

**NATIONAL
INFRASTRUCTURE
COMMISSION**

Better infrastructure for all

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2021

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2021

Accounts presented to the House of Commons pursuant to Section 6(4) of the Government
Resources and Accounts Act 2000

Annual Report presented to the House of Commons by Command of Her Majesty

Ordered by the House of Commons to be printed on 4 November 2021

© Crown copyright 2021

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3.

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at www.gov.uk/official-documents.

Any enquiries regarding this publication should be sent to us at enquiries@nic.gov.uk

ISBN 978-1-5286-2949-2

E02685630 11/21

Printed on paper containing 75% recycled fibre content minimum

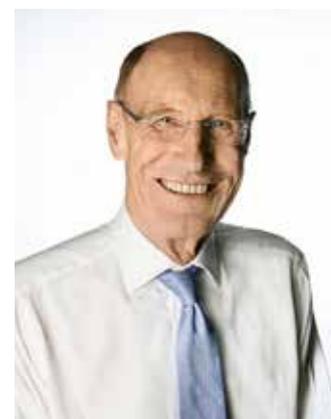
Printed in the UK by HH Associates Ltd. on behalf of the Controller of Her Majesty's Stationery Office

Foreword

Welcome to the 2020/21 Annual Report and Accounts for the National Infrastructure Commission (“the Commission”).

This was a year of noteworthy accomplishments, despite the operational challenges posed by the Covid-19 pandemic.

The value of the type of work undertaken by the Commission has arguably been amplified by the Covid pandemic. While government has had to deal with the immediate demands of the crisis, the Commission has continued to focus on identifying and planning for the country’s long term infrastructure needs. This has included a detailed look at the potential scenarios for lasting behaviour change that might conceivably affect demand for infrastructure in 20-30 years’ time (published in the form of a paper in May 2021, just after this reporting period). The difficult truth is that none of us know what the future holds – but it is also true that responses to snapshot opinion surveys and the actions of ‘early movers’ are not necessarily an accurate guide to long term outcomes. The scenarios enabled us to consider the range of potential changes in behaviour and their implications for long term infrastructure policy.



Despite this uncertainty, the Commission has sought to fulfil its core role of providing independent expert advice to government while giving due consideration to the additional challenges of long term decision making. In 2020/21, the Commission published three formal reports.

We began the year by publishing *Anticipate, React, Recover: Resilient Infrastructure Systems* in May 2020. The report set out threats to the resilience of the UK’s infrastructure systems, and the potential impact of resilience failures. It recommended that government publish resilience standards every five years; and that infrastructure operators stress test their systems and maintain long term resilience strategies. We received the government response to this study in September 2021.

In July, we published the *Rail Needs Assessment for the Midlands and the North: Interim Report*. The report outlined our methodology for the final report, highlighting that the Commission would present government with packages of rail investment options. It also set out how the Commission would analyse the potential impact of these packages. Transparently setting out the Commission’s methodology in advance enabled stakeholders to make informed contributions in the final stages of the report’s development.

In December we published the *Rail Needs Assessment for the Midlands and the North: Final Report*. The report set out three options for the prioritisation of rail investment: focusing on upgrades only; prioritising regional links; and prioritising long distance links. The report set out three variants of the regional and long distance options assuming a budget based on rail spending in the first *National Infrastructure Assessment*, and 25 per cent and 50 per cent increases in that budget. The report also provided an analysis of the impact of these options and recommended an adaptive approach, focusing on a pipeline of core schemes now, and expanding schemes once certain conditions are met.

All three of these reports provide expert and impartial advice to government on how to ensure future investment in infrastructure will deliver lasting benefits to communities across the UK and respond to challenges both now and in the future.

November 2020 was a landmark month for the Commission. The government published its first National Infrastructure Strategy, responding to the recommendations made in the Commission's first *National Infrastructure Assessment*. The Government accepted or partially accepted 80 per cent of our recommendations, demonstrating the Commission's impact on infrastructure strategy and policy.

Once its recommendations are accepted, it is vital that the Commission holds the government to account for their delivery. In February 2021, the Commission published its fourth *Annual Monitoring Report*, assessing current progress and setting out its priorities for government action in 2021. These included taking further concrete steps to decarbonise the economy, developing a long term strategic approach to transport investment and devolution in city regions, maintaining progress on broadband rollout, establishing an infrastructure bank, updating economic regulation, and setting out how infrastructure systems should respond to shocks and stresses.

The Commission has also continued to diversify its perspective by appointing a new Young Professionals Panel for a two year term running from July 2020-July 2022. The new YPP will continue to challenge the Commission's thinking by offering a perspective from infrastructure professionals at the start of their careers across the six sectors within its remit.

The Commission's study programme was ongoing at year end. In November 2020, HM Treasury asked the Commission to conduct a Greenhouse Gas Removals Technologies Study, focusing on engineered greenhouse gas removals technologies. The study considered a range of technology that might be used, the policies required for deployment and timelines for government action. To support the study, the Commission launched a call for evidence in January 2021. The final study reported in July 2021. In March, HM Treasury asked the Commission to conduct a study on Infrastructure, Towns and Regeneration. The study will examine the potential economic and quality of life impacts of infrastructure in towns, the effect of Covid-19 on towns and local delivery and capacity. The final study was published in October 2021.

The Commission has also begun work on a baseline assessment of the UK's infrastructure. This will be published in November 2021, setting out priorities for our second *National Infrastructure Assessment* in 2023.

The range of our analysis and recommendations extends beyond our formal studies. Over the last year we have also published reports such as *Renewables, Recovery, and Reaching Net Zero* and *Natural Capital and Environmental Net Gain*. In total, we have produced twelve reports and papers in the last year supported by many more pieces of research and detailed analysis.

In May 2020, we welcomed James Heath to his role as the Commission's new Chief Executive. James was previously Director of Digital Infrastructure at the Department for Culture, Media and Sport (DCMS). Under James' stewardship the organisation has continued to deliver high quality independent analysis and recommendations and I am grateful for his leadership of the Secretariat during the inevitable operational disruption caused by the pandemic. In October, we welcomed Neale Coleman as a new Commissioner. Neale's experience in delivery at local government level has proved an invaluable addition to the Commission's expertise.

We cannot produce this work in isolation, so I am also incredibly grateful for the time and support of those across industry, Whitehall and Westminster who take the time to talk to us and ensure that we are focussed on seeking answers to the most important infrastructure issues.

I am proud of the progress that we've made so far and I would like to express my particular gratitude to my fellow Commissioners and our dedicated Secretariat.

Over the coming year, as the country recovers from the Covid-19 pandemic, we will need to focus on long term challenges as well as stimulating economic growth in the short term. The Commission will continue to advise the government on the role of infrastructure in the recovery and in tackling long term challenges such as achieving net zero and regional growth.

I am confident we are up to the challenge.

Sir John Armitt CBE, Chair, 28 October 2021

Contents

Introduction	8
1: Performance Report	9
Overview	10
Chief Executive's Statement	10
Statement of Purpose and Activities	12
Performance Summary	13
Risk Management Strategy	14
Adoption of Going Concern	14
Performance Analysis	14
Achievements 2020/21	16
Forward Plans 2022-23	20
2: Accountability Report	22
Corporate Governance Report	23
The Statement of Accounting Officer's Responsibilities	30
Accounting Officer's Governance Statement	30
Remuneration and Staff Report	33
Parliamentary Accountability and Audit Report	42
3: Financial Statements	48
Notes to the Accounts	52

Introduction

This document meets HM Treasury's requirement that the Commission publish an annual report of its activity together with its audited accounts after the end of each financial year.

The report is set out in three chapters:

1. Performance Report
2. Accountability Report
3. Financial Statements.

It is structured to:

- comply with HM Treasury's 'Financial Reporting Manual' (FRM);
- outline our main activities and performance in 2020/21 and a summary of our forward plans for 2021-22; and
- provide financial statements for the period.

The Annual Report and Accounts shall be laid before Parliament and made available on the Commission's website: nic.org.uk.

1: Performance report

The Performance Report falls in two sections – the overview and the performance analysis.

Overview

The overview gives core organisational information about the National Infrastructure Commission to aid understanding of our purpose, the way we are structured, our key risks and the manner in which we have managed to achieve our objectives during 2020-21. It comprises:

- Chief Executive's Statement
- Statement of Purpose and Activities
- Performance Summary
- Risk Management Strategy
- Adoption of Going Concern.

Performance Analysis

The purpose of this section is to provide a detailed summary of how the Commission has measured its performance, and it includes:

- Achievements 2020-21
- Forward Plans 2021-22.

Overview

Chief Executive's Statement

This Annual Report covers the fourth full year of the National Infrastructure Commission's ("the Commission") existence as a standalone organisation – an Executive Agency of HM Treasury, with our operational independence safeguarded by a published Charter.

The Commission's role is to advise government on major infrastructure challenges and how to meet them. This is a significant responsibility that requires an organisation with the right strategic skills, sector expertise and judgement. That's why we have continued to develop and professionalise our organisational functions and structures. This year we introduced new programme management arrangements as well as finance and HR business partnering to support our project teams. We also rolled out a new people strategy and learning and development offer to ensure we attract, develop and retain the right talent.



During the period April 2020 – March 2021, we have delivered an ambitious programme of work to inform infrastructure decision making with expert advice:

- we have brought fresh thinking and new ideas into the infrastructure debate – for example, through developing an alternative to traditional cost benefit analysis to assess rail investment packages for the Rail Needs Assessment.
- we have taken on major new studies, formally commissioned by HM Treasury, including looking at the development of a new infrastructure sector for greenhouse gas removal and at the role of infrastructure in the regeneration of towns.
- we have started to consider the potential long term impact of Covid-19 on behaviour change and infrastructure demand and what this may mean for infrastructure policy.
- we have undertaken an extensive programme of virtual stakeholder engagement, including regular bilateral meetings and a wide range of stakeholder events.
- we have ensured our work is also informed by the views of the wider public, through extensive qualitative and quantitative social research.
- we have taken a crosscutting approach, covering both the interdependencies between infrastructure sectors and thematic issues that span multiple infrastructure sectors, as demonstrated in our Resilience Study.
- we have undertaken work to better understand the vital role infrastructure can play in the nation's economic recovery post-pandemic.

