the PPP contract;
- clearly defined capital investment control guidelines;
- as appropriate, formal project management disciplines.

National Savings has properly assessed the impact on the business and financial statements, of potential systems failures arising from the year 2000. Appropriate corrective action and contingency plans have been developed to minimise any such impact. No significant problems have arisen.

National Savings has an internal audit function, which operates to standards defined in the Government Internal Audit Manual. The work of the internal audit unit is informed by an analysis of the risk to which National Savings is exposed, and annual internal audit plans are based on this analysis. The internal audit plans are endorsed by the Audit Committee and approved by me. At least annually, the Head of Internal Audit (HIA) provides me with a report on internal audit activity within National Savings. The report includes the HIA's independent opinion on the adequacy and effectiveness of the Agency's system of internal financial control.

My review of the effectiveness of the system of internal financial control is informed by the work of the internal auditors and the executive directors and managers within National Savings who have responsibility for the development and maintenance of the financial control framework, and comments made by the National Audit Office in their management letter and other reports.

Implementation of the Turnbull Report

As Accounting Officer, I am aware of the recommendations of the Turnbull Committee and I am taking reasonable steps to comply with the Treasury's requirement for a statement of internal control to be prepared for the year ended 31 March 2002, in accordance with guidance to be issued by them.

Signed:

Peter Bareau
Chief Executive
National Savings

Date: 24 October 2000

The Certificate and Report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements on pages 10 to 27 under the Exchequer and Audit Departments Act 1921. These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out on pages 15 to 17.

Respective responsibilities of the Accounting Officer and Auditor

As described on page 7 the Accounting Officer is responsible for the preparation of the financial statements and for ensuring the regularity of financial transactions. The Accounting Officer is also responsible for the preparation of the other contents of the Annual Report. My responsibilities, as independent auditor, are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Exchequer and Audit Departments Act 1921 and Treasury directions made thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Department has not kept proper accounting records or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent mis-statements or material inconsistencies with the financial statements.

I review whether the statement on page 8 reflects the Department's compliance with Treasury's guidance "Corporate Governance: statement on the system of internal financial control". I report if it does not meet the requirements specified by the Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

Basis of opinion

I conducted my audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes the examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Department in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Department's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Department for National Savings at 31 March 2000 and of the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the year then ended, and have been properly prepared in accordance with the Exchequer and Audit Departments Act 1921 and directions made thereunder by the Treasury; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn 25 October 2000.

Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

SCHEDULE 1

Summary of Resource Outturn
for the year ended 31 March 2000

	Estimate* (indicative figures)			Outturn				
	Gross expenditure 1	*AinA** 2	*Net Total* 3	*Gross expenditure* 4	*AinA** 5	*Net Total* 6	*Net Total Outturn compared with Estimated saving/ (excess)* 7	*Prior-year Outturn* 8
	£000	£000	£000	£000	£000	£000	£000	£000
			(unaudited)					(unaudited)
Request for resources			**179,440**	183,885	4,224	**179,661**	**−221**	**180,337**
Non-operating cost A in A								
Net Cash requirement			**168,841**			**169,097**	**−256**	**171,016**

Reconciliation of Resources to Cash Requirement	note	£000	£000	£000	£000
Net Total Resources		**179,440**	**179,661**	**−221**	180,337
Capital:					
Purchase/disposal of fixed assets	6	300	−120	420	6,110
New loans			—		—
Accruals adjustments					
Non-cash items	3	−5,037	−8,075	3,038	−14,319
Changes in working capital other than cash	8	−5,742	−9,153	3,411	−1,915
Transfer from provision	12	−120	6,784	−6,904	803
Net cash requirement (schedule 4)		168,841	169,097	−256	171,016

Explanation of the variation between estimate and outturn:

(i) Higher than expected notional costs.

Explanation of the variation between Estimate net cash requirement and Outturn net cash requirement:

(i) The net cash outturn figure includes £5.7 million of expenditure which fell outside of the Department's expenditure limits and was required to cover the historic discrepancies in the National Savings product accounts.

Analysis of income payable to the Consolidated Fund

In addition to appropriations in aid the following income relates to the department and is payable to the Consolidated Fund (cash receipts being shown in italics).

	1999–2000 Forecast		1999–2000 Outturn	
	Income	*Receipts*	Income	*Receipts*
	£000	*£000*	£000	*£000*
Income for fees not classified as A in A	—	—	—	—
Income from sale of assets	—	—	—	—
Not classified as A in A	—	—	115	115

* In the years prior to the introduction of Resource Estimates: the above figures for Estimates are illustrative: the references to "A in A" and "CFER" in Schedule 1 and relevant notes to the accounts do not apply for purposes of Parliamentary control. The figures represent what will be classified as "A in A" and "CFER" following the introduction of Resource Estimates.

