

ANNUAL REPORT AND
ACCOUNTS FOR THE YEAR
ENDED 31 MARCH 2018

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018

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 21 November 2018



© Crown copyright 2018

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/government/publications

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

ISBN 978-1-5286-0187-0
CCS1118956388 11/18

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the APS Group on behalf of the Controller of Her Majesty's Stationery Office

FOREWORD



Welcome to the second Annual Report and Accounts for the National Infrastructure Commission (NIC).

The financial data presented relates to the activities of the NIC during the 2017–18 financial year – a period of continued growth, productivity and change for the NIC.

The Commission's aim remains clear. We will address and where possible rectify the UK's historic weaknesses in strategic infrastructure planning through a long-term, evidence-based and objective analysis of need and how this can best be met. We work to form consensus on these issues across government, Parliament and society at large. At the heart of our approach is a cross-cutting National Infrastructure Assessment, to be published once every five years.

The development of the first National Infrastructure Assessment has been the single largest element of our work programme over the twelve-month period covered by this report. The work culminated in the publication (13 October 2017) of the interim Assessment, *Congestion, Capacity, Carbon – priorities for national infrastructure*, which was put out for public consultation. This interim assessment covered six major infrastructure sectors and encompassed detailed demand forecasting and modelling, in-depth research and policy analysis and wide-ranging stakeholder engagement. Following the publication, a second phase of policy and analytical work was begun, running in parallel with the consultation process. The latter closed in January 2018 having attracted more than 230 responses.

We also published the final report from our two-year regional study into the Cambridge-Milton Keynes-Oxford growth corridor and *Data for the Public Good*, an exploration of how innovative technologies can be harnessed to improve infrastructure productivity.

One of the most significant shifts of gear for the NIC this year has been the initiation of our monitoring and tracking work. We are committed to holding government to account for the delivery of our recommendations. In June 2017, we made a statement proposing twelve early infrastructure priorities for the coming government, including decisions on a third runway for Heathrow HS2 and HS3, and plans for renewable energy. Our Commissioners are pleased to see that since that time a clear decision has been made on Heathrow, and we have also noted that there has been progress in government towards implementing the recommendations that we set out in our *Connected Future* and *Smart Power* reports.

The continuing influence of our work can be seen in the immediate response to our report on the Cambridge-Milton Keynes-Oxford arc in the Autumn 2017 Budget, with funding provided to accelerate delivery of the East West Rail scheme across the corridor and a new deal with Oxfordshire announced to support the delivery of an additional 100,000 homes.

In addition, further progress has been made towards the delivery of the recommendations in our earlier reports. For example, in July 2017 the government published its smart systems and flexibility plan, which follows many the recommendations in our report *Smart Power*, and in January 2018 Transport for the North published its strategic plan, whose proposals for improved rail links followed the approach set out in our *High Speed North* report. There have also been encouraging signs of the analysis in our interim National Infrastructure Assessment beginning to have an impact, particularly the increased funding for urban transport provided at Budget 2017 by the government's Transforming Cities fund.

But these outcomes, whilst promising, are not sufficient. More progress is needed, not least a firm timetable on other nationally significant projects including Crossrail 2 and Northern Powerhouse Rail.

The NIC is a stronger organisation than it was a year ago and that is due to the contribution of three groups of people. I would first like to acknowledge the huge contribution of my fellow Commissioners both old and new who have shown great commitment to the NIC's work and have enabled us to keep our momentum whilst maintaining a high quality of work.

The secretariat of the National Infrastructure Commission continues to do an excellent job. I have been impressed by their ability to respond to the queries and demands placed on them by myself and my fellow Commissioners with alacrity, accuracy and insight. I think their work developing new methodologies for exploring old questions will enable us to make the effective step-change in Infrastructure decision making that the UK needs.

Finally, our work cannot be produced in isolation and, to this end, we are incredibly grateful for the time and support of those across industry and Whitehall who continue to take the time to meet with us, talk to us and ensure that we focus on the right issues, and explore the answers to the most pertinent infrastructure questions and challenges of our time.

Sir John Armitt CBE, Chair
12 November 2018

CONTENTS

Foreword	2
Introduction	4
Chapter 1 – Performance Report	5
Overview	6
Performance Analysis	10
Chapter 2 – Accountability Report	18
Corporate Governance Report	19
The Statements of Accounting Officer’s Responsibility	28
Accounting Officer’s Governance Statement	29
Remuneration and Staff Report	35
Parliamentary Accountability and Audit Report	41
The Certificate and Report of the Comptroller and Auditor General to the House of Commons	42
Chapter 3 – Financial Statements	45
Notes to the Accounts	49

INTRODUCTION

This document meets HM Treasury's requirement that the NIC publish an annual report of its activity together with its audited accounts after the end of each financial year. This report is separate from the NIC's annual monitoring report, which analyses government delivery of endorsed recommendations.

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' (FreM);
- outline our main activities and performance in 2017-18 and a summary of our forward plans for 2018-19; and
- provide financial statements for the period.

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



National Infrastructure Commission Chair, Sir John Armitt

CHAPTER 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 2017–18. 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 performance summary of how the NIC has measured its performance, and it includes:

- Achievements 2017–18
- Forward Plans 2018–19

Overview

Chief Executive's Statement

This Annual Report covers the first full year of the National Infrastructure Commission's existence as a standalone organisation – an Executive Agency of HM Treasury, with our operational independence safeguarded by a published Charter. Over this period, we have delivered an ambitious programme of work, as well as strengthening our operating model as an independent body, expanding the Commission to bring additional experience and expertise, and managing the transition to a new Chair.

Across our work programme, we have sought to provide a uniquely credible, forward-thinking and influential voice in the infrastructure debate:

- We have worked closely with leading academic institutions, such as the Oxford-based Infrastructure Transitions Research Consortium, and have put in place a rigorous quality assurance process, drawing in particular on the knowledge and experience of our technical and analytical panels.
- We have brought fresh thinking and new ideas into the infrastructure debate – for example, through public competitions looking at how new settlements might be designed and delivered in the Cambridge-Milton Keynes-Oxford arc, and how the UK's roads infrastructure might adapt to maximise the benefits from connected and autonomous vehicles.
- We have ensured our work is not just informed by the views of established stakeholders but also by those of the wider public, through a nationwide programme of social research encompassing both in-depth focus groups and broader polling.
- We have taken a cross-cutting approach, covering both the interdependencies between infrastructure sectors (such as the implications of electric vehicles for the UK's energy system) and thematic issues that span multiple infrastructure sectors, including driving up the quality of infrastructure design and developing more effective metrics to assess infrastructure performance.

Alongside delivering the ambitious programme of work described above, this year has been notable for the significant progress made in bolstering our organisational capability. We have put in place a raft of new governance structures including an effective Oversight Board, Audit and Risk Assurance Committee and a new Operations Board.

The Secretariat has grown in size during the period. By March 2018 we numbered close to 40 staff. I am particularly pleased that, as the organisation has grown and gained its independence, a focus on organisational leadership and culture has delivered a significant strengthening of staff engagement, as seen in the Civil Service people survey results.

It is not only the Secretariat which has seen change, however. The membership of the Commission has changed significantly over the course of the year. Four new Commissioners – Dame Kate Barker, Professor David Fisk, Andy Green and Julia Prescott – were appointed in spring 2017 (April/May), with Demis Hassabis subsequently standing down from the Commission in December 2017. In January 2018, Sir John Armitt was appointed as Chair following the resignation of Lord Adonis. The fact that the Commission has been able to navigate these transitions and continue to deliver a wide-ranging and rigorous programme is testament to the experience and pragmatism of the Commissioners, the adaptability of the Secretariat team and the quality of its work.

In summer 2018 (shortly after this reporting period), the Commission delivered its first National Infrastructure Assessment, a major step in establishing the NIC's position at the heart of the infrastructure policy-making process and moved into new offices. The next financial year (2018-19) will see another evolution of the organisation as it is re-structured following NIA publication and enters a new stage of maturity, which will bring its own benefits but also new challenges. To be successful in this second phase

of our development we will be more focused than ever on communicating and driving forward the Assessment's recommendations, as well as commencing new strands of work. I believe our work over the course of 2017-18 has provided a solid foundation for that next phase, and positioned us well to respond successfully to the challenges and changes to come.



Philip Graham, Chief Executive
20 November 2018

Statement of Purpose and Activities

Remit

The National Infrastructure Commission's remit is set out in its published Charter. Its main aims as a permanent body are 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.