Alongside delivering the ambitious programme of work described above, we have implemented continuous improvement within the organisation. In doing so, we have continued to develop and implement improved governance, internal control and budget management arrangements resulting in enhanced organisational transparency and accountability.

All of this has happened against the backdrop of the Covid-19 pandemic, and in common with all organisations across the UK and beyond, we have had to adapt to new ways of working and ensure we can continue to fulfil our role.

The Commission's senior management team has also undergone notable change during this period. The organisation was led on an interim basis by James Richardson, the Commission's Chief Economist, until my arrival in May 2020. Our Chief Operating Officer, Charlotte Goodrich, left the organisation in December 2020 to take up a position as Deputy Director for Corporate Operations at Northern Ireland Office. Charlotte drove a transformation programme in our corporate services and I'd like to take this opportunity to thank her for her service. Charlotte was replaced by Mark Ardron, who joined us in April 2021 from a position as Head of Finance at the Pensions Regulator. I know Mark will continue to drive improvements and efficiencies in the Commission's way of working.

Over the coming year, we will maintain a commitment to delivering world class infrastructure studies, for example with the publication of our Greenhouse Gas Removals Technologies Study in July and our Infrastructure, Towns and Regeneration Study in September.

The Commission's objectives are to support sustainable economic growth across the UK, to improve competitiveness and to improve quality of life. In fulfilling our purpose and objectives, we set a long term agenda, develop fresh approaches and ideas, and focus on driving change by building consensus on our recommendations and monitoring progress on their delivery. As I look back at the last 12 months, I am proud of our achievements in fulfilling this mission. As I note above, I am particularly proud of our doing so in the context of significant disruption to usual patterns of working, which has involved considerable flexibility and agility from all my colleagues. Our staff's expertise – and of course, that of the Commissioners – is our greatest asset in offering advice to government, and I would like to echo Sir John's thanks to the entire team.

The Government's National Infrastructure Strategy, responding to our first *National Infrastructure Assessment*, has demonstrated the Commission's impact on infrastructure strategy and policy. I look forward to working closely with our Commissioners, Secretariat and stakeholders to continue this progression and further develop our contribution to some of the nation's most important infrastructure challenges in our second *National Infrastructure Assessment*.

James Heath, Chief Executive, 28 October 2021

Statement of Purpose and Activities

Remit

The National Infrastructure Commission's remit is set out in its published Charter and Framework Document. Its purpose is to provide the government with impartial, expert advice on major long term infrastructure challenges and to hold the government to account for the delivery of its recommendations.

The Commission advises the government on all sectors of economic infrastructure, defined as follows: energy, transport, water and wastewater (drainage and sewerage), waste, flood risk management and digital communications. The Commission also considers the potential interactions between its infrastructure recommendations and housing supply.

Within its remit, the Commission also considers which infrastructure decisions should be taken nationally, and which are best devolved to regional or local level.

Business Model and Objectives

The Commission's corporate plan is published on our website. This document describes our remit and structure, as set out in our Framework Document and Charter. The corporate plan also sets out how we will ensure our governance and operational arrangements are fit for purpose, ensuring that we operate as a responsible, effective and transparent Executive Agency. The plan outlines the three overarching objectives that guide our work, which in 2020-21 were to:

1. support sustainable economic growth across all regions of the UK;
2. improve competitiveness; and
3. improve quality of life.

In 2020-21 the Commission set out that in fulfilling its purpose and objectives, it would:

- set a long term agenda – identifying the UK's major infrastructure needs, and the pathways to address them.
- develop fresh approaches and ideas – basing its independent policy recommendations on rigorous analysis; and
- focus on driving change – building consensus on its policy recommendations and monitoring government progress on their delivery.

The Commission commits to delivering the following products and services:

1. a National Infrastructure Assessment once in every Parliament, setting out the Commission's assessment of long-term infrastructure needs with recommendations to the government;
2. specific studies on pressing infrastructure challenges as set by the government, considering the views of the Commission and stakeholders. These studies will include recommendations to the government; and

3. an annual monitoring report, taking stock of the government's progress in areas where it has committed to taking forward the Commission's recommendations.

When producing these reports, the Commission commits to:

- include a transparent assessment of the impact on costs to businesses, consumers, government, public bodies and other end users of infrastructure that would arise from implementing the Commission's recommendations (i.e. be deliverable within both the defined fiscal and economic remit);
- engage with the public, policymakers, infrastructure experts and relevant bodies openly and transparently, drawing on a broad range of expertise and helping build consensus; and
- ensure its recommendations are robust, well-evidenced and prioritised according to its remit, give due consideration to a range of proposals and take account of the role of economic regulators in regulating infrastructure providers and the government's legal obligations.

Organisational Structure – Commission and Secretariat

The Commission has a Chair and, at any given time, between four and 12 other non-executive Commissioners, who are appointed for terms of up to five years by the Chancellor, and will serve for a maximum of ten years. Details of the active Commissioners during this reporting period are set out in the Corporate Governance Report section of this report. The Chancellor, with advice from the Chair, appoints the Commissioners ensuring that the organisation has the right mix of skills and expertise to discharge its functions effectively. The Chancellor may also appoint a Deputy Chair from amongst the Commissioners who can step up to lead the organisation as and when required.

The Commission is supported by a Chief Executive Officer (CEO) and Secretariat staff. The CEO is appointed by the Chancellor in consultation with the Chair. The CEO is also the organisation's Accounting Officer and discharges these duties with oversight from the Commission's Oversight Board. The CEO's formal reporting line is to the Second Permanent Secretary of HM Treasury.

Commission staff are a mix of civil servants and expert secondees who are responsible for supporting the Commission to discharge its responsibilities. Staff responsibilities include: conducting analysis, gathering evidence, running consultation exercises, developing and formulating recommendations to the government, stakeholder engagement and representing the Commission at public events.

Performance Summary

During the period, the Commission has:

- published the Commission's fourth *Annual Monitoring Report* in February 2021.
- maintained progress on our agreed study programme: publishing *Anticipate, React, Recover: Resilient Infrastructure Systems* in May 2021 and the Rail Needs Assessment for the Midlands and the North in December 2021, while also commencing work on studies into greenhouse gas removals technologies and on how to maximise the benefits of infrastructure policy and investment for towns
- carried out preparatory work and analysis in preparation for the second *National Infrastructure Assessment*

- commenced work on a framework to understand potential pathways for the impact of behaviour change on infrastructure demand after the Covid-19 pandemic.

Risk Management Strategy

The main risks faced by the Commission relate to the successful delivery of its core responsibility to produce independent and authoritative analysis of the UK's future infrastructure needs. The operational and financial risks that we face are relatively limited as the Commission is a small organisation with a focused budget that is primarily spent on staff, commissioning external research, and accommodation costs. Our risk management strategy is led by the Senior Management Team (SMT). A detailed description of our approach is described in the Governance Statement in the Accountability Report.

Adoption of Going Concern

The Commission is funded by Parliament by a funding-through-supply arrangement via HM Treasury's departmental supply estimate. In 2021-22 the Commission received a rollover funding settlement of £5.7 million. A new multi-year funding settlement will be agreed at the 2021 spending review [not yet published at time of writing].

The Commission's Statement of Financial Position at 31 March 2021 shows net liabilities of £256k. This reflects the inclusion of liabilities arising during the accounting period which are met by funding through supply from central government when they fall due. Under the normal conventions applying to parliamentary control over income and expenditure, such funding may not be issued in advance of need.

HM Treasury has formally agreed in the Framework Document to issue the Commission with a multi-year budget, consequently there is no reason to believe that such funding will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for these financial statements.

Performance Analysis

Between 1 April 2020 and 31 March 2021, the Commission carried out a comprehensive programme of work. Twelve reports were published, with each of them progressing in line with their projected timeframe and being delivered within deadline. This included the Resilience study in May 2020, the *Rail Needs Assessment for the Midlands and the North* in December 2020 and the *Annual Monitoring Report* in February 2021. The delivery of these products on time is a key indicator of our performance.

Another key indicator of the Commission's performance is the quality of our work. In 2020/21 we continued to strengthen the formal Quality Assurance policy agreed by the Oversight Board, whilst further developing our analytical framework and methodology.

While there is no formal quantitative indicator for the quality of our work, we have undertaken an extensive programme of engagement with industry stakeholders to seek their views on the standard of our outputs. The latest research into stakeholder views revealed that 90 per cent of Commission stakeholder contacts agree that the Commission provides government with expert advice, and 68 per cent of businesses felt the Commission was successful in its advisory role.

We have been encouraged by the willingness of the infrastructure sector to feed into the Commission's work and express support for it. This is evident in the volume of responses we have received to our calls for evidence and consultations, which attracted submissions and contributions from a wide and varied group of interested parties.

The Commission published twelve infrastructure reports and papers from April 2020 to March 2021



The Commission has worked closely with government departments, holding regular meetings during the development stages of our reports and following their publication. We have carried out analysis of the press coverage of our work, as well as monitoring reaction online and across our various social media channels.

Achievements 2020/21

The Commission's remit is broad. Our Charter gives us complete discretion to make independent recommendations and to analyse the UK's infrastructure challenges taking any approach we deem fit. We are free to shape our own work programme, subject to meeting the core requirements and guidance set out in the Charter and accompanying Framework, and in the Terms of Reference of the studies we are commissioned to undertake.

The Commission has published a series of reports providing robust, independent and evidence-based advice. It has also set out the metrics it will use to measure how infrastructure can fulfil the Commission's objectives. The Covid-19 pandemic did not seriously impact the Commission's work as staff successfully made the transition to home working in March 2020. Similarly, the UK's exit from the EU did not impact upon the organisation's performance as the Commission is focused on infrastructure policy at an up to national level.