The notes on pages 15 to 27 form part of these accounts.

SCHEDULE 2

Operating Cost Statement
for the year ended 31 March 2000

	Notes	1999–2000	1998–99
		£000	£000
			(unaudited)
Administration costs			
Staff costs	2	4,697	73,323
Other administration costs	3	178,599	102,415
Provision for product accounts adjustments	4	589	5,100
Gross administration costs		**183,885**	180,838
Operating income	5	−4,224	−501
Net Resource Outturn		**179,661**	180,337

The net operating cost arises wholly from continuing operations.

Statement of Recognised Gains and Losses
for the year ended 31 March 2000

	Notes	1999–2000	1998–99
		£000	£000
			(unaudited)
Unrealised surplus on revaluation of fixed assets	14	3,225	602

The notes on pages 15 to 27 form part of these accounts.

SCHEDULE 3

Balance Sheet
as at 31 March 2000

	Notes		31 March 2000	31 March 1999
		£000	£000	£000
				(unaudited)
Fixed Assets				
Intangible Fixed Assets	7.1		20	37
Tangible Fixed Assets	7.2		23,510	22,966
Total Fixed Assets			**23,530**	23,003
Current Assets				
Debtors due after more than one year	9	12,345		13,788
Debtors due within one year	9	2,358		9,674
Cash at Bank and in Hand	10	1,444		3,191
Total Current Assets		**16,147**		26,653
Current Liabilities				
Creditors (due within one year)	11	**−12,945**		−18,212
Net Current Assets			**3,202**	8,441
Total Assets Less Current Liabilities			**26,732**	31,444
Creditors (amounts falling due after more than one year)			—	—
Provisions for Liabilities and Charges	12		**−2,145**	−2,770
Total Assets Less Liabilities			**24,587**	28,674
Taxpayer's Equity:				
General Fund	13		20,597	27,907
Revaluation Reserve	14		3,990	767
	15		**24,587**	28,674

The notes on pages 15 to 27 form part of these accounts.

Signed:
Peter Bareau
Chief Executive
Date: 24 October 2000

SCHEDULE 4

Cash Flow Statement
for the year ended 31 March 2000

	Notes	1999–2000	1998–99
		£000	£000
			(unaudited)
Net cash outflow from operating activities		**−169,217**	−164,906
Capital (expenditure)/receipts and financial investment	6	**120**	−6,110
Non-operating Consolidated Fund Receipts		**115**	134
Payments to the Consolidated Fund		**−4,647**	−2,555
Financing from Consolidated Fund	13	**171,882**	175,746
Increase/(decrease) in cash in the period	10	**−1,747**	2,309

Reconciliation of operating cost to operating cash flows

	Notes	1999–2000	1998–99
Net Operating cost		**179,661**	180,337
Adjustments for non-cash transactions	3	−8,075	−14,319
Adjustments for movements in working capital other than cash	8	−9,153	−1,915
Adjustments for transfers from provisions	12	6,784	803
Net cash flow from operating activities		**169,217**	164,906

Analysis of capital expenditure and financial investment

	Notes	1999–2000	1998–99
Purchases of fixed assets	6	80	6,110
Proceeds of disposal of fixed assets		−200	—
Net cash outflow/(inflow) from investing activities		**−120**	6,110

Analysis of financing

	Notes	1999–2000	1998–99
From Consolidated Fund	13	171,882	175,746
Prior year Vote Surplus to Consolidated Fund	11	−4,532	−2,407
Consolidated Fund Extra Receipts received in prior year paid over		—	−14
(Increase)/decrease in cash	10	1,747	−2,309
Net cash requirement (Schedule 1)		**169,097**	171,016

The notes on pages 15 to 27 form part of these accounts.

SCHEDULE 5

Resources by Departmental Aims and Objectives
for the year ended 31 March 2000

AIM: To add value by helping to reduce the costs to the taxpayer of Government borrowing and by supporting government savings policies.

National Savings objectives are:

- To market government debt to retail investors so as to help minimise the combined cost and risk of the National Debt and to contribute to the government's funding needs;
- To promote government savings' policies amongst personal investors.

In meeting these objectives National Savings will operate cost effectively and in a competitive and commercial manner that does not distort the market.