Business Model and Objectives

The NIC's corporate and business plan is published on our website. This document describes our statutory remit and structure (as set out in our Framework Document and Charter). The business 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 business objectives that guide our work which are to:

- (i) support sustainable economic growth across all regions of the UK;
- (ii) improve competitiveness; and
- (iii) improve quality of life.

The **NIC** commits to achieve these objectives by **delivering** the following products and services:

- (i) a National Infrastructure Assessment once in every Parliament, setting out the NIC's assessment of long-term infrastructure needs with recommendations to the government;
- (ii) specific studies on pressing infrastructure challenges as set by the government, considering the views of the NIC and stakeholders. These studies will include recommendations to the government; and
- (iii) an annual monitoring report, taking stock of the government's progress in areas where it has committed to taking forward the NIC's recommendations.

When **producing** these reports, the **NIC** 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 NIC's recommendations (i.e. be deliverable within both the defined fiscal and economic remit);
- engage with the public, policy-makers, 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 10 years (Details of the active Commissioners during this reporting period are set out in the Corporate Governance Report). The Chancellor appoints the NIC's Commissioners ensuring that the Commission 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 staff. The CEO is appointed by the Chancellor with the agreement of the Chair. The CEO is also the organisation's Accounting Officer and discharges these duties with oversight from the NIC's Oversight Board. The CEO's formal reporting line is to the Permanent Secretary of HM Treasury.

NIC 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 NIC at public events.

Performance Summary

During the period, the Commission has:

- published the NIC's first Annual Monitoring Report
- published the interim National Infrastructure Assessment, *Congestion, Capacity, Carbon – priorities for national infrastructure*, for public consultation.
- maintained progress on our agreed study programme: publishing the final report of our study into the infrastructure needs of the Cambridge-Milton Keynes-Oxford arc, *Partnering for Prosperity*, in November 2017, and our report into new technology, *Data for the Public Good*, in December 2017. We have also commenced work on a new study into the future of the freight sector, announced at Budget 2017.

Reports 2017-18



Risk Management Strategy

The main risks faced by the NIC 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 NIC 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) and is informed by the discussions and deliberations of our Programme Board. A detailed description of our approach is described in the Governance Statement in the Accountability Report.

Adoption of Going Concern

The NIC was permanently established as an Executive Agency of HM Treasury on 24 January 2017. The NIC is funded by Parliament through a funding-through-supply arrangement via HM Treasury's departmental supply estimate. The 2017-18 budget was agreed for a single year. Following the period of these accounts (April 2018) we received a multi-year settlement from HM Treasury spanning three

financial years 2018-2021. The settlement amounts to £5.3 million in the first year and £5.7 million in the two subsequent years.

The NIC's Statement of Financial Position at 31 March 2018 shows net liabilities of £684k. 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, but there is no reason to believe that, if required, such funding and parliamentary approval would not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for these financial statements.

Performance Analysis

The NIC's Charter commits us to delivering the following products and services:

- a National Infrastructure Assessment once in every Parliament, setting out the NIC's assessment of long-term infrastructure needs with recommendations to the government;
- specific studies on pressing infrastructure challenges as set by the government, considering the views of the NIC and stakeholders. These studies will include recommendations to the government; and
- an annual monitoring report, taking stock of the government's progress in areas where it has committed to taking forward recommendations of the NIC.

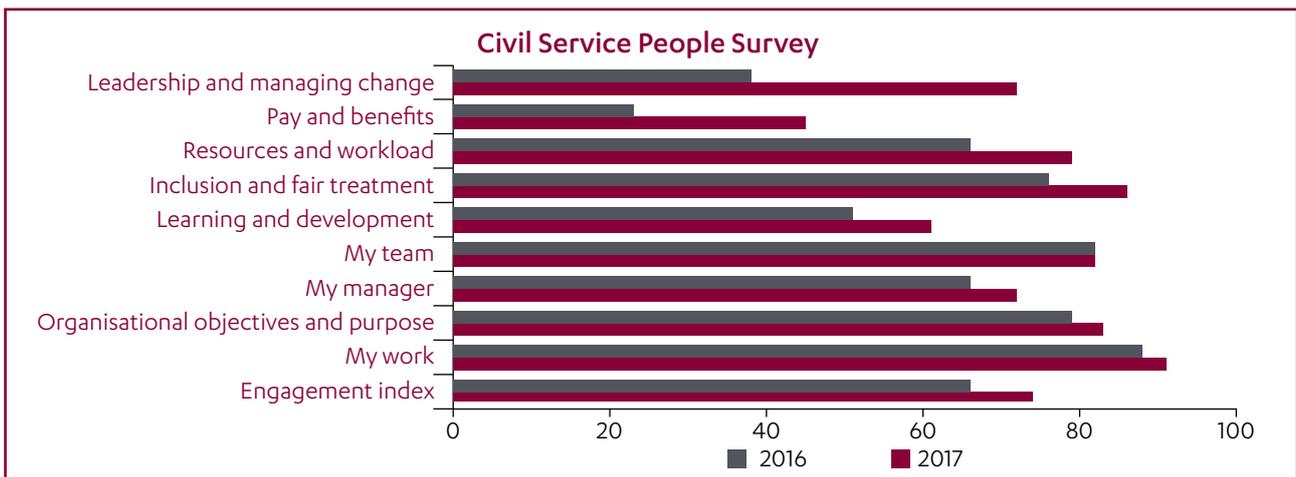
Between 1 April 2017 and 31 March 2018, the NIC carried out a comprehensive programme of work. Several reports were published, with each of them progressing in line with their projected timeframe and being delivered within deadline. This included the interim National Infrastructure Assessment; specific studies on the Cambridge-Milton Keynes-Oxford corridor and new technologies; an annual monitoring report; and the NIC's first annual report and accounts (2016-17). The delivery of these products on time is a key indicator of our performance. Since publication of our last annual report we can report delivery on all critical milestones set out in our 2016-17 forward plans including:

✓	Publishing the National Infrastructure Assessment Vision and Priorities Document
✓	Delivering the final report of the Cambridge-Milton Keynes-Oxford Growth Corridor Study
✓	Delivering the final report of the study into the impact of innovative technologies on infrastructure productivity
✓	Delivering the NIC's first annual monitoring report
✓	Completing consultation on the National Infrastructure Assessment Vision and Priorities Document
✓	Establishing an Oversight Board
✓	Establishing an Audit and Risk Assurance Committee of the Oversight Board and developing and agreeing financial reporting and accounting arrangements and appropriate internal controls (including for recruitment and procurement)
✓	Agreeing and implementing a quality assurance policy, security policy, business continuity plan and risk management plan with the Audit and Risk Assurance Committee

Another key indicator of the NIC's performance is the quality of our work. While there was no formal measurement for this indicator during the period, we have undertaken an extensive programme of engagement with industry stakeholders to seek their views on the standard of our outputs. We have been encouraged by the willingness of the infrastructure sector to feed into the NIC's work. 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. We also implemented a formal Quality Assurance Policy which was agreed by the Oversight Board in Autumn 2017.

The NIC 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.

The engagement and wellbeing of our staff is a further key indicator of the NIC's performance. The NIC participated in the Civil Service People Survey 2017, with the findings returning an overall engagement score of 74 per cent. This represents a significant increase on last year's score of 66 per cent and is 9 per cent higher than the baseline recorded for high-performing units in the wider Civil Service. Eight of the nine themes measured in the survey were scored more highly when compared with the results from 2016, with one measure returning the same score as the previous year. Improvement was seen in the categories relating to employees' engagement with their work; organisational objectives and purpose; their manager; learning and development; inclusion and fair treatment; resources and workload; pay and benefits; and leadership and managing change. The category that was scored the same in the previous survey related to employees' engagement with their team. This strong set of results demonstrates that the NIC is meeting its objective to promote the engagement and wellbeing of its workforce. As the NIC continues to strive for excellence, the Senior Management Team will identify areas where our survey scores could be further improved.



Achievements 2017–18

The NIC's remit is broad. Within the scope of our remit letters, produced in discussion with HM Treasury, 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 undertake.

On 12 June 2017, the NIC published the final document in a series of discussion papers looking at the drivers of future infrastructure supply and demand in the UK. Focussing on the impact of the environment and climate change, its conclusions were designed to guide the Commission in putting together plausible economic scenarios out to 2050.

