

# National Infrastructure Commission Framework Document

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# Chapter 1

## Purpose of the National Infrastructure Commission

**1.1** The National Infrastructure Commission (NIC) was established in 2017 as an executive agency of HM Treasury to provide impartial, expert advice and make independent recommendations to the government on economic infrastructure. The NIC will operate independently, at arm's length from government. Its objectives are to:

- support sustainable economic growth across all regions of the UK
- improve competitiveness
- improve quality of life
- support climate resilience and the transition to net zero carbon emissions by 2050

**1.2** The Commission will advise 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 will also consider the potential interactions between its infrastructure recommendations and: (i) housing supply; and (ii) the government's legal target to halt biodiversity loss by 2030. The Commission will have regard to the effective implementation of biodiversity net gain for development in its advice to government. In carrying out its role, the Commission will produce the following:

- 1 a **national infrastructure assessment** (NIA) once in every Parliament, setting out the NIC's assessment of long-term infrastructure needs with recommendations to the government;
- 2 **specific studies** on pressing infrastructure issues and challenges – these will be set by the government, taking into account the views of the NIC and stakeholders. These studies will include recommendations to the government;
- 3 an **annual monitoring report**, taking stock of the government's progress in areas where it has committed to taking forward the recommendations of the NIC.

**1.3** In addition to this Framework Document, the government and the Commission have agreed a '**Charter**'<sup>1</sup> setting out respective responsibilities. This Framework Document is informed by the broad principles set out in the

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<sup>1</sup> Charter for the National Infrastructure Commission: <https://www.gov.uk/government/publications/charter-for-the-national-infrastructure-commission>

Charter. To ensure that the Commission takes account of the overall policy priorities of the government and prioritises its recommendations, the government will issue the Commission with a remit letter at the beginning of each Parliament, including a binding fiscal remit. The NIC should ensure that its recommendations are consistent with and prioritised within this remit.

- 1.4 The NIC will be required to carry out its work in accordance with the remit and terms of reference set by the government, but in all other respects will have complete discretion to independently determine its work programme, methodologies and recommendations, as well as the contents of its reports and public statements. Recommendations made by the NIC represent the views of the Commission and are not a statement of government policy.

## **Recommendations and government responses**

- 1.5 The NIC will make recommendations to the government and other relevant bodies through the NIA and its specific studies. The recommendations should be robust, well-evidenced and prioritised according to the NIC's remit, with due consideration given to a range of proposals.

When making recommendations, the NIC should take account of the role of economic regulators in regulating infrastructure providers and the government's legal obligations (e.g. carbon reduction targets or assessments of environmental impacts). The NIC should explicitly mention when a recommendation applies to government or to another relevant body.

- 1.6 The government will lay the NIC's reports before Parliament, and will respond to the NIC's national infrastructure assessment and specific studies. The government will respond as soon as practicable; it will endeavour to respond within 6 months, and not longer than a year. The response will set out clearly any further work required to take forward the recommendations. Recommendations the government agrees should be taken forward will become known as 'endorsed recommendations'. Where the government does not agree with a Commission recommendation, it must set out why it does not agree and it may put forward an alternative proposal.
- 1.7 Where the government is responsible for delivering endorsed recommendations, the government's endorsement will be a statement of government policy. Where recommendations have wider implications for the planning regimes, the government will highlight any further steps needed to confirm the endorsed recommendation as planning policy. The government will use the levers at its disposal to deliver endorsed recommendations – whether through spending, regulation, deregulation, market stimulation, or by setting strategic priorities for regulators as appropriate. In some cases, endorsed recommendations will not be directly taken forward by the government, but may be relevant for decisions made by other bodies such as economic regulators. The NIC will monitor progress in delivering endorsed recommendations, and will comment on this in its annual monitoring report.

## **How the Commission will operate**

- 1.8 The Commission should seek to operate in an open and transparent manner, building consensus around its recommendations and engaging across parties and with the public, policy-makers, infrastructure experts and relevant

bodies. The NIC will not re-open decision-making processes where programmes and work have been decided (or are due to be decided immediately after a NIC report is published), or re-open closed price control settlements in regulated utilities.

