

NATIONAL  
INFRASTRUCTURE  
COMMISSION

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# ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2020

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# ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2020

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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

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Welcome to the 2019–20 Annual Report and Accounts for the National Infrastructure Commission (“the Commission”).

The financial data presented relates to the activities of the Commission during the period April 2019 to March 2020. This was a year of significant achievement and change for the organisation.

The Commission’s purpose is as important as ever. We will work to address the UK’s historic weaknesses in infrastructure strategy and policy, through a long-term, evidence-based and objective analysis of the country’s needs and how they can best be met. We will aim to form consensus on these issues across Government, Parliament and society at large.

Throughout 2019–20, the Commission published three formal reports.

We began the year by publishing *Better Delivery: the challenge for freight*. This looked at the long-term challenges faced by the UK freight sector and the scope to use new technologies and processes to transform how freight moves by road and rail. The report made recommendations to set clear long-term targets to decarbonise road and rail freight, alongside measures to reduce the sector’s impacts on congestion and improve how it is dealt with in the planning system.

The Commission published the *Strategic investment and public confidence* report on 11 October 2019 which focused on how to improve the UK’s model of regulation for energy, water and telecoms. We recommended introducing statutory duties on regulators to support long-term investment, and new mechanisms to encourage competition and drive innovation. Our recommendations also included measures to ensure public and political confidence in the regulatory system is improved, by striking a better balance of risk and reward between investors and consumers.

In September 2019, we published the *Resilience Study Scoping Report* which presented the Commission’s initial work on resilience. This work found that more needed to be done to ensure the UK’s economic infrastructure is resilient, both now and in future. As well as the absence of a holistic view of resilience, we concluded there were also a number of cross cutting resilience challenges which should be addressed. These insights informed the Commission’s final report on resilience which was published in May 2020.

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

One of the Commission’s most important tasks is to hold the government to account for the delivery of the recommendations that it has made, and in February 2020 its third Annual Monitoring Report was published. This sets out the Commission’s views on progress over the past year in response to the six studies published since it was established in 2015. The report noted that there had been important steps forward, such as the legislated net zero target, progress towards the development of a national digital twin, and the government pledge to have 40 GW of offshore wind capacity by 2030.

But these outcomes, whilst promising, are not sufficient. More progress is needed, including the publication by government of a National Infrastructure Strategy, setting out a clear, long term plan for the UK's economic infrastructure, with appropriate funding and a genuine commitment to change. This will help to restore the confidence necessary for private sector investment and job creation, and be a crucial ingredient in the nation's economic recovery post-pandemic.

The Commission has also continued to build on the recommendations it made in its first National Infrastructure Assessment. We established a National Infrastructure Design Group, with the aim to inspire, promote and champion design excellence in the UK's infrastructure. The group is comprised of creative and technical design leaders, with experience spanning architecture, landscape, engineering and transport; all with the shared belief in the transformative power of great design. Following rigorous consultation across the infrastructure sector, the group published its Design Principles for National Infrastructure on 5 February 2020. These principles will guide the planning and delivery of major infrastructure projects to ensure they produce social value and respond creatively to the needs of people, places and the environment.

In February 2020, the government announced its intention to draw up an integrated rail plan for the North and Midlands, to identify how to integrate HS2, Northern Powerhouse Rail, Midlands Rail Hub and other rail investments. This plan will be informed by an assessment of the rail needs of the Midlands and the North, undertaken by the Commission. We launched a call for evidence in March 2020 to gather a wide range of views and data from different stakeholders to inform our analysis. We published our interim report in July 2020, setting out the methodology we will use to assess the different options.

The Commission has also carried out a wide range of preparatory work and analysis in preparation for our second National Infrastructure Assessment which we will publish in 2023.

The range of our analysis and recommendations extends beyond our formal studies. Over the last year we have also published reports such as *Connected Future: Getting back on track* and *Infrastructure to support housing*. In total, we have produced 11 reports in the last year supported by many more pieces of research and detailed analysis.

In addition to this work programme, 2019–20 was also a year of significant change for the Commission. In January 2020, we said goodbye to Philip Graham, who, as Chief Executive, built the Commission from an interim body into a permanent arms-length institution. Under his leadership and direction, the Commission's secretariat delivered the UK's first ever cross-cutting National Infrastructure Assessment, as well as a programme of major studies, including on Crossrail 2, smart energy systems, 5G telecommunications and the Cambridge-Oxford arc. I know I speak for both my fellow Commissioners and the wider Secretariat when I say Phillip was an outstanding Chief Executive and will be missed by the whole organisation.

We will however continue to build on his excellent work as the organisation moves into the next stage of its development. I would like to take this opportunity therefore to welcome James Heath to his role as the Commission's new Chief Executive. James was previously Director of Digital Infrastructure at the Department for Culture, Media and Sport (DCMS). I very much look forward to working with James as the Commission continues to lead the debate on how to solve the major infrastructure challenges facing the UK. It is an important task and one that James is well equipped to help us deliver.

We cannot produce this work in isolation and, to this end, I am also incredibly grateful for the time and support of those across industry, Whitehall and Westminster who continue to take the time to meet with us, talk to us and ensure that we focus on the right issues, and explore the answers to the most important infrastructure questions.

I am incredibly proud of the progress that we've made so far. It is therefore imperative that I express my particular gratitude to my fellow Commissioners and our dedicated Secretariat, with extended thanks to each and every person who has worked hard to make this happen.

Over the coming years there is much more work to be done as the Commission continues to grow in stature and confidence as a body. This will take place in challenging times as the nation recovers from the Covid-19 pandemic. The Commission will therefore continue to advise Government on the vital role infrastructure can play in the economic recovery, whilst maintaining its commitment to long term infrastructure planning.

I am confident we are up to the challenge.

**Sir John Armitt CBE, Chair, November 2020**

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# Introduction

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

The report is set out in three chapters:

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

It is structured to:

- comply with HM Treasury's 'Financial Reporting Manual' (FreM)
- outline our main activities and performance in 2019/20 and a summary of our forward plans for 2020-21; and
- provide financial statements for the period.

The Annual Report and Accounts shall be laid before Parliament and made available on the Commission's website: [nic.org.uk](https://www.nic.org.uk).

# Chapter 1 - Performance Report

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

## Overview

The overview gives core organisational information about the National Infrastructure Commission to aid understanding of our purpose, the way we are structured, our key risks and the manner in which we have managed to achieve our objectives during 2019–20. It comprises:

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

## Performance Analysis

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

- Achievements 2019–20
- Forward Plans 2020–21.

## Overview

### Chief Executive's Statement



This Annual Report covers the third full year of the National Infrastructure Commission's ("the Commission") existence as a standalone organisation – an Executive Agency of HM Treasury, with our operational independence safeguarded by a published Charter and a three year multiyear budget for the period 2018/19 – 2020/21.

The Commission's role is to advise government on major infrastructure challenges and how to meet them. This is a significant responsibility that requires an organisation with the right strategic skills, sector expertise and judgement. That's why we have continued to develop and professionalise our organisational functions and structures, which culminated in the Commission undertaking its first multiyear strategic planning exercise. This has led to the creation of a multiyear organisational strategy covering the period up to 2023, outlining our purpose, values and strategic priorities. To support its delivery, we have continued to improve our staff offer, to assist the organisation in attracting, developing and retaining talent.

