HM Treasury

Government financial reporting review:

Best practice examples from 2019-20

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Chapter 1- **Introduction**

Why this publication?

- In April 2019 HM Treasury published the Government Financial Reporting Review.
- This included several examples of best practice in reporting taken from the 2017-18 central government annual reports and accounts (ARAs). A further report providing examples from 2018-19 best practice was also published.
- HM Treasury is committed to continue supporting ongoing improvements in financial reporting and this report outlines further examples of best practice, taken from the 2019-20 ARAs.
- The expectation is that these examples will be considered by those preparing ARAs across government.

Further guidance

The best practice examples outlined in this report have been chosen because they display some or all of these characteristics, including: increased transparency, increased accountability, accessibility, clear presentation (e.g. use of formatting/graphics) etc.

If you would like to suggest further examples of best practice in government ARAs to be considered then please contact HM Treasury (Resource.Accounts@hmtreasury.gov.uk).

Structure of publication

➢ This report is divided into three sections that broadly follow the structure of a departmental ARA required by the Financial Reporting Manual (FReM) as follows;

- Performance reporting
- Accountability information
- Financial information

Chapter 1- **Introduction**

What should accounts preparers consider in narrative reporting?

Information should be presented in a way that **tells the story** of an organisation in a **fair, balanced and understandable** way.

It is important to provide **context**, using several years of trend data where possible.

The **layout and design choices** can influence how a reader understands a report, and the use of infographics and diagrams can be helpful in communicating important messages.

Clear and simple language makes reports easier for a wide range of users to understand.

It should be **straightforward and accessible** for users.

Why is narrative reporting important?

- The narrative elements of government financial reports are crucial for meeting the needs of users.
- Narrative provides context and essential information to explain financial outcomes and performance against objectives.

2019-20 ARAs challenges:

2019-20 was a challenging year for reporting due to the impact of the pandemic and that the timeliness of publication suffered for some ARAs. Due to the significance of it on reporting, we have specifically looked at this as an area in relation to: performance, risk and financial reporting.

Chapter 2 – **Performance Reporting**

What should accounts preparers consider in Performance Reporting?

Performance reporting must be **fair, balanced and understandable.**

It must be **transparent** including both achievements and where objectives have not been met, to **build trust.**

It should be **straightforward and accessible** for users.

What is required within the performance report?

- The performance report is required to have **two sections**: a 'performance overview' and a 'performance analysis'.
- The **performance overview** is a short summary of the full story of an organisation and its performance over the period covered by the report.
- The **performance analysis** provides a detailed view.

Further information on the requirements can be founds within the 20-21 FReM (Government Financial Reporting Manual).

This chapter highlights some examples of best practice in performance reporting from departmental ARA's.

Performance Overview examples (1)

Reporting Issue

The performance section must include a statement of the purposes and activities of an organisation in a clear and concise manner. This is important to the user, as it allows them to easily understand the entity's strategic objectives.

Example and why this is best practice

The example on this slide from the Cabinet Office Annual Report and Accounts:

- ✓ provides a high-level overview of the strategic objectives of the department;
- ✓ Uses clear number formatting;
- ✓ Uses graphics and concise plain English to increase usability and makes the section more visually appealing.

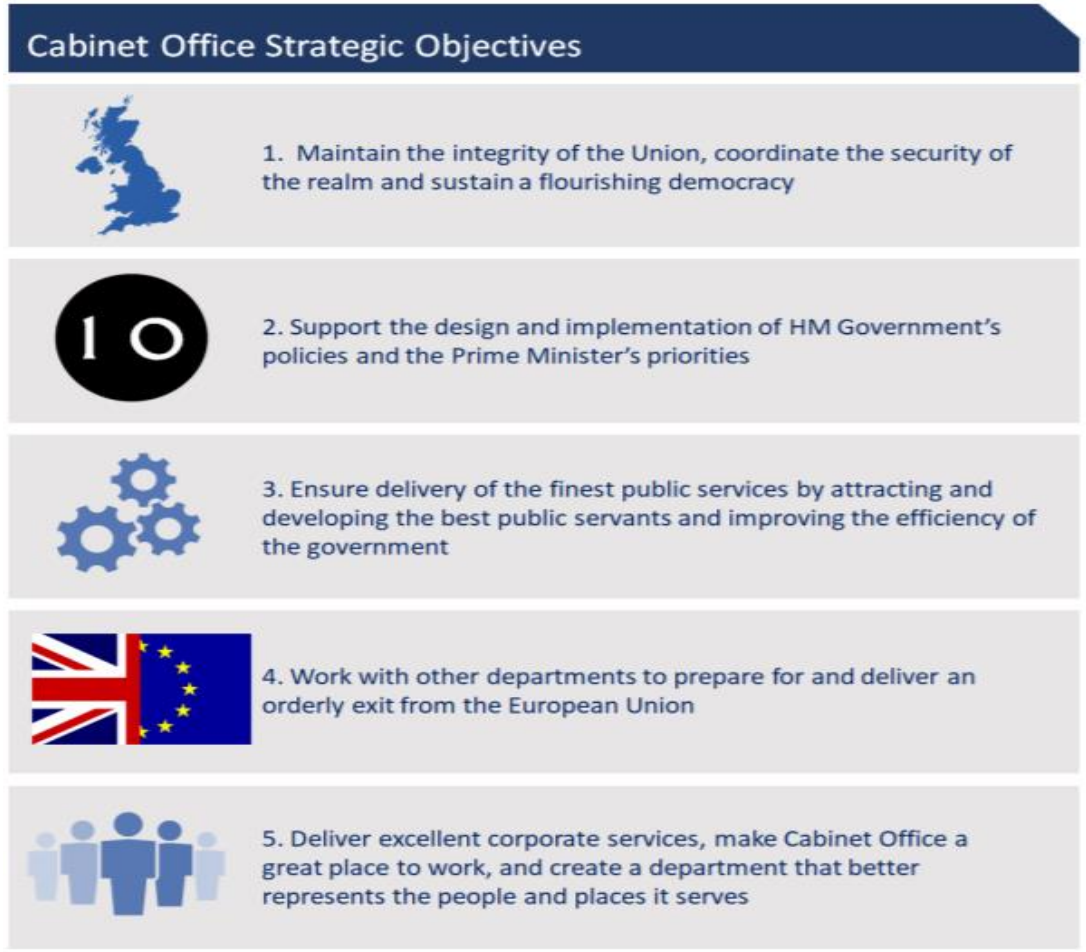


Figure 1 – Cabinet Office

Performance Overview (2)