- 1.9** The NIC's remit extends to economic infrastructure within the UK government's competence, and will evolve in line with devolution settlements. This means the NIC will have a role in relation to non-devolved UK government infrastructure responsibilities in Scotland, Wales and Northern Ireland (and all sectors in England). The NIC will engage closely with Devolved Administrations and bodies under their jurisdictions as appropriate, particularly on matters where the respective infrastructure policy responsibilities of the UK government and devolved administrations interact. The NIC should ensure that appropriate working arrangements are in place. The fiscal remit does not include spending where infrastructure investment decisions rest with the devolved administrations in Scotland, Wales and Northern Ireland.

### **Relationship with HM Treasury**

- 1.10** Communications between the NIC and Treasury Ministers are normally through the Chair of the NIC. The Chair of the NIC will have the opportunity to meet the Chancellor at least twice a year.
- 1.11** The Treasury sponsor team is the primary source of advice to the Chancellor on the discharge of their responsibilities in respect of the NIC, and the primary point of contact for the NIC in dealing with the Treasury. The Treasury sponsor team also supports the Treasury's Principal Accounting Officer in their duties.

### **NIC relationship with other government departments and public bodies**

- 1.12** The Charter sets out that the government will share relevant information with the NIC and respond to reasonable requests for new analysis to support the NIC's work in a timely manner, including information not in the public domain. Departments should provide an estimate of the cost of providing analysis to the NIC, and this should be included in the NIC's annual report.
- 1.13** The NIC may agree processes for exchanging information with economic regulators and other public and private bodies, and make formal agreements such as Memoranda of Understanding where necessary.

# Chapter 2

## Accountability

- 2.1** The NIC is responsible for producing a national infrastructure assessment, specific studies and an annual monitoring report. It will produce recommendations to the government on infrastructure, working within the remit set by the government. The NIC is accountable to the Chancellor for both the quality of the analysis and recommendations it produces, and for the way it uses public funds. The NIC will hold the government to account for delivering NIC recommendations that the government has endorsed and agreed to take forward.
- 2.2** Policy-making is the responsibility of the government, and ministers are responsible for taking decisions on infrastructure policy and delivery. Ministers will have sole responsibility for deciding whether to endorse the NIC's recommendations, and for deciding how recommendations should be taken forward as policy.
- 2.3** The NIC is part of the Treasury Group and the Chancellor accounts for the NIC's business in Parliament, including its overall effectiveness and efficiency. The Chancellor may delegate some or all of their responsibilities to other Treasury ministers. The government will be responsible for laying the NIC's reports, annual report and accounts before Parliament.
- 2.4** The NIC should make itself available to discuss its reports and the analysis that underpins them with relevant Parliamentary Committees.

# Chapter 3

## The Commission

- 3.1** The Commission will have a Chair and between 4 and 12 other non-executive commissioners, who will be appointed for terms of up to 5 years by the Chancellor and will serve for a maximum of 10 years. To facilitate effective succession planning and the development of a diverse board, this period can be extended for a limited time, particularly in those cases where the Chair was an existing non-executive director on appointment. The Chancellor will consult the Chair when appointing commissioners and will have regard to the need to ensure 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 and will consult the Chair before doing so.
- 3.2** The responsibilities of the Commission are to:
- provide impartial and expert advice to the government on economic infrastructure through a national infrastructure assessment and specific studies;
  - ensure that recommendations are in line with the remit (including the fiscal remit) set by the Chancellor, and that the NIC includes a transparent assessment of impact on costs to businesses, consumers, public bodies and other end users of infrastructure that would arise from implementing a proposal;
  - ensure that the evidence and analysis behind the recommendations is robust;
  - monitor the government's progress in delivering endorsed recommendations through an annual monitoring report;
  - in conjunction with the Chief Executive, formulate a strategy and a work programme to deliver the NIC's objectives in line with the terms of this Framework Document, the Charter and the Chancellor's remit letter to the Commission.
- 3.3** In addition to their responsibilities as a commissioner, the specific responsibilities of the Chair are:
- strategic leadership for the Commission, setting priorities and ensuring the independence of the Commission's recommendations;
  - overseeing delivery of the NIC's work, including the NIA, specific studies and monitoring reports;

- directing the other commissioners' input, harnessing their skills, experience and expertise;
- engaging with stakeholders, including government, industry, academia, interest groups and the public;
- representing the NIC in public, including in the media and at public events;
- ensuring that the work of the Commission and its members is reviewed and that they are working effectively;
- consulting with the Chancellor on the balance of skills on the Commission, and advising the Chancellor on the Commission's needs when vacancies arise.

