

ANNUAL REPORT AND
ACCOUNTS FOR THE PERIOD
24 JANUARY 2017 TO
31 MARCH 2017

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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

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FOREWORD



Welcome to the first Annual Report and Accounts for the National Infrastructure Commission (NIC). Having operated in interim form since October 2015, the NIC was established permanently as an Executive Agency of Her Majesty's Treasury (HM Treasury) on 24 January 2017.

The financial data presented relates to the activities of the NIC in the final two and a half months of the 2016–17 financial year. Beyond the core financial information, we have provided an extended narrative relating to activities from the full

2016–17 financial year and indeed our interim period in order to provide broader context on our overall development.

This has been a period of impressive growth, development and productivity for the NIC.

We began with the consultation on methodology and a call for evidence to support the development of our first National Infrastructure Assessment (NIA). We subsequently produced an interim report on our regional study into the Cambridge-Milton Keynes-Oxford growth corridor, followed by an insightful report on 5G telecommunications. Finally, we began a new study exploring the potential of new technologies to improve infrastructure productivity.

At the core of our work has been a comprehensive programme of engagement. My fellow Commissioners and the Secretariat have gone out and about across the UK listening to a wide range of viewpoints from every region of the country, as well as from industry, the regulatory community and policy makers across Whitehall.

We have built a deep and credible evidence base, carried out social research to better understand the views of the wider public, and worked not only with government but a range of leading academics to model and forecast future demand for infrastructure. We have also established expert advisory panels to enhance the strength and breadth of our analytical and technical work.

We are laying the foundation for UK plc that can create jobs, remain competitive, be increasingly productive, and with fewer regional disparities. We believe the start we have made is a significant contribution to all these goals.

I would like to take the opportunity to acknowledge the huge contribution of my fellow Commissioners who have been crucial in enabling the organisation to produce a high volume and quality of work.

I would also like to express gratitude to the Secretariat of the National Infrastructure Commission for their continued passion for our work and the pace and drive that they have demonstrated to create substantive change.

I am also grateful to the many officials in government departments and agencies, and to our other external stakeholders, for their time and patience in helping us fulfil our remit.

Finally, I would like to thank my predecessor Lord Adonis under whose leadership the NIC has become recognised as a credible, influential and forward thinking institution – placing long-term planning at the heart of the UK's infrastructure policy.

Sir John Armitt CBE, Chair
23 January 2018

CONTENTS

Foreword	1
Introduction	3
Chapter 1 – Performance Report	4
Overview	5
Performance Analysis	8
Chapter 2 – Accountability Report	13
Corporate Governance Report	14
The Statement of Accounting Officer’s Responsibilities	19
Accounting Officer’s Governance Statement	20
Remuneration and Staff Report	24
Parliamentary Accountability and Audit Report	30
The Certificate and Report of the Comptroller and Auditor General to the House of Commons	31
Chapter 3 – Financial Statements	33
Notes to the accounts	37

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 analysing 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 and set out a summary of our forward plans for 2017–18; and
- provide financial statements for the period in which we became an independent Executive Agency i.e. 24 January – 31 March 2017.

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

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 and the key risks which we have managed to achieve our objectives during 2016–17.

- 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:

- Achievements 2016–17
- Forward Plans 2017–18

Overview

Chief Executive's Statement

The establishment of the National Infrastructure Commission was announced in October 2015. Its creation reflects a growing recognition that whilst the UK is increasingly able to deliver world class infrastructure projects, such as Crossrail and the facilities for the 2012 Olympics, its long-term infrastructure planning remain vulnerable to delay, fluctuating levels of commitment and lack of institutional drive, typified above all else by the long-standing stalemate around any decision on a third Heathrow runway.

The aim of the NIC is to address these weaknesses through a long-term, evidence-based and objective analysis of the UK's infrastructure needs and how these can best be met, around which a consensus can be formed across Whitehall, Parliament and society at large. The independent outlook of the NIC's Commissioners will play a crucial role in this, along with the breadth of our external engagement and our analytical work. We hope in this way to become a uniquely credible, forward-thinking and influential voice in the infrastructure debate; and to build a stable strategy looking not just five years, but up to 30 years ahead and against which successive governments may be held to account.

When I reflect on the performance, development and delivery of the NIC in the period between our establishment in interim form and our permanent establishment as an Executive Agency of HM Treasury on 24 January 2017 I am proud of our achievements.

Within our first six months we had published three major reports, each of which directly influenced government policy. Smart Power demonstrated the potential of a more flexible electricity system, incorporating new storage technologies and greater demand flexibility, to generate £8bn in savings for the UK every year by 2030. High Speed North set out a fresh vision for transforming connectivity in the North of England. Transport for a World City showed how Crossrail 2 could support London's economic growth and unlock up to 200,000 new homes. More recently, our work on 5G telecommunications has highlighted the crucial importance of enhancing the quality of the UK's mobile coverage and our interim report on the growth corridor between Cambridge, Milton Keynes and Oxford built a strong consensus around the need for integrating improved connectivity across the area with ambitious plans for housing growth.

