



## Half a billion pounds savings in operating costs

### ***Transforming a financial institution***

National Savings and Investments (NS&I) is an organisation that had the courage to re-invent itself.

Just a few years ago, NS&I seemed old fashioned, uncompetitive and inefficient. In 1999, NS&I had over 4,000 employees, disparate IT systems, (some of which were over twenty years old), on five legacy architectures. Its products were run from different sites with little coordination between them and no sharing of systems or processes. Customers could only buy NS&I products by post or through the Post Office Counters network. Some of its financial products dated back to the nineteenth century.

Against this background, NS&I management had the vision of becoming a competitive, customer focused, technology enabled provider of modern products through new distribution channels. NS&I was determined to bring added value to its customers, the Treasury and ultimately to UK taxpayers.

This demanded an ambitious modernisation and transformation programme.

To deliver it, NS&I signed a pioneering Private Public Partnership contract – still one of the largest in the UK – with Siemens Business Services to manage virtually all of NS&I's operations. Today NS&I operates with just 132 of its own staff that can focus on strategic direction, brand and marketing, portfolio management and product pricing, distribution channel management and the HM Government interface - everything else is done by Siemens.

### ***Delivering value to the taxpayers***

NS&I is one of the best-known and most trusted financial institutions in the UK. With investment opportunities backed by the Treasury, NS&I provides savings and investment products for 26 million customers, and plays a vital role in helping to fund the national debt (providing over 17% of funds). As the cost of raising money through NS&I is lower than through selling gilts on the wholesale money market, this is a source of value to the Treasury, and subsequently to the taxpayer. This value is defined by NS&I as "Value Add".

Serving NS&I customers involves handling over 43 million transactions each year, accounting for almost £75 billion of funds invested and annual sales regularly exceeding £10 billion, including NS&I's most well known product, Premium Bond.

### ***New IT systems and innovation in business operations***

The most dramatic step change involved the transfer of more than 4,000 operations staff from NS&I to Siemens Business Services. This was the largest TUPE transfer (Transfer of Undertakings Protection of Employment) ever undertaken and posed a significant challenge in changing culture.

Siemens introduced LEAN, a methodology to build a culture of continuous improvement across working teams. Although a proven methodology in manufacturing, the use of LEAN within a large clerical environment was a ground-breaking development. LEAN, which recognises that staff understand where waste exists and how processes need to change to serve customers better, has enabled Siemens to introduce cost savings in excess of £2.6M. Step-by-step, staff achieved higher performance levels, in tandem with increasing customer satisfaction levels.

The transformation also required major changes to the technology. A new single banking platform for all back office processes now links all channels and is underpinned by the use of scanning of paper documents at source. A single data warehouse has made possible improved customer relationship management. The introduction of telephony and internet access for sales and post sales services has allowed customers to choose how they interact with NS&I and has also provided further productivity improvements within the Siemens operations.

These improvements in operational efficiency and reengineering of the IT systems made possible a steady reduction in employee numbers, with staff release managed mainly through redeployment to other Siemens Business Services accounts, combined with some voluntary releases and natural attrition. The reduction in headcount has been managed while standards of performance have steadily improved.

Off-shore processing became possible using workflow technology. Some back office administrative activities and processes were moved to Siemens operations in India, while customer-facing functions remain in the UK, providing the best mix of cost saving and customer service.

### ***Doubled Productivity***

For NS&I the principal impact of the Siemens contract has been to significantly reduce their operating costs. The contract was let on the basis of Siemens delivering a £500M saving to the UK taxpayer over 15 years. Studies by the National Audit Office have confirmed that the contract is delivering as was originally expected. Core to this success is a better than doubling of productivity. In 1999, NS&I were achieving £2.2M of sales per employee. Today across NS&I and Siemens the figure is £5.7M.

Cost savings have been achieved without reducing service levels or customer satisfaction, however. Siemens has consistently delivered 97% to 100% against key performance indicators, while targets have been raised by as much as 30%. Independent research shows customer satisfaction ratings exceed those of NS&I's competitors. In 2005 89% of NS&I customers were satisfied overall compared with 85% for competitive providers. These improvements were achieved during a time of significant growth of the NS&I's business.

The response from NS&I customers to the new telephone and Internet banking channels has been extremely positive. Between 2001 and 2006, NS&I moved half of their counter transactions to either telephone or the Internet. The success of the NS&I web service is shown by the growth in the value of internet sales from £37M per month in early 2005 to over £100M a month today.

### ***From early challenges to long term success***

As an early PPP project, both Siemens and NS&I made mistakes in the initial stages of the contract. The two organisations addressed the problems together. One of most important lessons learned from the partnership is that shared vision, common objectives and joint planning deliver results.

Siemens has delivered in line with NS&I's needs for seven years, and NS&I continue to realise benefits that will allow them to achieve their targeted savings over the life of the contract. Siemens consistently execute IT projects successfully, delivering updated and new products and processes that enable NS&I to be agile in the highly-competitive financial services market. The performance of Siemens has been recognised by the National Audit Office in 2003 and in the NS&I 2006 Annual Report by Acting Chief Executive Trevor Bayley when he said, "Siemens continues to attain incredibly high performance levels.....an excellent result for one of our busiest ever years"

A measure of the success of the contract can be seen from the fact that although originally intended to run for ten years, in 2004 an option was exercised to allow it to run for a further 5 years until 2014.