Example and why this is best practice

Similar to the previous slide, the example on this slide from the Department for Work and Pensions Annual Report and Account:

- ✓ provides a high-level overview of the strategic objectives of the department;
- ✓ Uses clear numbered formatting; and
- ✓ Uses graphics and concise plain English to increase usability and makes the section more visually appealing;
- ✓ Uses the same colour code when stating how they worked towards the objective.

Figure 2 – Department for Work and Pensions

Performance highlights examples (1)

Reporting Issue

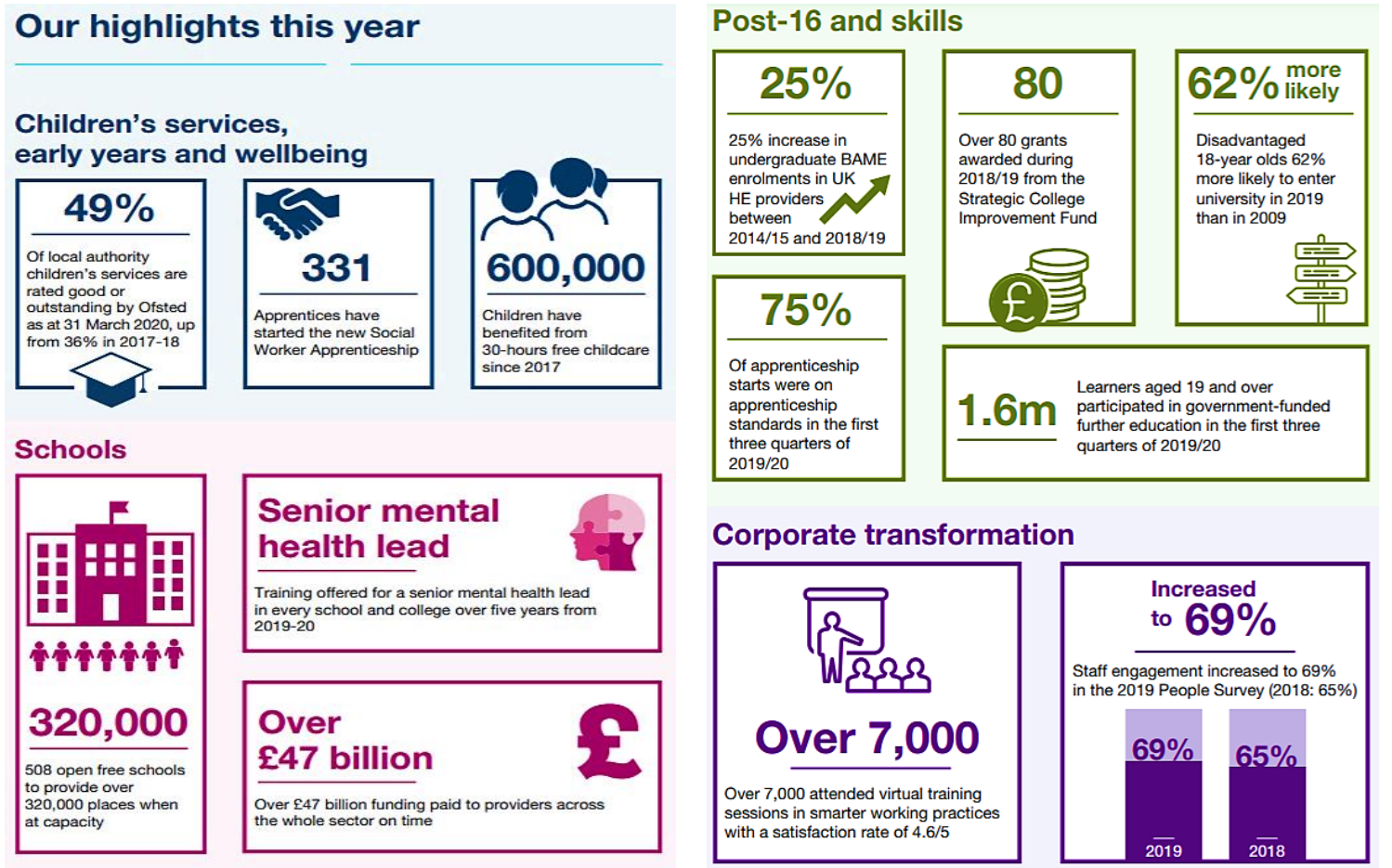
The Government Financial Reporting Review also emphasised the importance of reporting the annual performance highlights of an organisation. Providing an overview of performance over the course of a year increases the understandability and usability.

Example and why this is best practice

The example on this slide from the Department for Education Annual Report and Accounts:

- ✓ Provides a clear overview of the department's activities throughout the year;
- ✓ Uses clear summary data, allowing users to easily understand performance outcomes;
- ✓ Uses a variety of graphics, making this section more visually appealing.

Figure 3 – Department for Education



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Performance Highlights (2)

Example and why this is best practice

Similar to the previous slide, this example from the Ministry of Justice Annual Report and Accounts:

- ✓ Provides a clear overview of the department's activities throughout the year;
- ✓ Has a clear focus on summary data, allowing users to easily understand performance outcomes;
- ✓ Uses a variety of graphics, making this section more visually appealing.