We have also made significant progress in the development of the National Infrastructure Assessment (NIA), which will be the first ever cross-cutting assessment of the UK's infrastructure needs, looking 10–30 years ahead across the six key economic infrastructure sectors. We have carried out a wide ranging public consultation on the process and methodology for the NIA, and invited submissions from stakeholders and the public through an open call for evidence, which closed in February 2017.

To carry out this ambitious programme of work, we have increased our capacity and staffing levels significantly. At the beginning of 2016 we had just 18 staff, almost doubling to 33 by the end of March 2017. Reflecting our wide remit, this expanded team mixes Civil Service expertise with skills and knowledge from industry, regulators and local government. As we look to the publication of the full NIA in the summer of this year we will bolster our staff numbers further.

Even after a constructive first two years, we cannot be complacent. Things change. There will be new challenges that were not on the horizon when we were established. It is critical that nothing derails the crucial decisions that will be needed to encourage investment in and enhance the performance of our road, rail, digital, water and energy systems.

I'm confident that the approach we've taken – listening to a wide range of viewpoints, building our evidence base and focusing on workable solutions – means that our first reports have already started to make the case for how transforming our infrastructure can support growth and raise everyone's quality of life. I hope that our future work, including a ground-breaking National Infrastructure Assessment, will strengthen that case further.



Philip Graham, Chief Executive
23 January 2018

Statement of Purpose and Activities

Remit

The main purpose of the NIC as a permanent body is to provide the government with impartial, expert advice on major long-term infrastructure challenges.

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, taking into account 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 detailed 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 has appointed 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 secondees from industry, regulators and local government 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 Corporate Plan.
- maintained expected progress on the National Infrastructure Assessment.
- maintained progress on our agreed study programme (including initiation of the New Technologies Study and publication of research papers and interim report on the Cambridge-Milton Keynes-Oxford growth corridor.
- published our third driver paper on infrastructure demand.
- published the NIC/OECD report on strategic infrastructure planning.

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 involves all members of staff in the NIC through both the senior management team (SMT) and 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. A budget for the period to 31 March 2017 was agreed, and thereafter budgets will be agreed annually or for a multi-year period.

The NIC's Statement of Financial Position at 31 March 2017 shows net liabilities of £623k. 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, taking into account 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.

A key indicator of our performance is the delivery of these products on time. During the period between 24 January and 31 March 2017 there were no deadlines for either the National Infrastructure Assessment or the specific studies. However, during the period we published the last of four papers setting out the future drivers of infrastructure demand. These papers received positive feedback from stakeholders. The two active studies during the period (on the Cambridge-Milton Keynes-Oxford corridor and on new technologies and infrastructure) progressed in line with our plans, as did the development of the National Infrastructure Assessment.

The NIC's first annual monitoring report is expected to be published in early 2018.

Another key indicator of our performance is the quality of our work. During the period, we continued to seek the views of key stakeholders on our outputs and how we were performing against our objectives. While there was no formal programme of measurement for this indicator, we sought and reviewed feedback from several hundred industry stakeholders who attended our events, and met regularly with government departments.

A further key indicator of performance is the engagement and well-being of our staff. The NIC participated in the Civil Service people survey held in October 2016. The overall engagement score of 66 per cent will be used as a baseline to determine performance in future surveys, and NIC management has put in place plans to address specific areas where the NIC's survey scores were out of line with those of other Civil Service organisations.

As the NIC becomes further established as an organisation we will establish more formal means of measuring our performance.

Achievements 2016–17

The National Infrastructure Commission's remit is broad. Within the scope of our remit letters produced in discussion with HM Treasury we are free to analyse the UK's infrastructure challenges taking any approach we deem fit. We have discretion to shape our own work programme, subject to meeting the core requirements and guidance set out in the Charter and accompanying Framework.

April – December 2016

The NIC delivered a significant programme of work during this period. We began with a major consultation in May on the process and methodology for the first National Infrastructure Assessment (NIA). This closed in August having attracted more than 170 responses.

In June, the NIC jointly hosted with the OECD an expert roundtable focused on international best practice in strategic infrastructure planning. Over the summer of 2016, the Commission also progressed a significant programme of research and engagement to inform its studies on the Cambridge-Milton Keynes-Oxford corridor and on 5G telecommunications.

The next significant milestones were in October, when the Commission published its response to the NIA consultation and issued a wide-ranging call for evidence to inform the NIA. It also put in place two expert panels,¹ one analytical and one technical, to provide advice and challenge on relevant issues that arise in Commission's work and to provide access to leading-edge academic and specialist expertise.