During the period April 2019 – March 2020, we have delivered an ambitious programme of work and sought to provide a credible, forward-thinking and influential voice in the infrastructure debate:

- we have brought fresh thinking and new ideas into the infrastructure debate – for example, through the creation of the National Infrastructure Design Group, whilst also comparing financing models in the power sector.
- we have ensured our work is not just informed by the views of established stakeholders but also by those of the wider public, through extensive qualitative and quantitative social research, as well as exploring a new deliberative democracy approach to public engagement.
- we have taken on major new studies, formally commissioned by HM Treasury, including looking at the sequencing of rail investments in the north and Midlands.
- we have taken a cross-cutting approach, covering both the interdependencies between infrastructure sectors and thematic issues that span multiple infrastructure sectors, including regulation and resilience.
- we have undertaken an extensive programme of stakeholder engagement, including regular bilateral meetings and a wide range of stakeholder events.
- we have undertaken work to better understand the vital role infrastructure can play in the nation's economic recovery post-pandemic.

Alongside delivering the ambitious programme of work described above, we have been transforming the Commission from the inside. In doing so, we have continued to develop and implement improved governance, internal control and budget management arrangements resulting in improved organisational transparency and accountability. Two new non-executive directors were appointed to the Commission's Oversight Board in 2019/20, to ensure we have access to a diverse range of skills, experience and knowledge.

We have also implemented improved talent management arrangements and strengthened our focus on career development through a new career development corporate workstream to ensure the Commission continues to develop as a professional and high performing organisation.

The Commission's senior management team has also undergone notable change during this period. My predecessor, Philip Graham, departed the Commission in January 2020 after which the organisation was led on an interim basis by James Richardson, the Commission's Chief Economist, until my arrival in May 2020. I would like to take this opportunity to thank Philip for his work in building the Commission into a respected and important voice on infrastructure policy. I would also like to express my gratitude to James for his excellent stewardship during this period. It is because of their work, and that of the wider organisation, that I join an organisation which is well positioned to shape the nation's strategic approach to infrastructure policy in the years to come.

Over the coming year, we will continue to implement changes but maintain a commitment to delivering world class infrastructure studies, for example with the publication of our Resilience Study in Spring 2020 and our Rail Needs Assessment in Autumn 2020.

We aim to be the UK's most credible and forward thinking voice on long term infrastructure strategy. We will continue to inform the public debate, raise awareness and understanding of our advice and recommendations, and shape government policy, including the forthcoming National Infrastructure Strategy. We will also continue to enhance and embed new ways of working and new organisational structures to ensure that the Commission is a great place to work. As I reflect on the organisation's performance over the last 12 months, I am proud and encouraged by the progress it has made, and I look forward to working closely with our Commissioners, Secretariat and stakeholders to continue this progression and further develop our contribution to some of the nation's most important infrastructure challenges.

**James Heath, Chief Executive, 3 November 2020**

## Statement of Purpose and Activities

### Remit

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

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

### Business Model and Objectives

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

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

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

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

When producing these reports, the Commission commits to:

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

## Organisational Structure – Commission and Secretariat

The Commission has a Chair and, at any given time, between four and 12 other non-executive Commissioners, who are appointed for terms of up to five years by the Chancellor, and will serve for a maximum of 10 years. Details of the active Commissioners during this reporting period are set out in the corporate governance section of this report. The Chancellor, with advice from the Chair, appoints the Commissioners ensuring that the organisation has the right mix of skills and expertise to discharge its functions effectively. The Chancellor may also appoint a Deputy Chair from amongst the Commissioners who can step up to lead the organisation as and when required.

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

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

### Performance Summary

During the period, the Commission has:

- published the Commission's third Annual Monitoring Report in February 2020
- maintained progress on our agreed study programme: publishing *Better Delivery: the challenge for freight* in April 2019, the *Resilience Study Scoping Report* in September 2019 and *Strategic investment and public confidence* in October 2019, whilst also commencing work on an assessment of the rail needs of the Midlands and the North, which included publishing a call for evidence in March 2020
- carried out preparatory work and analysis in preparation for the second National Infrastructure Assessment
- commenced work to analyse how infrastructure can support the nation's economic recovery post-pandemic.

### Risk Management Strategy

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

## Adoption of Going Concern

The Commission is funded by Parliament by a funding-through-supply arrangement via HM Treasury's departmental supply estimate. A multi-year settlement for the Commission has been agreed with HM Treasury spanning three financial years 2018-2021. The settlement amounts to £5.3 million in 2018-19 and £5.7 million in 2019/20 and 2020-21.

The Commission's Statement of Financial Position at 31 March 2020 shows net liabilities of £227k. This reflects the inclusion of liabilities arising during the accounting period which are met by funding through supply from central government when they fall due. Under the normal conventions applying to parliamentary control over income and expenditure, such funding may not be issued in advance of need.

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

## Performance Analysis

Between 1 April 2019 and 31 March 2020, the Commission carried out a comprehensive programme of work. Several reports were published, with each of them progressing in line with their projected timeframe and being delivered within deadline. This included the Freight Study in April 2019, the Resilience Study Scoping Report in September 2019, the Regulation Study in October 2019 and the Annual Monitoring Report in February 2020. The delivery of these products on time is a key indicator of our performance.

Another key indicator of the Commission's performance is the quality of our work. In 2019/20 we continued to strengthen the formal Quality Assurance policy agreed by the Oversight Board in Autumn 2017, whilst further developing our analytical framework and methodology.

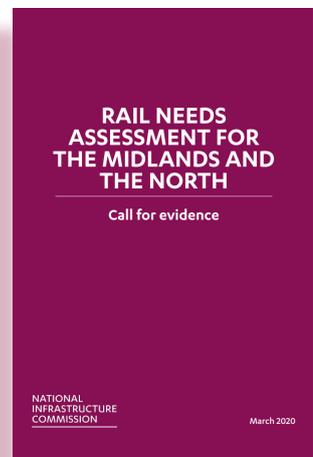
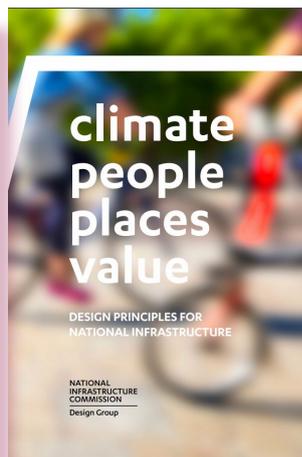
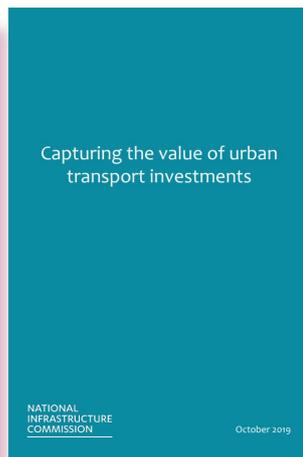
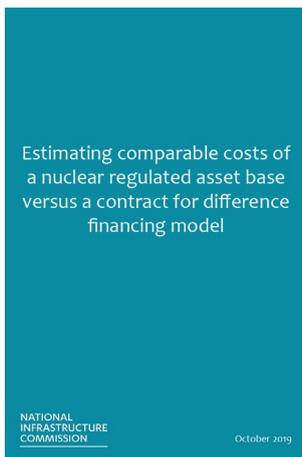
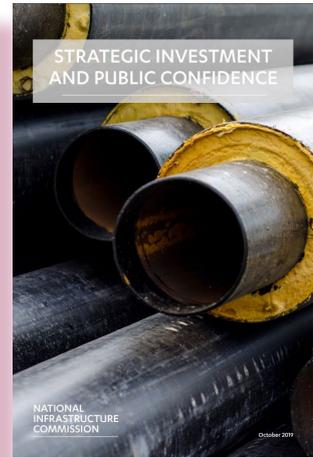
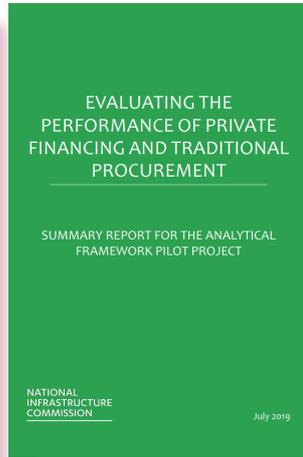
While there is no formal quantitative indicator for the quality of our work, we have undertaken an extensive programme of engagement with industry stakeholders to seek their views on the standard of our outputs. We have been encouraged by the willingness of the infrastructure sector to feed into the Commission's work and express support for it. This is evident in the volume of responses we have received to our calls for evidence and consultations, which attracted submissions and contributions from a wide and varied group of interested parties.