Figure 4 – Ministry of Justice

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High level financial information examples (1)

Reporting Issue

Entities should seek to tie in the performance analysis to other parts of the annual reports and accounts including the financial statements to reflect a holistic assessment of performance.

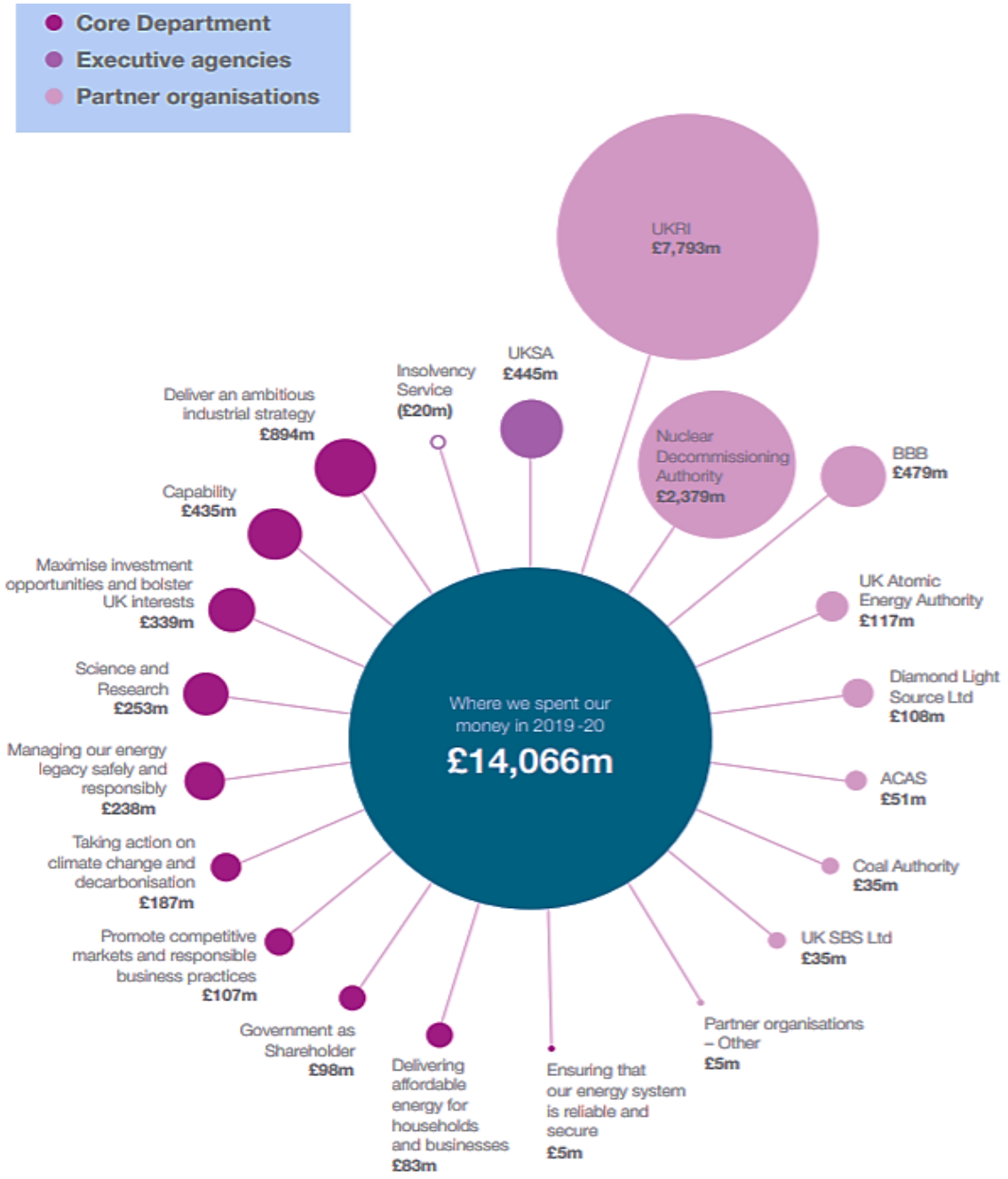
For example, linking the Statement of Outturn against Parliamentary Supply (SOPS) and the financial statements so as to provide a cohesive and consistent understanding of performance across the entire annual report and accounts.

Example and why this is best practice

The example on the next slide from the Department for Business, Energy and Industrial Strategy Annual Reports and Accounts:

- ✓ Outlines high level financial information in an engaging way with clear links to the financial statements;
- ✓ Differs the size of the bubbles to reflect the level of expenditure within the different areas, in comparison to the whole;
- ✓ Colour codes the expenditure according to whether it is within the core department, an executive agency or a partner organisation.