In support of these objectives, during 1999–2000, National Savings sold and managed the following retail investments at a resource cost of:

	Notes	1999–2000	1998–99
		£000	£000
			(unaudited)
Ordinary Account	22	56,944	58,030
Investment Account		34,384	34,178
Premium Bonds		31,784	28,794
Savings Certificates		21,163	22,981
Income Bonds		7,902	8,430
Individual Savings Account		7,871	—
Pensioners' Guaranteed Income Bonds		5,674	4,473
Children's Bonus Bonds		5,419	6,474
Capital Bonds		2,071	2,662
Yearly Plan		1,534	1,564
Deposit Bonds		1,251	2,192
SAYE		1,132	2,168
FIRST Option Bonds		984	1,729
Fixed Rate Savings Bonds		648	—
Treasurers' Account		311	939
Marketable Securities		—	623
		179,072	175,237
Provision for product accounts adjustments	4	589	5,100
Net Resource Outturn		**179,661**	180,337

The resource costs exclude interest paid and tax forgone.

The notes on pages 15 to 27 form part of these accounts

Notes to the Accounts

1. Accounting Policies

The financial statements have been prepared in accordance with the Resource Accounting Manual, issued by HM Treasury. The particular accounting policies adopted by the agency are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention, modified to account for the revaluation of fixed assets at their value to the business by reference to their current costs.

Without limiting the information given, the accounts meet the accounting and disclosure requirements of the Companies Act and the accounting standards issued or adopted by the Accounting Standards Board, so far as those requirements are appropriate.

The accounts comply with the accounts direction which is reproduced in the appendix to these accounts.

1.2 Intangible fixed assets

Intangible fixed assets comprise operational software licences. Where material, they are valued at their net current replacement cost using appropriate indices. For 1999–2000 the National Savings Board has taken the view that the movement in current cost indices since the last revaluation (1998–99), would not lead to a material adjustment, therefore indices have not been applied.

Expenditure on research and development is charged to the operating cost statement as it is incurred.

1.3 Tangible fixed assets

From 1 April 1996, National Savings assumed responsibility as principal for its properties, formerly on the Common User Estate (CUE), in its capacity as major occupier pursuant to the reorganisation of the management of the Civil Estate. In accordance with Treasury guidance, National Savings properties located at Durham and Blackpool have been included on the balance sheet from 1 April 1998. Prior to this date National Savings paid a rental in respect of these properties based on the equivalent market rent by means of the Property Repayment Services (PRS) system.

The National Savings property located at Glasgow was already included on the Agency's balance sheet as a PRS rent was not payable. The cost of the site and of the buildings were met out of deposits made under the Post Office Savings Bank Acts. The property is therefore effectively an asset of the National Savings Bank held for the benefit of its depositors and not for the public service generally.

National Savings freehold land and buildings were professionally valued on an 'existing use' basis during September and October 1999 by Chartered Surveyors Montagu Evans (Glasgow), Knight Frank (Durham), and Edmund Kirby (Blackpool). The valuations were carried out in accordance with the *Appraisal and Valuation Manual* produced jointly by the Royal Institution of Chartered Surveyors (RICS), the Incorporated Society of Valuers and Auctioneers (ISVA) and the Institute of Revenues Rating and Valuation (IRRV). Professional valuations will be obtained every five years and in the intervening years values will be restated, mid-year, using appropriate indices.

Other tangible assets costing more than the prescribed capitalisation limit of £500 are treated as capital assets. Where material, they are valued at net current replacement cost using appropriate indices. For 1999–2000 the National Savings Board has taken the view that the movement in current cost indices since the last revaluation (1998–99), would not lead to a material adjustment, therefore indices have not been applied.

Any revaluation reserve balances realised on asset disposals are transferred to the general fund.

Individual desks, chairs, computer furniture and cabinets generally fall below the prescribed capitalisation limit but, these assets are grouped together for capitalisation purposes.

Notes to the Accounts *(continued)*

1.4 Depreciation and amortisation

In accordance with FRS 15 freehold land is not depreciated.

Depreciation and amortisation are provided on freehold buildings and other fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life. Lives, which are reviewed regularly, are as follows:

Freehold buildings	20 to 50 years
Plant and machinery	7 to 10 years
Computers	5 to 7 years
Telecommunications equipment	5 to 7 years
Furniture and fittings	10 years
Software licences	5 years

Fixed assets, other than freehold land, are depreciated or amortised from the later of the month of acquisition or the month when the asset is brought into use. Under Treasury guidance, an additional charge is made for backlog depreciation. This ensures that assets which are revalued are fully written off within their estimated useful lives.

Apart from land and buildings, the majority of the Agency's assets were re-classified as a prepayment at 31 March 1999 and subsequently transferred to Siemens Business Services (SBS) on 1 April 1999, under a Public Private Partnership (PPP), contract. This had the effect of reducing charges that would otherwise have been payable to SBS over the life of the contract. The prepayment is being written down and expensed over the ten year life of the contract, on a straight line basis.