¹ See here for the announcement:

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

In the same month, the NIC worked with HM Treasury to run a joint call for ideas seeking proposals for future NIC studies. Over 200 responses were received from a mixture of industry and trade bodies, a cross-section of the private sector, charities and individual academics. Around 90 of the responses related to transport, 70 to energy, with the remainder spread across digital, water and waste, and cross-cutting issues including technology, finance and the environment. This process led to the announcement as part of the Autumn Statement 2016 that the next study would focus on the potential of new technologies to improve infrastructure productivity.

November saw the NIC publish its interim report on the Cambridge-Milton Keynes-Oxford growth corridor, and significant funding was subsequently announced in the Autumn Statement 2016 to implement its recommendations.

In December, the NIC published the final report of its study into 5G telecommunications, the recommendations of which informed the government's 5G strategy, which was published in Spring 2017. The Commission also published the first two of four technical papers looking at key drivers of infrastructure demand. These focused on the impact of technological and demographic change and were published on the 9 and 22 December 2016 respectively.

January 2017 – March 2017

In January, as part of its formal establishment as an Executive Agency of HM Treasury, the NIC published its first Corporate Plan spanning the scope of its planned activities from 2017 to 2020.

On 15 February, we issued a call for evidence to support the New Technologies Study.

On 3 March, the Commission published its third paper on the drivers of infrastructure demand, in this case focused on the impact of economic growth.

Later in March, the Commission published a discussion paper on governance in the Cambridge-Milton Keynes-Oxford corridor, as well as the detailed research and analysis papers which had informed its interim report on the infrastructure needs of that corridor.

Finally, on 21 March, the Commission published the report of the NIC/OECD roundtable on strategic infrastructure planning held in June the previous year.

Forward Plans 2017–18

The NIC is focused on the delivery of the two core business objectives identified for 2017–18. The first on policy and the delivery of a programme of work consistent with our responsibilities under the Charter and remit letter and second to put in place an effective set of governance and operational arrangements. This will entail:

Policy

- 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 new technologies on infrastructure productivity.
- delivering the NIC's first annual monitoring report.
- completing consultation on the National Infrastructure Assessment Vision and Priorities Document.

Governance and Operations

- establishing an Oversight Board and working with it to develop and agree appropriate corporate processes.

- ensuring that the NIC's staff are equipped with the skills and experience that it needs to carry out its work effectively and maintaining an appropriate blend of civil servants and external secondees.
- developing and implementing human resources policies and processes, including in respect of recruitment, learning and development and performance appraisal, to ensure that the NIC continues to benefit from a skilled, highly motivated and professional staff following its transition to an Executive Agency.
- 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.
- agreeing and implementing a transparency and publications policy.
- putting in place effective procedures for handling complaints about the NIC.

Communications and 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:

- eight sector-based workshops to inform the National Infrastructure Assessment attended by over 500 industry stakeholders;
- meetings with local political and business leaders in each of the English regions and devolved nations;
- an extensive programme of Chief Executive level meetings with 30+ local authorities and Local Enterprise Partnerships across the Cambridge-Milton Keynes-Oxford (CaMkOx) growth corridor;
- a programme of stakeholder meetings and two wider industry events to inform the study into 5G telecommunications;
- numerous expert roundtable meetings to test and inform our work on the National Infrastructure Assessment;
- workshops involving local authority officers and civil servants to work through options for strengthening mechanisms for cross corridor governance in the CaMkOx corridor;
- regular bilateral meetings with government departments, regulators and representatives of the infrastructure industry;
- faculty visits to leading academic institutions around the country (including Leeds, Manchester and Newcastle) to ensure that the NIC is aware of leading-edge thinking in subjects relevant to its work;
- speaking at a broad range of industry conferences and events; and
- commissioning a piece of social research to understand public views on infrastructure, including holding focus groups around the country.

The NIC has communicated its work actively, with national media coverage of the publication of its reports, regular email bulletins to stakeholders and a growing social media presence.

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 says that the NIC will be provided with a multi-year budget by HM Treasury. We intend to secure a commitment for the years 2018–19 to 2020–21 by March 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 appointment and procurements up to £250k. This will be reviewed in 2018.

From April to June 2016 we shared our workspace and accommodation with HM Treasury at 1 Horse Guards Road. We moved to 11 Philpot Lane, Eastcheap, London, in June 2016 where we share our workspace and accommodation with the Debt Management Office (DMO), which is part of the wider HM Treasury group. As part of this arrangement we pay a share of the DMO's rent and rates, and a share of the cost of the DMO's service contracts for security and facilities management. Our IT infrastructure and maintenance are still delivered via the HM Treasury network.

We 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 to the Memorandum of Understanding signed between HM Treasury and the NIC to contract the administrative human resources, finance, accounting, procurement and payroll services we need.



Philip Graham, Chief Executive
23 January 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.

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.