In April, it published a position paper highlighting how infrastructure can improve the UK's competitiveness. In May, we set out how our *National Infrastructure Assessment* recommendations from 2018 were consistent with the new net zero carbon target.

Also in May, we published *Anticipate, React Recover: Resilient Infrastructure Systems*. This report argued for a resilience framework to prevent disruptions to the UK's energy, water, transport and digital infrastructure systems. It recommended that the government should publish resilience standards. It also recommended that infrastructure operators should conduct regular stress testing and develop long-term resilience strategies.

The Commission continues to revise its analysis in response to rapidly developing technology. In August it published *Renewables, Recovery, and Reaching Net Zero*. The paper revised our *National Infrastructure Assessment* renewables target, recommending that 65% of the UK's energy be renewable by 2030.

The Commission is committed to promoting diversity and inclusion. In September, it published its first *Diversity and Inclusion Strategy 2020-23*, leading by example setting diversity targets for our workforce. The strategy also set out how the Commission will champion increasing diversity and inclusion across the wider infrastructure sector.

In October, the Commission published its Cities programme final report. The report drew on engagement with five cities across England developing local infrastructure strategies. Collectively, the case studies strengthened the case for the Commission's recommendation for devolved long term infrastructure budgets for cities. They also highlighted eight best practice principles for developing urban infrastructure strategies.

In November, the Commission published the *Growth across regions* paper, defining its sustainable growth objective. The paper said that the Commission's recommendations should support faster growth in low productivity regions. This will be balanced with maintaining the economic performance of high productivity areas.

Commission activities 2020-21 in numbers



November also saw the publication of the government's National Infrastructure Strategy and its response to the Commission's *National Infrastructure Assessment*. The Strategy highlighted the Commission's independence and influence, with the government endorsing or partially endorsing most of our recommendations. In February 2021, the Commission followed this up with its *Annual Monitoring Report*, tracking government progress against accepted recommendations.

In December 2020, the Commission published its *Rail Needs Assessment for the Midlands and the North*. The study outlined three approaches to rail investment for government – focusing on upgrades, prioritising regional links, and prioritising long distance links – illustrated by five indicative packages of schemes. The final decision is for government, but our analysis suggested prioritising regional links would have the highest potential economic benefits.

In February 2021, the Commission published a discussion paper on *Natural capital and environmental net gain*. It explained how the Commission would consider the impact of infrastructure on the natural world. It also explored how well-planned infrastructure projects can contribute to, rather than detract from, environmental assets and biodiversity.

Also in February, the Commission published *Operability of highly renewable systems*. This paper set out the affordable solutions to the challenges posed by transitioning to a highly renewable energy system.

In March, HM Treasury published the terms of reference for a Commission study on *Infrastructure, Towns and Regeneration*. This sets part of the Commission's 2021-22 agenda, maximising the benefits of infrastructure policy and investment for towns.

2020-21 has also been a productive year for the Commission's two independent task forces, the Young Professionals Panel and the National Infrastructure Design Group. The Young Professionals Panel was refreshed in July 2020, with a new ten-member panel being appointed for a two year term. Since then the new YPP has identified its own policy recommendations in response to the National Infrastructure Strategy and continued to inform and challenge the Commission's work. To date this has included engagement events for NIA2 and the towns study, a roundtable on devolved energy and levelling up, and a new series of the *Infra[un]structured* podcast.

Since the publication of its *Design principles for national infrastructure* in February 2020, the National Infrastructure Commission Design Group continued to advocate for good design, both within government and across infrastructure sectors. This helped ensure that the government endorsed their design principles, and the Commission's recommendation for all infrastructure projects to have a board level design champion in place by the end of 2021. The group is engaging with the Infrastructure and Projects Authority to implement these recommendations, and supporting stakeholders across the six infrastructure sectors to put the design principles into practice.

Operationally, during 2020-21 the Commission grappled with the challenges presented by the outbreak of the Covid-19 pandemic at the end of 2019-20 – set out in detail on page 29 – as well as continuing a programme of professionalisation as the Commission becomes an established executive agency. At the start of the financial year Finance and HR business partnering were rolled out to support managers in delivering policy projects.

In November the Commission launched its people strategy 2020-22 with three key aims: recognising, rewarding and retaining staff; ensuring the shape and source of the workforce is appropriate; and ensuring a depth and breadth of expertise amongst staff which is aligned to the Commission's priorities. In February, this was supplemented by a new learning and development offer, setting out a common curriculum ensuring consistency across the organisation.

Communications and Stakeholder Management

Press and publicity

The year was marked by a significant milestone for the Commission's growth with the publication in November 2020 of the government's National Infrastructure Strategy and, alongside it, its formal response to the first *National Infrastructure Assessment*. The Strategy's publication provided an opportunity to cement our position as an authoritative voice on long term infrastructure planning through reactive and proactive media commentary and social media activity.

December's *Rail Needs Assessment for the Midlands and the North* was the Commission's highest-profile announcement since the Assessment, generating significant national and regional media coverage reflecting the range of views elicited by the report. To assist reporters, a virtual press conference was held on the day of the launch, with Commissioners speaking from the Commission's offices. The other ten reports published over the year (detailed above) allowed the Commission to continue to generate online engagement and media coverage of our ideas and evidence across a broader range of themes.

The launch of a new Commission website in September 2020 enabled the Commission to bring its policy content fully in line with accessibility guidelines and improve website visitors' access to it, particularly through the introduction of html versions of all new reports and papers. This has been reinforced by the subsequent addition of a dedicated Data page on the site, allowing for the interactive presentation and downloading of Commission data sets, improving transparency and enabling stakeholders to engage more easily with our data.

The communications team has continued to generate informed media coverage of the Commission's work during the year. In addition to a large volume of specialist coverage in trade titles, the Commission attracted 129 pieces of coverage in national newspapers and broadcast media (placed articles, direct quotes and references to Commission work), including four bylined articles by Commissioners in national media; the coverage generated included 11 interviews (live or pre-recorded) with national broadcast media by the Chair or Commissioners. Our social media following continued to grow during this period, from 5,791 to 6,346 followers on Twitter, and from 3,846 to 5,860 followers on LinkedIn.

Stakeholder engagement

Despite limitations generated by the lockdowns resulting from the pandemic – which led to many conferences and events being cancelled or moved online as virtual events – the Commission has continued to engage extensively with a broad stakeholder base, either through our own online events or through contributions by Commissioners and Senior Management Team members in events organised by external bodies. In September the Commission launched the findings of its cities programme with an online event attended by over 220 stakeholders. Other activity has included:

- 69 stakeholder event engagements, including: 22 set-piece speeches by Commissioners and the senior management team, four Commission-hosted roundtables with local government and business leaders, and participation in 16 third-party roundtables or seminars
- regular bilateral meetings and roundtable events with government departments, regulators and representatives from industry, either virtual or in-person when permitted
- presentations by government officials to Commission meetings.

Forward Plans 2021-22

The Commission is focused on the delivery of its four strategic priorities for 2021-22 (see facing page):

- set the agenda for economic infrastructure
- promote and enable better infrastructure decisions
- secure positive responses to our recommendations and support their delivery
- create an organisation built on collaboration, professionalism, and a high-performance culture.

Corporate Services, Accommodation, Finance and Human Resources

Our financial management and oversight arrangements are established in the Framework Document drawn up by HM Treasury and agreed by the Commission. Our sponsor department is HM Treasury and we are funded via a delegated budget. The Commission's Framework Document commits HM Treasury to provision of a multi-year budget. Due to the uncertainty caused by the Covid-19 pandemic, our previous multi-year budget was rolled over in 2021-22. We will negotiate with HM Treasury to agree the next multi-year budget which will begin on 1 April 2022 [at the time of writing the 2021 spending review was not yet published].

The Chief Executive Officer of the Commission is designated as the Accounting Officer responsible for the effective management of public funds. HM Treasury Ministers have given the Commission's Chief Executive Officer delegated authority to approve external appointments and procurements up to £5 million.

The Commission's current offices are in Finlaison House. The Commission's ongoing service contracts for security and facilities management at Finlaison House are provided by Interserve who are contracted by the Government Actuary's Department.

We continue to receive some of our transactional services including IT, HR and Finance from HM Treasury. As a small organisation seeking to secure value for money, we will retain this relationship next financial year in accordance with the current Memorandum of Understanding, under which HM Treasury provides the IT, human resources, accounting, procurement and payroll services we need. We keep these arrangements continually under review to ensure that they meet the needs of the organisation and represent value for money based on HM Treasury's performance.

James Heath, Chief Executive, 28 October 2021

The Commission's strategic objectives

		Status
Set the agenda for economic infrastructure 	Deliver a report on the potential role for Greenhouse Gas removal Technologies	✓
	Publish a baseline report on the state of UK infrastructure to support the development of the second <i>National Infrastructure Assessment</i>	Ongoing
	Publish findings of pilot agent based model of future heat market	✓
	Progress work on priority areas for the second <i>National Infrastructure Assessment</i>	Ongoing
Promote and enable better infrastructure decisions 	Publishing a report on possible scenarios for behaviour change after the Covid-19 pandemic	✓
	Publishing the <i>Infrastructure, Towns and Regeneration</i> study	✓
	Publishing analysis on how the uptake rates on energy efficiency measures might influence future household heating solutions	✓
	Progressing work on the Commission's methodology for the second <i>National Infrastructure Assessment</i>	Ongoing
	Progressing work on the priority areas for the second <i>National Infrastructure Assessment</i>	Ongoing
Secure positive responses to our recommendations and support their delivery 	Updating and developing the Commission's monitoring and influencing strategy	Ongoing
	Delivering the Annual Monitoring Report	✓
	Developing the Commission's monitoring methodology	Ongoing
	Appoint National Infrastructure Design Group members for a two year term	✓
Create an organisation built on collaboration, professionalism & a high performance culture 	Agreeing a new multi-year budget with HM Treasury through the spending review process for the period after 1 April 2022	Ongoing
	Implementing the Commission's people strategy	Ongoing
	Implementing the Commission's Diversity & Inclusion strategy	Ongoing

2: Accountability report

The Accountability Report contains:

- the Corporate Governance Report, which includes an assessment of the Commission's delivery against its responsibilities set out in the Framework Document;
- the Statement of Accounting Officer's Responsibility;
- the Accounting Officer's Governance Statement;
- the Remuneration and Staff Report, which details the pay, pension arrangements and staffing structure of the office; and
- the Parliamentary Accountability and Audit Report, which details the audit arrangements and the relevant parliamentary accountability disclosures.