1.5 Operating leases

Expenditure on operating leases is charged to the operating cost statement in the year in which it is incurred.

1.6 Operating income

Operating income comprises fees and charges for services provided to external customers and for work undertaken for other public sector bodies. Operating income is included net of VAT.

1.7 Notional costs

A notional charge, reflecting the cost of capital utilised by the Agency, is included in the operating costs. The charge is calculated at the Government's standard rate of 6 per cent in real terms on all assets less liabilities except for:

(a) cash balances held by the Office of the Paymaster General (OPG), where the charge is nil;

(b) balances owed to the Consolidated Fund, where the credit is nil.

A notional audit fee has also been charged to the operating cost statement.

1.8 Pensions

The majority of present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The PCSPS is a defined benefit scheme which, in the main, provides benefits based upon length of service and final salary. The scheme is non-contributory and unfunded. Liability for payment of future benefits lies with the PCSPS. There is a separate scheme statement for the PCSPS as a whole. The Agency meets the cost of pension cover provided for its employees by payment of charges calculated on an accruing basis. The rate of the employer's contribution is determined from time to time by the Government Actuary and advised by the Treasury. For 1999–2000 the rates were between 12 per cent and 18.5 per cent of pensionable pay depending on salary (1998–99 between 12 per cent and 18.5 per cent).

1.9 Early departure costs

The Agency is required to meet the additional cost of benefits beyond the normal PCSPS benefits in respect of employees who retire early unless the retirement is on approved medical grounds. The Agency 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 balance sheet. In accordance with the requirements of FRS 12 this provision has been discounted. The Agency may, in certain circumstances, settle some or all of its liability in advance by making a payment to the Paymaster General's account at the Bank of England for the credit of the Civil Superannuation Vote. The amount provided is shown net of any such payments.

The Civil Service White Paper, *Continuity and Change* (Cm 2627), published in July 1994, announced arrangements for funding early departure costs of civil servants departing between 1 October 1994 and 31 March 1997, the "80:20 Scheme". Under these arrangements 20 per cent of the cost was normally borne by the Agency and the remaining 80 per cent, which would otherwise have fallen within Agency running costs, is met centrally from the Civil Superannuation Vote. The amount of central funding for early departure costs in respect of staff who departed under this arrangement remains at 80 per cent but is now subject to pre-determined limits.

2. Staff numbers and costs

Under the terms of the Public Private Partnership (PPP) contract between National Savings and SBS, the majority of the Agency's staff transferred to SBS on 1 April 1999.

A. Staff costs consist of:

	1999–2000	1998–99
	£000	£000 (unaudited)
Wages and salaries	3,793	62,876
Social security costs	327	4,379
Other pensions costs	577	7,930
Total payroll costs	4,697	75,185
Transfer to fixed assets: asset under development	—	−1,862
Net payroll costs	4,697	73,323

For 1999–2000 contributions of £576,758.38 were paid to the PCSPS (1998–99 £7,930,389.24) at rates determined by the Government Actuary and advised by the Treasury. These rates were in the range 12-18.5 per cent of pensionable pay, (1998–99 12-18.5 per cent)

B. The average number of whole time equivalent staff employed by National Savings, (including senior management), during the year was as follows:

	1999–2000	1998–99
	Number	Number (unaudited)
Operations	—	2,688
Operations Support	—	665
Headquarters	121	61
Information Services	—	466
Commercial	—	129
	121	4,009

A number of staff previously classified as Commercial transferred to National Savings Headquarters when the PPP contract with SBS came into effect, on 1 April 1999.

In addition to these employees, the Agency paid two external non-executive Board appointees (1998–99 two).

Notes to the Accounts *(continued)*

C. The salary and pension entitlements of the most senior members of the Department for National Savings were as follows:

Name and title	Age	Salary 1999–2000 £'000	Salary 1998–99 £'000 (unaudited)	Bonus 1999–2000 £'000	Bonus 1998–99 £'000 (unaudited)	Real increase in pension at age 60 1999–2000 £'000	Real increase in pension at age 60 1998–99 £'000 (unaudited)	Total accrued pension at age 60 at 31 March 1999–2000 £'000	Total accrued pension at age 60 at 31 March 1998–99 £'000 (unaudited)
Mr. P. Bareau *Chief Executive*	57	105-110	100-105	20-25	10-15	0-2.5	0-2.5	5-10	0-5
Mrs. J. Bevan (1) *Sourcing Director*	49	90-95	50-55	10-15	5-10	0-2.5	0-2.5	0-5	0-5
Mr. R. Douglas (2) *Finance Director*	43	75-80	5-10	0-5	*	2.5-5.0	0-2.5	20-25	15-20
Mr. M. Corcoran *Funding Director*	48	65-70	55-60	0-5	*	0-2.5	0-2.5	15-20	10-15
Mr. S. Speedie *Personnel Director*	55	65-70	60-65	0-5	*	0-2.5	0-2.5	25-30	25-30
Mr. C. Moxey *Commercial Director*	43	90-95	85-90	5-10	5-10	0-2.5	0-2.5	0-5	0-5

(1) Appointed September 1998 (2) Appointed March 1999

* A bonus scheme for Directors who are permanent Civil Servants was introduced in 1999–2000.