Figure 5 – Department for Business, Energy and Industrial Strategy



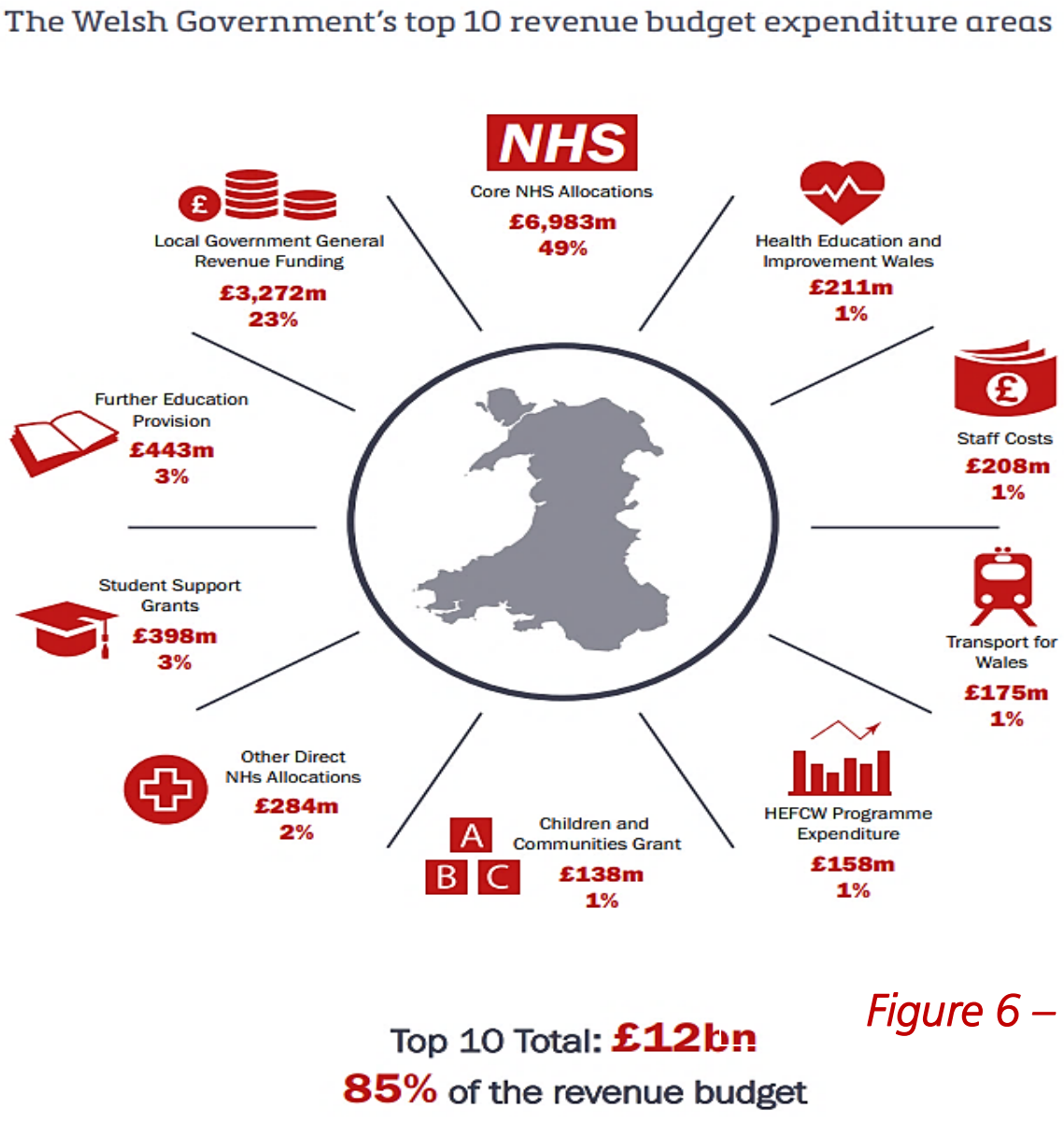
High level financial information (2)

Refer to Figure 6 from the Welsh Government for the next two additional best practice examples of presenting high level financial information.

Example and why this is best practice

Similar to the previous slide, this example from the Welsh Government Annual Reports and Accounts:

- ✓ Outlines high level financial information in an engaging way with clear links to the financial statements;
- ✓ Uses two different diagrams to show the revenue budget expenditure in comparison to capital budget expenditure;
- ✓ Includes various graphics to visualise the type of expenditure, which also eases the users understanding.