**3.4** The specific responsibilities of the Commissioners are:

- providing expert, impartial advice to the government on infrastructure;
- working with the Chair and other commissioners to shape and develop the national infrastructure assessment and specific studies;
- engaging with the government, industry, interest groups and other stakeholders to promote the NIC and gather a wide range of views on future infrastructure needs and solutions;
- supporting the Chair in representing the NIC in public, including in the media and at public events, particularly on issues where commissioners have individual expertise;
- to comply at all times with the code of practice and the 'Code of conduct for board members of public bodies', including the rules relating to the use of public funds and conflicts of interest.

# Chapter 4

## The Oversight Board

- 4.1** The NIC will have an Oversight Board responsible for ensuring that effective arrangements are in place to provide assurance on risk management, governance and internal control. The Oversight Board is expected to assure itself of the effectiveness of the internal control and risk management systems.
- 4.2** The Oversight Board should ensure the NIC has the staff and support needed to support the Commission in giving high quality advice to the government.
- 4.3** The Oversight Board will be chaired by the Chair of the Commission or a non-executive member nominated by the Chair. It will consist of a representative of the Treasury, appropriate executive members including the Chief Executive, and non-executive members nominated or appointed by the Chair of the Commission – these can be either commissioners or external members. There should be an appropriate balance of non-executive members and executive members, and the NIC’s financial advisor will attend the Oversight Board, as necessary, to advise the board.
- 4.4** The Oversight Board is specifically responsible for:
- 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;
  - overseeing HR policies for NIC staff, including pay, that are consistent with paragraphs 5.4-5.7 of this 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;
  - monitoring the Commission’s performance as part of the annual report and accounts process;
  - 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.

### **The Oversight Board Chair's personal responsibilities**

**4.5** The Chair has the following leadership responsibilities:

- ensuring that the Oversight Board, in reaching decisions, takes proper account of administrative or financial guidance provided by the Treasury;
- promoting the efficient and effective use of staff and other resources;
- delivering high standards of regularity and propriety; overseeing the remuneration of the Commissioners (as determined by the Treasury).

**4.6** The Chair also has an obligation to ensure that:

- the work of the Oversight Board and its members is reviewed and is working effectively;
- the Oversight Board has a balance of skills appropriate to directing the NIC's business, as set out in the government code of good practice for corporate governance;
- Oversight Board members are fully briefed on the terms of their appointment, duties, rights and responsibilities;
- he or she, together with the other Oversight Board members, receives appropriate training on financial management and reporting requirements and on any differences that may exist between private and public sector practice;
- the responsible Treasury minister is advised of NIC needs when Commission and Oversight Board vacancies arise;
- there is a code of practice for Commission and Oversight Board members in place. This should cover conflicts of interest and be consistent with the Cabinet Office 'Code of conduct for board members of public bodies'.

# Chapter 5

## NIC staff

- 5.1** The Commission will be supported by a Chief Executive (CEO) and staff. The CEO will be appointed by the Chancellor with the agreement of the Chair, and the Chancellor will set the terms and conditions of the CEO's appointment in consultation with the Chair. The CEO is specifically responsible for managing the NIC with oversight from the Oversight Board and discharging their functions as the NIC's Accounting Officer (see chapter 7). The CEO's formal reporting line is to the Second Permanent Secretary of the Treasury. Their annual performance review will be carried out on the basis of an appraisal by the Chair.
- 5.2** NIC staff are civil servants and 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.
- 5.3** The broad responsibilities of the NIC towards its staff are to ensure that:
- the rules for recruitment and management of staff create an inclusive culture in which diversity is fully valued;
  - appointment and advancement is based on merit;
  - there is no discrimination on grounds of gender, marital status, sexual orientation, race, colour, ethnic or national origin, religion, disability, community background or age;
  - the level and structure of its staffing, including grading and staff numbers, are appropriate to its functions and the requirements of economy, efficiency and effectiveness;
  - the performance of its staff at all levels is satisfactorily appraised and the NIC performance management systems are reviewed from time to time;
  - its staff are encouraged to acquire the appropriate professional, management and
  - other expertise necessary to achieve the NIC's objectives;
  - proper consultation with staff takes place on key issues affecting them;
  - adequate grievance and disciplinary procedures are in place;
  - whistle-blowing procedures consistent with the Public Interest Disclosure Act are in place.