Salaries include gross salaries, reserved rights to London weighting or London allowances, recruitment and retention allowances and private office allowances.

The salary entitlements of Non-Executive Directors is provided in note 3 to the accounts.

Pension benefits are provided through the Principal Civil Service Pension Scheme (PCSPS). This is a statutory scheme which provides benefits on a "final salary" basis at a normal retirement age of 60. Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to 3 years' pension is payable on retirement. Members pay contributions of 1.5 per cent of pensionable earnings. Pensions increase in payment in line with the Retail Prices Index. On death pensions are payable to the surviving spouse at a rate of half the member's pension. On death in service the scheme pays a lump sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill-health. In this case, pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widow(er) pensions.

Mr Bareau, Mrs Bevan and Mr Moxey also participate in the PCSPS (Earnings Cap) scheme. This provides unapproved pension benefits on earnings in excess of the earnings cap. Benefits are otherwise by-analogy to those provided by the PCSPS.

3. Other Administration Costs

The fundamental differences in the breakdown of other administration costs is due to the transfer of National Savings Operational Services to SBS under a PPP contract on 1 April 1999.

Other administration costs comprise:

	1999–2000	1998–99
	£000	£000
		(unaudited)
PPP contract costs	101,970	—
Selling agents	45,773	47,258
Marketing and research costs	12,396	8,918
Accommodation	289	5,655
Telecommunication and computer services	—	5,023
Printing and postage costs	1,669	10,298
Giro fees and banking	2,504	2,421
Consultancy, internal audit contract and personnel costs	4,412	7,814
Operating leases for hire of equipment	14	250
Losses	499	660
Ordinary Deposits White Paper Account audit fee	57	67
Notional audit fees	535	554
Interest expense incurred on provision	162	181
Increase in early departure provision and redundancy costs	808	1,165
Provision for interest costs	216	—
Depreciation and amortisation	2,080	5,274
Permanent diminution in fixed assets	2,141	1,112
Loss on disposal of assets	–	30
Cost of capital charge	1,648	1,519
Other costs	1,426	4,216
	178,599	102,415

Selling agents includes payments to Post Office Counters Limited (POCL) and other minor agents.

		1999–2000	1998–99
	£000	£000	£000
			(unaudited)
Non-cash items comprise:			
Depreciation and amortisation		2,080	5,274
Permanent diminution in fixed asssets		2,141	1,112
(Profit)/Loss on disposal of land (see note 5)		−104	30
Notional cost of capital charge		1,648	1,519
Increase in provisions (see note 12)		1,775	5,830
Notional audit fees:			
Resource Account	63		72
Other accounts	472	535	482
		8,075	14,319

There was no remuneration for non-audit work.

The costs of travel and subsistence and hospitality for the year to 31 March 2000 were £358,226 and £41,101 respectively (1998–99 £1,392,287 and £27,910).

Notes to the Accounts *(continued)*

Other costs include remuneration of Non-Executive Directors, as follows:

	1999–2000	1998–99
	£000	£000 (unaudited)
Name and title		
J. Lowe *Non-Executive Director*	10-15	10-15
J. Turner *Non-Executive Director*	10-15	10-15

4. Provision for Product Accounts Adjustment

A provision of £5,100,000 was created and charged to the Operating Cost Statement in 1998–99 to cover the historic discrepancies in the National Savings product accounts. On completion of the exercise to review the product account ledgers in December 1999, an additional £588,521.27 was provided for in 1999–2000. During 1999–2000 a net payment of £5,688,521.27 was paid from the National Savings Administration Vote to the product bank accounts, and charged to the provision, to clear this shortfall.

5. Operating Income

Operating income comprises:

	1999–2000	1998–99
	£000	£000 (unaudited)
National Savings Stock Register commission charges	—	388
Services provided to other Government Departments	—	4
Interest receivable	46	54
Rent from other departments	—	21
Rent from external tenants	4,074	—
Profit on disposal of land	104	—
Other income	—	34
	4,224	501

The interest receivable comprises the profit element arising from making prepayments in respect of early retirement costs, to Paymaster.

Responsibility for the National Savings Stock Register (NSSR), transferred to the Bank of England in July 1998.