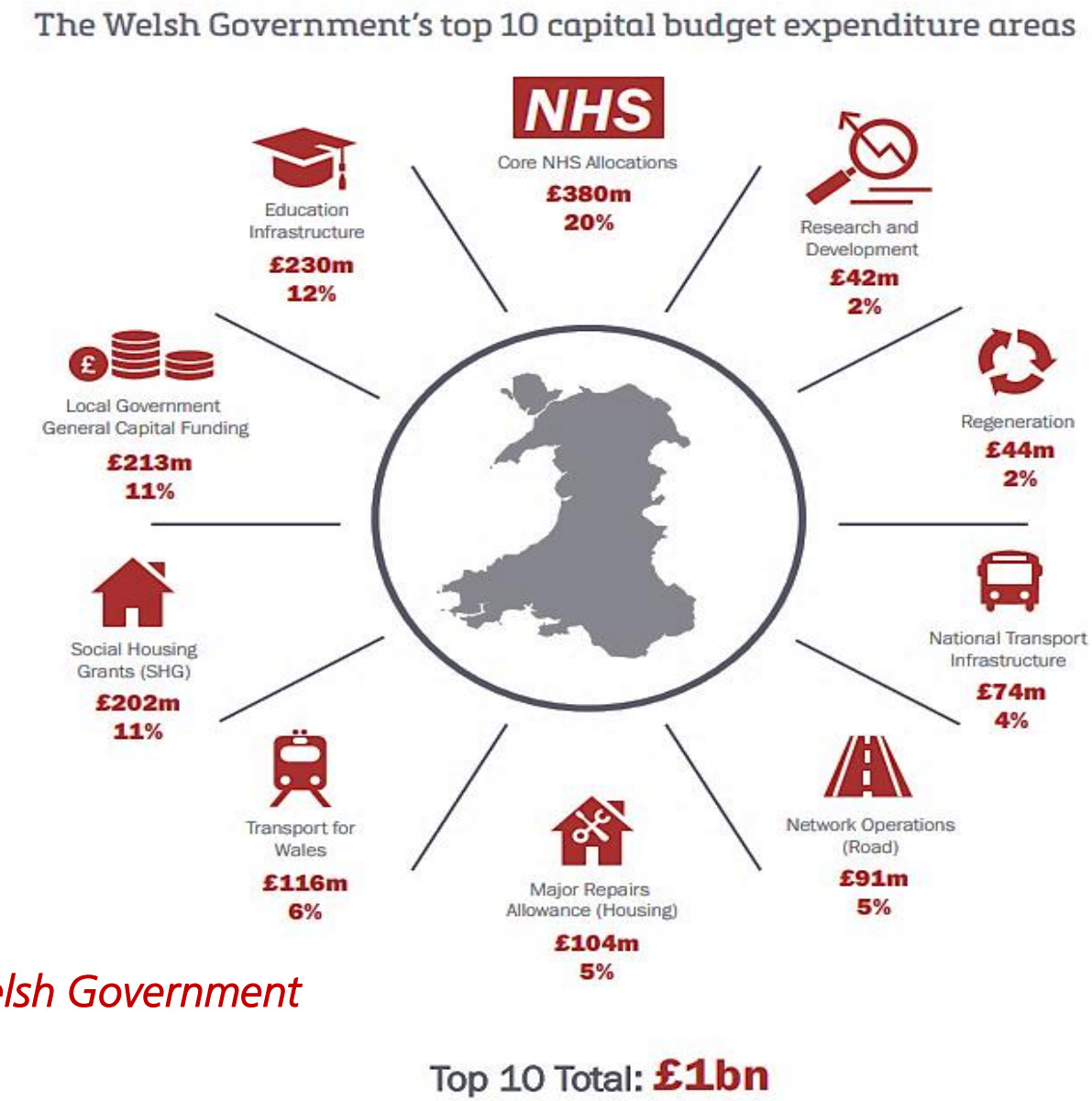


Figure 6 – Welsh Government

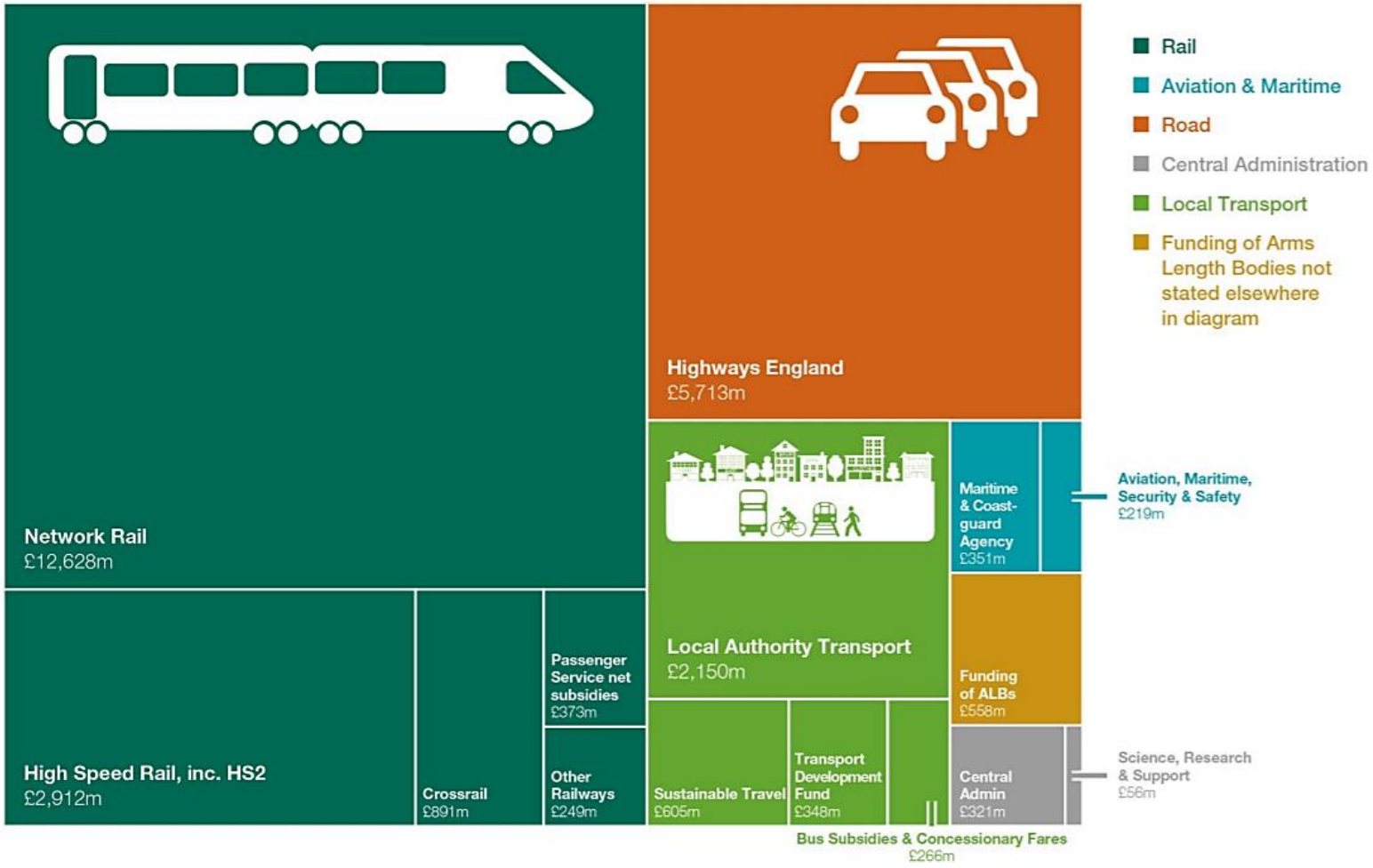
High level financial information (3)

Example and why this is best practice

Similar to the previous slide, this example from the Department for Transport Annual Report and Accounts:

- ✓ Outlines high level financial information in an engaging way with clear links to the financial statements;
- ✓ Includes various graphics for ease of understanding;
- ✓ Includes a colour scheme according to the area of expenditure.