- 5.4** The NIC has responsibility for the recruitment, retention and motivation of its staff, within the overall pay remit agreed by the Treasury. Appropriate pay and recruitment arrangements will be implemented to ensure that the NIC can employ staff with the required experience and skills for it to discharge its functions effectively. In accordance with civil service pay guidance issued by the Treasury, the NIC will submit the NIC staff pay remit to be approved as part of the normal Treasury Group pay remit approval process. Approval of the pay remit applies to the remit as a whole and not to any individual's pay which (apart from the CEO) is a decision for the NIC once the remit is approved.
- 5.5** The terms and conditions of the NIC's staff will be in accordance with the Civil Service management code except where prior approval has been given to the Treasury and the Minister for the Civil Service. These terms and conditions will be set out in an employee handbook, which should be provided to the Treasury together with any subsequent amendments.
- 5.6** NIC staff shall normally be eligible for a pension provided by Civil Service Pensions. Staff may opt out of the occupational pension scheme provided by the NIC, but that employers' contribution to any personal pension arrangement, including stakeholder pension shall normally be limited to the national insurance rebate level.
- 5.7** Any proposal by the NIC to move from the existing pension arrangements, or to pay any redundancy or compensation for loss of office, requires the prior approval of the department. Proposals on severance must comply with the rules in chapter 4 of Managing Public Money.

### **Managing conflicts**

- 5.8** The CEO should follow the advice and direction of the Commission or Oversight Board, except in very exceptional circumstances with a clear cut and transparent rationale for not doing so.
- 5.9** If the Commission or Oversight Board, or those boards' chairperson, is contemplating a course of action involving a transaction which the CEO considers would infringe the requirements of propriety or regularity or does not represent prudent or economical administration, efficiency or effectiveness, is of questionable feasibility, or is unethical the CEO in their role as Accounting Officer should reject that course of action and ensure that the Commission or Oversight Board have a full opportunity to discuss the rationale for that rejection.
- 5.10** Such conflicts should be brought to the attention of the Principal Accounting Officer and the Chancellor as soon as possible.
- 5.11** Furthermore, and if agreed with the responsible Minister, the Accounting Officer must write a letter of justification to the Chair of the Commission or Oversight Board setting out the rationale for not following the advice and recommendation of the Commission or Oversight Board and copy that letter to the Treasury Officer of Accounts.
- 5.12** If the Chancellor agrees with the proposed course of action of the Commission or Oversight Board it may be appropriate for the Chancellor to

direct the Accounting Officer in the manner as set out in paragraph 3.4 onwards of Managing Public Money.

# Chapter 6

## Management and financial responsibilities

### **'Managing public money' and other government-wide corporate guidance and instructions**

- 6.1 Unless agreed by the Treasury, the NIC shall follow the principles, rules, guidance and advice in 'Managing public money', referring any difficulties or potential bids for exceptions to the NIC sponsorship team in the Treasury in the first instance. A list of guidance and instructions with which the NIC should comply is in Appendix 1.
- 6.2 The NIC is subject to the terms of the Public Records Act 1958, the Freedom of Information Act 2000 and the Data Protection Act 2018 and will manage compliance in accordance with the law and relevant guidance.
- 6.3 Where a request for information is received by either party under the Freedom of Information Act 2000, or the Data Protection Act 2018, the party receiving the request will consult with the other party prior to any disclosure of information that may affect the other party's responsibilities.

### **Corporate and business plans**

- 6.4 The NIC will prepare a corporate and business plan to cover three years ahead, and this will be updated annually. The NIC shall agree with the department the issues to be addressed in the plan and the timetable for its preparation, and shall submit a draft of the plan to the Treasury at least a month in advance of publication. The plan shall reflect the NIC's objectives, remit, and responsibilities as set out in this Framework Document and the Charter.
- 6.5 The first year of the corporate plan, amplified as necessary, shall form the business plan. The business plan shall be updated to include key targets and milestones for the year immediately ahead and shall be linked to budgeting information so that resources allocated to achieve specific objectives can readily be identified by the department. Subject to any commercial considerations, the corporate and business plans should be published by the NIC on its website and separately be made available to staff. The NIC shall inform the Treasury of any changes that make achievement of objectives more or less difficult.
- 6.6 The following key matters should be included in the plans:
  - key objectives and associated key performance targets for the forward years, and the strategy for achieving those objectives;

- key non-financial performance targets;
- a review of performance in the preceding financial year, and an estimate of performance in the current year;
- alternative scenarios and an assessment of the risk factors that may significantly affect the execution of the plan but that cannot be accurately forecast.