6. Analysis of capital expenditure, financial investment and associated Appropriations in Aid

	1999–2000	1998–99
	£000	£000 (unaudited)
Capital expenditure	80	6,110
Appropriations in Aid	−200	—
Net total	−120	6,110

7. Fixed Assets

7.1 Intangible Fixed Assets

	Software Licences 31 March 2000	Software Licences 31 March 1999
	£000	£000
		(unaudited)
Cost or valuation		
At 1 April	62	1,701
Additions	1	469
Disposals	—	—
Permanent diminution	—	−249
	63	1,921
Transferred to long term prepayment under PPP contract	—	−1,859
At 31 March	63	62
Amortisation		
At 1 April	−25	−321
Provided in year	−18	−354
Disposals	—	—
Backlog depreciation adjustment	—	11
Diminution adjustment	—	50
	−43	−614
Transferred to long term prepayment under PPP contract	—	589
At 31 March	−43	−25
Net Book Value		
At 31 March	20	37

7.2 Tangible Fixed Assets

	Freehold Land & Buildings	Computers & Telecoms	Plant & Equipment	Furniture & Fittings	Total
	£000	£000	£000	£000	£000
Cost or Valuation					
At 1 April	23,467	—	14	133	23,614
Additions	—	50	11	18	79
Disposals	−96	—	—	—	−96
Revaluation	3,304	—	—	—	3,304
Permanent diminution	−2,221	—	—	—	−2,221
At 31 March	24,454	50	25	151	24,680
Depreciation					
At 1 April	−594	—	−2	−52	−648
Provided in year	−503	−3	−2	−15	−523
Disposals	—	—	—	—	—
Backlog depreciation	−79	—	—	—	−79
Diminution adjustment	80	—	—	—	80
At 31 March	−1,096	−3	−4	−67	−1,170
Net Book Value					
At 31 March 2000	23,358	47	21	84	23,510
At 31 March 1999	22,873	—	12	81	22,966

Notes to the Accounts *(continued)*

8. Movements in working capital other than cash

	1999–2000	1998–99
	£000	£000
		(unaudited)
(Decrease) in debtors	–7,220	–2,294
(Increase)/decrease in creditors	2,451	–4,286
Adjustment for movement on provisions	– 4,384	4,665
	–9,153	–1,915

9. Debtors

		31 March 2000	31 March 1999
	£000	£000	£000
			(unaudited)
Amounts due within one year:			
Deposits		500	7,500
Advances		38	60
Other debtors		28	210
Prepayments and accrued income		253	374
PPP contract prepayment from asset transfer		1,539	1,530
		2,358	9,674
Amounts due after more than one year:			
Advances	30		19
PPP contract prepayment from asset transfer	12,315		13,769
		12,345	13,788
Total debtors		14,703	23,462

The number of employees with advances for season tickets and house purchases in excess of £2,500 at 31 March 2000 was five.

The significant change in deposits is due to the reduction in payroll funding as a direct consequence of the PPP contract, which led to the majority of National Savings staff transferring to SBS on 1 April 1999.

Under a contract signed with SBS in January 1999 for the provision of operational services the majority of the Agency's assets were re-classified as a prepayment at 31 March 1999 and subsequently transferred to SBS on 1 April, for a nominal sum. This had the effect of reducing charges that would otherwise have been payable to SBS over the life of the contract. The prepayment is being amortised over the life of the contract.

10. Cash At Bank and In Hand

	31 March 2000	31 March 1999
	£000	£000
		(unaudited)
Balances with Paymaster	1,429	3,160
Commercial banks	15	27
Cash in hand	—	4
	1,444	3,191

11. Creditors (amounts falling due within one year)

	31 March 2000 £000	31 March 1999 £000 (unaudited)
Other creditors	432	6,545
Vote surplus due to the Consolidated Fund	1,716	4,532
Consolidated Fund Extra Receipts to be surrendered	1	1
Accruals	9,752	1,706
Early departure provision (see note 12)	828	778
Interest costs provision (see note 12)	216	—
Product accounts provision (see note 12)	—	4,650
	12,945	18,212

At 31 March 2000, there were no creditors falling due after more than one year.