Following the general election, on 26 June, the Commission published a statement highlighting major infrastructure priorities for government. The list set out twelve areas that required urgent action, and which without timely ministerial decisions, would have seen progress stall, or in some cases projects or investment collapse. The priorities identified were Heathrow expansion; High Speed 2 (HS2); High Speed 3 (HS3); Crossrail 2; Eastern crossings of the River Thames; flexible power systems; smart energy systems; renewable

energy; the decarbonisation of energy; Hinkley Point C; broadband and mobile; 5G technology; and water and flood defence infrastructure.

On 30 June, the NIC announced a competition as part of the study on the Cambridge-Milton Keynes-Oxford corridor. It invited entrants to share innovative proposals that would link infrastructure, housing and economic development to help create attractive and successful places to live in the area. The competition attracted 58 entries, with the winning application coming from VeloCity, a multi-disciplinary team led by urban designers Tibbalds and comprising architects, urban planners and engineers. Their proposals looked to make the most of the existing character of the area, while creating new communities along the route of the planned East West Rail line.

A call for evidence for the New Technologies Study was launched on 27 July, to seek input into four detailed case studies, including better asset management, water efficiency, smart traffic management and big data.

A significant milestone came on 13 October, when the Commission released its interim National Infrastructure Assessment, *Congestion, Capacity, Carbon*. A substantial body of evidence was published alongside the document, including consultants' reports and social research that had been conducted to gauge public opinion on infrastructure. The vision and priorities set out in this first phase of the Assessment received a positive reception from industry stakeholders and government, as well as extensive media coverage. The launch event in Birmingham brought together four of the newly-elected Metro Mayors and the Mayor of London to promote the report's findings. To inform the first National Infrastructure Assessment a consultation was opened. Responses were received in mid-January. The consultation attracted 235 submissions from a wide range of stakeholders across the infrastructure sector.

Partnering for Prosperity – the first of two final study reports released in the period – was published on 17 November. This report set out the findings from the Commission's work on the Cambridge-Milton Keynes-Oxford growth corridor and made recommendations on how the opportunities in the area could best be harnessed to secure its long-term economic success. Following the publication of the report, alongside Autumn Budget 2017, the government released a statement, which outlined its overarching vision for the corridor and invited stakeholders to engage and feed into its development of a strategy for the area.

The Budget also saw the Chancellor announce the Commission's next study, focussing on the future of freight. Terms of Reference for the study were issued and a call for evidence was launched in the new year, prompting 71 responses by the time it closed in March.

At the end of November 2017 the NIC announced its intention to establish a Young Professionals Panel formed of early career professionals in the infrastructure sector. The Panel's role will be to support and inform the Commission's work, ensuring it is influenced and shaped by the next generation of infrastructure leaders. 500 applications were received for the panel and appointments were made just after the reporting period in April 2018.

On 14 December, the Commission published its report on new technologies, *Data for the Public Good*. The report examines how advances in artificial intelligence and machine learning could help cut delays and disruptions across the UK's infrastructure network. Its recommendations set out how data sharing could be increased to allow the opportunities presented by these new innovations to be capitalised upon.

On 15 January, the NIC launched its Roads for the Future competition in partnership with Highways England and Innovate UK. The competition, which attracted 81 applications, sought ideas for making the UK road network ready for connected and autonomous vehicles. It encouraged applicants to consider how existing infrastructure could be adapted, how roads shared by driverless and driven vehicles could work, and how these changes could be introduced alongside charging networks for new electric cars.

On 16 February, the NIC published its first monitoring report, in line with the core requirement set out in the Charter and accompanying Framework. The document, which will become an annual series of reports,

monitors the government's progress in areas where it has committed to taking forward recommendations made by the Commission. The review found encouraging developments in the delivery of a smart electricity system and enhanced telecommunications capabilities within government to oversee its overarching digital strategy. However, several areas were identified where further progress was required. These included mobile coverage on the UK's major roads and railways; the need for an agreed plan between the government and the northern authorities for Manchester Piccadilly station and the wider Northern Powerhouse Rail network; and the anticipated delays in delivering Crossrail 2.

Communications and Stakeholder Engagement

Press and Publicity

We have sought to raise the NIC's profile by publicising our ongoing work through traditional and online media. In addition to this proactive work, the NIC has also responded to government announcements on infrastructure, including its plans for smart energy system and confirmation of the HS2 phase 2 route.

Over the past year, this effort has resulted in at least 67 pieces of coverage in national newspapers and 22 national broadcast interviews with the Chair or Commissioners (with approximately the same number of regional broadcast appearances). In addition, there has been a significant increase in our Twitter following, from 1,900 followers to 3,558 by the end of March 2018. The NIC has also established a new LinkedIn page, which has attracted over 1,000 followers. All our reports and supporting evidence and press releases have been published on our website, along with blog posts from the Commission, secretariat staff and selected third party voices.

67	Pieces of coverage in national newspapers
22	National broadcast interviews
1,658	New followers on Twitter
1,000	Followers on LinkedIn

Stakeholder Engagement

The NIC has undertaken a substantial programme of stakeholder engagement to raise awareness of its work and inform both its programme of studies and the first National Infrastructure Assessment.

This has included:

- At least 103 stakeholder engagements around the development of the National Infrastructure Assessment, including: 43 meetings, 25 speeches, eight Commissioner-led site visits to new or innovative infrastructure projects, participation in 18 third party roundtable events or seminars, and nine NIC-hosted workshops, attended by over 350 stakeholders;
- a launch event to mark the publication of *Congestion, Capacity, Carbon*, which attracted 110 attendees, with speeches from four of the seven Metro Mayors and from the Mayor of London;

- a launch event to mark the publication of *Data for the Public Good*, which was attended by 55 stakeholders;
- meetings with local political and business leaders across the UK;
- numerous expert roundtable meetings to test and inform our work on the National Infrastructure Assessment;
- regular bilateral meetings with government departments, regulators and representatives from industry;
- providing speakers for a broad range of infrastructure sector conferences and events; and
- commissioning social research from Ipsos Mori to understand public opinion on infrastructure, based upon a representative online survey of 2,238 people across the UK, eight focus group workshops across England, and a literature review of existing research.



National Infrastructure Commission Chair, Sir John Armitt, visits the Old Oak and Park Royal redevelopment site, the UK's largest regeneration project



Members of the National Infrastructure Commission's secretariat visit the Hinkley Point C nuclear power station.



Commissioners mark the launch of the interim National Infrastructure Assessment in Birmingham, alongside the Mayor of London, Sadiq Khan, and four of the newly-elected Metro Mayors.

Forward Plans 2018–19

The NIC is focused on the delivery of the three core business objectives identified for 2018-19. The first on policy and the delivery of a programme of work consistent with our responsibilities under the Charter and remit letter, the second to improve our communications and engagement capacity, and the third to continue to evolve the NIC's governance and operational arrangements.

Policy

Objectives	Status
completing consultation on the National Infrastructure Assessment NIA Vision and Priorities Document (<i>Congestion, Capacity, Carbon</i>)	✓
publishing the National Infrastructure Assessment (NIA)	✓
completion of the freight study and publication of interim and final reports	On track
progressing work on the regulatory review	On track
scoping and initiating a new review on infrastructure resilience	On track
delivering the NIC's second annual monitoring report	On track
completion of NIA lessons learned review	On track

Communications

Objectives	Status
updating and developing the NIC's communications strategy	✓
reviewing and refreshing the NIC website and social media presence	On track
planning and delivering a programme of regional and stakeholder events to communicate the findings of the National Infrastructure Assessment	On track

Governance and Operations

Objectives	Status
undertaking a review and update of the NIC's Governance structures including consideration of a new policy board structure	On track
agreeing a new standard NIC staff contract and launching a new suite of NIC specific human resource policies	On track
publishing a new corporate plan	On track

Operations, 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 NIC. Our sponsor department is HM Treasury and we are funded via a delegated budget.

The NIC's Framework Document commits HM Treasury to provision of a multi-year budget. We were unable to secure a commitment this financial year but received a new delegation letter which set out a three-year settlement in April 2018.

The Chief Executive Officer of the NIC is designated as the Accounting Officer responsible for the effective management of public funds. HM Treasury Ministers have given the NIC's Chief Executive Officer delegated authority to approve external appointments and procurements up to £250k.

The NIC has secured new permanent accommodation. The lease with the Government Actuaries Department for the NIC to take occupation of the 4th floor of Finlaison House was signed 31 January 2018. The NIC began to pay rental charges for the space from the 1 February. As the end of the reporting period we remained resident at 11 Philpot Lane, Eastcheap (where we shared our workspace and accommodation with the Debt Management Office), to allow renovation works to be completed at our new offices in Chancery lane. The NIC moved into Finlaison House on July 12 in the days immediately following the publishing of the first National Infrastructure Assessment. The NIC's site renovation and ongoing service contracts for security and facilities management at Finlaison House are provided by Interserve who are contracted by the Government Actuaries Department.