During the period of the 2016–17 accounts all Commissioners served on an interim basis in advance of a permanent appointment process which was finalised in the financial year 2017–18.

In the period 24 January – 31 March 2017 the Commission had a Chair, Deputy Chair, and 5 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 – and Chair from 18 January 2018);
- Professor Sir Tim Besley CBE;
- Dr Demis Hassabis CBE;
- Professor Sadie Morgan;
- Bridget Rosewell OBE; and
- Lord Michael Heseltine (until 12 March 2017).

Sir Paul Ruddock also served as a member of the Commission from October 2015 until his resignation in December 2016. Lord Michael Heseltine left the Commission on 12 March 2017, having also served since October 2015.

Lord Adonis resigned from his role on 31 December 2017, and Sir John Armitt CBE was subsequently appointed as Chairman on 18 January 2018.

In 2016–17, the Chair and Deputy Chair were paid £142,000, adjusted pro-rata for 4 days a week (£113,600) and 2 days a week (£56,800) respectively.

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

Table 1: Commissioners' Appointment dates and Remuneration terms

Name	Role*	Fee (per annum)	Time commitment	Appointment Date
Lord Andrew Adonis	Chair	£113,600	4 days per week	05 October 2015
Sir John Armitt CBE	Deputy Chair**	£56,800	2 days per week	30 October 2015
Prof Sir Tim Besley CBE	Commissioner	£20,000	2 days per month	30 October 2015
Dr Demis Hassabis CBE	Commissioner	£20,000	2 days per month	30 October 2015
Lord Michael Heseltine	Commissioner	£20,000	2 days per month	30 October 2015
Prof Sadie Morgan	Commissioner	£20,000	2 days per month	30 October 2015
Bridget Rosewell OBE	Commissioner	£20,000	2 days per month	30 October 2015
Paul Ruddock	Commissioner	£20,000	2 days per month	30 October 2015

* All individuals were initially appointed on an interim basis for a period of two years.

** Sir John Armitt CBE was appointed as interim Deputy Chair on 1 October 2016, having served as an interim Commissioner since 30 October 2015. Sir John was then appointed as Chair on 18 January 2018 following the resignation of Lord Adonis on 31 December 2017.

Commissioner Biographies (24 January – 31 March 2017)



Lord Andrew Adonis – Chair (until 31 December 2017)

Lord Andrew Adonis was appointed as Chairman of the National Infrastructure Commission on 5 October 2015. He was a member of the independent Armitt 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 Armitt CBE – Deputy Chair (until 17 January 2018 when appointed full Chair)

Sir John Armitt is Chairman of the National Express Group and City & Guilds, Deputy Chairman of the Berkeley Group and a member of the Board of Transport for London, Senior Vice President of the Institution of Civil Engineers and a Fellow of the Royal Academy of Engineering, the Institution of Civil Engineers and City & Guilds of London Institute. He has received honorary doctorates from the universities of Portsmouth, Birmingham, Reading and Warwick and was awarded the CBE in 1996 for his contribution to the rail industry and a knighthood in 2012 for services to engineering and construction. In September 2013, the Armitt Review, his independent review of long term infrastructure planning in the UK, was published.

Commissioners



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 was a co-chair of the LSE growth commission and a member of the IFS's Mirrlees Review panel, and is currently Chair of the Council of Management of the National Institute of Economic and Social Research.



Dr Demis Hassabis CBE

Demis Hassabis was 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 general AI efforts



Lord Michael Heseltine

The Rt. Hon Lord Heseltine CH was a Member of Parliament from 1966 to 2001. He was a Cabinet Minister in various departments from 1979 to 1986 and 1990 to 1997 and Deputy Prime Minister from 1995 to 1997. He is founder and Chairman of the Haymarket Group, and was also appointed by the government as an advisor to the Secretary of State for Communities and Local Growth.



Professor Sadie Morgan

Sadie Morgan BA (HONS), MA (RCA), FRSA is a co-founding director at the award-winning practice, dRMM Architects. She became the youngest and only third ever-female President of the Architectural Association in 2013. In March 2015, she was appointed as Design Chair for High Speed Two (HS2) reporting directly to the Secretary of State for Transport.



Bridget Rosewell OBE

Bridget Rosewell OBE, MA, MPhil, FICE is a UK economist, with a track record in advising public and private sector clients on key strategic issues. She is a founder and Senior Adviser of Volterra Partner and a non-executive director of Network Rail and of Ulster Bank. She was Chief Economic Adviser to the Greater London Authority from 2002 to 2012. She has been a member of several Commissions looking at the future of public services, cities, infrastructure and local finance.

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/Combined-Commissioner-Declarations-of-Interests-April-2017-1.pdf>

Assessment

During the run-up to the NIC's establishment as an Executive Agency (24th January 2017) and the subsequent period prior to setting up its formal Oversight Board (July 2017), I took the lead oversight role on behalf of the Commissioners and provided light touch monitoring and assessment of the NIC's work and its operational and governance arrangements.