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

## Achievements 2019–20

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

## The Commission published 12 infrastructure reports and papers from April 2019 to March 2020



The Commission has published a series of reports providing robust, independent and evidence-based advice. This included the *Better Delivery: the challenge for freight* report which the Commission published on 17 April 2019. This report outlined the Commission's view on what action is needed to enable the UK's freight networks to meet the growing demands for fast deliveries, while also reducing their impact on congestion and the environment.

Building on recommendations in the Commission's first-ever National Infrastructure Assessment, which highlighted the benefits of quality design, the Commission established a Design Group, with members being announced on 7 May 2019. The group was established to inspire renewed ambition for the quality of the UK's infrastructure. On 5 February 2020, the group published its four design principles to guide the planning and delivery of major infrastructure projects: climate, people, places and value.

On 13 September 2019, the Commission published the Resilience Study Scoping Report, which presented the Commission's initial work on resilience. It noted that more needed to be done to ensure the resilience of the UK's economic infrastructure, both now and in future. As well as the absence of a holistic view of resilience, it found there are also a number of cross cutting resilience challenges which required significant changes to the current approach to address them.

On 11 October 2019, the Commission published *Strategic investment and public confidence*. The report highlighted that the UK's model of regulation for energy, water and telecoms had generated significant investment over the past decades but was increasingly facing new challenges that it was not designed to address. The report set out recommendations to strengthen and update the system, whilst building public and political confidence.

Following the National Infrastructure Assessment, the Commission launched a partnership programme for cities and city regions across the country, to share knowledge and expertise and to help local leaders develop long-term strategies. On 11 September 2019, the Commission brought together metro mayors and city leaders from across the country, along with the Secretary of State for Housing, Communities and Local Government, for a Cities Summit to make the case for greater autonomy on transport decisions and longer-term funding. We also worked with five cities and city regions throughout 2019–20 to develop strategies to improve local transport connections, unlock job opportunities and deliver much-needed new homes. This work demonstrated what cities across the country can do in this area, and of the difference that the long-term funding certainty recommended in the UK's first-ever National Infrastructure Assessment can make.

The Commission continued to hold the government to account, with the publication of its third *Annual Monitoring Report* on 26 February 2020. The report provided an impartial assessment of the progress made by government on the six sector-specific studies produced by the Commission since 2015. The report noted that there had been important steps forward, such as the legislated net zero target, progress towards the development of a national digital twin, and the government pledge to have 40 GW of offshore wind capacity by 2030. But elsewhere, political uncertainty had led to delayed decisions and stalled progress on the government's infrastructure commitments. The Commission will continue to monitor the government's delivery in these areas and provide independent challenge where appropriate.

The Commission has also commenced work on its assessment of the rail needs of the Midlands and the North which will inform the government's integrated rail plan. As part of this work, in March 2020, the Commission launched a call for evidence seeking to gather a wide range of views and data from different stakeholders.

## Commission activities 2019–2020 in numbers

**12** Infrastructure reports and papers published



**14** formal recommendations made to government

**6** for freight study



**8** for regulation study



**313** tweets



**90+**

stakeholder engagement events held



**34**

speeches by Commissioners & SMT



**18**

broadcast interviews



The Young Professionals Panel has continued to raise awareness and engage younger audiences in shaping the future of the UK's infrastructure. This involved three InfraCafes, 11 podcasts and eight think pieces.

During 2019–20, the Commission has reviewed and refreshed organisational risk management arrangements to ensure its structures continue to reflect the maturing nature of the organisation and in line with the government's Orange Book.

The Commission has developed and introduced updated HR and corporate policies tailored to the Commission's organisational characteristics, compliant with both Cabinet Office best practice and employment legislation, which provide clear guidance to the Commission's managers and employees on a wide range of issues, such as propriety and ethics and performance management.

Finally, it has also implemented improved talent management arrangements and promoted the organisation's learning and development offer to assist the organisation in attracting, developing and retaining its high performing staff.

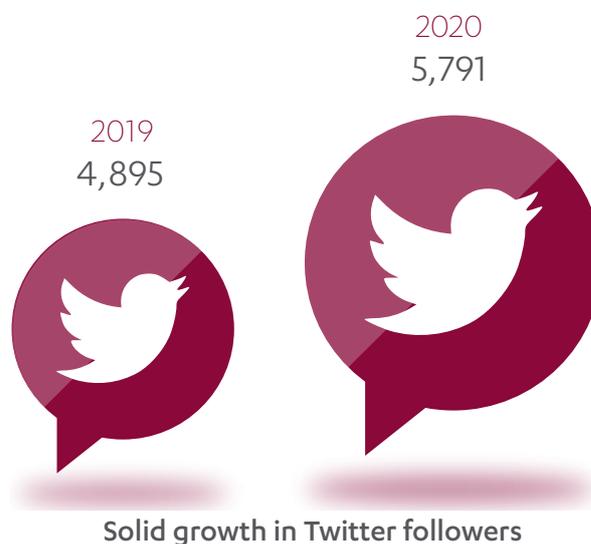
## Communications and Stakeholder Management

### Press and Publicity

We have built on the launch of the National Infrastructure Assessment in 2018 to build relationships with key journalists and to boost the Commission's profile as an expert source of independent advice on topics such as low carbon energy, flood and drought resilience, electric vehicle charging and digital connectivity. The external context for much of the year was marked by considerable political uncertainty, which contributed to delays in the government's official response to our Assessment through the publication of a National Infrastructure Strategy. However, we continued to seek regular opportunities to remind stakeholders of our core recommendations and to arrange interviews with national and sector titles (such as The Guardian and The Telegraph) to ensure cut-through of our message at key junctures in the political cycle, such as around the Budget.

Each of the Commission's policy outputs during the year were supported by a media plan and a number of publications, notably our Connected Future and Annual Monitoring Report, achieved wide national and sectoral media coverage. The February 2020 launch of the Design Group allowed us to make greater use of video in our communications, an approach we will seek to consolidate as part of a new Communications Strategy for 2020-23. Previously published studies – in particular those on data and infrastructure, cities and urban transport, and the Cambridge-Milton Keynes-Oxford corridor – continue to be cited regularly by stakeholders in both national and sectoral media coverage related to these issues.

As a result, the communications team – bolstered by the appointment of a new permanent Head of Communications in October 2019 - secured **143** pieces of coverage in national newspapers and broadcast media (placed articles, direct quotes and references to Commission work), including **11** bylined articles or placed letters by Commissioners in national media.