We continue to receive our back-office services including IT, HR and Financial management 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, finance, accounting, procurement and payroll services we need. We will however seek to refresh this agreement in the light of our reassessment of organisational need and our ongoing engagement with HM Treasury on service delivery.



Philip Graham, Chief Executive
20 November 2018

CHAPTER 2 – ACCOUNTABILITY REPORT

The Accountability Report contains:

- the Corporate Governance Report, which includes an assessment of the NIC’s delivery against its responsibilities set out in the Framework agreement;
- the Statement of Accounting Officer’s Responsibilities;
- 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 Commissioners are non-executive members of the NIC and have a strong interest in ensuring that there are appropriate governance frameworks for the NIC's work and that the NIC's executive performs its main duties as set out in the Charter and Framework agreement and summarised in the Statement of Purpose and Activities above.

The Commission meets monthly to discuss its rolling programme of work. In future years, we will put in place appropriate arrangements to review the work of the Commission and to ensure that we are working as effectively as possible.

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 generate consensus between government, industry and others.

One or more Commissioners are appointed to act as 'lead Commissioners' for each of the NIC'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.

Commissioners receive a fee of £20,000 per annum based on a time commitment of 2 days per month. With the Chair receiving a fee of £85,200 per annum based on a time commitment of 3 days per week. During the period the Commission had a Chair, Deputy Chair, and

8 other non-executive Commissioners. These were as follows:

Lord Andrew Adonis (Chair until 31 December 2017);

Sir John Armitt CBE (Deputy Chair from October 2016; Chair from 18 January 2018);

Dame Kate Barker CBE (from 18 April 2017);

Professor Sir Tim Besley CBE;

Professor David Fisk CB (from 22 May 2017);

Andy Green (from 18 April 2017);

Dr Demis Hassabis CBE (until 31 December 2017);

Professor Sadie Morgan;

Julia Prescott (from 18 April 2017);

Bridget Rosewell OBE

Commissioner Recruitment

At the beginning of the period of the 2017–18 accounts, the NIC’s founding Commissioners (Lord Andrew Adonis, Sir John Armitt CBE, Professor Sir Tim Besley CBE; Dr Demis Hassabis CBE; Professor Sadie Morgan; and Bridget Rosewell OBE) who had been appointed on an interim basis were formally appointed for a fixed term of three years from 18 April 2017. Their terms will expire automatically in 2020.

Four new Commissioners were appointed during April and May 2017: Dame Kate Barker CBE, Andy Green and Julia Prescott were appointed on 18 April 2017 for a fixed period of 5 years; their terms will expire automatically on 18 April 2022. Professor David Fisk CB was appointed as a Commissioner on 22 May 2017, and is expected to serve until 22 May 2022.

During the period the Commission had two resignations. Lord Adonis and Dr Hassabis both resigned on 31 December 2017 as Chair and Commissioner respectively.

Sir John Armitt (Commissioner from October 2015 and Deputy Chair from October 2016) was appointed as Chair of the Commission on 18 January 2018 for a fixed term of 5 years, running until 18 January 2023.

The table below reports the annual remuneration of each Commissioner for the period to which this report formally relates.

Commissioners’ Appointment dates and Remuneration terms

Name	Role	Fee (per annum)	Time commitment	Appointment Date
Lord Andrew Adonis*	Interim Chair/ Permanent Chair	£113,600/ £85,200	4 days per week/ 3 days per week	5 October 2015/ 18 April 2017
Sir John Armitt CBE**	Deputy Chair/ Chair	£56,800/ £85,200	2 days per week/ 3 days per week	12 October 2016/ 18 April 2017/ 18 January 2018
Dame Kate Barker CBE	Commissioner	£20,000	2 days per month	18 April 2017
Professor Sir Tim Besley CBE	Commissioner	£20,000	2 days per month	30 October 2015/ 18 April 2017
Professor David Fisk CB	Commissioner	£20,000	2 days per month	22 May 2017
Andy Green	Commissioner	£20,000	2 days per month	18 April 2017
Dr Demis Hassabis CBE*	Commissioner	£20,000	2 days per month	30 October 2015
Professor Sadie Morgan	Commissioner	£20,000	2 days per month	30 October 2015/ 18 April 2017
Julia Prescott	Commissioner	£20,000	2 days per month	18 April 2017
Bridget Rosewell OBE	Commissioner	£20,000	2 days per month	30 October 2015/ 18 April 2017

*Lord Andrew Adonis was appointed as permanent Chair on 18 April 2017, having served as interim Chair since 5 October 2015. Lord Adonis served until his resignation on 31 December 2017.

**Sir John Armitt CBE was appointed as Chair on 18 January 2017, having served as Deputy Chair since 12 October 2016 and Chair since 1 January 2018.

Commissioner Biographies (1 April 2017 – 31 March 2018)

Chairs



Lord Andrew Adonis – Chair (until 31 December 2017)

Lord Andrew Adonis was appointed as Chair of the National Infrastructure Commission on 5 October 2015. He was a member of the independent Armitage Commission, which recommended an independent National Infrastructure Commission in 2013. Andrew Adonis was formerly the Transport Secretary from 2009 to 2010, Minister of State for Transport from 2008 to 2009 and Minister for Schools from 2005 to 2008. He was Head of the No10 Policy Unit from 2001 to 2005.



Sir John Armitage CBE – Deputy Chair (until 17 January 2018 when appointed full Chair)

Sir John Armitage is Chair of National Express Group, City & Guilds and the Thames Estuary 2050 Growth Commission. He sits on the boards of Berkeley Group and Expo 2050. Sir John was President of the Institution of Civil Engineers from 2015-16. He was awarded the CBE in 1996 for his contribution to the rail industry and a knighthood in 2012 for services to engineering and construction.

Commissioners



Dame Kate Barker DBE

Dame Kate Barker sits on the boards of Taylor Wimpey plc and Man Group plc. She is also Chair of Trustees for the British Coal Staff Superannuation Scheme. She has previously served as an external member of the Bank of England's Monetary Policy Committee (2001-10).



Professor Sir Tim Besley CBE

Sir Tim Besley is School Professor of Economics and Political Science and W. Arthur Lewis Professor of Development Economics at the LSE. He has previously served as an external member of the Bank of England Monetary Policy Committee (2006-09).



Dr Demis Hassabis CBE (until 31 December 2017)

Dr Demis Hassabis is the co-founder and CEO of DeepMind, a neuroscience-inspired AI company, bought by Google in January 2014. He is now Vice President of Engineering at Google DeepMind and leads Google's AI efforts.



Professor David Fisk CB

Professor David Fisk is Emeritus Professor at the Centre for Systems Engineering and Innovation at Imperial College London. He has served as Chief Scientist across several Government departments including Environment and Transport, and as a member of the Gas and Electricity Markets Authority.



Andy Green

Andy Green holds several Chairman, non-executive director and advisory roles, linked by his passion for how technology transforms business and people's daily lives. This includes chairing IG Group, a global leader in online trading and Digital Catapult, an initiative to help grow the UK digital economy.



Professor Sadie Morgan

Professor Sadie Morgan is a founding director of the Stirling Prize winning architecture practice dRMM. She is also Chair of the Independent Design Panel for HS2, is Deputy Chair of the Thames Estuary 2050 Growth Commission and a Mayor’s design advocate for the Greater London Authority.



Julia Prescott

Julia Prescott is 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.



Bridget Rosewell OBE

Bridget Rosewell is a director, policy maker and economist. She has served as Chief Economic Adviser to the Greater London Authority (2002-2012) and worked extensively on infrastructure business cases. She is a director of Network Rail.

Register of Interests

The register of interests for each of our Commissioners is maintained online. Details can be found at the following web link:

<https://www.nic.org.uk/wp-content/uploads/Commissioner-and-Senior-Management-Team-Register-of-interests-July-2018.pdf>

Commissioner Attendance	Commission Meetings Meetings attended out of those eligible
Lord Andrew Adonis	9 of 9
Sir John Armitt CBE	12 of 12
Dame Kate Barker DBE	9 of 12
Professor Sir Tim Besley CBE	9 of 12
Dr Demis Hassabis CBE	4 of 9
Professor David Fisk CB	10 of 12
Andy Green	11 of 12
Professor Sadie Morgan	9 of 12
Julia Prescott	12 of 12
Bridget Rosewell OBE	8 of 12

Oversight Board

The NIC's Framework document required that the organisation put in place an Oversight Board to ensure the effectiveness of the NIC's internal control, risk management systems. The board would also be mandated to ensure the NIC had sufficient resources available and that it had the right calibre and mix of staff to support the Commissioner's ability to give high quality advice to the government.