**6.7** The NIC's performance shall be reviewed by the Treasury once a year

### **The NIC's budget**

**6.8** The Treasury will issue the NIC with a multi-year budget, taking into account the competing priorities across the department.

**6.9** Each year, in the light of decisions by the Treasury on the updated draft corporate plan, the Treasury will send to the NIC by 31 March:

- a formal statement confirming the annual budgetary provision allocated by the department (including any agreed revisions to the multi-year budget)
- a statement of any planned change in policies affecting the NIC

**6.10** The approved annual business plan will take account both of approved funding provision and any forecast receipts, and will include a budget of estimated payments and receipts together with a profile of expected expenditure and of draw-down of any departmental funding and/or other income over the year. These elements form part of the approved business plan for the year in question.

**6.11** Once the budget has been approved by the Treasury, the NIC shall have authority to incur expenditure approved in the budget without further reference to the Treasury, on the following conditions:

- the NIC shall comply with the delegations set by the Treasury. These delegations shall not be altered without the prior agreement of the Treasury.
- the NIC shall comply with 'Managing public money' regarding novel, contentious or repercussive proposals.
- inclusion of any planned and approved expenditure in the budget shall not remove the need to seek formal departmental approval where any proposed expenditure is outside the delegated limits or is for new schemes not previously agreed.
- the NIC shall provide the Treasury with such information about its operations, performance or expenditure as the Treasury may reasonably require.

**6.12** The NIC should not set up or acquire any subsidiary companies, or enter into any joint ventures.

## Financial and management reporting

- 6.13** The NIC shall operate management, information and accounting systems that enable it to review in a timely and effective manner its financial and non-financial performance against the budgets and targets set out in the corporate and business plans. The NIC shall inform the Treasury of any changes that make achievement of objectives more or less difficult.
- 6.14** The NIC shall provide the NIC sponsorship team and other relevant Treasury teams (as appropriate) with financial and non-financial information on a monthly basis, including spending against budgets and above thresholds, headcount, and delivery against the corporate and business plan. The Treasury will accept information prepared for the NIC's internal purposes. As a minimum, the NIC shall provide information that will enable the department satisfactorily to monitor:
- the NIC's cash management
  - its draw-down of supply funding
  - forecast outturn by resource headings
  - other data required for the Online System for Central Accounting and Reporting (OSCAR)

The sponsorship team will put in place appropriate arrangements to assess the annual financial and management performance of the NIC against the objectives set out in the corporate and business plan.

## Risk Management

- 6.15** The NIC shall ensure that the risks that it faces are dealt with in an appropriate manner, in accordance with relevant aspects of best practice in corporate governance, and develop a risk management strategy, in accordance with the Treasury guidance 'Management of Risk: principles and concepts'<sup>1</sup>.

## Counter Fraud and Theft

- 6.16** The NIC should adopt and implement policies and practices to safeguard itself against fraud and theft.
- 6.17** The NIC should act in line with guidance as issued by the Counter Fraud Function and in compliance with the procedures and considerations as set out in Managing Public Money Annex 4.9 and the Counter Fraud Functional Standard<sup>2</sup>. It should also take all reasonable steps to appraise the financial standing of any firm or other body with which it intends to enter a contract or to provide grant or grant-in-aid.
- 6.18** The NIC should keep records of and prepare and forward to the department an annual report on fraud and theft suffered by the NIC and notify the Treasury of any unusual or major incidents as soon as possible. The NIC should also report detected loss from fraud, bribery, corruption and error,

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<sup>1</sup> [http://www.hm-treasury.gov.uk/orange\\_book.htm](http://www.hm-treasury.gov.uk/orange_book.htm)

<sup>2</sup> <https://www.gov.uk/government/publications/government-functional-standard-govs-013-counter-fraud>

alongside associated recoveries and prevented losses, to the counter fraud centre of expertise in line with the agreed government definitions as set out in Counter Fraud Functional Standard.