Corporate Governance Report

The Commission – Background

All appointments to the Commission are made by the Chancellor of the Exchequer. In making appointments, the Chancellor has responsibility for ensuring that the Commission has the right mix of skills and expertise to discharge its functions effectively.

The Commissioners are appointed to provide expert, impartial advice to the government on infrastructure, work with the Chair and each other to shape and develop the *National Infrastructure Assessment* and other specific studies, and generate consensus between government, industry and others.

One or more Commissioners are appointed to act as ‘lead Commissioner/s’ for each of the Commission’s projects and studies – providing guidance and challenge to the Secretariat teams undertaking the work, managing relationships with key stakeholders and agreeing project plans and draft recommendations for discussion with the Commission.

During the period the Commission had a Chair and 7 other Commissioners. These were as follows:

- Sir John Armitt CBE (Chair)
- Professor Sir Tim Besley CBE
- Neale Coleman CBE (joined 1 October 2020)
- Professor David Fisk CB
- Andy Green
- Professor Sadie Morgan
- Julia Prescott
- Bridget Rosewell CBE

Commissioner Biographies



Sir John Armitt CBE – Chair

Sir John Armitt CBE published an independent review on long term infrastructure planning in the UK in September 2013, which resulted in the National Infrastructure Commission. Sir John is the Chair of National Express Group and the City & Guilds Group. He also sits on the boards of the Berkeley Group and Expo 2020



Professor Sir Tim Besley CBE

Professor Sir Tim Besley CBE is School Professor of Economics and Political Science and W. Arthur Lewis Professor of Development Economics at the LSE. He served as an external member of the Bank of England Monetary Policy Committee from 2006 to 2009.



Neale Coleman CBE

Neale Coleman CBE is a co-founder of Blackstock Partnership. He worked at the Greater London Authority from 2000-2015 leading the Mayor’s work on London’s Olympic bid, the delivery of the games, and their regeneration legacy. Neale has also served as Policy Director for the Labour Party.



Professor David Fisk CB

Professor David Fisk CB is the Director of the Laing O’Rourke Centre for Systems Engineering and Innovation Research at Imperial College London. He has served as Chief Scientist across several government departments including those for environment and transport, and as a member of the Gas and Electricity Markets Authority.



Andy Green CBE

Andy Green CBE holds several Chair, Non-Executive Director and advisory roles, linked by his passion for how technology transforms business and our daily lives. He chairs Lowell, a major European credit management company and has served as Chair of the Digital Catapult, an initiative to help grow the UK’s digital economy.



Professor Sadie Morgan OBE

Professor Sadie Morgan OBE is a founding director of the Stirling Prize winning architectural practice dRMM. She is also Chair of the Independent Design Panel for High Speed Two and one of the Mayor of London’s Design Advocates. She sits on the boards of the Major Projects Association and Homes England.



Julia Prescott

Julia Prescott holds several board and advisory roles. She is a co-founder and Chief Strategy Officer of Meridiam and sits on the Executive Committee of Meridiam SAS. She has been involved in long term infrastructure development and investment in the UK, Europe, North America and Africa. She is an Honorary Professor at the Bartlett School of Construction and Project Management, University College London. Since 2019 she has sat on the board of the Port of Tyne.



Bridget Rosewell CBE

Bridget Rosewell CBE is a director, policy maker and economist. She served as Chief Economic Adviser to the Greater London Authority from 2002 to 2012 and worked extensively on infrastructure business cases. She has served as a Non-executive Director of Network Rail and Non-executive Chair of the Driver and Vehicle Standards Agency. She is currently Chair of the Atom Bank and the M6 Toll Road. In May 2021 she was appointed an Independent Non Executive Director at Northumbrian Water.

Commissioner Attendance	Commission Meetings (meetings attended out of those eligible)
Sir John Armitt CBE	12 of 12
Professor Sir Tim Besley CBE	12 of 12
Neale Coleman CBE	6 of 6
Professor David Fisk CB	12 of 12
Andy Green CBE	11 of 12
Professor Sadie Morgan	12 of 12
Julia Prescott	12 of 12
Bridget Rosewell OBE	12 of 12

Oversight Board

The Oversight Board supervises the Commission's financial management and administrative functions. It ensures the Commission has the staff and support it needs to enable it to provide high quality advice to the government and to provide assurance that effective internal control and risk management systems are in place.

The Oversight Board consists of the Chair of the Commission, a representative of the Treasury, appropriate executive members including the Chief Executive and Chief Operating Officer, and nonexecutive members who may either be Commissioners nominated by the chair, or external members appointed by the chair.

The current members of the Oversight Board are:

- Sir John Armitt (Chair)
- James Heath (CEO – Executive Member)
- Mark Ardron (COO – Executive Member)
- David Finlay (Non-Executive Member)
- Dennis Skinner (Non-Executive Member)
- Katherine Easter (Non-Executive Member).

Previous members during 2020/21 include:

- Charlotte Goodrich (COO - Executive Member), April 2020 – December 2020
- Michael Brodie (Non-Executive Member), to July 2021
- Debjani Ghosh (Non-Executive Member), to July 2021
- James Richardson (Interim CEO – Executive Member), January 2020 – May 2020
- John Staples (Treasury Representative), to March 2021.

The Board is also attended by:

- Jonny Medland (Treasury Representative).

James Heath joined the Board when he commenced his role as Chief Executive in May 2020.

Member Attendance	Oversight Board Meetings (meetings attended out of those eligible)
Sir John Armitt CBE	4 of 4
James Richardson (Jan 20 – May 2020)	1 of 1
James Heath	3 of 3
Charlotte Goodrich	3 of 3
John Staples	3 of 4
Michael Brodie	3 of 4
Katherine Easter	4 of 4
Debjani Ghosh	3 of 4
Dennis Skinner	4 of 4

The Oversight Board's functions relate to the corporate management of the Commission and it has no role in agreeing or reviewing its policy reports or recommendations. During the year the Oversight Board satisfied itself as to the quality of the data of performance reporting via reliance on the operations of routine controls and processes to ensure that data presented is complete and accurate and through the work of HM Treasury who provide performance reporting to the Commission and whose work is subject to internal and external audit.

In 2020/21 the Commission's internal audit service was provided by the Government Internal Audit Agency. GIAA undertook a full audit plan and gave an overall Head of Internal Audit Opinion of "moderate" assurance. This is the second highest of GIAA's four ratings (substantial; moderate; limited; and unsatisfactory).

Over the last year I can confirm that the board has delivered against all its core functions (see table below).

Delivery of Oversight Board Responsibilities

Objectives	Status
Ensuring the Commission has the resources required to discharge its functions	
Ensuring that any statutory or administrative requirements for the use of public funds are complied with, and that the Commission acts in line with the principle of providing value for money	
Operating within the limits of any delegated authority agreed with the Treasury, and in accordance with any other conditions relating to the use of public funds; and that, in reaching decisions, the Oversight Board takes into account administrative or financial guidance issued by the Treasury	

Overseeing the remuneration of the Commission members (as determined by the Treasury), and HR policies for Commission staff, including pay consistent with the framework document	
Ensuring that it receives and reviews regular financial information concerning the management of the Commission, and processes are in place to facilitate the sharing of any concerns about the activities of the Commission	
Ensuring that it receives and reviews regular financial information concerning the management of the Commission, and processes are in place to facilitate the sharing of any concerns about the activities of the Commission	
Approving the Commission's annual report and accounts	
Assuring itself of the effectiveness of the internal control and risk management systems of the Commission	
Ensuring that the Commission demonstrates high standards of corporate governance at all times	

Audit and Risk Assurance Committee

The Audit and Risk Assurance Committee (ARAC) of the Oversight Board supports the board in discharging its responsibilities in relation to issues of risk, control and governance, and of associated assurances.

The independent members of the Audit and Risk Assurance Committee were:

- Michael Brodie (Chair)
- Debjani Ghosh (Deputy Chair)
- Dennis Skinner.

Member Attendance	Audit and Risk Assurance Committee Meetings (meetings attended out of those eligible)
James Heath	4 of 4
Charlotte Goodrich (to December 2020)	3 of 3
Michael Brodie	4 of 4
Debjani Ghosh	4 of 4
Dennis Skinner	4 of 4

Register of Interests

The register of interests for each of our Commissioners, non-executive directors and senior management team is maintained online. Details can be found at the following web link: <https://nic.org.uk/app/uploads/NIC-register-of-interests-2021-22.pdf>. The Commission's conflict of interest policy can be found at the following web link: <https://nic.org.uk/app/uploads/NIC-conflicts-of-interest-policy.pdf>. The Commission collects a full updated disclosure of interests from Commissioners on an annual basis in advance of publication of its register of interests. This is reviewed and any potential conflicts and proposed controls are discussed with Commissioners. In addition, time is allotted at each monthly Commission meeting for Commissioners to declare interests arising in year. Minutes of these meetings, including declared interests, are published on the Commission's website.

Director's Report

Assessment

As Chairman, I am confident that the Commission has throughout the period of these accounts performed its main duties in line with the objectives set out within its framework to progress:

1. development of the National Infrastructure Assessment
2. its current studies on pressing infrastructure challenges
3. gathering of intelligence to inform the Annual Monitoring Report.