To this end, I undertook a mixture of one to one meetings with the Chief Executive, meetings with the NIC's senior management team, conversations in the context of core Commission meetings, and direct discussion with senior officials at HM Treasury.

On the basis of these discussions, before the terms of the NIC's establishment as an Executive Agency were finalised, I wrote a formal letter to HM Treasury setting out the Commission's views about the form of governance arrangements needed to secure the proper and effective independent functioning of the NIC. These included the following principles:

- complete discretion for the NIC to decide its own work programme (consistent with the remit from the Chancellor), methodologies and recommendations;
- a firm deadline for the government to respond to the Commission's recommendations;
- involvement of the NIC Chair in Commissioner and Chief Executive appointments and in setting the terms of reference of NIC studies;
- the provision of a multi-year budget, and independence from ministerial oversight of procurements and staff appointments;
- accountability for NIC staff to the Chair of the Commission;
- the establishment of an independent Oversight Board;
- an independent NIC website, separate from gov.uk; and
- an independent NIC communications function.

These principles were agreed by HM Treasury and reflected in the final versions of the NIC's Charter and Framework Document.

Based on these concessions and the quality of conversations both within the Commission and with the executive I am assured that the NIC has an appropriate Charter and Framework Document enabling it to function as an effective independent organisation which can provide objective advice on the UK's future infrastructure challenges without fear of inappropriate interference or undue influence.

I am also 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:

- undertook an effective consultation on the process and methodology for the first NIA;
- published an interim report on the Cambridge-Milton Keynes-Oxford growth corridor and published a final report on 5G;
- put out a public call for ideas for future studies and a call for evidence to support a New Technologies Study;
- established expert panels, to increase the NIC's research capacity and quality;
- published the first two of four technical papers looking at key drivers of infrastructure demand;

- published its first Corporate Plan; and
- published the report of the NIC/OECD roundtable on strategic infrastructure planning held in June the previous year

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.

I am also content that the NIC's internal management structures and working practices led by the Chief Executive are effective, and that the NIC currently has the resources, skills and expertise that it needs to meet its objectives. The existing budget has been sufficient to enable the recruitment of additional resources when necessary. The outcomes of the staff survey suggest that there is relatively good morale among staff. There were issues identified around learning and development; and I am pleased that a staff working group supported by the SMT has been put in place to address the issues and increase the quality and range of the NIC's learning offer to support the staff.

Going forward I have assurances that the NIC will receive a new multi-year budget settlement that will provide sufficient resources to deliver our key obligations. This is an issue on which the Commission and future Oversight Board should monitor closely.

Subsequent to the accounting period detailed in this report, to ensure effective governance in advance of the establishment of formal oversight arrangements, I and my fellow Commissioner Bridget Rosewell OBE formed a temporary Remuneration Committee to oversee the performance management and bonus allocation progress to the NIC's SCS staff members. By the time of the NIC's first pay remit in the summer the formal Oversight Board and the Audit and Risk Assurance Committee were in place.

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

My overall assessment is that the NIC whilst small and growing quickly has responded effectively to its Charter and has delivered its remit. A key issue is to ensure that it can maintain the right level and mix of skills and technical experience among the staff.

Following the appointment of a permanent Chair (the process for which had not been completed as of the end of the accounting period), the membership of the formal Oversight Board was agreed and the Board and an associated Audit and Risk Committee established. This process was completed in the summer of 2017. In the intervening period, I and the other non-executive Commissioners continued to monitor the NIC and provide guidance and challenge wherever necessary.

Sir John Armitt CBE, Chair
23 January 2018

The Statement of Accounting Officer's Responsibilities

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 as a whole gives a fair, balanced and understandable view of the NIC's activities for the year ended 31 March 2017 and its financial position as at 31 March 2017.

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
23 January 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 period ending 31 March 2017 – 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. By the time of the audit itself the NIC had an Oversight Board and Audit and Risk Assurance Committee (ARAC) in place in accordance with the terms of our Framework agreement. They were 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 also provided assurance on the quality of the NIC's financial statements produced by HM Treasury.

The ARAC met three times during the preparation of the 2016–17 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 and Director of Policy and Engagement. 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 weekly to discuss emerging issues and risks and overarching strategic direction.

Risk Management Strategy

The main risks the NIC faces relate to the successful delivery of our core responsibility to produce independent and authoritative analysis of the long-term future of UK infrastructure. The operational and financial risks that we face are relatively less significant as the NIC is a small organisation with a budget that is primarily spent on staff, accommodation and the commissioning 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 (in absentia myself as Chief Executive) and is attended by 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.