## **Procurement**

- 6.19** The Commission shall ensure that its procurement policies are aligned with and comply with any relevant UK or other international procurement rules and in particular the Public Contracts Regulations 2015.
- 6.20** The Commission shall establish its procurement policies and document these in a Procurement Policy and Procedures Manual.
- 6.21** In procurement cases where the NIC is likely to exceed its delegated authority limit, procurement strategy approval for the specific planned purchase must be sought from the Treasury's sponsor team.
- 6.22** Goods, services, and works should be acquired by competition. Proposals to let single-tender or restricted contracts shall be limited and exceptional, and a quarterly report explaining those exceptions should be sent to the Treasury.
- 6.23** Procurement by the NIC of works, equipment, goods, and services shall be based on, a full option appraisal and value for money (VfM), i.e. the optimum combination and whole life costs and quality (fitness for purpose).
- 6.24** The NIC shall a) engage fully with the Treasury and Government wide procurement initiatives that seek to achieve VfM from collaborative projects, b) comply with all relevant Procurement Policy Notes issued by Cabinet Office and c) co-operate fully with initiatives to improve the availability of procurement data to facilitate the achievement of VfM.
- 6.25** The Commission shall comply with the Commercial Standards<sup>3</sup>. These standards apply to the planning, delivery, and management of government commercial activity regardless of commercial approach used and form part of a suite of functional standards that set expectations for management within government.

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<sup>3</sup> <https://www.gov.uk/government/publications/commercial-operating-standards-for-government>

# Chapter 7

## Accounting officer responsibilities

### The Treasury's accounting officer's specific accountabilities and responsibilities as Principal Accounting Officer (PAO)

- 7.1** The Principal Accounting Officer (PAO) of the Treasury has designated the Chief Executive as the NIC's accounting officer.
- 7.2** The PAO is accountable to Parliament for the issue of any supply funding to the NIC. The PAO is also responsible for advising the responsible minister:
- on an appropriate framework of objectives and targets for the NIC in the light of the Treasury's wider strategic aims and priorities;
  - on an appropriate budget for the NIC in light of the Treasury's overall public expenditure priorities;
  - how well the NIC is achieving its strategic objectives and whether it is delivering value for money;
  - on any risks to the NIC's delivery of its responsibilities, or any changes which are likely to impact on the attainability of its targets, and determining the steps needed to deal with such changes.
- 7.3** The PAO is also responsible for ensuring arrangements are in place to:
- monitor the NIC's activities;
  - address serious problems in the NIC, making such interventions as are judged necessary;
  - periodically carry out an assessment of the risks both to the Treasury and the NIC's objectives and activities;
  - inform the NIC of relevant government policy in a timely manner;
  - bring concerns about the activities of the NIC to the Oversight Board and, as appropriate, to the Treasury board, requiring explanations and assurances that appropriate action has been taken.
- 7.4** The NIC Sponsorship Team in the Treasury is the primary contact for the NIC. They are the main source of advice to Ministers on the discharge of their responsibilities in respect of the NIC. They also support the PAO on their responsibilities toward the NIC.

## **Responsibilities of the NIC's Chief Executive as accounting officer**

### **General**

**7.5** The Chief Executive as accounting officer is personally responsible for:

- safeguarding the public funds for which he or she has 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 as a whole is run on the basis of the standards, in terms of governance, decision-making and financial management, that are set out in Box 3.1 of 'Managing public money'.

### **Responsibilities for accounting to parliament**

**7.6** The accountabilities include:

- 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 the Treasury;
- preparing and signing a governance statement covering corporate governance, risk management and oversight of any local responsibilities, for inclusion in the annual report and accounts;
- ensuring that effective procedures for handling complaints about the NIC are established and made widely known within the NIC;
- acting in accordance with the terms of the document, 'Managing public money' and other instructions and guidance issued from time to time by the Treasury and the Cabinet Office;
- giving evidence, normally with the PAO, when summoned before the PAC on the NIC's stewardship of public funds.

### **Responsibilities to the Treasury**

**7.7** The NIC Accounting Officer is responsible to the Treasury for, in particular:

- ensuring that timely forecasts and monitoring information on performance and finance are provided to the Treasury;
- ensuring that the Treasury is notified promptly if over or under spends are likely and that corrective action is taken;
- ensuring that any significant problems, whether financial or otherwise, and whether detected by internal audit or by other means, are notified to the Treasury in a timely fashion.

### **Responsibilities to the Oversight Board**

**7.8** NIC Accounting Officer is responsible to the Oversight Board for:

- advising the Oversight Board on the discharge of the Oversight Board's responsibilities as set out in this document and in any other relevant instructions and guidance that may be issued from time to time;

- advising the Oversight Board on the NIC's performance compared with its aims and objectives;
- ensuring that financial considerations are taken fully into account by the Oversight Board at all stages in reaching and executing its decisions, and that financial appraisal techniques are followed.