Within the reporting period I note that the executive:

- maintained progress on our agreed study programme publishing its Resilience Study and the Rail Needs Assessment for the North and Midlands and publishing scoping documents for the Greenhouse Gas Removal Technologies Study and the Infrastructure, Towns and Regeneration Study
- published its fourth Annual Monitoring Report
- published the Commission's Annual Report and Accounts.

These outputs have been published on our website and have been robust, authoritative and objective.

My interactions and those of my fellow Commissioners with the Commission's secretariat have enabled me to remain confident that the Commission has been free to use its own discretion in taking judgements and reaching analytical conclusions. The structures and processes for working with HM Treasury and government have operated effectively, and the Commission has been transparent about these interactions. I am clear from my conversations with the Commission's Chief Executive and Senior Management Team (SMT) that they have come under no pressure from Ministers, special advisers or officials to change the conclusions of their analysis.

During 2020-21, the Commission continued to prioritise work according to the organisation's four year Strategic Plan covering 2019-2023, the period leading up to the publication of the second National Infrastructure Assessment.

In 2020/21, the Commission has continued to develop its governance and control environment, focussing on organisational efficiency and reducing operational risks. The organisation introduced a full suite of formal tailored corporate governance policies covering conflicts of interest, gifts and hospitality, fraud, bribery and whistleblowing, use of social media, and complaints and compliments. The organisation also reviewed its risk management arrangements and benchmarked them against best practice in the HM Treasury Orange Book.

The organisation has continued to professionalise, introducing dedicated support for programme management, HR and financial management. In September the Commission appointed a programme manager who has introduced and supported staff in the use of new project management systems. Additionally, the operations team introduced HR and finance business partnering to support managers and project leads.

The biggest operational challenge facing the organisation was the continued impact of the Covid-19 pandemic. While staff successfully made the transition to home working in March 2020, and home working continued throughout 2020-21, the organisation developed its staff welfare support mechanisms to assist staff through a challenging period. It also began preparations for post-Covid ways of working, focusing on a hybrid model aiming to capture the benefits of both home and office working.

From conversations with the CEO and participation in the Oversight Board I am content that Commission's key operational risks were and continue to be managed effectively.

The outcomes of the staff survey suggest that the organisation continues on an upward development trajectory, despite the disruption caused by the pandemic. Results improved on 2019-20 in 10 of 12 areas, with the only reductions being in learning and development and staff engagement, with the latter only seeing a 1 per cent reduction. While it was acknowledged that learning and development opportunities were severely curtailed by the pandemic, the Senior Management Team has worked to address this area through the development and roll out of a bespoke learning and development offer in February 2021.

Considering these developments, I am content that the Commission's internal management structures and working practices led by the Chief Executive are effective and that the Commission's governance is compliant with the requirements laid out by HM Treasury in our framework agreement. I have also given regard to the HM Treasury's guidance 'Corporate governance code for central government departments' – as suggested, the Commission has adopted the practices set out in the Code and guidance commensurate with its size, status and legal framework.

My overall assessment is that the Commission has responded effectively to its Charter and has delivered its remit.

Sir John Armitt CBE, Chair, 28 October 2021

The Statement of Accounting Officer's Responsibilities

The Principal Accounting Officer (PAO) of HM Treasury has designated the Chief Executive of the Commission as Accounting Officer for the Commission. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Commission's assets, are set out in *Managing Public Money* published by HM Treasury.

Under the terms of the Commission's Charter, HM Treasury has directed the National Infrastructure Commission to prepare for each financial year a statement of accounts in the form and on the basis set out in the accounts direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Commission and of its income and expenditure, Statement of Financial Position and cash flows for the financial year. In preparing the accounts I have complied with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosures 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 Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts
- prepare the accounts on a going concern basis
- sign the accounts and ensure that proper records are kept relating to the accounts and that the accounts are properly prepared and presented in accordance with any directions issued by HM Treasury
- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the judgements required for determining that it is fair, balanced and understandable.

As far as I am aware there is no relevant audit information of which the Commission's auditors are unaware and as CEO and Accounting Officer I have taken all the steps that ought to have been taken to make myself aware of any relevant audit information and to establish that the Commission's auditors are aware of that information.

I confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable.

I confirm also that I am personally responsible for this Annual Report and Accounts and the judgments required for determining that it is fair, balanced and understandable.

My view is informed by the work of the Commission's internal and external auditors, and the staff within the Commission who have responsibility for the development and maintenance of internal processes.

Accounting Officer's Governance Statement

The following statement summarises the Commission's approach to corporate governance, risk management and oversight of any local responsibilities.

As CEO and Accounting Officer, I am personally responsible for:

- safeguarding the public funds for which I have charge
- ensuring propriety, regularity, value for money and feasibility in the handling of those public funds
- the day-to-day operations and management of the Commission
- ensuring that the Commission is run based on the standards, in terms of governance, decision-making and financial management set out in Managing Public Money
- giving evidence (normally with the PAO) when summoned before the Public Accounts Committee on the Commission's stewardship of public funds.

I have responsibility for reviewing the effectiveness of our governance arrangements and risk management. I took up post in May 2020, one month into the financial year to which this report relates, and received a handover from the acting Chief Executive who provided me with assurance that the organisation's governance arrangements were fit for purpose. Additionally, the Government Internal Audit Agency conducted a governance audit in February 2021 which provided a substantial assurance of the Commission's governance arrangements.

The Commission has an Oversight Board and Audit and Risk Assurance Committee (ARAC) which were put in place in accordance with the terms of our Framework agreement.

The Oversight Board oversees the operational management of the Commission and includes the Chair of the Commission and independent non-executive members and representatives from HM Treasury. This board met four times during the period of these accounts.

The ARAC is responsible on behalf of the Oversight Board, for advising me as Accounting Officer on issues of risk, control and governance. The ARAC has also provided assurance on the quality of the Commission's financial statements. The ARAC met four times during the period of the 2020–21 accounts with representatives from the National Audit Office (NAO) and Internal Audit (Government Internal Audit Agency) also attending.

I have overall responsibility for the management of the Commission and lead the Senior Management Team (SMT) which includes the Chief Economist, three Directors of Policy (two of which job share) and the Chief Operating Officer. We are responsible for implementing strategic decisions taken by the Commission and the Oversight Board, for making any necessary and appropriate decisions relating to the day-to-day performance of the Commission's business, and for the effective management of Commission staff. The SMT meets fortnightly to discuss emerging issues and risks and overarching strategic direction.

In compliance with Business Appointment rules, the Commission is transparent in the advice given to individual applications by senior staff to take up business appointments upon leaving the Commission.

I am satisfied with the effectiveness of the Commission's whistleblowing arrangements. The Commission's Whistleblowing Policy, and an annual record of whistleblowing events, is reviewed by the Audit and Risk Assurance Committee on an annual basis.

James Heath, Chief Executive Officer, 28 October 2021

Risk management

The main risks the Commission faces relate to our core responsibility to provide independent advice to government on long term infrastructure policy. The operational and financial risks that we face are relatively less significant as the Commission is a small organisation with a commensurately small budget that is primarily spent on staff and accommodation costs.

Our risk management strategy involves all member of staff in the Commission, our Oversight Board and our Audit and Risk Assurance Committee. Risks are identified by members of staff at project and operations level and high risk areas are escalated to the strategic risk register, maintained by the Chief Operating Officer. The strategic risk register is discussed at least quarterly by the senior management team and is reviewed quarterly by the Audit and Risk Assurance Committee and bi-annually by the Oversight Board. I am responsible, alongside the Chief Operating Officer, for ensuring mitigation strategies are implemented and reported back to the Committee and the Board.

The Commission's risk management arrangements are reviewed by the Audit and Risk Assurance Committee on an annual basis to ensure they are effective. In December 2020, further improvements were made following a benchmarking exercise against the best practice set out in the government's Orange Book. In the first quarter of 2021-22 our risk management arrangements were given substantial assurance (the highest rating) by the Government Internal Audit Agency.

Principal risks

The key risks facing the Commission in 2020-21 related to the organisation's influence, independence and project management.

To fulfil its purpose, the Commission is required to have an influence on government decision making. The Commission manages this risk by early engagement with Whitehall on its proposed recommendations, and by inviting senior officials from Whitehall to Commission meetings to discuss proposed recommendations and monitor their progress against accepted recommendations. Additionally, the Commission ensures the longevity of its influence by regular engagement with Her Majesty's Official Opposition on the content of and rationale for its recommendations.

The Commission is also required to be, and be seen to be, independent from government. The Commission maintains independence by publishing an annual monitoring report, holding government to account for progress against accepted Commission recommendations. The Commission has also developed a targeted stakeholder engagement plan, to ensure that the voice of a wide range of stakeholders is considered when drawing up Commission recommendations.

The Commission is required to deliver its studies to HM Treasury to clear and tight deadlines. There is a risk either that studies are not delivered on time, or that they do not achieve the desired quality. To manage this the Commission appointed a new Programme Manager in September 2020 and has since embedded new project management arrangements, including training for all staff.

Sir John Armitt CBE, Chair, 28 October 2021

Remuneration and Staff Report

Remuneration Report¹

The table below reports the remuneration of each Commissioner which is set by HM Treasury on appointment (audited). Current Commissioners' letters of appointment, which include detailed remuneration arrangements can be provided on request.

	2020-21 £000	2019-20 £000
Sir John Armitt CBE Chair of the Commission	85-90	85-90
Dame Kate Barker DBE Commissioner (to 31/03/20)	-	20-25
Professor Sir Tim Besley CBE Commissioner	20-25	20-25
Professor David Fisk CB Commissioner	20-25	20-25
Andrew Green Commissioner	20-25	20-25
Professor Sadie Morgan Commissioner	20-25	20-25
Julia Prescott Commissioner	20-25	20-25
Bridget Rosewell OBE Commissioner	20-25	20-25
Neale Coleman Commissioner (from 01/10/20)	10-15 (20-25)	-

All figures in this table are audited. Bracketed figures are annual equivalents. Payment is reflective of three days a week for the Chair and two days a month for Commissioners.