Two expert advisory panels were set up in October 2016 to support the work of the Commission and the Secretariat by acting as a sounding board for emerging thinking and methodologies and providing the Commission with a range of perspectives related to its work. To date the advisory panels have been consulted individually by members of the SMT and project leads on an ad hoc basis at key points as well as participating in roundtables and seminars.

The Commission is solely responsible for the delivery of the NIC's core policy responsibilities. As set out in the Framework Document, we will continue to develop and evolve our governance. We have established an independent Oversight Board which now oversees the operational management of the NIC and includes members of the Commission and independent non-executive members and representatives from HM Treasury.

The non-executive members of the Oversight Board were nominated jointly by myself as Accounting Officer and the Chair.

Managing our analytical risks – The quality of the evidence base underpinning the NIC's recommendations is a key consideration for the government. The NIC's objectives require tackling significant 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.²

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 2016.³ 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.

² 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](#)

³ See here for the announcement:

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

- Beyond this we regularly use expert round tables to test ideas with leading experts in relevant fields.

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 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 models⁴ and ensure appropriate quality assurance of the inputs, methodology and outputs of all its models.

For all elements of our work (whether it be internal or externally commissioned research) we ensure that our analytical work:

- has a clearly identified Senior Responsible Owner for each critical model;
- clear documentation setting out the model's scope and specification; the purpose, limitations and risks; and the quality assurance undertaken;
- validates modelling results by sensitivity analysis of selected parameters and by comparing outputs from different models;
- is subject to both internal peer review and external peer review; and
- is 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 SMT of the NIC are focused on mitigating.

Whitehall Engagement

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. A draft memorandum has been prepared and discussions with relevant departments are underway.

These Memoranda set out roles and responsibilities, and processes for coordination of the analysis process 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.

⁴ 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.

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. 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.

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 both in its transitional form and between the 24 January to 31 March 2017.

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

Philip Graham, Chief Executive
23 January 2018

Remuneration and Staff Report⁵

Remuneration Report⁶

The table below reports the remuneration of each Commissioner which is set by HM Treasury on appointment. Current Commissioners' letters of appointment, which include detailed remuneration arrangements, are published on the NIC website.

	24 January – 31 March 2017 £,000
Lord Andrew Adonis Chair of the Commission	20–25 (110–115)
Sir John Armit CBE Deputy Chair of the Commission	10–15 (55–60)
Professor Sir Tim Besley CBE Commissioner	0–5 (20–25)
Dr Demis Hassabis CBE Commissioner	0–5 (20–25)
Professor Sadie Morgan Commissioner	0–5 (20–25)
Bridget Rosewell OBE Commissioner	0–5 (20–25)
Lord Michael Heseltine Commissioner (to 12/03/17)	0–5 (20–25)

Bracketed figures are annual equivalents.

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 £4,275 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 are currently unremunerated.

⁵ The amounts disclosed in the Remuneration and staff report relate to the accounting period 24 January 2017 to 31 March 2017.

⁶ Certain disclosures within the remuneration report have been audited as per the FReM 5.3.4.

Senior management – single total figure of remuneration⁷ (audited)

£,000		24 January – 31 March 2017		
		Salary	Pension Benefits ⁸	Total
Philip Graham	Chief Executive	15–20 (85–90)	7	20–25
James Richardson	Chief Economist	15–20 (95–100)	12	30–35
Adam Cooper	Director of Policy and Engagement	15–20 (85–90)	8	20–25

No bonuses or benefits in kind have been paid to senior managers in the accounting period. Bracketed figures are annual equivalents.

Pay Multiples (audited)

The pay multiple is the relationship between the remuneration of the highest paid person in the organisation (in this case Lord Adonis) 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 person in the accounting period was £110-115,000. This was 2.3 times the median remuneration of the workforce, which was £48,000.

Remuneration of NIC employees ranged from £21,000-£100,000; no employees received pay in excess of the highest paid senior manager/Commissioner.

Senior management – pension benefits⁹ (audited)

£'000		Accrued annual pension at pension age as at 31/3/17 and related lump sum	Real increase in annual pension at pension age plus lump sum	2016–17		Real increase in CETV
				CETV* at 31/3/17	CETV at 31/3/16	
Philip Graham	Chief Executive	20–25	0–2.5	297	293	2
James Richardson	Chief Economist	25–30 plus lump sum	0–2.5 plus lump sum	446	437	7
		60–65	0–2.5			
Adam Cooper	Director of Policy and Engagement	15–20	0–2.5	265	259	4

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

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

8 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.

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

Remuneration Policy

The NIC's 23 employees are civil servants and their pay arrangements are governed by the policy framework set out by the Cabinet Office and HM Treasury. Total staff costs (including those for secondees) for NIC in the period to 31 March 2017 were 514k. Details of the HM Treasury Remuneration policy and pay committees can be found in the 2016–17 HM Treasury Annual Report and Accounts.

The pay of senior civil servants (SCS) 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.