Figure 7 – Department for Transport



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Trend data with commentary examples (1)

Reporting Issue

The FReM mandates that the performance analysis section of ARAs must include a prior year comparator for data presented, as this adds context for users. Data for years earlier than the prior year should also be included where available and where this provides relevant context. There is an expectation that trend data will build up over time as it becomes available.

Example and why this is best practice

The example on this slide from HM Revenues & Customs Annual Report and Accounts:

- ✓ Includes multiple-year trend data in the form of a colour coded bar chart on a specific performance metric;
- ✓ Provides detailed commentary in relation to the figures presented;
- ✓ Repeats this method of presenting data throughout the ARA for consistency to help the user.

Figure 8 – HM Revenues & Customs

Receivables

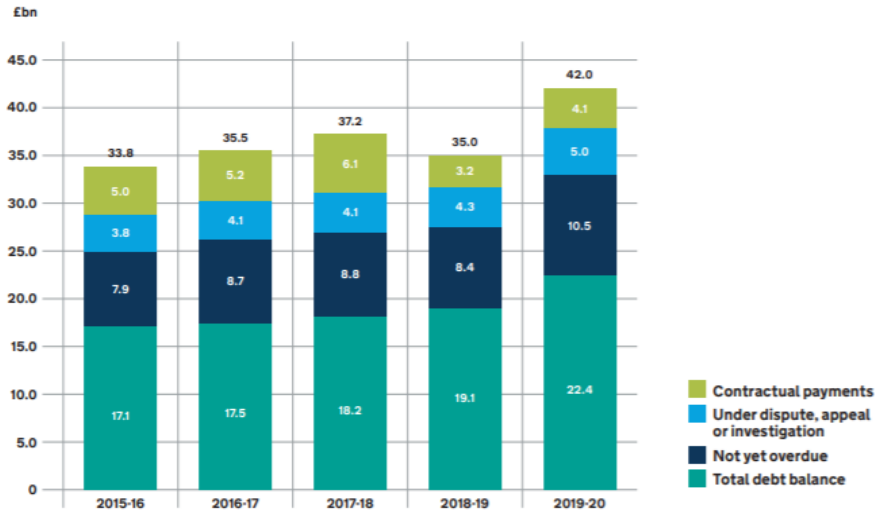
Receivables is the term we use to describe revenue we haven't received yet, but which we know is due to be received – whether or not it's currently overdue. It covers all liabilities, including taxes, duties, overpaid tax credits, penalties and interest charges owed by individuals and businesses. Receivables amounted to £42.0 billion as at 31 March 2020 compared to £35.0 billion at 31 March 2019. Tax receivables were gross £37.2 billion (see Trust Statement, starting on page 185) while tax credits receivables were gross £4.8 billion (see Resource Accounts, starting on page 210).

Impairment of receivables

Receivables in the Statement of Financial Position are reported after impairment to reflect an amount that is likely to be collected. We have considered how the adverse macro-economic conditions due to COVID-19 affect our collection rates.

+ For more information, read note 4.2 of the Trust Statement on page 194.

Figure 4: Breakdown of receivables and debt (£bn)



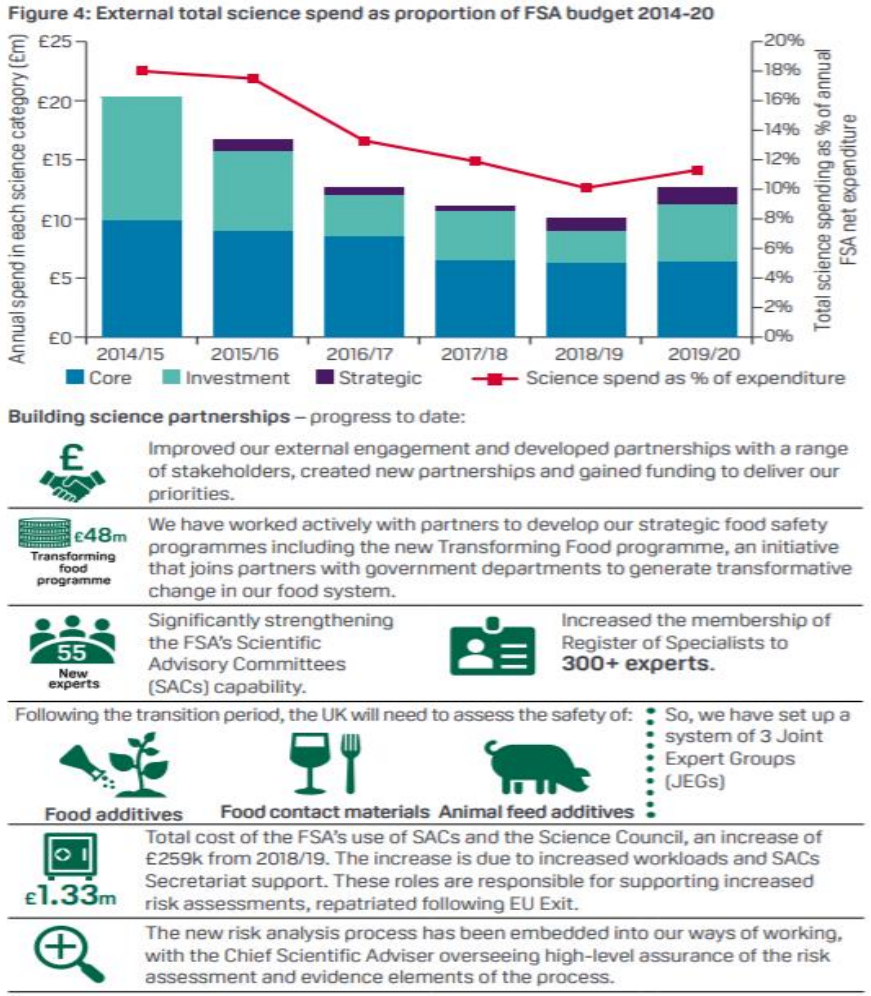
Trend data with commentary (2)

Example and why this is best practice

Similar to the previous slide, the Food Standards Agency Annual Report and Accounts:

- ✓ Includes multiple-year trend data in the form of a colour coded bar chart;
- ✓ Has a link to the strategic priority of 'Food Hyper-Sensitivity', as it clearly shows what they have implemented to increase safety and how much they have spent;
- ✓ Adds context with both narrative and numbers, which gives users the best possible support to understand the story;
- ✓ Uses a variety of graphics, making this section more visually appealing.