As stipulated in the letters of appointment, Commissioners are not entitled to any bonus payments. 'Salary' includes gross salary only. The fees disclosed have been subject to external audit.

The remuneration shown is the gross fees paid to Commissioners, these are subject to the deduction of appropriate taxes via the PAYE system.

No benefits in kind have been paid to Commissioners. The NIC does not pay any pension contributions on behalf of any of the members of the Commission.

It is to be noted that the non-commissioner members of the Oversight Board and Audit and Risk Assurance Committee are unremunerated.

¹ Certain disclosures within the remuneration report have been audited as per the FReM 6.2.1

Senior management – single total figure of remuneration² (audited)

£000	Salary (FYE)	Bonuses/ allowances	Pension Benefits ³	2020-21 Total
James Heath Chief Executive (from 06/05/20)	110-115 (120-125)	-	44	155-160
James Richardson Chief Economist (acting Chief Executive to 05/05/20)	105-110 (105-110)	0-5	50	160-165
Giles Stevens Director of Policy	110-115	0-5	50	165-170
Charlotte Goodrich Chief Operating Officer (to 31/12/20)	55-60 (70-75)	0-5	22	80-85
Katherine Black Director of Policy (to 08/10/20)	20-25 (70-75)	-	8	30-35
Hannah Brown Director of Policy (from 07/12/20)	10-15 (75-80)	-	7	20-25
Jen Coe Director of Policy (from 07/12/20)	10-15 (70-75)		21	35-40
£000	Salary (FYE)	Bonuses/ allowances	Pension Benefits ⁴	2019-20 Total
Philip Graham Chief Executive (to 10/01/20)	70-75 (90-95)	5-10	31	110-115
James Richardson Chief Economist (acting Chief Executive from 13/01/20)	100-105	0-5	40	145-150
Sasha Morgan Chief Operating Officer (to 15/05/19)	5-10 (60-65)	0-5	4	10-15
Katherine Black Director of Policy	50-55 (60-65)	5-10	21	80-85
Giles Stevens Director of Policy (from 30/09/19)	50-55 (105-110)		46	95-100
Charlotte Goodrich Chief Operating Officer (from 16/05/19)	60-65 (70-75)	0-5	25	85-90

2 Salary, full year equivalents (FYE) and totals are presented in £5,000 bands. FYE is shown in brackets

3 The value of pension benefits accrued during the accounting period is calculated as the real increase in pension multiplied by 20 plus the real increase in any lump sum less the contributions made by the individual. The real increase excludes increases due to inflation or any increase or decreases due to a transfer of pension rights. Figures are restated for retrospective updates and reported before tax.

4 Figures have been restated where the Civil Service Pension scheme have made retrospective updates to the data

Pay Multiples (audited)

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in the organisation and the median remuneration of the organisation's workforce.

The banded pay (full year equivalent) of the highest paid director in the accounting period was £120-125,000 (2019-20: £105-110,000). This was 2.4 (2019-20: 2.1) times the median remuneration of the workforce, which was £51,756 (2019-20: £50,593). The increase from 2019-20 was attributable to an increase in the highest paid remuneration due to the recruitment of a new most highly paid director.

The remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

Remuneration of NIC employees ranged from £23,000-124,848 (2019-20: £23,000-£108,885); no employees received pay in excess of the highest paid senior manager/Commissioner.

Senior management – Pension benefits⁵ (audited)

2020-21					
£000	Accrued annual pension at pension age as at 31/3/21 and related lump sum	Real increase in annual pension at pension age	CETV* at 31/3/21	CETV at 31/3/20 ⁶	Real increase in CETV
James Heath Chief Executive Officer (from 06/05/20)	10-15	2.5-5	115	86	21
James Richardson Chief Economist (acting Chief Executive to 05/05/20)	35-40 plus a lump sum of 65-70	2.5-5 plus a lump sum of 0-2.5	686	625	33
Giles Stevens Director of Policy	35-40 plus a lump sum of 60-65	2.5-5 plus a lump sum of 0-2.5	528	480	25
Charlotte Goodrich Chief Operating Officer (to 31/12/20)	0-5	0-2.5	22	12	6
Katherine Black Director of Policy (to 08/10/20)	10-15	0-2.5	85	81	2
Hannah Brown Director of Policy (from 07/12/20)	10-15	0-2.5	154	150	3
Jen Coe Director of Policy (from 07/12/20)	5-10	0-2.5	66	54	9

* a definition of Cash Equivalent Transfer Value (CETV) is provided below

⁵ This table relates to pension benefits in the Civil Service Pension Scheme

⁶ Figures have been restated where the Civil Service Pension Scheme have made retrospective updates to the data

Remuneration Policy

The NIC's permanent employees are civil servants and their pay arrangements are governed by the policy framework set out by the Cabinet Office and HM Treasury and the NIC specific Pay Remit agreed by the NIC's Oversight Board. Total staff costs (including those for secondees and agency staff) for NIC in the year were £3,367k (2019-20: £3,350k).

The pay of senior civil servants (SCS) including those working for the NIC is set by the Prime Minister following independent advice from the Review Body on Senior Salaries. From time to time, the Review Body advises the Prime Minister on the pay, pensions and allowances of ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975.

In making its recommendations, the Review Body considers:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities
- regional and local variations in labour markets and their effects on the recruitment and retention of staff
- government policies for improving public services, including the requirement on departments to meet the output targets for the delivery of departmental services
- the funds available to departments as set out in the government's departmental expenditure limits
- the government's inflation target, wider economic considerations, and the affordability of its recommendations.

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015, a new pension scheme for civil servants was introduced, the Civil Servants and Others Pension Scheme (alpha), which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher).

From that date, all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS), which has four sections: three providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under all the above schemes are increased annually in line with Pensions Increase legislation.

The following transition arrangements were put in place for the introduction of alpha:

- members within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015
- members who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch to alpha between 1 June 2015 and 1 February 2022

- all members who switch to alpha have their existing PCSPS benefits 'banked'. Any earlier final salary benefits members hold will be based on their final salary upon leaving alpha.

Further details of the schemes:

- employee contributions are salary-related, and range from 4.6 to 8.05 per cent of pensionable earnings for members of classic (and those who joined alpha from classic), premium, classic plus, nuvos, and all other members of alpha
- benefits for classic accrue at a rate of 1/80th of final pensionable earnings for each year of service; for premium, the rate is 1/60th. Classic plus is essentially a hybrid, with benefits calculated broadly as per classic in respect of service before 1 October 2002, and as per premium since that date. Benefits in nuvos are based on pensionable earnings during the period of scheme membership, with 2.3 per cent of member's pensionable earnings credited to their earned pension account at the end of each scheme year (31 March), and the accrued pension uprated in line with Pensions Increase legislation, alpha is similar to nuvos, except the accrual rate is 2.32 per cent.
- a lump sum equivalent to three years' pension is payable on retirement for members of classic. For premium, there is no automatic lump sum. In all cases members may give up (commute) their pension for a lump sum up to the limits set by the Finance Act 2004.

Cash Equivalent Transfer Value (CETV)

CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure benefits in another scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme.

The pension figures shown relate to the benefits that the individual has accrued as a result of their total membership of the pension scheme, not just their service in a senior capacity to which the disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the civil service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost.

CETVs are calculated in accordance with The Occupational Pension Scheme (Transfer Values) (Amendment) Regulations 2008 and do not take into account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real Increase in CETV

This is the element of the increase in accrued pension funded by the Exchequer. It excludes increases due to inflation and contributions paid by senior management. It is worked out using common market valuation factors for the start and end of the period.

Compensation for Loss of Office

There were no payments made for the loss of office during the accounting period.

Payments to Past Directors

There were no payments made to past directors in the accounting period.

Staff Report

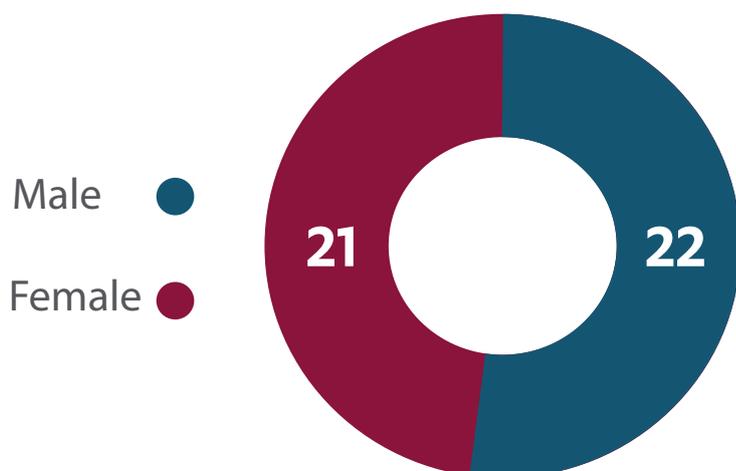
At 31 March 2021, the NIC had 43 members of staff comprising of permanent employees and temporary employees on loan from other Civil Service departments. Whilst terms and conditions differ dependent on point of origin, all staff members report to and are accountable to the Chief Executive.

As at 31 March 2021 the gender balance of NIC's 43 employees was as set out below.

The Commission's leadership team includes two (FTE) SCS2 staff and 2.1 (FTE) SCS1 staff. Within this the gender balance was two male SCS2 members of staff, one SCS1 male and 1.1 (FTE) SCS1 female.

The Commission's annualised staff turnover rate, excluding secondments, was 35.3 per cent. In 2020-21 the Commission launched a people strategy aiming to reduce this rate in 2021-22.

Employee Gender Balance



Sickness Absence

During the reporting period the average number of working days lost due to sickness absence was 1 day per full-time equivalent (FTE).

Staff Policies

The Commission is committed to ensuring equality of opportunity for all disabled staff. Applicants for positions at the Commission are invited to notify the organisation if special arrangements are required to enable them to participate in the recruitment process.