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 final salary schemes with a normal pension age of 60 (classic, premium, classic plus); and one providing benefits on a whole career basis with a normal pension age of 65 (nuvos).

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 3 to 8.05 per cent of pensionable earnings for members of classic (and those who joined alpha from classic), and 4.6 to 8.05 per cent for members of 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)

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

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 (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 2017, the NIC had 33 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 2017 the gender balance of NIC's 23 employees (i.e. not including the ten secondees on staff) was as set out in the table below.

Employee Gender Balance

	Male	Female	Total
Directors	3	0	3
Other employees	10	10	20
All Employees	13	10	23

Sickness Absence

During the reporting period the average number of working days lost due to sickness absence was 1.02 days per full-time equivalent (FTE).

Performance Award payments

During the reporting period a total of £1,400 special non-consolidated awards were paid. There were no performance award payments made.

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.

All staff are encouraged to consider doing additional training on disability awareness to ensure that there is greater overall awareness and support within the NIC.

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 £514k comprised £381k related to permanent and temporary employees and £133k related to secondees from other public and private-sector institutions.

Staff Costs

2017 £'000	Employees	Other staff	Total
Salaries and wages	294	100	394
Social Security costs	34	21	55
Staff pension costs	53	12	65
Total costs	381	133	514

Average Number of Persons Employed

The average number of full-time equivalent persons employed during the accounting period was 23.7.

Staff Pension Costs

The Civil Servants and Others Pension Scheme (alpha) was launched as a new pension scheme for civil servants from 1 April 2015. Details on the transition arrangements between alpha and Principal Civil Service Pension Scheme (PCSPS) are outlined from pages 26-27. 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.¹⁰

For the accounting period employers' contributions of £52,233 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 2016–17 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.

¹⁰ Footnote reference missing.

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 £25,000. 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 2017 (Audited).

The NIC has no remote contingent liabilities. NIC's total expenditure during the accounting period was £1,632k, comprising £810k expenditure in the period and £822k loss on transfer by absorption from HM Treasury on 24 January 2017. Comparative results for previous years have not been presented as this is the Executive Agency's first reporting period.

Philip Graham, Chief Executive
23 January 2018

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

I certify that I have audited the financial statements of the National Infrastructure Commission for the period ended 31 March 2017 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. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration and Staff Report and the Parliamentary Accountability Disclosures that is described in those reports and disclosures as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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. This includes an assessment of: whether the accounting policies are appropriate to the National Infrastructure Commission's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by National Infrastructure Commission; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the Performance Report and Accountability Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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.

Opinion on regularity

In my opinion, in all material respects 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.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of National Infrastructure Commission's affairs as at 31 March 2017 and of the total net expenditure for the period 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 other matters

In my opinion:

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

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 Remuneration and Staff Report and the Parliamentary Accountability disclosures 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
Comptroller and Auditor General

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

25 January 2018

CHAPTER 3 – FINANCIAL STATEMENTS

Statement of Comprehensive Net Expenditure

for the period 24 January 2017 to 31 March 2017

	Note	£000
Expenditure		
Staff costs	2	514
Other expenditure	3	296
		810
Income		
Other income		–
Net expenditure		810
Loss on transfer by absorption	7	822
Total net expenditure		1,632

There were no other items of comprehensive expenditure.

The notes on pages 37 to 41 form part of these accounts.

Statement of Financial Position

as at 31 March 2017

	Note	£000
Current assets		
Cash and cash equivalents	5	–
Total current assets		–
Current liabilities		
Payables due within one year	6	(623)
Total current liabilities		(623)
Net current assets/(liabilities)		(623)
Taxpayers' equity		
General fund		(623)
Total taxpayers' equity		(623)

The notes on pages 37 to 41 form part of these accounts.

The financial statements were approved by the Board on 10 January 2018.

Philip Graham – Chief Executive
23 January 2018

Statement of Cash Flows

for the period 24 January 2017 to 31 March 2017

	Note	£000
Cash flows from operating activities		
Net operating cost		(810)
Changes in working capital other than cash		(200)
Notional expenditure		25
Net cash outflow from operating activities		(985)
Cash flows from financing activities		
Cash transferred on absorption		1
Funding from HM Treasury		984
Net financing		985
Net increase/(decrease) in cash and cash equivalents in the period	5	–
Cash and cash equivalents at the beginning of the period		–
Cash and cash equivalents at the end of the period	5	–

A total cash balance of £425 was held as at 31 March 2017.

The notes on pages 37 to 41 form part of these accounts.

Statement of Changes in Taxpayers' Equity

for the period 24 January 2017 to 31 March 2017

	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)

The notes on pages 37 to 41 form part of these accounts.

NOTES TO THE ACCOUNTS

1. Statement of Accounting Policies

Pursuant to the Framework Document¹¹ between the National Infrastructure Commission (NIC) and HM Treasury, these financial statements have been prepared in accordance with the 2016–17 Government Financial Reporting Manual (FReM).¹² 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.