**7.9** If the Commission, Oversight Board, or its Chair, are seeking to have the Accounting Officer carry out a course of action inconsistent with the standards in 'Managing public money', then the Accounting Officer should make their reservations clear, preferably in writing. The NIC Accounting Officer should first try to resolve the issue with the Commissioners and the Oversight Board. In the final instance, the Accounting Officer should refer the question to the Treasury Sponsorship Team for approval as a novel or contentious issue, who will refer it to the Principal Accounting Officer if necessary.

# Chapter 8

## Annual report and accounts

- 8.1** The Oversight Board must publish an annual report of its activities together with its audited accounts after the end of each financial year. The NIC shall provide the department its finalised (audited) accounts to the Treasury by the date advised by Treasury Group Finance. Note that this report is separate from the NIC's annual monitoring report on government delivery of endorsed recommendations.
- 8.2** To support the consolidation of group financial information for reporting, the NIC is required to complete the 'Treasury Group finance consolidation pack' (C-Pack) throughout the year in accordance with the Treasury's reporting timetable.
- 8.3** The annual report must:
- comply with the Treasury's 'Financial reporting manual' (FRM);
  - outline main activities and performance during the previous financial year and set out in summary form forward plans;
  - include estimates of the cost of analysis undertaken on behalf of the NIC by government departments.
- 8.4** Information on performance against key financial targets is within the scope of the audit and should be included in the notes to the accounts. The report and accounts shall be laid in Parliament and made available on the NIC's website, in accordance with the guidance in the FRM. A draft of the report should be submitted to the Treasury two weeks before the proposed publication date. The accounts should be prepared in accordance with the relevant statutes and specific accounts direction issued by the department as well as the FRM.

# Chapter 9

## Audit

### Internal Audit

9.1 The NIC shall:

- establish and maintain arrangements for internal audit in accordance with the Treasury's 'Public sector internal audit standards' (PSIAS)<sup>1</sup>.
- forward the audit strategy, periodic audit plans and annual audit report, including the NIC's Head of Internal Audit opinion on risk management, control and governance as soon as possible to the Treasury.
- set up an audit committee of the Oversight Board in accordance with the 'Code of good practice for corporate governance' and the 'Audit and risk assurance committee handbook'.
- keep records of, and prepare and forward to the Treasury an annual report on fraud and theft suffered by the NIC and notify the Treasury of any unusual or major incidents as soon as possible.

9.2 The internal audit service has a right of access to all documents, including where the service is contracted out.

### External audit

9.3 The Comptroller and Auditor General (C&AG):

- will consult the Treasury and the NIC on whom – the NAO or a commercial auditor – shall undertake the audit(s) on their behalf, though the final decision rests with the C&AG.
- has a statutory right of access to relevant documents, including by virtue of section 25(8) of the Government Resources and Accounts Act 2000, held by another party in receipt of payments or grants from the NIC.
- will share with the Treasury information identified during the audit process and the audit report (together with any other outputs) at the end of the audit, in particular on issues impacting on the Department's responsibilities in relation to financial systems within the NIC.
- will, where asked, provide departments and other relevant bodies with regulatory compliance reports and other similar reports which departments may request at the commencement of the audit and which are compatible with the independent auditor's role.

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<sup>1</sup> <https://www.gov.uk/government/publications/public-sector-internal-auditstandards>

- 9.4** The NIC will pass the audited accounts to the Treasury who will lay the accounts together with the C&AG's report before parliament.
- 9.5** The C&AG may carry out examinations into the economy, efficiency and effectiveness with which the NIC has used its resources in discharging its functions. For the purpose of these examinations the C&AG has statutory access to documents as provided for under section 8 of the National Audit Act 1983. In addition, the NIC shall provide, in conditions to grants and contracts, for the C&AG to exercise such access to documents held by grant recipients and contractors and sub-contractors as may be required for these examinations; and shall use its best endeavours to secure access for the C&AG to any other documents required by the C&AG which are held by other bodies.

### **Right of access and information sharing**

- 9.6** The Treasury has the right of access to all NIC records and personnel for the purpose of providing assurance to the Treasury's Principal Accounting Officer on the exercise of their responsibilities in relation to the NIC. This includes records relevant to the Treasury's sponsoring function and operational investigations, but not information relating to the discharge of the NIC's responsibilities to provide advice and recommendations on infrastructure.
- 9.7** HM Treasury may request the sharing of data held by the NIC in such a manner as set out in central guidance except insofar as it is prohibited by law. This may include requiring the appointment of a senior official to be responsible for the data sharing relationship.
- 9.8** As a minimum, the NIC shall provide the Treasury with information monthly that will enable the department satisfactorily to monitor:
- the NIC's cash management;
  - its draw-down of grant-in-aid;
  - forecast outturn by resource headings;
  - other data required for the Online System for Central Accounting and Reporting (OSCAR);
  - data as required in respect of its compliance with any Cabinet Office Controls pipelines or required in order to meet any condition as set out in any settlement letter.