The Commission uses a confidential occupational health service through which staff may request reasonable adjustments to support them in the workplace in accordance with the Commission's duty under the Equality Act 2010.

The Commission is committed to the professional development of its staff. We developed an L&D programme which was designed for all staff based on role, specialisms and grade and sets out the key learning and development activities to be undertaken.

In 2020-21 the Commission consulted staff on both covid safety measures in its office and a new model of hybrid working post-pandemic. Consultation included staff drop-in sessions, staff surveys, and a representative staff panel.

Health, safety and wellbeing

The Commission actively promotes the health, safety and wellbeing of its staff. No work related accidents, near misses or ill health reports were received in the reporting period. Throughout the COVID-19 pandemic and in response to government guidelines, the majority of Commission employees have predominantly worked from home. We provided IT equipment for home working and allowed staff to claim the cost of appropriate chairs or work surfaces along with appropriate guidance. Mental wellbeing guidance and details of support available were provided to all Commission employees. Support included wellbeing materials, and access to trained Mental Health First Aiders and the Employee Assistance Programme, which provided awareness and counselling sessions as appropriate.

Trade union facilities time

No employees were relevant union officials during the period and so the Commission has nothing to disclose on payments to relevant union officials for facilities time. The Commission has no agreement in place for facilities time and therefore has nothing to disclose in relation to the percentage of time spent on facility time or paid trade union activities by employees.

Analysis of Staff Costs and Numbers (audited)

The following disclosures on staff costs (including pension costs), average number of persons employed and exit packages have been audited. Total costs of £3,367k comprised £3,233k related to permanent employees and £134k related to secondees from other public and private-sector institutions.

Staff Costs

	2020-21 £000	Employees	Other staff	Total
Salaries and wages		2,385	115	2,500
Social Security costs		276	13	289
Staff pension costs		572	6	578
Total costs		3,233	134	3,367

	2019-20 £000	Employees	Other staff	Total
Salaries and wages		2,403	114	2,517
Social Security costs		262	7	269
Staff pension costs		554	10	564
Total costs		3,219	131	3,350

Average Number of Persons Employed

The average number of full-time equivalent persons employed during the accounting period was as follows:

	Employees	Other staff	2020-21 Total	2019-20 Total
Total persons employed	39.2	0.9	40.1	39.3

Staff Pension Costs

The Civil Servants and Others Pension Scheme (alpha) was launched as a new pension scheme for civil servants from 1 April 2015. Details on the transition arrangements between alpha and Principal Civil Service Pension Scheme (PCSPS) are outlined from pages 36-37. The PCSPS scheme actuary valued the scheme as at 31 March 2016. Details can be found in the valuation report by the Government Actuary Department.⁷

For the accounting period employers' contributions of £572k were payable to the PCSPS. The majority of these contributions arise from membership of the Alpha scheme, which is paid at one of four rates in the range 26.6 to 30.3 per cent of pensionable earnings, based on salary bands. The scheme actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2020-21 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Exit Packages (Audited)

During the reporting period, the NIC incurred no costs in relation exit packages (2019-20: one exit package).

Off-payroll Transactions

Off-payroll arrangements are those where individuals, either self-employed or acting through a personal service company (PSC) are paid gross by the employer.

The table on the facing page shows off-payroll engagements for NIC as at 31st March 2021.

⁷ Civil Service Pension Scheme (2019), Actuarial valuation as at 31 March 2016

All off-payroll appointments engaged at any point during the year ended 31 March 2021 and earning at least £245 per day

The total number of engagements	18
Of which:	
Not subject to off-payroll legislation ⁸	-
Subject to off-payroll legislation and determined in-scope of IR35	-
Subject to off-payroll legislation and determined as out-of-scope of IR35	18
No. of engagements reassessed for compliance or assurance purposes during the year	-
Of which:	
No. of engagements that saw a change to the IR35 status following review	-

There were no board members and/or senior officials with significant financial responsibility engaged off-payroll between 1 April 2020 and 31 March 2021. Ten of the above off-payroll engagements relate to the Young Professionals Panel who are not Commission employees and are serving a two year term on this advisory group. They were appointed in July 2020 and have therefore been off payroll for less than one year. The remaining eight engagements relate to members of the Commission's Design Group who are also not Commission employees and are serving a three year term on this advisory group. Three were appointed in May 2018 and have therefore been off payroll for between two and three years. Five were appointed in May 2019 and therefore have been off payroll for between one and two years.

⁸ A worker that provides their services through their own limited company or another type of intermediary to the client will be subject to off-payroll legislation and the Department must undertake an assessment to determine whether that worker is in-scope of Intermediaries legislation (IR35) or out-of-scope for tax purposes

Parliamentary Accountability and Audit Report

The accounts of the NIC are audited by the Comptroller and Auditor General under the Government Resources and Accounts Act 2000. The audit fee charged was £26,500. The auditors did not provide any non-audit services. The auditors have been provided with all relevant audit information necessary to complete their audit and the Accounting Officer has taken all of the necessary steps to ensure that the auditors are aware of any relevant information.

All expenditure was applied to the purpose intended by Parliament (audited).

No fees or charges were charged by the NIC (audited).

The NIC has not incurred any losses or special payments in excess of £300k during the reporting period to 31st March 2021 (2019-20: none) (audited).

The NIC has no remote contingent liabilities. NIC's total expenditure during the accounting period was £5,138k (2019-20: £5,336k) (audited).

James Heath, Chief Executive, 28 October 2021

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

Opinion on financial statements

I certify that I have audited the financial statements of the National Infrastructure Commission for the year ended 31 March 2021 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards as interpreted by HM Treasury's Government Financial Reporting Manual.

I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion, the financial statements:

- give a true and fair view of the state of the National Infrastructure Commission's affairs as at 31 March 2021 and of the National Infrastructure Commission's net expenditure for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the National Infrastructure Commission in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the National Infrastructure Commission's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the National Infrastructure Commission's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for National Infrastructure Commission is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

Other Information

The other information comprises information included in the Annual Report, but does not include the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's certificate thereon. The Accounting Officer is responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Performance and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

In the light of the knowledge and understanding of the National Infrastructure Commission and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Report. I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual are not made; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive as Accounting Officer is responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as the Chief Executive as Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error.
- assessing the National Infrastructure Commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Chief Executive as Accounting Officer anticipates that the services provided by the National Infrastructure Commission will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- inquiring of management, internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the National Infrastructure Commission's policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the National Infrastructure Commission's controls relating to compliance with the Government Resources and Accounts Act 2000 and Managing Public Money.
- discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition, posting of unusual journals, significant and unusual transactions and accounting estimates.
- obtaining an understanding of National Infrastructure Commission's framework of authority as well as other legal and regulatory frameworks that the National Infrastructure Commission operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the National Infrastructure Commission. The key laws and regulations I considered in this context included Government Resources and Accounts Act 2000, Managing Public Money, employment law, tax legislation and pensions legislation;
- review of internal audit reports;
- attendance at Audit and Risk Assurance Committee meetings; and
- review of board minutes.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management and internal audit concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies

2 November 2021

Comptroller and Auditor General

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

3: Financial statements

Statement of Comprehensive Net Expenditure

for the period ended 31 March 2021

	Note	2020-21 £000	2019-20 £000
Expenditure			
Staff costs	2	3,367	3,350
Other expenditure	3	1,771	1,986
		5,138	5,336
Income			
Other operating income		(50)	(27)
Net expenditure		5,088	5,309

There were no items of other comprehensive income.

The notes on pages 52 to 58 form part of these accounts.

Statement of Financial Position

As at 31 March 2021

	Note	2020-21 £000	2019-20 £000
Non-Current assets			
Property, plant and equipment	4	139	200
Total non-current assets		139	200
Current assets			
Cash and cash equivalents	6	274	308
Trade and other receivables	7	191	82
Total current assets		465	390
Total assets		604	590
Current liabilities			
Payables due within one year	8	(767)	(722)
Total current liabilities		(767)	(722)
Total assets less current liabilities		(163)	(132)
Non-current liabilities			
Provisions	10	(93)	(95)
Total non-current liabilities		(93)	(95)
Total assets less total liabilities		(256)	(227)
Taxpayers' equity			
General fund		(256)	(227)
Total taxpayers' equity		(256)	(227)

The notes on pages 52 to 58 form part of these accounts.

The financial statements were approved by the Board on 28 October 2021.

James Heath, Chief Executive, 28 October 2021

Statement of Cash Flows

for the period ended 31 March 2021

	Note	2020-21 £000	2019-20 £000
Cash flows from operating activities			
Net operating cost		(5,088)	(5,309)
Changes in working capital other than cash		(64)	101
Movement in provisions		(2)	-
Depreciation		61	61
Notional expenditure		27	26
Net cash outflow from operating activities		(5,066)	(5,121)
Net cash outflow from investing activities		-	-
Cash flows from financing activities			
Funding from HM Treasury		5,032	5,114
Net financing		5,032	5,114
Net (decrease)/increase in cash and cash equivalents in the period	6	(34)	(7)
Cash and cash equivalents at the beginning of the period		308	315
Cash and cash equivalents at the end of the period	6	274	308

The notes on pages 52 to 58 form part of these accounts.

Statement of Changes in Taxpayers' Equity

for the period ended 31 March 2021

	General Reserve £000
Balance at 31 March 2019	(58)
Net operating expenditure for the period	(5,309)
Net parliamentary funding	5,114
Notional expenditure	26
Balance at 31 March 2020	(227)
Net operating expenditure for the period	(5,088)
Net parliamentary funding	5,032
Notional expenditure	27
Balance at 31 March 2021	(256)

The notes on pages 52 to 58 form part of these accounts.

Notes to the Accounts

1. Statement of Accounting Policies

Pursuant to the Framework Document⁹ between the National Infrastructure Commission (NIC) and HM Treasury, these financial statements have been prepared in accordance with the 2020-21 Government Financial Reporting Manual (FReM).¹⁰ The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector.

Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the NIC has been selected. The particular policies adopted by the NIC are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.1 Accounting Convention

These accounts have been prepared on an accruals basis under the historical cost convention.

1.2 Basis of Preparation

The NIC was established as an Executive Agency on 24 January 2017. Its functions transferred from HM Treasury on this date along with net liabilities of £822k. These liabilities along with the costs incurred during successive accounting periods are met by a funding-through-supply arrangement with HM Treasury. It has accordingly been considered appropriate to adopt a going-concern basis for these financial statements. More detail on this consideration can be found on page 14.

The NIC is domiciled in the United Kingdom and is located at Finlaison House, 15-17 Furnival Street, London. The presentational and functional currency is pound sterling.

1.3 Significant judgements and estimates

The preparation of accounts statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts in the accounts. We consider there to be no areas of critical judgment used in applying the accounting policies. There are no significant sources of estimation uncertainty.

1.4 Standards issued but not yet effective

Two new standards are effective for annual periods beginning after 1 April 2022. The NIC does not intend to early-adopt any of those standards. The expected financial impact of adopting these standards is summarised below:

IFRS 16 Leases

IFRS 16 will be effective for reporting periods beginning on or after 1 April 2022 for the public sector. IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all

⁹ National Infrastructure Commission **framework document**

¹⁰ Gov.uk (2021), **Guidance on annual reports and accounts**

leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

On adoption of IFRS 16 at 1 April 2022, the NIC will recognise a right-of-use asset in respect of the existing accommodation lease with a value of £343k. A lease liability (representing the obligation to make future lease payments) recognised on transition by the NIC will be £343k. At the time of adoption of IFRS 16, NIC's lease contract will have 15 months left on the lease term.

IFRS 17 Insurance contracts

IFRS 17 was issued in May 2017 and applies to annual reporting periods beginning on, or after, 1 January 2023 (subject to endorsement by the UK). IFRS 17 is not expected to have a material impact on the NIC financial statements as NIC does not enter into insurance contracts.

There are no other IFRS or IFRIC interpretations not yet effective that would be expected to have a material impact on the NIC financial statements.

1.5 Financing

During the reporting period, receipts and payments relating to NIC transactions passed through both the NIC's own bank account and a HM Treasury bank account. The NIC is financed by funding-through-supply arrangements, where the regular method of financing is by transfer of requested funds to NIC's bank account by HM Treasury. This ensures that the NIC has direct management of its funding requirements and enables the NIC to settle liabilities as they fall due. These transfers from HM Treasury, whether to settle directly in certain circumstances on the NIC's behalf or more regularly to fund the NIC's bank account, are recorded as funding through supply within the primary statements.

1.6 Pensions

The provisions of the Principal Civil Service Pension Scheme (PCSPS) and the Civil Service and Other Pension Scheme (CSOPS), which are described in the Remuneration and Staff Report, cover past and present employees who are participants in the schemes. The defined benefit schemes within the PCSPS and CSOPS are contributory, and the NIC's expenses are treated similarly to defined contributions since scheme liabilities are held by central government. The NIC recognises the expected costs of the scheme on a systematic and rational basis over the period during which it benefits from employees' service by payments of amounts calculated on an accruing basis.

1.7 Employee Benefits

The NIC has accrued for the cost of the outstanding employee paid holiday entitlement. It is estimated based on pay and Employers' National Insurance Contributions.

1.8 VAT

Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of non-current assets.

1.9 Property, Plant and Equipment

Property, plant and equipment consist of capitalised leasehold improvements, which are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised as a provision. Items of property, plant and equipment with a value below £5k are not capitalised and are expensed in the year of purchase.

Depreciation is provided on property, plant and equipment so as to write off their carrying value over their expected useful economic lives. For leasehold improvements, depreciation is provided on a straight-line basis over the lease term.

1.10 Cash

Cash and cash equivalents comprise cash at bank.

1.11 Financial Instruments

Trade receivables and payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.12 Leases

Operating leases are charged to the Statement of Comprehensive Net Expenditure on a straight-line basis over the term of the lease.

1.13 Provisions

Provisions are carried in respect of certain known or forecast future expenditure. Provisions are recognised when there is a present obligation arising from past events, it is probable that a transfer of economic benefits will be required, and a reliable estimate can be made. In calculating provisions, future payments may be subject to discount rates depending on the expected timing of cash flows. Provisions are calculated using the best available information, but the actual future outcomes of items provided for may differ from expectations.

2. Staff costs

	2020-21	2019-20
	£000	£000
Wages and salaries	2,500	2,517
Social Security costs	289	269
Other pension costs	578	564
Total costs	3,367	3,350

Staff costs comprise permanent staff, secondees and agency staff from other public and private-sector institutions. Further details of staff costs and numbers are disclosed in the Remuneration and Staff Report (see pages 33 to 41).

3. Other Expenditure

	2020-21	2019-20
	£000	£000
Accommodation costs	267	255
Printing and office services	20	42
IT costs	181	248
Contracted-out services	819	943
External auditor's remuneration	27	26
Staff Support and staff-related costs, including training and travel	106	104
Professional and office services	102	51
Accommodation related goods and services	190	256
Depreciation	61	61
Movement in Provisions	(2)	-
Total	1,771	1,986

Contracted-out services were predominantly research costs. Accommodation related goods and services were primarily business rates and service charges.

No payments were made to the external auditors in respect of non-audit services.

The classification of some expenditure in 2019-20 has been revised to align with the treatment in 2020-21.

4. Property, Plant and Equipment

	2020-21	2019-20
	£000	£000
Leasehold improvements		
Cost		
Opening balance	312	312
Additions	-	-
Total cost	312	312
Accumulated depreciation		
Opening balance	(112)	(51)
Depreciation	(61)	(61)
Total accumulated depreciation	(173)	(112)
Net book value	139	200

The capitalised leasehold improvements value include £37k which represents the estimate of related future reinstatement costs. This has been recognised as a provision.

5. Financial Instruments

The cash requirements for NIC are met by funding through Supply provided by HM Treasury. For this reason, financial instruments play a limited role in creating and managing risk than would otherwise be the case for a non-public sector body. Most of NIC's financial instruments relate to contracts to buy non-financial items in line with the expected purchase and usage requirements which limit the NIC's exposure to credit, liquidity or market risks.

6. Cash and Cash Equivalents

	2020-21 £000	2019-20 £000
Balance at 1 April	308	315
Net change in cash balances – (outflow)/inflow	(34)	(7)
Balance at 31 March	274	308

All cash balances are held with the Government Banking Service.

7. Trade and Other Receivables

	2020-21 £000	2019-20 £000
Trade and other receivables	86	40
VAT receivable	105	42
Balance at 31 March	191	82

8. Payables and Other Current Liabilities

Amounts falling due within one year	2020-21 £000	2019-20 £000
Trade and other receivables	41	32
Accruals	647	621
Taxation and social security	79	69
Balance at 31 March	767	722

Accruals are made up of £109k (2019-20: £81k) which relates to annual leave, £252k (2019-20: £211k) in relation to research, £86k (2019-20: £65k) for shared services and £200k (2019-20: £264k) which relates to various other accruals.

9. Commitments and Leases

The NIC has not entered into any new capital commitments or non-cancellable contracts.

The NIC leases its current office space from the Government Actuary's Department by means of an agreement set out within a Memorandum of Terms of Occupation (MOTO). This covers both the provision of accommodation and office services. The agreement runs for a period of 5 years from February 2018 until June 2023.

As at 31 March 2021 commitments under the current MOTO for the remaining lease period comprise:

	2020-21	2019-20
	£000	£000
Accommodation		
Within one year	268	262
Between one and five years	340	608
Later than five years	-	-
IT and office services		
Within one year	178	178
Between one and five years	220	398
Later than five years	-	-

Additional IT services are provided by HM Treasury and charge the NIC for the recovery of costs incurred in relation to providing IT service under the Memorandum of Understanding (MOU) between the two parties.

10. Provisions

	2020-21	2019-20
	£000	£000
Balance at 1 April	95	95
Released during the year	(2)	-
Balance at 31 March	93	95
Within one year	-	-
Between one and five years	93	95
Later than five years	-	-

Under the MOTO with the Government Actuary's Department the NIC has an obligation to reinstate its office space to the satisfaction of the head lease terms. During 2018-19 alterations were made to the NIC's office space and accordingly a provision was recognised for future reinstatement costs. The NIC also recognised a provision in respect of reinstatement of common areas.

During the year, the provision value was reviewed, and a revised estimate was provided by the landlord. This resulted in the revision of that provision by £2k to a slightly lower value of £93k for financial year 2020-21.

11. Related Party Transactions

The sponsoring department of the NIC is HM Treasury. HM Treasury is regarded as a related party with which the NIC has had various material transactions during the period, including the provision of HR, IT and financial services to the NIC.

The NIC has a Memorandum of Terms of Occupation with the Government Actuary's Department. The lease relates to provision of office accommodation and associated management services to be provided for the NIC.

Other government departments also enter into arrangements to provide staff on secondment or loan to the NIC.

Board member remuneration is disclosed in the Remuneration Report. No Board member, key manager or other related party has undertaken any other material transactions on preferential terms with the NIC or other entities within the HM Treasury group.

12. Events after the Reporting Period

There were no adjusting or non-adjusting post balance sheet events after the reporting period.

13. Date Authorised for Issue

The financial statements were authorised for issue on the date of the Comptroller and Auditor General's signature.

There were no changes to the accounts between the date when the Accounting Officer signed the accounts and the date they were authorised for issue.

NATIONAL INFRASTRUCTURE COMMISSION

Better infrastructure for all

Finlaison House
15-17 Furnival Street
London EC4A 1AB



[nic.org.uk](https://www.nic.org.uk)



[@NatInfraCom](https://twitter.com/NatInfraCom)

E02685630

ISBN 978-1-5286-2949-2

November 2021