IFRSs in issue but not yet effective

As per the FReM, these accounts apply EU adopted IFRS and Interpretations in place as at 1 January 2015. The NIC has reviewed the effects that new accounting standards are expected to have on its financial statements, namely IFRS 9 in respect of financial instruments, IFRS 15 in respect of revenue from contracts and IFRS 16 in respect of leases.

IFRSs 9 and 15 are not expected to have a material impact on the accounts. IFRS 16 is expected to require the recognition of lease liabilities and corresponding right-of-use assets, which will then be amortised and depreciated respectively.

1.1 Accounting Conventions

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

1.2 Basis of Preparation

The NIC was established as an Executive Agency on 24 January 2017. Its functions transferred from HM Treasury on this date along with net liabilities of £822k. These liabilities along with the costs incurred during the accounting period 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 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.

¹¹ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/585374/NIC_framework_document_web.pdf

¹² <https://www.gov.uk/government/publications/government-financial-reporting-manual-2016-to-2017>

1.4 Financing

During the reporting period most receipts and payments relating to NIC transactions passed through an HM Treasury bank account. Since the balance-sheet date the NIC has used its own bank account, into which HM Treasury transfers funds as necessary so that liabilities can be settled as they fall due. The NIC is financed via a funding-through-supply arrangement, with the settlement of its liabilities being met by HM Treasury. These transactions are recorded as funding through supply within the primary statements.

1.5 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.

1.6 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.

1.7 Financial Instruments

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

1.8 Cash

Cash and cash equivalents comprise cash at bank.

1.9 Leases

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

2. Staff Costs for the period 24 January 2017 to 31 March 2017

	Permanent staff £000
Wages and salaries	394
Social Security costs	55
Other pension costs	65
Total costs	514

Further details of staff costs and numbers are now disclosed in the Remuneration and Staff Report (see pages 24 to 29).

3. Other Expenditure for the period 24 January 2017 to 31 March 2017

	£000
Accommodation costs	22
Printing and office services	68
IT costs under lease arrangements	20
Other IT costs	1
Contracted-out services	145
External auditor's remuneration	25
Staff Support and Staff-related costs, including training and travel	15
Total	296

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

	£000
Balance at 24 January 2017	–
Net change in cash balances – inflow/(outflow)	–
Balance at 31 March 2017	–

A cash balance of £500 was transferred by absorption to the NIC on 24 January 2017 (see Note 7 below).

A total cash balance of £425 was held as at 31 March 2017. All cash balances are held with the Government Banking Service.

6. Payables and Other Current Liabilities

Amounts falling due within one year	£000
Trade & other payables	(356)
Accruals	(187)
Taxation and social security	(80)
Balance at 31 March 2017	(623)

7. Transfer by Absorption

The transfer of functions from HM Treasury's core department to the NIC on 24 January 2017 was a transfer within a departmental boundary and has been accounted for as a transfer by absorption accordingly. The balances that were transferred on 24 January 2017 are disclosed below.

	Note	£000
Current assets		
Cash and cash equivalents	5	1
Total current assets		1
Current liabilities		
Payables due within one year		(823)
Total current liabilities		(823)
Net current assets/(liabilities)		(822)
Taxpayers' equity		
General fund		(822)
Total taxpayers' equity		(822)

A cash balance of £500 was transferred on 24 January 2017. As the NIC rents its premises and leases assets by way of operating leases, there were no transfers of other assets.

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 HM Treasury 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 4 years from January 2017 until January 2021.

As at 31 March 2017 commitments under the current MOTO for the remaining lease period comprise:

	£000
Accommodation	
Within one year	119
Between one and five years	207
Later than five years	–
IT and office services	
Within one year	120
Between one and five years	341
Later than five years	–

These figures do not take account of any future increases in the underlying costs borne by HM Treasury which would be passed on to the NIC.

The NIC currently has plans to move to new office space leased by the Government Actuary's Department. As at the reporting date a new MOTO is being finalised. However, since it has not yet been agreed there are no future lease commitments disclosable.

Under the terms of the current MOTO the NIC may terminate the agreement by providing one month's notice to HM Treasury. It is not expected that there will be additional costs as a result of early termination that will be incurred under the current MOTO. After termination outstanding commitments as detailed above will lapse and be replaced by commitments under the new MOTO, which is expected to be for a term of approximately six years.

9. Contingent Assets and Liabilities

The NIC does not have any contingent assets or liabilities as at 31 March 2017.

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.

The NIC has ongoing transactions with HM Treasury relating to the MOTO through which HM Treasury recharges the NIC in respect of costs for accommodation, IT and office services.

A new MOTO is currently being agreed for office accommodation, IT and other services leased by the Government Actuary's Department.

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 with the NIC.

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.