12. Provisions for Liabilities and Charges

	£000	31 March 2000 £000	31 March 1999 £000 (unaudited)
Movements in the provision for early departure costs:			
Balance at 1 April		3,098	3,171
Interest earned on prefunding	−46		−54
Applied	−1,049		−749
Increase in provision	970		730
		-125	
Total early departure costs provision		2,973	3,098
Amount payable within one year (see note 11)		−828	−778
Provision falling due after more than one year		2,145	2,320
Movements in the provision for product accounting discrepancies: (see note 23)			
Establishment of provision for historic discrepancy			5,100
Balance at 1 April		5,100	
Applied	-5,689		
Increase in provision	589		
		−5,100	
Total product accounting provision		—	
Amount payable within one year (see note 11)		—	−4,650
Provision falling due after more than one year		—	450
Movements in the provision for 'leap year' interest costs: (see note 23)			
Establishment of provision for 'leap year' interest costs	216		—
Amount payable within one year (see note 11)	−216		—
		—	—
Provision falling due after more than one year		—	—
Provisions for liabilities and charges		2,145	2,770

Notes to the Accounts *(continued)*

13. General Fund

		31 March 2000	31 March 1999
	£000	£000	£000
			(unaudited)
At 1 April		27,907	18,377
Vote Financing	171,882		175,746
Vote surplus due to the Consolidated Fund	−1,716		−4,532
Transferred from the operating cost statement	−179,661		−180,337
Notional items (see note 3)	2,183		2,073
Asset additions not purchased during the year	—		15,997
Write back permanent diminution	—		237
		−7,312	
		20,595	27,561
Realised element of revaluation reserve (see note 14)		2	346
At 31 March		20,597	27,907

14. Revaluation Reserve

		31 March 2000	31 March 1999
	£000	£000	£000
			(unaudited)
At 1 April		767	511
Surplus on fixed asset revaluation (see note 7.2)	3,304		651
Backlog depreciation charge (see note 7.2)	−79		−8
Backlog depreciation write back	—		−41
		3,225	
		3,992	1,113
Realised element of revaluation reserve (see note 13)		−2	−346
At 31 March		3,990	767

15. Net Movement In Government Funds

	1999–2000	1998–99
	£000	£000
		(unaudited)
Net movement in General Fund (see note 13)	−7,310	9,530
Net movement in Revaluation Reserve (see note 14)	3,223	256
Net movement in Government Funds	−4,087	9,786
Opening balance	28,674	18,888
Closing balance	24,587	28,674

16. Capital Commitments

The following capital commitments existed at the balance sheet date:

	31 March 2000	31 March 1999
	£000	£000 (unaudited)
Contracted but not provided for	3	106
Authorised but not contracted	3,328	—
	3,331	106

17. Commitments Under Operating Leases

At 31 March 2000 the Agency was committed to making the following payments during the next financial year in respect of operating leases:

	31 March 2000	31 March 1999
	£000	£000 (unaudited)
Leases expiring within:		
One year	1	12
Two to five years	12	4
After five years	9	7
	22	23

None of these leases relate to the hire of plant.

18. The Public Private Partnership (PPP) Contract

In January 1999, National Savings signed a ten year contract with SBS for the provision of operational services, which came into effect on 1 April 1999. The majority of the Agency's assets transferred to SBS for a nominal sum, which had the effect of reducing charges which would otherwise have been payable to SBS over the life of the contract. The majority of the Agency's staff also transferred to SBS on 1 April 1999.

National Savings is committed to making annual payments to SBS and these payments are set to reduce significantly over the life of the contract as National Savings gains from the capital investment and operational efficiency brought about by this agreement. The estimated capital value of the contract is £45 million.

The level of annual payment is specified in the contract but may vary according to transaction volumes, new product and service channel developments and the level of Siemens Business Service performance. It will also be uplifted each year in line with movements in the Retail Prices Index. If SBS were to meet the performance standards in the contract and the transaction levels and business developments fall within agreed parameters the payments under the contract at constant price levels would be:

	£000
Amounts falling due within one year	101,582
Net present value of amounts falling due within two to five years	281,826
Net present value of amounts falling due within six to nine years	163,843

A discount rate of 6% has been used to derive the NPV of the payment stream in years two to nine.

In the fourth year of the contract (2002–2003) National Savings is also committed to paying for the cost of making its systems capable of handling the euro while the UK remains outside the euro area and for possible changes should the UK decide to join. Under the terms of the contract the provider is entitled to charge for the actual cost of the work, but an upper limit of £9 million (plus uplift charges), has been set. Any costs incurred above the upper limit will be met by SBS.

19. Contingent Liabilities

There were no contingent liabilities at 31 March 2000.

Notes to the Accounts *(continued)*

20. Post Balance Sheet Event

There were no post Balance Sheet events.

21. Related Party Transactions

National Savings is an Executive Agency of the Chancellor of the Exchequer. The Agency does not have a parent Department.

Post Office Counters is a major distributor of National Savings products and, as a public body, POCL is a related party. National Savings had a significant number of transactions with POCL during the accounting period.