This included 18 interviews (live or pre-recorded) with national broadcast media by the Chair or Commissioners. Our social media following has grown significantly, from 4,895 followers to 5,791 on Twitter, and from 1,820 to 3,846 followers on LinkedIn.

### Stakeholder Engagement

We have undertaken a substantial programme of stakeholder engagement to ensure that our recommendations are known and supported championed by key stakeholders. This has included:

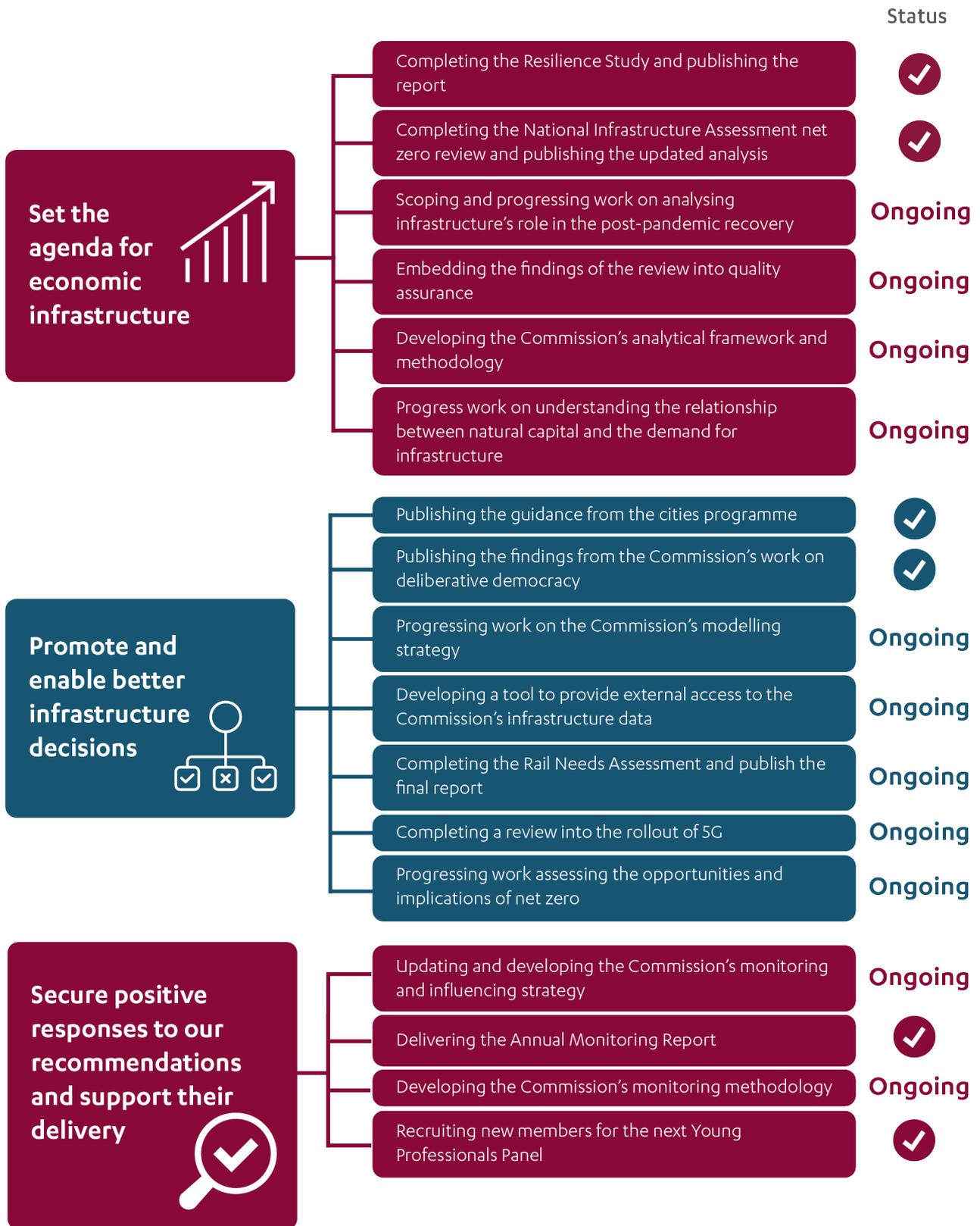
- over 90 stakeholder engagements, including: 34 speeches by Commissioners and the senior management team, 12 roundtables with local government and business leaders and participation in 19 third-party roundtables or seminars
- regular bilateral meetings and roundtable events with government departments, regulators and representatives from industry
- a cities summit attended by a Secretary of State, as well as metro mayors and city leaders from across the country
- a launch event for the Design Principles, attended by over 100 guests
- presentations by government officials to Commission meetings
- Parliamentary awareness event with cross-party attendance.

### Forward Plans 2020-21

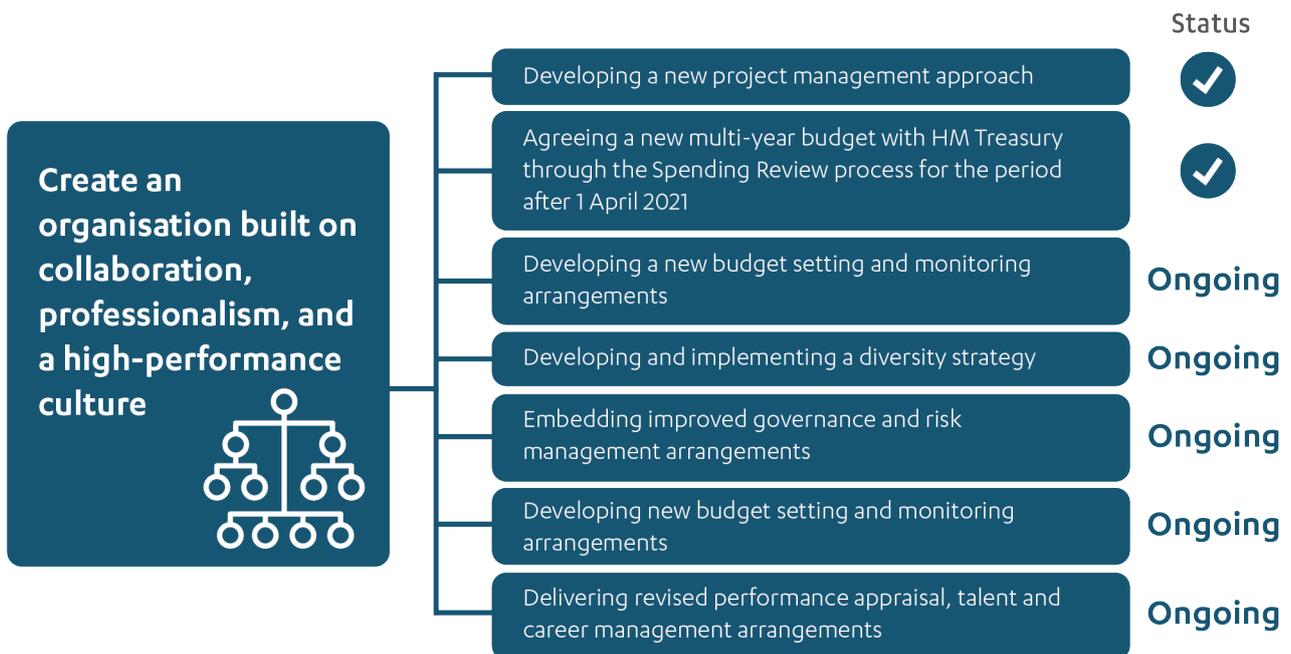
The Commission is focused on the delivery of its four strategic priorities for 2020-21:

1. Set the agenda for economic infrastructure
2. Promote and enable better infrastructure decisions
3. Secure positive responses to our recommendations and support their delivery
4. Create an organisation built on collaboration, professionalism, and a high-performance culture.