Figure 9 – Food Standards Agency



Trend data with commentary (3)

Example and why this is best practice

Similar to the previous slide, the example on this slide from Whole of Government Accounts Annual Report and Accounts:

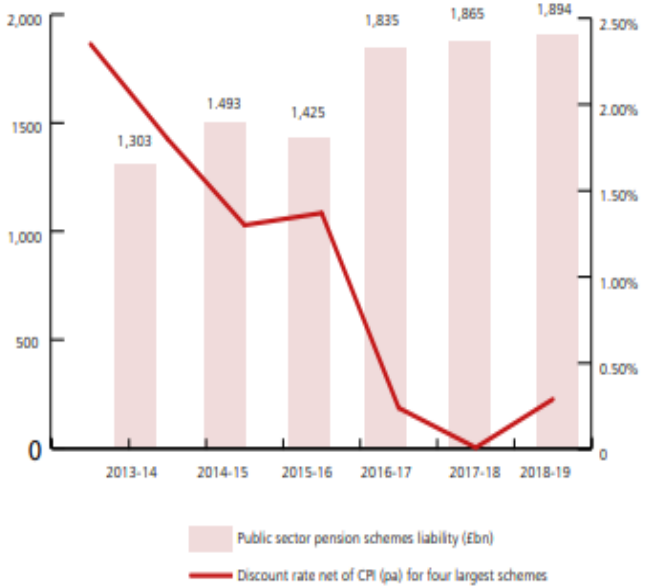
- ✓ Includes multiple-year trend data in the form of a bar chart on a specific performance metric;
- ✓ Pension liabilities is a key area of interest for the user of WGA and a significant liability for government, so more information has been provided specifically to show context for the user.

Please note that this example has been taken from the 2018-19 accounts, due to the timing of preparing the WGA.

Figure 10 – Whole of Government Accounts

Public sector pension liability

Public sector pensions are the largest liability within WGA at £1,893.9 billion. In 2018-19 the liability increased by £28.6 billion, mainly reflecting additional liabilities from legal cases the government lost on transitional protection. Pension valuations are also impacted by changes in the discount rate used to calculate the present value and changes to actuarial assumptions such as on inflation and salary growth, life expectancy and workforce size.



Balanced reporting examples (1)

Reporting Issue

Departments are expected to report the status of progress against their Single Departmental Plan (SDPs) objectives in a fair, balanced and understandable way. [Note for 2020-21 departments are required to report against their strategic objectives].

Example and why this is best practice

The example on this slide from HM Revenues & Customs Annual Report and Accounts:

- ✓ Shows clearly performance against its public commitments, including where progress was not on track or where there was a risk to delivery;
- ✓ Uses a helpful RAG system to visually show status of each commitment at the year end;
- ✓ Gives a balanced and honest reflection, which provides trust and increases the value of the report to the user.

Figure 11 – HM Revenues & Customs

How we performed against our public commitments

In the Single Departmental Plan we set out commitments to further improve the way we collect the revenues due and bear down on avoidance and evasion. In financial year 2019 to 2020 we made 11 public commitments on improvements to make in this area. The table below outlines the status of each one at the end of 2019 to 2020.

Status at the end of 2019 to 2020:	on track or complete	risk to delivery	not on track

Commitment	Status
Build on our success in collecting £627.9 billion in total revenues over 2018 to 2019 and maintaining the overall long term downward trend in the tax gap over the past decade.	
Deliver compliance revenues of £34.5 billion in 2019 to 2020 through our compliance activity.	
Continue to identify and prevent losses in the tax credits system so that error and fraud is no more than 5% as we support the transition to Universal Credit. **As we no longer accept new claims to tax credits (with limited minor exceptions), our work to restrict error and fraud now focuses on existing awards. We continue to iterate and deliver our error and fraud strategy, including by supplementing traditional compliance interventions with an increasing range of proactive measures to educate and remind tax credits customers of their reporting responsibilities. The continuing need to divert compliance staff to support other departmental pressures means we expect not to meet the 5% maximum target for 2019 to 2020.**	
Help customers to claim their full tax credits entitlement so that underpayments through error are no more than 0.7%.	
Minimise the debt balance, reducing the amounts that become debt and making it as easy as possible for customers to pay what they owe. **Due to the impact of the COVID-19 outbreak, the end of year HMRC debt balance for March 2020 is £2.5 billion higher than forecast, coming in at £22.4 billion, significantly over the forecast of £19.9 billion. This is compared to a debt balance of £19.1 billion in March 2019.** **It is anticipated that the economic impact of COVID-19 will continue into financial year 2020 to 2021 as customers find it increasingly difficult to fulfil their tax obligations.**	

Balanced reporting (2)

Example and why this is best practice

Similar to the previous slide, the example on this slide from HM Courts and Tribunal Services Annual Reports and Accounts:

- ✓ Breaks down the overall strategic priority of 'systems, processes and technology' into smaller business plan priorities with the use of colour, to clearly show users what elements have been achieved and what has not;
- ✓ Uses a table to show the progress the department has made against each Business plan priority;
- ✓ Builds transparency into reporting, which provides trust and increases the value of the report to the user.