National Savings entered into a ten year PPP contract with SBS for the provision of operational services, which came into effect on 1 April 1999. As the major provider of operational services SBS is a related party. Note 3 to these accounts contains details of amounts paid and payable under the contract during 1999–2000 and note 18 to the accounts contains details of future commitments arising under the contract. Under the same contract SBS has entered into an agreement to lease National Savings' three operational sites in return for a monthly rent. Details of the amounts received and receivable are provided in note 5 to these accounts.

During the year, none of the Board Members, members of key management staff or other related parties has undertaken any material transactions with National Savings. Investments in National Savings products by members of National Savings staff are not considered to be related party transactions and are therefore excluded from this declaration.

22. Notes to Schedule 5

National Savings had one aim and two objectives during 1999–2000. The objectives, to contribute to the government's funding needs and to promote government savings' policies amongst personal investors, are not mutually exclusive in terms of attributing costs. However, in support of its objectives, National Savings sold and managed a number of retail investments. National Savings Schedule 5 sets out the resource costs of managing each of these investments.

Costs are only attributed to products once they go on sale.

A. Basis of allocation and apportionment

The largest element of National Savings administration costs relates to payments made under a PPP contract for the provision of operational services. SBS operates a resource management system by location, which apportions staff to the National Savings products according to activity. The resultant staff breakdown by product is then used by National Savings to apportion the contract payments across products.

The selling agents costs of the department are mainly made up of payments to POCL. There are two elements to the Post Office costs being transaction costs per product, which are directly allocated to the relevant products, and an overhead cost, which is divided evenly amongst those products transacted at the Post Office Counter.

Marketing costs is the major component of Marketing and Research costs. These costs are directly allocated to products where the department has conducted a marketing campaign which is product specific. Where more than one product is being marketed, or where the department has embarked on a campaign of corporate marketing the costs are divided evenly amongst the products covered.

Costs relating directly to land and buildings are apportioned to those products administered at the relevant location. The SBS resource management system data provides the basis for the apportionment.

The remainder of the administration costs of the department are considered to be overheads and are apportioned to products according to the breakdown provided by the SBS resource management system.

B. Capital employed

The capital employed in the pursuit of National Savings' objectives was as follows:

	1999–2000	1998–99
	£000	£000
		(unaudited)
Ordinary Account	4,043	5,211
Premium Bonds	8,994	9,279
Investment Account	3,588	4,989
Savings Certificates	2,713	4,740
Income Bonds	2,692	2,600
Individual Savings Account	762	—
Pensioners' Guaranteed Income Bonds	2,057	1,623
Children's Bonus Bonds	701	925
Capital Bonds	288	407
Yearly Plan	223	336
Deposit Bonds	180	381
SAYE	184	466
FIRST Option Bonds	126	196
Fixed Rate Savings Bonds	46	—
Treasurers' Account	34	85
Marketable Securities	—	395
Total capital employed	26,631	31,633

23. Accountability Notes

During 1999–2000 372 cases of loss were brought to account, totalling £1,303,650. The details of those cases exceeding £100,000 (three), are given below:

(1) Following an isolated operational error, a number of Premium Bond Prizes were declared ineligible. To rectify the error during 1999–2000 payments amounting to £329,088.41 were paid to 819 National Savings customers in lieu of prizes and interest.

(2) £588,521.27 was provided for during 1999–2000 to cover historic discrepancies in the National Savings product accounts. This was in addition to a provision of £5,100,000 which was created during 1998–99. During 1999–2000 a net payment of £5,688,521.27 was paid from the National Savings Administration Vote to clear the shortfall.

(3) During 1999–2000, National Savings provided £216,045.12 in respect of interest costs, following a legal ruling on the definition of a leap year for the Pensioners Guaranteed Income Bond. No other National Savings products are affected.

Appendix

DEPARTMENT FOR NATIONAL SAVINGS

ACCOUNTS DIRECTION GIVEN BY THE TREASURY IN ACCORDANCE WITH SECTION 5 OF THE EXCHEQUER AND AUDIT DEPARTMENTS ACT 1921

The Department for National Savings shall prepare resource accounts for the year ended 31 March 2000 in compliance with the accounting principles and disclosure requirements of the Resource Accounting Manual which is in force for that financial year.

The accounts shall be prepared so as to give a true and fair view of the state of affairs of the Department at 31 March 2000 and its net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year then ended.

Compliance with the requirements of the Resource Accounting Manual 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 Resource Accounting Manual is inconsistent with the requirement to give a true and fair view the requirements of the Resource Accounting Manual 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 both with the economic characteristics of the circumstances concerned and the spirit of the Resource Accounting Manual. Any material departure from the Resource Accounting Manual should be discussed in the first instance with the Treasury.

Jamie Mortimer

Treasury Officer of Accounts

28 March 2000

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