# Chapter 10

## Arrangements for reviewing the NIC

- 10.1** The Treasury will ensure that the NIC's performance and delivery on its core objectives and responsibilities is reviewed at least once every 5 years alongside the need for its function, its form of delivery, its efficiency, its governance and its relationship with the department, in line with Cabinet Office guidance. The date of the next review will be no later than 2026.
- 10.2** The NIC has been set up as a permanent body. In the event that the NIC is wound up, the Treasury shall put in place arrangements to ensure that the process is orderly. To this end, the Treasury shall:
- ensure that procedures are in place in the NIC to gain independent assurance on key transactions, financial commitments, cash flows and other information needed to handle the wind-up effectively and to maintain the momentum of work inherited by any residuary body.
  - ensure that arrangements are in place to prepare closing accounts and pass to the C&AG for external audit – it shall be for the C&AG to lay the final accounts in Parliament, together with their report on the accounts.
  - arrange for the most appropriate person to sign the closing accounts. In the event that another arms-length body takes on the role, responsibilities, assets and liabilities, the succeeding Accounting Officer should sign the closing accounts. In the event that the department inherits the role, responsibilities, assets and liabilities, the sponsor department's Accounting Officer should sign.

# Annex A

## Appendix

The NIC shall comply with the following general guidance documents and instructions:

- this document
- Appropriate adaptations of sections of 'Corporate governance in central government departments: code of good practice': [Corporate governance in central government departments - code of good practice 2011 \(publishing.service.gov.uk\)](https://www.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/62424/corporate-governance-in-central-government-departments-code-of-good-practice-2011.pdf)
- 'Code of conduct for board members of public bodies': [Code of Conduct for Board Members of Public Bodies June 2019 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/414247/code-of-conduct-for-board-members-of-public-bodies-june-2019.pdf)
- 'Managing public money' (MPM)
- 'Public sector internal audit standards': [PSAIS\\_1\\_April\\_2017.pdf \(publishing.service.gov.uk\)](https://www.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/62424/psais-1-april-2017.pdf)
- 'Management of risk principles and concepts': [The Orange Book \(publishing.service.gov.uk\)](https://www.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/62424/the-orange-book.pdf)
- HM Treasury guidance on tackling internal fraud: [\[ARCHIVED CONTENT\] \(nationalarchives.gov.uk\)](https://www.nationalarchives.gov.uk/doc/archived-content/)
- 'Government financial reporting manual' (FReM): [Government Financial Reporting Manual: 2020-21 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/62424/government-financial-reporting-manual-2020-21.pdf)
- Fees and Charges Guide, Chapter 6 of 'Managing public money'
- Departmental Banking: A Manual for Government Departments, annex 5.6 of Chapter 11 'Managing public money'
- relevant Dear Accounting Officer letters
- HMT Dear Accounting Officer (DAO) letters: [HMT Dear Accounting Officer \(DAO\) letters - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/62424/hmt-dao-letters.pdf)
- Regularity, Propriety and Value for Money
- Accounting Officers appointed by HM Treasury: [List of Accounting Officers appointed by HM Treasury - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/62424/list-of-accounting-officers-appointed-by-hm-treasury.pdf)
- the Parliamentary and Health Service Ombudsman's Principles of Good Administration: [Welcome to the Parliamentary and Health Service Ombudsman | Parliamentary and Health Service Ombudsman \(PHSO\)](https://www.parliamentaryombudsman.org.uk/about-us/parliamentary-and-health-service-ombudsman-phso/)

- Consolidation Officer Memorandum, and relevant DCO letters; relevant Freedom of Information Act guidance and instructions (Ministry of Justice)
- other relevant guidance and instructions issued by the Treasury in respect of Whole of Government Accounts
- recommendations made by the Public Accounts Committee, or by other Parliamentary authority, that have been accepted by the government and relevant to the NIC

## HM Treasury contacts

This document can be downloaded from [www.gov.uk](http://www.gov.uk)

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