Membership of the Board was agreed in the spring of 2017. The Board met for the first time on 31 July 2017. The Board was chaired by the then Chair of the Commission Lord Andrew Adonis. In line with the requirements of the framework agreement the board comprised a representative of the Treasury, relevant members of the executive (the Chief Executive, the Chief Operating Officer and the Director of Policy and Engagement). At the first meeting of the board two non-executive members, Michael Brodie and Debjani Ghosh were appointed by the Chair to sit on the board but also to take up the respective roles of Chair and Vice Chair of the Audit and Risk Assurance Committee (ARAC). The NIC's financial advisor who at the time was Kate Ivers also attend the Oversight Board.

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 NIC 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 NIC 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	✓
Appraising the performance of the NIC's Chief Executive and providing feedback to the Treasury	✓ (Undertaken by the Chair)

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

Member Attendance	Oversight Board Meetings Meetings attended out of those eligible
Lord Andrew Adonis	2 of 2
Sir John Armitt CBE	1 of 1
Bridget Rosewell OBE	2 of 3
Philip Graham	3 of 3
Sasha Morgan	2 of 3
Michael Brodie	3 of 3
Debjani Ghosh	2 of 2
Manuela Solera-Deuchar	2 of 3

Audit and Risk Assurance Committee

The Chair and the Vice-Chair of the ARAC were appointed on 31 July. Subsequent to this, the committee met for the first time on the October 3 2017. The committee looked at the NIC's financial capacity, the appropriateness of its budget and the NIC's financial reporting. The most critical task that the Committee discharged during the period was to oversee the completion of the NIC's first Annual Report and Accounts.

Director's Report

Assessment

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

- (i) development of the National Infrastructure Assessment;
- (ii) its current studies on pressing infrastructure challenges; and
- (iii) gathering of intelligence to inform the annual monitoring report.

Within the reporting period I note that the executive:

- published the interim National Infrastructure Assessment, *Congestion, Capacity, Carbon – priorities* for national infrastructure, for public consultation.
- maintained progress on our agreed study programme publishing the final report of our study into the infrastructure needs of the Cambridge-Milton Keynes-Oxford arc, *Partnering for Prosperity*, in November 2017, and our report into new technology, *Data for the Public Good*
- published its first Annual Monitoring Report and;
- published the NIC's first 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 NIC's secretariat have enabled me to remain confident that the NIC 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 then NIC has been transparent about these interactions. I am clear from my conversations with the NIC'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.

In 2017-18 the organisation has put in place a range of governance mechanisms. The organisation's Oversight Board was put in place (31 July 2017) enabling the NIC to undertake its first independent pay remit. Through the deliberations of the Oversight Board it was agreed to appoint two independent specialists as the Chair and Deputy Chair of the new Audit and Risk Assurance Committee which met informally at the beginning of September and had its first formal meeting in October 2017. Both groups met several times during the period (the Oversight Board met three occasions and the ARAC on five). During the period the Oversight Board also suggested instituting an operations board to enable a clearer route within the organisation for development of corporate and Human Resource policies.

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

The existing budget has been sufficient to enable the recruitment of additional resources when necessary. Whilst HM Treasury was unable to provide a multi-year budget in line with our Framework agreement during the period of these accounts, I was pleased to see that they were able to provide a settlement and accompanying delegation letter by mid-April 2018. The amount provides sufficient resources to deliver our key obligations over the upcoming period.

The outcomes of the staff survey suggest that the organisation is on an upward development trajectory. Morale is good, and staff judged their situation to have improved on every indicator bar one which remained level. In the coming year I am pleased to note that the Senior Management Team aim to further the organisation's learning and development offer, enhance staff welfare and strengthen the organisation's links with broader Whitehall for those staff that are interested in pursuing a career in public service when their time with the secretariat comes to an end.

Considering these developments, I am content that the NIC's internal management structures and working practices led by the Chief Executive are effective and that the NIC'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 NIC has adopted the practices set out in the Code and guidance commensurate with its size, status and legal framework.

Beyond this and based on the recently agreed multi-year settlement I believe that the NIC currently has the resources that it needs to meet its objectives.

My overall assessment is that the NIC whilst small and growing quickly has responded effectively to its Charter and has delivered its remit. It will remain important that the Secretariat can maintain the right level and mix of skills and technical experience among the staff.

Sir John Armitt CBE, Chair
12 November 2018

The Statements of Accounting Officer's Responsibility

The Principal Accounting Officer (PAO) of HM Treasury has designated the Chief Executive of the NIC as Accounting Officer for the NIC. 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 NIC's assets, are set out in Managing Public Money published by HM Treasury.

Under the terms of the NIC'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 NIC and of its net resource outturn, application of resources, changes in taxpayers' equity 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; and
- signing the accounts and ensuring 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.

As far as I am aware there is no relevant audit information of which the NIC's auditors are unaware and as 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 NIC's auditors are aware of that information.

I confirm that the Annual Report and Accounts gives a fair, balanced and understandable view of the NIC's activities for the year ended 31 March 2018 and its financial position as at 31 March 2018.

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 HMT's internal auditors and HMT's external auditors, and the staff within the NIC who have responsibility for the development and maintenance of internal processes.

Philip Graham, Chief Executive
20 November 2018

Accounting Officer's Governance Statement

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

As 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 NIC;
- ensuring that the NIC is run based on the standards, in terms of governance, decision-making and financial management set out in Managing Public Money; and
- giving evidence (normally with the PAO) when summoned before the Public Accounts Committee on the NIC's stewardship of public funds.

I have responsibility for reviewing the effectiveness of our governance arrangements and risk management. During the year ending 31 March 2018 – the Finance Director of HM Treasury was responsible for advising me as Accounting Officer on the adequacy of our internal control and risk management framework. The NIC 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 NIC and includes members of the Commission and independent non-executive members and representatives from HM Treasury. This board met twice during the period of these accounts.

The ARAC are responsible on behalf of the Oversight Board, for advising me as Accounting Officer on the governance of the internal and external audit processes. The ARAC has also provided assurance on the quality of the NIC's financial statements.

The ARAC met five times during the period of the 2017–18 accounts with representatives from the National Audit Office (NAO), Internal Audit (Government Internal Audit Agency) and HM Treasury also attending.

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

High Level End-Year Risks	Risk trend at year end	Proposed Mitigating activity
<p>Investment in People – We fail to implement an appropriate recruitment and retention strategy and as a result fail to get the right people into the right jobs and then fail to retain for sufficient lengths of time.</p> <p>This is particularly acute as we get to the completion of the National Infrastructure Assessment and staff who have stayed to deliver the project move on to new roles and challenges.</p>		<ul style="list-style-type: none"> ● We are thoughtful about how we shape the pay remit to enable us to recruit new staff from higher paid infrastructure sectors ● We put in place an improved learning and development offer for staff in post. ● We implement a rolling/staggered recruitment approach to prevent cliff edge staff losses in future.
<p>Influence – We fail to convince Infrastructure Businesses, Regulators, government departments, politicians across the spectrum, Infrastructure focused departments and the centre of government that our recommendations are accurate and implementable and we fail to have a sufficient uptake.</p>		<ul style="list-style-type: none"> ● We clarify and refine our stakeholder engagement strategy to ensure we are targeting the right people in the most appropriate way. ● We build a stronger evaluation and advocacy function to go out and make the case to relevant parties ● We improve and increase our recognition as a credible and authoritative source of infrastructure advice.
<p>Independence – We fail to be seen to preserve our independence and the perception of the organisation as a dispassionate broker.</p>		<ul style="list-style-type: none"> ● Use of AMR to demonstrate independent perspective on Government progress ● The use of independent experts through round-tables and advisory panels to provide review and challenge.

Risk Management Strategy

The most critical risk the NIC faces relate at the point relates to our workforce strategy, i.e. the ability to get the right people into the right roles and then having the environment and incentives in place that make them want to stay with the organisation. The second critical risk that we face is the issue of our sphere of influence, whether we are able to convince the relevant parts of industry and government of the veracity of our recommendations to improve the long-term future of UK infrastructure.

The operational and financial risks that the NIC faces are relatively less significant as the NIC is a small organisation with a budget that is primarily spent on staff, accommodation and the costs associated with commissioning new research.