## The Commission’s strategic objectives



## The Commission's strategic objectives (cont.)



## 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 Commission. Our sponsor department is HM Treasury and we are funded via a delegated budget. The Commission's Framework Document commits HM Treasury to provision of a multi-year budget. We received a delegation letter which set out a three-year settlement in April 2018. We will negotiate with HM Treasury to agree the next multi-year budget which will begin on 1 April 2021.

The multi-year budget provides £5m operating expenditure and £700k capital expenditure per annum. Of the total £5.7m budget, 59% was spent on staff costs, reflecting the policy focussed nature of our operations. Our second largest outflow was accommodation costs for the rent of our Finlaison House office, which accounts for 5% of the annual budget. It is expected that these expenditures will continue to be incurred at the same rate in 2020–21.

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

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

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

James Heath, Chief Executive, 3 November 2020

# Chapter 2 - Accountability Report

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The Accountability Report contains:

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

## Corporate Governance Report

### The Commission – Background

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

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

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

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

- Sir John Armitt CBE (Chair)
- Dame Kate Barker CBE
- Professor Sir Tim Besley CBE
- Professor David Fisk CB
- Andy Green
- Professor Sadie Morgan
- Julia Prescott
- Bridget Rosewell CBE.

Dame Kate Barker left the Commission at the end of March 2020.

### Commissioner Biographies (1 April 2019 -31 March 2020)



#### Sir John Armitt CBE – Chair

Sir John Armitt is Chair of National Express Group and City & Guilds. He sits on the boards of Berkley Group and Expo 2020. Sir John was President of the Institution of Civil Engineers from 2015-16. He was awarded the CBE in 1996 for his contribution to the rail industry and a knighthood in 2012 for services to engineering and construction.



#### Dame Kate Barker DBE

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

Dame Kate Barker left the Commission at the end of March 2020 to become Chair of the Universities Superannuation Scheme.



#### **Professor Sir Tim Besley CBE**

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



#### **Professor David Fisk CB**

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



#### **Andy Green CBE**

Andy Green holds several Chairman, non-executive director and advisory roles, linked by his passion for how technology transforms business and people's daily lives.



#### **Professor Sadie Morgan**

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



#### **Julia Prescott**

Julia Prescott is co-founder and Chief Strategy Officer of Meridiam, and sits on the Executive Committee of Meridiam SAS. She has been involved in long term infrastructure development and investment in the UK, Europe, North America and Africa.



#### **Bridget Rosewell CBE**

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

<b>Commissioner Attendance</b>	<b>Commission Meetings</b> Meetings attended out of those eligible
Sir John Armitt CBE	11 of 11
Dame Kate Barker CBE	9 of 11
Professor Sir Tim Besley CBE	9 of 11

Professor David Fisk CB	9 of 11
Andy Green CBE	10 of 11
Professor Sadie Morgan	9 of 11
Julia Prescott	9 of 11
Bridget Rosewell OBE	8 of 11

## Oversight Board

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

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

The current members of the Oversight Board are:

- Sir John Armit (Chair)
- James Heath (CEO – Executive Member)
- Charlotte Goodrich (COO – Executive Member)
- Michael Brodie (Non-Executive Member)
- Debjani Ghosh (Non-Executive Member)
- Dennis Skinner (Non-Executive Member)
- Katherine Easter (Non-Executive Member).

Previous members during 2019–20 include:

- James Richardson (Interim CEO - Executive Member) - Jan 2020 – May 2020
- Philip Graham (CEO – Executive Member) - April 2019 – Jan 2020.

The Board is also attended by:

- John Staples (Treasury Representative).

## Non Executive Director Biographies (1 April 2019 – 31 March 2020)

### Michael Brodie

Michael Brodie is the Chief Executive of NHS Business Services Authority. He was previously Finance and Commercial Director at Public Health England. He is also a Trustee of Community Foundation and was previously Chair of the Audit Committee at disability charity Scope.

## Debjani Ghosh

Debjani Ghosh is a chartered accountant by background, who now works as a Senior Policy Advisor at the Ministry of Housing, Communities and Local Government. She is also a Project Director at the charity Academics Stand Against Poverty UK.

## Dennis Skinner

Dennis Skinner joined the Oversight Board in September 2019. He is Head of Improvement at the Local Government Association and has over 30 years' experience working in local government across a range of services including corporate policy, equalities, regeneration and community safety, business planning and communications.

## Katherine Easter

Katherine Easter joined the Oversight Board in February 2020. She is Chief People Officer at the Pension Protection Fund and has 20 years' experience working in HR and workforce roles across the public and private sectors.

James Heath joined the Board when he commenced his role as Chief Executive in May 2020. Dennis Skinner joined the Board in August 2019, whilst Katherine Easter joined in February 2020.

<b>Member Attendance</b>	<b>Oversight Board Meetings</b> Meetings attended out of those eligible
Sir John Armitt CBE	4 of 4
James Richardson (Jan 20 – May 20)	1 of 1
Philip Graham (Apr 19 – Jan 20)	3 of 3
Charlotte Goodrich	3 of 3
John Staples	3 of 4
Michael Brodie	3 of 4
Debjani Ghosh	2 of 4
Dennis Skinner	2 of 2

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

In 2019–20 the Commission's internal audit service was provided by the Government Internal Audit Agency. GIAA undertook a full audit plan and gave an overall Head of Internal Audit Opinion of "moderate" assurance. This is the second of GIAA's four ratings (substantial; moderate; limited; and unsatisfactory).

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

**Delivery of Oversight Board Responsibilities:**

<b>Objectives:</b>	<b>Status:</b>
Ensuring the Commission has the resources required to discharge its functions	
Ensuring that any statutory or administrative requirements for the use of public funds are complied with, and that the Commission acts in line with the principle of providing value for money	
Operating within the limits of any delegated authority agreed with the Treasury, and in accordance with any other conditions relating to the use of public funds; and that, in reaching decisions, the Oversight Board takes into account administrative or financial guidance issued by the Treasury	
Appraising the performance of the Commission's Chief Executive and providing feedback to the Treasury	
Overseeing the remuneration of the Commission members (as determined by the Treasury), and HR policies for Commission staff, including pay consistent with the framework document	
Ensuring that it receives and reviews regular financial information concerning the management of the Commission, and processes are in place to facilitate the sharing of any concerns about the activities of the Commission	
Approving the Commission's annual report and accounts	
Assuring itself of the effectiveness of the internal control and risk management systems of the Commission	
Ensuring that the Commission demonstrates high standards of corporate governance at all times	

**Audit and Risk Assurance Committee**

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

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

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

**Register of Interests**

The register of interests for each of our Commissioners, non-executive directors and senior management team is maintained online. Details can be found at the following web link: <https://www.nic.org.uk/publications/register-of-interests-commissioners-smt-yp-and-design-group>

# Director's Report

## Assessment

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

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

Within the reporting period I note that the executive:

- maintained progress on our agreed study programme publishing the scoping report for our study into resilience and the final report on regulation
- Published its third Annual Monitoring Report
- Published the Commission's Annual Report and Accounts.

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

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

During 2019, the Commission undertook its first multiyear strategic priority planning exercise which included extensive consultation with Commissioners and the Secretariat. This has led to the creation of a multiyear organisational strategy covering the period up to 2023 and the publication of the second National Infrastructure Assessment.

In 2019–20, the Commission has continued to develop and implement improved governance, internal control and budget management arrangements resulting in improved organisational transparency and accountability. This involved the Commission reviewing and refreshing its organisational risk management arrangements to ensure its structures continue to reflect the maturing nature of the organisation. The Commission has also developed and introduced updated HR and corporate policies tailored to the Commission's organisational characteristics which provide clear guidance to the Commission's managers and employees on a wide range of issues, such things as propriety and ethics and performance management.

Through the deliberations of the Oversight Board it was agreed to appoint two additional non-executive members to the Board to improve resilience and ensure a more diverse range of skills and experience. One of these non-executive members has also joined the membership of Audit and Risk Assurance Committee.

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

The outcomes of the staff survey suggest that the organisation continues on an upward development trajectory. Results were largely positive and show that staff are highly engaged in their work with 86% of staff having a clear sense of the organisation's objectives and purpose, 3% higher than the civil service as a whole. In the coming year I am pleased to note that the Senior Management Team will work to address the areas identified through the development of a workforce strategy, whilst also launching an enhanced learning and development offer and a diversity and inclusion Strategy to support a diverse and inclusive workplace.

The Senior Management Team will also work with Commissioners, non-executive directors and the Secretariat to continue developing working practices which most effectively respond to government guidance following the Covid-19 pandemic.

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

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

**Sir John Armitt CBE, Chair, 3 November 2020**

## The Statement of Accounting Officer's Responsibility

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

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

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosures requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards as set out in the Government Financial Reporting manual have been followed, and disclose and explain any material departures in the accounts
- prepare the accounts on a going concern basis; 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
- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the judgements required for determining that it is fair, balanced and understandable.

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

I confirm that the Annual Report and Accounts gives a fair, balanced and understandable view of the NIC's activities for the year ended 31 March 2020 and its financial position as at 31 March 2020.

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

**James Heath, Chief Executive, 3 November 2020**

## Accounting Officer's Governance Statement

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

As Accounting Officer, I am personally responsible for:

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

I have responsibility for reviewing the effectiveness of our governance arrangements and risk management. The Commission has an Oversight Board and Audit and Risk Assurance Committee (ARAC) which were put in place in accordance with the terms of our Framework agreement.

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

The ARAC is responsible on behalf of the Oversight Board, for advising me as Accounting Officer on issues of risk, control and governance. The ARAC has also provided assurance on the quality of the Commission's financial statements, as part of their oversight of the work of the National Audit Office (NAO) as external auditor. The ARAC met four times during the period of the 2019–20 accounts with representatives from the NAO and Internal Audit (Government Internal Audit Agency) also attending.

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

**James Heath, Chief Executive, 3 November 2020**

## Remuneration and Staff Report

### Remuneration Report<sup>1</sup>

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

	2019-20 £,000	2018-19 £,000
<b>Sir John Armitt CBE</b> Chair of the Commission	85-90 (140-145)	90-95 (140-145)
<b>Dame Kate Barker DBE</b> Commissioner	20-25	20-25
<b>Professor Sir Tim Besley CBE</b> Commissioner	20-25	20-25
<b>Professor David Fisk CB</b> Commissioner	20-25	20-25
<b>Andrew Green</b> Commissioner	20-25	20-25
<b>Professor Sadie Morgan</b> Commissioner	20-25	20-25
<b>Julia Prescott</b> Commissioner	20-25	20-25
<b>Bridget Rosewell OBE</b> Commissioner	20-25	20-25

Note: All figures in this table are audited. 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.

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

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

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

<sup>1</sup> Certain disclosures within the remuneration report have been audited as per the FReM 5.3.4.

Senior management – single total figure of remuneration<sup>2</sup> (audited)

	£,000	Salary (FYE)	Bonuses/allowances	Pension Benefits <sup>3</sup>	2019-20 Total
<b>Philip Graham</b> Chief Executive (to 10/01/20)		70-75 (90-95)	5-10	31	<b>110-115</b>
<b>James Richardson</b> Chief Economist (acting Chief Executive from 13/01/20)		100-105	0-5	40	<b>145-150</b>
<b>Sasha Morgan</b> Chief Operating Officer (to 15/05/19)		5-10 <sup>4</sup> (60-65)	0-5	4	<b>10-15</b>
<b>Katherine Black</b> Director of Policy (to 30/09/19)		50-55 (60-65)	5-10	21	<b>80-85</b>
<b>Giles Stevens</b> Director of Policy (from 30/09/19)		50-55 (105-110)	-	46	<b>95-100</b>
<b>Charlotte Goodrich</b> Chief Operating Officer (from 16/05/19)		60-65 (70-75)	0-5	25	<b>85-90</b>
	£,000	Salary (FYE)	Bonuses/allowances	Pension Benefits <sup>5</sup>	2018-19 Total
<b>Philip Graham</b> Chief Executive		90-95	0-5	44	<b>135-140</b>
<b>James Richardson</b> Chief Economist		100-105	10-15	35	<b>145-150</b>
<b>Adam Cooper</b> Director of Policy and Engagement (to 09/09/18)		35-40 (85-90)	-	22	<b>55-60</b>
<b>Sasha Morgan</b> Chief Operating Officer		45-50 (60-65)	0-5	28	<b>75-80</b>
<b>Katherine Black</b> Director of Policy and Engagement (from 09/09/18)		60-65 (65-70)	0-5	25	<b>90-95</b>

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

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

4 Sasha Morgan's working pattern was two days a week from December 2018.

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

## Pay Multiples (audited)

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

The banded pay (full year equivalent) of the highest paid director in the accounting period was £105-110,000 (2018-19: £110-115,000). This was 2.1 (2018-19: 2.2) times the median remuneration of the workforce, which was £50,593 (2018-19: £50,303).

Remuneration of NIC employees ranged from £23,000-£108,885 (2018-19: £23,000-£113,000); no employees received pay in excess of the highest paid senior manager/Commissioner.

## Senior management – Pension benefits<sup>6</sup> (audited)

						2019-20
	Accrued annual pension at pension age as at 31/3/20 and related lump sum	Real increase in annual pension at pension age	CETV* at 31/3/20	CETV at 31/3/19	Real increase in CETV	
£,000						
<b>Philip Graham</b> Chief Executive (to 10/01/20)	30-35	0-2.5	444	408	15	
<b>James Richardson</b> Chief Economist (acting Chief Executive from 13/01/20)	30-35 plus a lump sum of 65-70	0-2.5 plus a lump sum of 0-2.5	625	571	23	
<b>Sasha Morgan</b> Chief Operating Officer (to 15/05/19)	10-15	0-2.5	104	100	1	
<b>Katherine Black</b> Director of Policy (to 30/09/19)	5-10	0-2.5	81	68	6	
<b>Giles Stevens</b> Director of Policy	30-35 plus a lump sum of 60-65	2.5-5 plus a lump sum of 0-2.5	480	434	22	
<b>Charlotte Goodrich</b> Chief Operating Officer (from 16/05/19)	0-5	0-2.5	12	0	7	

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

<sup>6</sup> This table relates to pension benefits in the Civil Service Pension Scheme.

## Remuneration Policy

The NIC's 38 total employees are civil servants and their pay arrangements are governed by the policy framework set out by the Cabinet Office and HM Treasury and the NIC specific Pay Remit agreed by the NIC's Oversight Board. Total staff costs (including those for secondees and agency staff) for NIC in the year were £3,350k (2018-19: £2,835k).