Our risk management strategy involves all members of staff in the NIC, the Senior Management Team and our Board. As we are a small organisation, our approach to risk management is naturally very closely integrated with both the longer-term strategic planning and the day-to-day management of the organisation. All members of staff and all members of the Secretariat are involved in the identification of risks. There is clear ownership and responsibilities for managing risks.

Each NIC project team maintains a project tracker documenting milestones and key deliverables. Given the varying scales and scope of NIC projects a flexible approach has been taken to allow project teams to put in place what they deem to be appropriate project and risk controls, rather than standardised systems. The teams hold weekly internal meetings where these trackers are updated.

The NIC's Programme Board meets fortnightly and is chaired by the Chief Economist and is attended by me and other members of the Senior Management Team, and the team leaders of each study team and the major work strands of the NIA. The agenda focuses on reviewing project plans for each of the live studies and the overarching NIA plan. The meeting also reviews the issues and risks flagged by the team leaders giving the opportunity to escalate critical issues for the attention of either SMT or the Commission itself. The Programme Board keeps a rolling review of the Commission's forward plan identifying issues that need escalation, or upon which comment and decision from the Commissioners is needed.

The Commission is solely responsible for the delivery of the NIC's core policy responsibilities whilst the Oversight Board is responsible for its operational delivery and governance arrangements. The non-executive members of the Oversight Board were nominated jointly by myself as Accounting Officer and the Chair.

The quality of the evidence base underpinning the NIC's recommendations is a key consideration for the organisation. The NIC's objectives require tackling significant analytical and forecasting challenges. To do this effectively the Commission has prioritised the creation and implementation of an effective environment and process to ensure that the analysis supporting its decisions is credible, fit-for-purpose and minimises the risk of errors.

I and the Chief Economist have ensured that the Secretariat has effective processes in place to assure the quality of all our work from our evidence gathering process, the research which we commission, and the reports we publish to ensure that they are consistent and of high quality. We are also mindful that the quality assurance activities undertaken should be proportionate to the risks and the complexity of the analysis involved.¹

The following processes assist the Secretariat in the delivery of high quality analysis:

- Commissioners' expertise is consulted at regular intervals.
- A fortnightly Programme Board holds specified leads accountable to ensure the delivery of the Commission's work on time and that risks – including those relating to quality – are identified and managed.
- Two expert advisory panels, one analytical and one technical, were established in October 2016.² These panels provide advice on cross-cutting issues that arise in the Commission's work. This improves the quality of the Commission's work, by providing challenge and perspectives from leading thinkers as the work develops. The expert advisory panels are consulted on key issues that arise in the Commission's work and invited to attend seminars and roundtables arranged by the Commission.
- Beyond this we regularly use expert round tables to test ideas with leading experts in relevant fields, and engage widely with industry and academic stakeholders in the development of our thinking.

Given that much of the policy and analytical tools and expertise sit within government departments, the Commission works closely with departments, arm's length bodies and regulators. As the Commission's

1 The Commission's approach to quality assurance is consistent with best practice principles as laid out in HM Treasury (2013), [Review of quality assurance of Government analytical models: final report](#) and HM Treasury (2015), [The Aqua Book: guidance on producing quality analysis for government](#)

2 See here for the announcement: <https://www.gov.uk/government/news/the-uks-first-ever-national-infrastructure-assessment-enters-its-next-phase>

work develops it regularly shares information and analysis with government departments to seek their views and to check factual accuracy.

The Secretariat maintains a list of its business-critical models³ and ensures appropriate quality assurance of the inputs, methodology and outputs. This means that, for any model-dependent work (whether it be internal or externally commissioned research), we ensure that the models:

- have a clearly identified Senior Responsible Owner;
- have clear documentation setting out the model's scope and specification; the purpose, limitations and risks; and the quality assurance undertaken;
- validate modelling results by sensitivity analysis of selected parameters and by comparing outputs from different models;
- are subject to both internal peer review and external peer review; and
- are fact checked and verified by third party evidence ahead of publication.

Staffing and Capacity

To deliver our objectives, it is important that NIC staff have appropriate skills and experience. Given our remit it is essential that we draw on a broad range of technical skills and experience from industry. It is equally critical that we can draw on relevant external analysis, while ensuring the judgements we take are solely those of the Commission. The potential loss of experienced staff members, an increase in the demands placed on our staff without corresponding increases in resources, and the inability to recruit staff due to an inability to match salaries in the wider market are risks that the NIC's SMT is focused on mitigating.

Engagement and Advocacy

Our work requires close and effective working with experts in several government departments. To mitigate the risks around this process our intention is to agree Memoranda of Understanding (MoU) with the key government departments involved in our work. In the last year agreements with BEIS and HMT were signed and agreed. We intend to move forward with memoranda with DEFRA, DWP, DFT and MHCLG over the next year.

These Memoranda set out roles and responsibilities, and processes for coordination of analytical activities and for information sharing. The NIC's Director of Policy and Engagement meets with senior officials from the key departments to ensure effective working. The completed MOUs will provide future recourse for the CEO to raise issues with the relevant departmental Permanent Secretaries.

It is central to our objectives that our analysis and judgements are produced independently from Ministers and that they are perceived to be so by the public. The Charter and MoUs provide a framework within which we can work with government officials while retaining our independence. We are aware that there are risks around the perception of independence and will consider our strategies for managing this effectively. We have detailed the approach taken in each aspect of our NIA forecasting process in briefing and driver papers available on our website. To date we have come under no pressure from Ministers, advisers or officials to change any of our conclusions.

³ Business criticality is determined by the extent to which the model drives key financial and funding decisions, the extent to which it is essential to the achievement of the business plan, and the extent to which error could lead to serious financial, legal or reputational damage.

Operational and Financial Risks

Our budget is primarily spent on staff, external research and accommodation costs. The financial risks we face are therefore relatively low. Nevertheless, as Accounting Officer I am responsible for safeguarding the public funds for which I have charge, and I have ensured we have robust processes in place to do so that are proportionate to our size and the level of financial risks we face.

We worked closely with the Director of Finance for HM Treasury throughout the reporting period of this annual report to ensure that the new organisation was financially robust and that appropriate scrutiny of staffing and procurement decisions took place. We have now set up an Oversight Board and have appointed an independent chair of our Audit and Risk Assurance Committee with significant audit committee and finance leadership experience.

Our financial management services are provided by HM Treasury, which reviews its controls, processes and systems regularly. The Director of Finance of HM Treasury has provided extensive assurance on the quality of its current processes including the quality of its delivery of the accounts production. I am content, based on these assurances, that the design and implementation of internal controls including those to prevent and detect fraud were adequate. The Head of HM Treasury Group's Internal Audit has provided an annual opinion on the adequacy and effectiveness of HM Treasury Group's framework of governance, risk management and control from which I have taken assurance that the services I receive through the NIC's service agreement with HM Treasury are produced within a sound control environment.

I am also content that the details and figures disclosed within the remuneration and staff report (provided below) have been accurately identified and sourced from the information held within HM Treasury's HR and Finance records covering the accounting period and that the NIC's remuneration policy has been operated in accordance with HM Treasury's governance framework during the reporting period. I am also content that there were no personal data related incidents during the period.

Sustainability

The NIC is committed to integrating sustainability into what we do. As a small organisation with less than 50 FTE and occupying less than 1000 square metres, it is not mandatory for the NIC to report in accordance with HM Treasury Public Sector Annual Reports: Sustainability Reporting. However, as a matter of good practice, we intend to report voluntarily from 2019 onwards following the guidance and where practical to do so. Our intention will be to base our initial objectives and targets on the Greening Government Commitments (GGCs) covering the period 2016 to 2020. As such we will concentrate our efforts on reducing emissions and water use, improving our waste management, buying 'greener' products and services, and being open and transparent. We intend to set yearly targets a specific set of GGC measures. These targets set out how we plan to achieve reductions in CO2 emissions from building energy use through efficient use of accommodation and IT, how waste will be diverted away from landfill via methods based on the waste hierarchy principle and how to manage the consumption of water. We will aim to work with our management company to meet the international standard (ISO 14001:2004) for our Environmental Management System (EMS) ISO 14001:2015. The EMS is a management toolkit that will enable us to document procedures and continuously monitor progress in our environmental performance through regular measurements, reviews and audits.

Governance Summary

My review of the effectiveness of the system of internal control is informed by the work of the executive managers within HM Treasury who have responsibility for the development and maintenance of the internal control framework within which the NIC has operated.