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

In making its recommendations, the Review Body considers:

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

## Civil Service Pensions

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

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

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under all the above schemes are increased annually in line with Pensions Increase legislation. 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
- all members who switch to alpha have their existing PCSPS benefits 'banked'. Any earlier final salary benefits members hold will be based on their final salary upon leaving alpha.

Further details of the schemes:

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

## Cash Equivalent Transfer Value (CETV)

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

The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which the disclosure applies (or, for ministers, their current appointment as minister).

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

## Real Increase in CETV

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

## Compensation for Loss of Office

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

## Payments to past directors

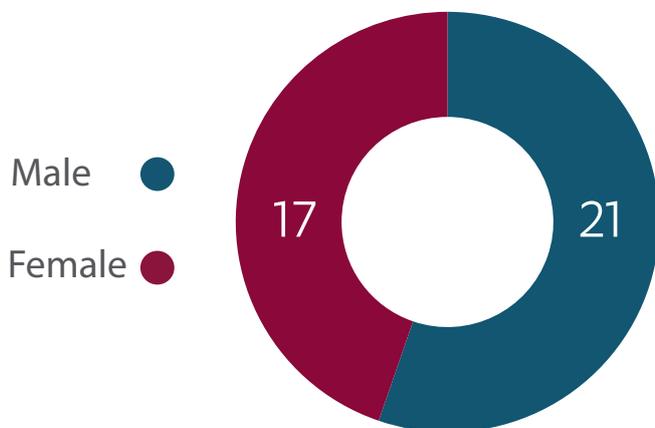
There were no payments made to past directors in the accounting period.

## Staff Report

At 31 March 2020, the NIC had 39 members of staff. Staff comprise permanent employees, temporary employees on loan from other Civil Service departments and secondees from other public- or private-sector organisations. Whilst terms and conditions differ dependent on point of origin, all staff members report to and are accountable to the Chief Executive.

As at 31 March 2020 the gender balance of NIC's 38 employees (i.e. not including the 1 secondee from an other organisation) was as set out in the table below.

### Employee Gender Balance



### Sickness Absence

During the reporting period the average number of working days lost due to sickness absence was 2.20 days per full-time equivalent (FTE).

## 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.

## Analysis of Staff Costs and Numbers (audited)

The following disclosures on staff costs (including pension costs), average number of persons employed and exit packages have been audited. Total costs of £3,350k comprised £3,219k related to permanent employees and £131k related to secondees from other public and private-sector institutions.

## Staff Costs

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

	2018-19 £,000	Employees	Other staff	Total
Salaries and wages		1,988	234	2,222
Social Security costs		231	17	248
Staff pension costs		348	17	365
<b>Total costs</b>		<b>2,567</b>	<b>268</b>	<b>2,835</b>

## Average Number of Persons Employed

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

	Employees	Other staff	2019-20 Total	2018-19 Total
<b>Total persons employed</b>	<b>38.1</b>	<b>1.2</b>	<b>39.3</b>	<b>34.1</b>

## Staff Pension Costs

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

For the accounting period employers' contributions of £554k were payable to the PCSPS at one of four rates in the range 26.6 to 30.3 per cent of pensionable earnings, based on salary bands. The scheme actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2019-20 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

## Exit Packages (Audited)

During the reporting period, the NIC incurred costs in relation to one exit package (2018-19: no exit packages). This was in respect of a compulsory redundancy, and in the cost band £10k-£25k.

## Off-payroll Transactions

Off-payroll arrangements are engagements where staff, either self-employed or acting through an intermediary company, are paid by invoice rather than via payroll. The NIC contracts with some staff off-payroll. These are typically specialists whom the NIC expects to require for only a short term period.

<sup>7</sup> <https://www.civilservicepensionscheme.org.uk/media/490508/csps-2016-valuation-report-final.pdf>

The table below shows off-payroll engagements by the NIC during the year. In addition there have been no board members and/or senior officials with significant financial responsibility engaged off-payroll between 1 April 2019 and 31 March 2020. There were no off-payroll transactions as at 31 March 2020.

	<b>2019-20</b>
Number of engagements exceeding 6 months duration between 1 April 2019 and 31 March 2020 for more than £245 per day	1
<b>Of which:</b>	
Number assessed as within the scope of IR35	1
Number assessed as not within the scope of IR35	-

## Parliamentary Accountability and Audit Report

The accounts of the NIC are audited by the Comptroller and Auditor General under the Government Resources and Accounts Act 2000. The audit fee charged was £26,000. 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 charged by the NIC (audited).

The NIC has not incurred any losses or special payments in excess of £300k during the reporting period to 31st March 2020 (2018–19: none) (audited).

The NIC has no remote contingent liabilities. NIC's total expenditure during the accounting period was £5,336k (2018-19: £4,938k) (audited).

**James Heath, Chief Executive, 3 November 2020**

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

## Opinion on financial statements

I certify that I have audited the financial statements of the National Infrastructure Commission for the year ended 31 March 2020 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the National Infrastructure Commission's affairs as at 31 March 2020 and of the net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

## Opinion on regularity

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

## Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the National Infrastructure Commission in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the National Infrastructure Commission's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the National Infrastructure Commission have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the National Infrastructure Commission's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

## Auditor's responsibilities for the audit of the financial statements

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the National Infrastructure Commission's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

## Other Information

The Chief Executive as Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, but does not include the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

## Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- in the light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report and Accountability Report; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements and have been prepared in accordance with the applicable legal requirements.

## Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

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

## Report

I have no observations to make on these financial statements.

Gareth Davies                      5 November 2020

### Comptroller and Auditor General

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

# Chapter 3 - Financial Statements

## Statement of Comprehensive Net Expenditure

for the period ended 31 March 2020.

	Note	2019-20 £000	2018-19 £000
<b>Expenditure</b>			
Staff costs	2	3,350	2,835
Other expenditure	3	1,986	2,103
		<b>5,336</b>	<b>4,938</b>
<b>Income</b>			
Other operating income		(27)	-
<b>Net expenditure</b>		<b>5,309</b>	<b>4,938</b>

There were no items of other comprehensive income.

The notes on pages 50 to 56 form part of these accounts.

## Statement of Financial Position

As at 31 March 2020

	Note	2019-20 £000	2018-19 £000
<b>Non-Current assets</b>			
Property, plant and equipment	4	200	261
<b>Total non-current assets</b>		<b>200</b>	<b>261</b>
<b>Current assets</b>			
Cash and cash equivalents	6	308	315
Trade and other receivables	7	82	58
<b>Total current assets</b>		<b>390</b>	<b>373</b>
<b>Total assets</b>		<b>590</b>	<b>634</b>
<b>Current liabilities</b>			
Payables due within one year	8	(722)	(597)
<b>Total current liabilities</b>		<b>(722)</b>	<b>(597)</b>
<b>Total assets less current liabilities</b>		<b>(132)</b>	<b>37</b>
<b>Non-current liabilities</b>			
Provisions	10	(95)	(95)
<b>Total non-current liabilities</b>		<b>(95)</b>	<b>(95)</b>
<b>Total assets less total liabilities</b>		<b>(227)</b>	<b>(58)</b>
<b>Taxpayers' equity</b>			
General fund		(227)	(58)
<b>Total taxpayers' equity</b>		<b>(227)</b>	<b>(58)</b>

The notes on pages 50 to 56 form part of these accounts. The financial statements were approved by the Board on 3 November 2020.

James Heath, Chief Executive, 3 November 2020

## Statement of Cash Flows

for the period ended 31 March 2020

	Note	2019-20 £000	2018-19 £000
<b>Cash flows from operating activities</b>			
Net operating cost		(5,309)	(4,938)
Changes in working capital other than cash		101	(304)
Movement in provisions		-	58
Depreciation		61	51
Notional expenditure		26	25
<b>Net cash outflow from operating activities</b>		<b>(5,121)</b>	<b>(5,108)</b>
<b>Cash flows from investing activities</b>			
Purchase of fixed assets		-	(275)
<b>Net cash outflow from investing activities</b>		<b>-</b>	<b>(275)</b>
<b>Cash flows from financing activities</b>			
Funding from HM Treasury		5,114	5,539
<b>Net financing</b>		<b>5,114</b>	<b>5,539</b>
<b>Net (decrease)/increase in cash and cash equivalents in the period</b>	6	<b>(7)</b>	<b>156</b>
Cash and cash equivalents at the beginning of the period		315	159
<b>Cash and cash equivalents at the end of the period</b>	6	<b>308</b>	<b>315</b>

The notes on pages 50 to 56 form part of these accounts.

## Statement of Changes in Taxpayers' Equity

for the period ended 31 March 2020

	<b>General Reserve</b>
	<b>£000</b>
<b>Balance at 31 March 2018</b>	<b>(684)</b>
Net operating expenditure for the period	(4,938)
Net parliamentary funding	5,539
Notional expenditure	25
<b>Balance at 31 March 2019</b>	<b>(58)</b>
Net operating expenditure for the period	(5,309)
Net parliamentary funding	5,114
Notional expenditure	26
<b>Balance at 31 March 2020</b>	<b>(227)</b>

The notes on pages 50 to 56 form part of these accounts.

# Notes to the Accounts

## 1. Statement of Accounting Policies

Pursuant to the Framework Document<sup>8</sup> between the National Infrastructure Commission (NIC) and HM Treasury, these financial statements have been prepared in accordance with the 2019–20 Government Financial Reporting Manual (FReM).<sup>9</sup> The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector.

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

### 1.1 Accounting Convention

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

### 1.2 Basis of Preparation

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

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

### 1.3 Significant judgements and estimates

Management have made judgements around the value of rectification costs associated with contractual obligations to restore NIC's current office premises at the end of the lease. Some of these expected costs have been capitalised as part of leasehold improvements. The total provision value has been informed by professional judgement and experience, including the use of valuation experts to provide an estimated cost.

### 1.4 Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 April 2020. The NIC does not intend to early-adopt any of the following standards. The expected financial impact of adopting these standards is summarised below.

<sup>8</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/585374/NIC\\_framework\\_document\\_web.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/585374/NIC_framework_document_web.pdf)

<sup>9</sup> <https://www.gov.uk/government/collections/government-financial-reporting-manual-frem>

## IFRS 16 Leases

IFRS 16 will be effective for reporting periods beginning on or after 1 April 2021 for the public sector. IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

On adoption of IFRS 16 at 1 April 2021, the NIC will recognise a right-of-use asset in respect of the existing accommodation lease with a value of £595k. A lease liability (representing the obligation to make future lease payments) recognised on transition by the NIC will be £595k.

## IFRS 17 Insurance contracts

IFRS 17 was issued in May 2017 and applies to annual reporting periods beginning on, or after, 1 January 2023 (subject to endorsement by the UK). IFRS 17 is not expected to have a material impact on the NIC financial statements as NIC does not enter into insurance contracts. There are no other IFRS or IFRIC interpretations not yet effective that would be expected to have a material impact on the NIC financial statements.

## 1.5 Financing

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

## 1.6 Pensions

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

## 1.7 Employee Benefits

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

## 1.8 VAT

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

## 1.9 Property, Plant and Equipment

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

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

## 1.10 Cash

Cash and cash equivalents comprise cash at bank.

## 1.11 Financial Instruments

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

## 1.12 Leases

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

## 1.13 Provisions

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

## 2. Staff Costs

	2019-20	2018-19
	£000	£000
Wages and salaries	2,517	2,222
Social Security costs	269	248
Other pension costs	564	365
<b>Total costs</b>	<b>3,350</b>	<b>2,835</b>

Staff costs comprise permanent staff, secondees and agency staff from other public and private-sector institutions. Further details of staff costs and numbers are disclosed in the Remuneration and Staff Report (see pages 33 to 40).

### 3. Other Expenditure

	2019-20	2018-19
	£000	£000
Accommodation costs	255	291
Printing and office services	104	149
IT costs	248	170
Contracted-out services	943	868
External auditor's remuneration	26	25
Staff Support and staff-related costs, including training and travel	42	61
Professional and office services	51	56
Accommodation related goods and services	256	374
Depreciation	61	51
Movement in provisions	-	58
<b>Total</b>	<b>1,986</b>	<b>2,103</b>

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

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

### 4. Property, Plant and Equipment

	2019-20	2018-19
	£000	£000
<b>Leasehold improvements</b>		
<b>Cost</b>		
Opening balance	312	-
Additions	-	312
<b>Total cost</b>	<b>312</b>	<b>312</b>
<b>Accumulated depreciation</b>		
Opening balance	(51)	-
Depreciation	(61)	(51)
<b>Total accumulated depreciation</b>	<b>(112)</b>	<b>(51)</b>
<b>Net book value</b>	<b>200</b>	<b>261</b>

Of the capitalised leasehold improvements, £37k of the cost value represents the estimate of related future reinstatement costs and has been recognised as a provision.

## 5. 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.

## 6. Cash and Cash Equivalents

	2019-20	2018-19
	£000	£000
Balance at 1 April	315	159
Net change in cash balances – (outflow)/inflow	(7)	156
<b>Balance at 31 March</b>	<b>308</b>	<b>315</b>

All cash balances are held with the Government Banking Service.

## 7. Trade and Other Receivables

	2019-20	2018-19
	£000	£000
Trade and other receivables	40	12
VAT receivable	42	46
<b>Balance at 31 March</b>	<b>82</b>	<b>58</b>

## 8. Payables and Other Current Liabilities

	2019-20	2018-19
Amounts falling due within one year	£000	£000
Trade and other payables	32	70
Accruals	621	453
Taxation and social security	69	74
<b>Balance at 31 March</b>	<b>722</b>	<b>597</b>

## 9. Commitments and Leases

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

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

As at 31 March 2020 commitments under the current MOTO for the remaining lease period comprise:

	2019-20	2018-19
	£000	£000
<b>Accommodation</b>		
Within one year	262	256
Between one and five years	608	869
Later than five years	-	-
<b>IT and office services</b>		
Within one year	178	178
Between one and five years	398	576
Later than five years	-	-

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

## 10. Provisions

	2019-20	2018-19
	£000	£000
<b>Balance at 1 April</b>	95	-
Provided during the year	-	95
Released during the year	-	-
Utilised during the year	-	-
<b>Balance at 31 March</b>	<b>95</b>	<b>95</b>
Within one year	-	-
Between one and five years	95	95
Later than five years	-	-

Under the MOTO with the Government Actuary's Department the NIC has an obligation to reinstate its office space to the satisfaction of the head lease terms. During 2018-19 alterations were made to the NIC's office space and accordingly a provision was recognised for future reinstatement costs. The NIC has also recognised a provision in respect of reinstatement of common areas. These provisions have not been discounted as the time value of money is not significant.

## 11. Related Party Transactions

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

During the year the NIC had a MOTO with the Government Actuary's Department. The lease relates to provision of office accommodation and associated management services to be provided for the NIC.

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

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

## **12. Events after the Reporting Period**

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

## **13. Date Authorised for Issue**

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

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