Based on this work I consider the NIC's governance arrangements to be sufficiently effective.

Philip Graham, Chief Executive
20 November 2018

Remuneration and Staff Report

Remuneration Report⁴

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.

	2017-18 £,000	2016-17* £,000
Sir John Armitt CBE Chair of the Commission (from 19/01/18) & Deputy Chair of the Commission (to 18/01/18)**	55-60 (85-90)	10-15 (55-60)
Lord Andrew Adonis Chair of the Commission (to 31/12/17)	65-70 (85-90)	20-25 (110-115)
Dame Kate Barker DBE Commissioner (from 18/04/17)	15-20 (20-25)	– (–)
Professor Sir Tim Besley CBE Commissioner	20-25 (20-25)	0-5 (20-25)
Professor David Fisk CB Commissioner (from 22/05/17)	15-20 (20-25)	– (–)
Andrew Green Commissioner (from 18/04/17)	15-20 (20-25)	– (–)
Professor Sadie Morgan Commissioner	20-25 (20-25)	0-5 (20-25)
Julia Prescott Commissioner (from 18/04/17)	15-20 (20-25)	– (–)
Bridget Rosewell OBE Commissioner	20-25 (20-25)	0-5 (20-25)
Dr Demis Hassabis CBE Commissioner (to 31/12/17)	15-20 (20-25)	0-5 (20-25)

All figures in this table are audited. Bracketed figures are annual equivalents.

*The comparative 2016-17 period was 24 January 2017 – 31 March 2017.

**Sir John Armitt's remuneration covered both roles (Deputy Chair and then Chair).

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.

All Commissioners are subject to the deduction of appropriate taxes via the PAYE system.

No benefits in kind have been paid to Commissioners.

As part of his contractual terms, Lord Adonis received a payment equivalent to 20 per cent of his annual fee into his personal pension scheme, which amounts to £13,048 during the accounting period. The NIC does not pay any pension contributions on behalf of any of the other 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 currently unremunerated.

⁴ Certain disclosures within the remuneration report have been audited as per the FReM 5.3.4.

Senior management – single total figure of remuneration⁵ (audited)

£,000		2017-18			2016-17*			
		Salary	Bonuses/ allowances	Pension Benefits ⁶	Total	Salary	Pension Benefits ⁶	Total
	Philip Graham Chief Executive	85-90	10-15	27	125-130	15-20 (85-90)	7	20-25
	James Richardson Chief Economist	100-105	–	30	130-135	15-20 (95-100)	12	30-35
	Adam Cooper Director of Policy and Engagements	85-90	–	40	125-130	15-20 (85-90)	8	20-25
	Sasha Morgan Chief Operating Officer	35-40 (55-60)	0-5	15	50-55	–	–	–

*The comparative 2016-17 period is 24 January 2017 – 31 March 2017.

Pay Multiples (audited)

The pay multiple is the relationship between the remuneration of the highest paid director/employee in the organisation (in this case the Chief Economist) and the median remuneration of the organisation's workforce. Remuneration includes salary, non-consolidated performance related pay and benefits in kind, but excludes severance payments, employer pension contributions and cash-equivalent transfer value of pensions.

The banded pay (full year equivalent) of the highest paid director in the accounting period was £100-105,000 [2016-17: £110-115,000]. This was 2.0 [2016-17: 2.3] times the median remuneration of the workforce, which was £50,951 [2016-17: 48,000]. The decrease from 2016-17 is caused by a combination of the increase in the median and the decrease in the highest paid remunerations.

Remuneration of NIC employees ranged from £22,220-£101,000 [2016-17: £21-100,000]; no employees received pay in excess of the highest paid senior manager/Commissioner.

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

⁶ 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.

Senior management – Pension benefits⁷ (audited)

						2017-18
£,000		Accrued annual pension at pension age as at 31/3/18 and related lump sum	Real increase in annual pension at pension age	CETV* at 31/3/18	CETV at 31/3/17	Real increase in CETV
Philip Graham Chief Executive	25-30		0-2.5	328	297	8
James Richardson Chief Economist	25-30		0-2.5	490	446	12
	plus, lump sum					
	60-65					
Adam Cooper Director of Policy and Engagement	20-25		0-2.5	304	265	18
Sasha Morgan Chief Operating Officer	5-10		0-2.5	72	63	4

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

Remuneration Policy

The NIC's 39 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 period to 31 March 2018 were £2,967k [24 January 2017 – 31 March 2017: £514k]. Details of the NIC's Remuneration policy can be found on the NIC's website.

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; and
- the government's inflation target, wider economic considerations, and the affordability of its recommendations.

⁷ This table relates to pension benefits in the Civil Service pension scheme.

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. Members joining from October 2002 may opt either for a defined benefit arrangement or a partnership pension account.

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; and
- 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; and
- 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) (audited)

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 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 consequence of their total membership of the pension scheme, not just their service in a senior capacity to which the disclosure applies (or, for ministers, their current appointment as minister).

CETVs are calculated in accordance with The Occupational Pension Scheme (Transfer Values) (Amendment) Regulations 2008 and do not take 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 2018, the NIC had 39 members of staff. Staff comprise permanent employees, temporary employees on loan from other Civil Service departments and secondees from other public – or private – sector organisations. Whilst terms and conditions differ dependent on point of origin, all staff members report to and are accountable to Philip Graham as Chief Executive.

As at 31 March 2018 the gender balance of NIC's 33 employees (i.e. not including the three secondees and three agency workers on staff) was as set out in the table below.

Employee Gender Balance

	Male	Female	Total
Directors	3 (All SCS)	1	4
Other employees	13	16 (1 SCS)	29
All Employees	16	17	33

Sickness Absence

During the reporting period the average number of working days lost due to sickness absence was 4.94 days per full-time equivalent (FTE).

Performance Award payments

During the reporting period a total of £4,510 special non-consolidated awards were paid. There were performance award payments made to the value of £21,925.

Staff policies

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

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

Average Number of Persons Employed

The average number of full-time equivalent persons employed during the accounting period was 32.9.

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 £2,967k comprised £2,409k related to permanent and temporary employees and £558k related to secondees from other public and private-sector institutions.

Staff Costs

2017-18 £,000	Employees	Other staff	Total
Salaries and wages	1,849	434	2,283
Social Security costs	208	44	252
Staff pension costs	352	80	432
Total costs	2,409	558	2,967

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 on page 38. The PCSPS scheme actuary valued the scheme as at 31 March 2012. Details can be found in the 2016–17 Resource Accounts of the Cabinet Office: Civil superannuation.⁸

For the accounting period employers' contributions of £352k were payable to the PCSPS at one of four rates in the range 20.0 to 24.5 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 2017-18 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Exit Packages

The NIC did not incur any costs for exit packages during the reporting period.

Off-payroll Transactions

There were no off-payroll transactions during the reporting period.

⁸ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/587315/58353_HC366_Accessible.pdf

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 £27,500. The auditors received no fees for 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 paid 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 2018 (Audited).

The NIC has no remote contingent liabilities. NIC's total expenditure during the accounting period was £5,347k (24 January 2017 – 31 March 2017: £1,632k) (Audited).

Philip Graham, Chief Executive
20 November 2018

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 2018 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. 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 2018 and of the net expenditure for the year then ended; and
- the financial statements 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 of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) 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 2016. I am independent of the National Infrastructure Commission in accordance with the ethical requirements that are relevant to my audit and 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.

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 and for being satisfied that they give a true and fair view.

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.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the National Infrastructure Commission's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the National Infrastructure Commission's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my certificate and report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income 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.

Other Information

The Chief Executive as Accounting Officer is responsible for the other information. The other information comprises information included in the Performance Report and the Accountability Report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my certificate and report thereon. My opinion on the financial statements does not cover the other information and 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, 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:

- 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;
- in the light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report and Accountability Report; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements and has been prepared in accordance with the applicable legal requirements.

Matters on which I report by exception

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
- 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.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse	Date
Comptroller and Auditor General	20 November 2018

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

CHAPTER 3 – FINANCIAL STATEMENTS

Statement of Comprehensive Net Expenditure

for the year ended 31 March 2018

	Note	2017-18 £000	2016-17 (from 24 Jan 2017) £000
Expenditure			
Staff costs	2	2,967	514
Other expenditure	3	2,380	296
		5,347	810
Income			
Other income		–	–
Net expenditure		5,347	810
Loss on transfer by absorption		–	822
Total net expenditure		5,347	1,632

There were no items of other comprehensive income.
The notes on pages 49 to 54 form part of these accounts.

Statement of Financial Position

As at 31 March 2018

	Note	2017-18 £000	2016-17 £000
Current assets			
Cash and cash equivalents	5	159	–
Trade and other receivables	6	154	–
Total current assets		313	–
Current liabilities			
Payables due within one year	7	(997)	(623)
Total current liabilities		(997)	(623)
Net current assets/(liabilities)		(684)	(623)
Taxpayers' equity			
General fund		(684)	(623)
Total taxpayers' equity		(684)	(623)

The notes on pages 49 to 54 form part of these accounts.

The financial statements were approved by the Board on 14 November 2018.

Philip Graham – Chief Executive
20 November 2018

Statement of Cash Flows

for the year ended 31 March 2018

	Note	2017-18 £000	2016-17 (from 24 Jan 2017) £000
Cash flows from operating activities			
Net operating cost		(5,347)	(810)
Changes in working capital other than cash		220	(200)
Notional expenditure		28	25
Net cash outflow from operating activities		(5,099)	(985)
Cash flows from financing activities			
Cash transferred on absorption		–	1
Funding from HM Treasury		5,258	984
Net financing		5,258	985
Net increase/(decrease) in cash and cash equivalents in the period	5	159	–
Cash and cash equivalents at the beginning of the period		–	–
Cash and cash equivalents at the end of the period	5	159	–

The notes on pages 49 to 54 form part of these accounts.

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2018

	General Reserve £000
Balance at 24 January 2017	–
Transfers under absorption accounting	(822)
Net operating expenditure for the period	(810)
Funding through supply from HM Treasury	984
Notional expenditure	25
Balance at 31 March 2017	(623)
Transfers under absorption accounting	–
Net operating expenditure for the period	(5,347)
Funding through supply from HM Treasury	5,258
Notional expenditure	28
Balance at 31 March 2018	(684)

The notes on pages 49 to 54 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 2017–18 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 National Infrastructure Commission (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.

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 will be 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.

1.3 Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 April 2017. The NIC does not intend to early-adopt any of the following standards. The expected financial impact of adopting these standards is summarised below.

IFRS 9 Financial Instruments (July 2014)

IFRS 9 was issued in July 2014 and applies to annual reporting periods beginning on, or after, 1 January 2018. IFRS 9 is not expected to have a material impact on the NIC financial statements.

IFRS 15 Revenue from contracts with customers

IFRS 15 was issued in May 2014 and applies to annual reporting periods beginning on, or after, 1 January 2018. IFRS 15 is not expected to have a material impact on the NIC financial statements.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and applies to annual reporting periods beginning on, or after, 1 January 2019. IFRS 16 is expected to have a material impact on the NIC's financial statements by requiring the recognition of lease liabilities and corresponding right-of-use assets, which will then be amortised and depreciated respectively.

IFRS 17 Insurance contracts

⁹ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/585374/NIC_framework_document_web.pdf

¹⁰ <https://www.gov.uk/government/publications/government-financial-reporting-manual-2017-to-2018>

IFRS 17 was issued in May 2017 and applies to annual reporting periods beginning on, or after, 1 January 2021 (subject to EU endorsement). IFRS 17 is not expected to have a material impact on the NIC financial statements.

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.

1.4 Transfer of Functions

In accordance with FReM 4.2.9, the creation of the NIC as an Executive Agency of HM Treasury was a transfer of function within a departmental boundary and has therefore been accounted for as a transfer by absorption from the core department to the new entity within the departmental group. The recorded amounts of net liabilities of the transferring function were brought into the financial statements of the NIC from 24 January 2017. The net liability carrying value has been recorded as a non-operating loss from the transfer of function through net expenditure; HM Treasury's core department has recorded symmetrical entries.

1.5 Financing

During the reporting period receipts and payments relating to NIC transactions passed through both the NIC's own bank account and an HM Treasury bank account, the latter particularly where transactions related to pre-absorption liabilities. The NIC is financed via a funding-through-supply arrangement, where the ultimate settlement of its liabilities is met by HM Treasury and the regular method of financing is for HM Treasury to transfer funds as requested to the NIC's bank account. This ensures that the NIC has direct management of its funding requirements and enables the organisation to settle liabilities as they fall due itself. These transfers from HM Treasury, whether to settle directly in certain circumstances on the NIC's behalf or more regularly to pre-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 Others Pension Scheme (CSOPS), which are described in the Remuneration and Staff Report, cover past and present employees that 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 Financial Instruments

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

1.9 Cash

Cash and cash equivalents comprise cash at bank.

1.10 Leases

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

1.11 Contingent liabilities

Contingent liabilities are not recognised as liabilities in the Statement of Financial Position but are disclosed in the notes to the Accounts. A contingent liability is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events; or it is a present obligation arising from past events but is not recognised because either an outflow of economic benefits is not probable to settle the obligation, or the amount of the obligation cannot be reliably estimated.

2. Staff Costs

	2017-18	2016-17 (from 24 Jan 2017)
	£000	£000
Wages and salaries	2,283	394
Social Security costs	252	55
Other pension costs	432	65
Total costs	2,967	514

Staff costs are comprised of 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 35 to 40).

3. Other Expenditure

	2017-18	2016-17 (from 24 Jan 2017)
	£000	£000
Accommodation costs	185	22
Printing and office services	140	68
IT costs under lease arrangements	186	20
Other IT costs	2	1
Contracted-out services	1,529	145
External auditor's remuneration	28	25
Staff Support and Staff-related costs, including training and travel	48	15
Other purchase of goods and services	262	–
Total	2,380	296

Contracted-out services were predominantly research costs. Other goods and services were primarily office furniture and fittings.

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

4. Financial Instruments

As the cash requirements of the NIC are met by funding through supply, provided by HM Treasury, financial instruments play a more limited role in creating and managing risk than would otherwise be the case for a non-public sector body. Most financial instruments relate to contracts to buy non-financial items in line with the NIC's expected purchase and usage requirements and the NIC is therefore exposed to little credit, liquidity or market risk.

5. Cash and Cash Equivalents

	2017-18 £000	2016-17 £000
Balance at 1 April 2017/24 January 2017	–	–
Net change in cash balances – inflow/(outflow)	159	–
Balance at 31 March	159	–

A total cash balance of £159k was held as at 31 March 2018. All cash balances are held with the Government Banking Service.

6. Trade and Other Receivables

	2017-18 £000	2016-17 £000
Other	154	–
Balance at 31 March	154	–

The other receivables balance reflects a reimbursement due for recoverable VAT.

7. Payables and Other Current Liabilities

	2017-18 £000	2016-17 £000
Amounts falling due within one year		
Trade & other payables	(49)	(356)
Accruals	(843)	(187)
Taxation and social security	(105)	(80)
Balance at 31 March	(997)	(623)

8. Commitments and Leases

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

The NIC leases its current office space from the Government Actuaries 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 23 June 2023.

As at 31 March 2018 commitments under the current MOTO for the remaining lease period comprise:

	2017-18 £000	2016-17 £000
Accommodation		
Within one year	289	119
Between one and five years	1,061	207
Later than five years	64	–
IT and office services		
Within one year	178	120
Between one and five years	713	341
Later than five years	41	–

The increase in commitments in 2017-18 are the result of the transition from the old MOTO with HM Treasury to the new MOTO with the GAD. The new MOTO has a longer term and higher costs which have given rise to increases in NIC's financial commitments.

IT services are provided by HM Treasury who 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.

9. Contingent Assets and Liabilities

Under the MOTO with the Government Actuaries Department (GAD) the NIC has an obligation to reinstate its office space to the satisfaction of the head lease terms, this is inclusive of the common areas within the building. As at 31 March 2018 there were no alterations made to the NIC's office space and therefore no obligation for future reinstatement costs, however there is a potential obligation for the costs related to the reinstatement of the common areas for the period of the head lease prior to the commencement of the NIC's MOTO on 1 February 2018. This obligation is currently contingent on GAD's decision on how they will recharge the costs in respect of the reinstatement of the common areas at the end of the head lease in 2023.

The NIC does not have any contingent assets as at 31 March 2018.

10. 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 year, including the provision of HR and financial services to the NIC.

A new MOTO was negotiated and signed with the Government Actuary's Department on the 31 January 2018 for occupancy beginning in February 2018. The lease related to provision of new office accommodation and associated management services to be provided for the NIC.

Prior to the signing of the new MOTO the NIC had transactions with HM Treasury relating to the old MOTO through which HM Treasury recharged the NIC in respect of costs for accommodation, IT and office services.

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.

11. Events after the Reporting Period

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

12. 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.