Figure 12 – HM Courts and Tribunal Services

Business plan priority	Our progress
Deliver action plans to increase capacity in jurisdictions facing increased workload during 2019-20 as a result of EU Exit planning.	**Achieved**: We secured additional funding in 2019-20 to mitigate EU Exit impacts and have implemented detailed action plans.
Introduce new reporting tools and implement new strategic data architecture to handle the increased quantity, frequency and complexity of data to enable greater utilisation of our data.	**Achieved**: New reporting tools have been introduced increasing the quantity and frequency of information, improving data analysis to inform our decision making.
Present a monthly report to the HMCTS Board on performance (monthly reports, plus required deep dives), demand forecasting (quarterly) and allocations prioritisation (at least quarterly).	**Achieved**: The reporting mechanism is in place to provide a monthly performance report. An automatic summary dashboard is reported to senior management providing the weekly position for reform management.
Move our video hearing platform to a scalable solution, increasing it for use across civil, family and tribunals (CFT).	**Achieved**: We began testing of fully video hearings (FVH) in November 2019. The FVH project has accelerated expansion as part of the COVID-19 response.
Complete common capabilities sufficiently to support the launch of further public services for testing and improvement.	**Partially achieved**: Family public law and immigration and asylum launched to the public in January 2020 for further testing, but more work on the common capabilities is needed to support the next set of services efficiently.
Deliver the successful completion of the tranche 1 services in the CFT programme – divorce, probate, civil money claims and SSCS.	**Partially achieved**: The probate project closed and transitioned into operational service delivery in April 2020. The civil money claims transition to CTSC is scheduled for July 2020. The completion of divorce and SSCS has been delayed allowing the projects to deliver final key items. In SSCS, Employment Support Allowance roll-out is on hold, while the Department for Work and Pensions manage the increase in the volume of welfare applications due to COVID-19.
Establish a strategic solution for scheduling and listing to make best use of our resources.	**Ongoing delivery**: The software procurement process for scheduling and listing is complete and the contract has been awarded. The project team are confident that national roll-out will start in February 2021 as planned.

Future plans examples (1)

Reporting Issue

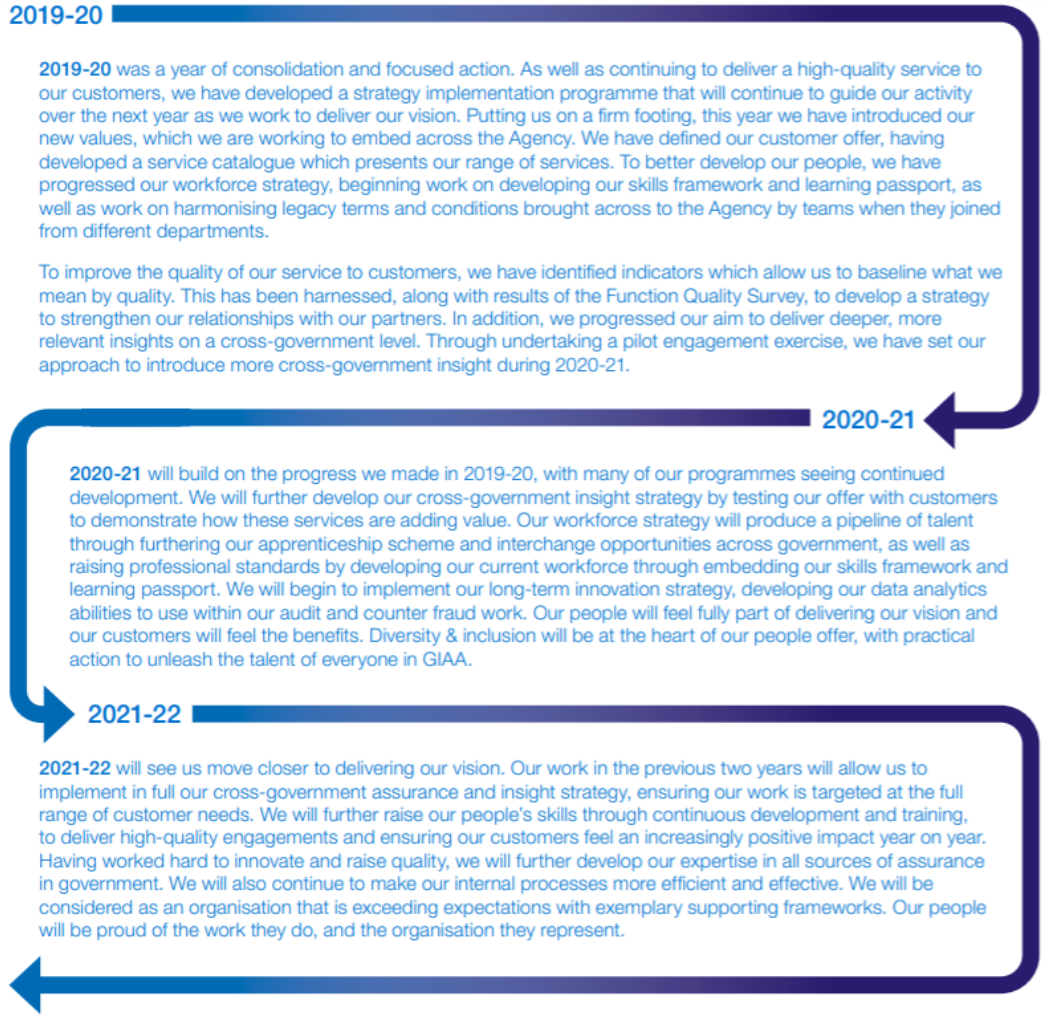
Organisations should produce forward looking information as it increases the value of the narrative surrounding the current year's performance including why decisions have been taken and how they contribute to future ambitions.

Example and why this is best practice

The example on this slide from the Government Internal Audit Agency Annual Report and Accounts:

- ✓ Clearly articulates the progress it has already made against the department's vision and outlines the next steps for the years ahead;
- ✓ Uses plain English and visuals to map the stages involved.

Figure 13– Government internal audit agency



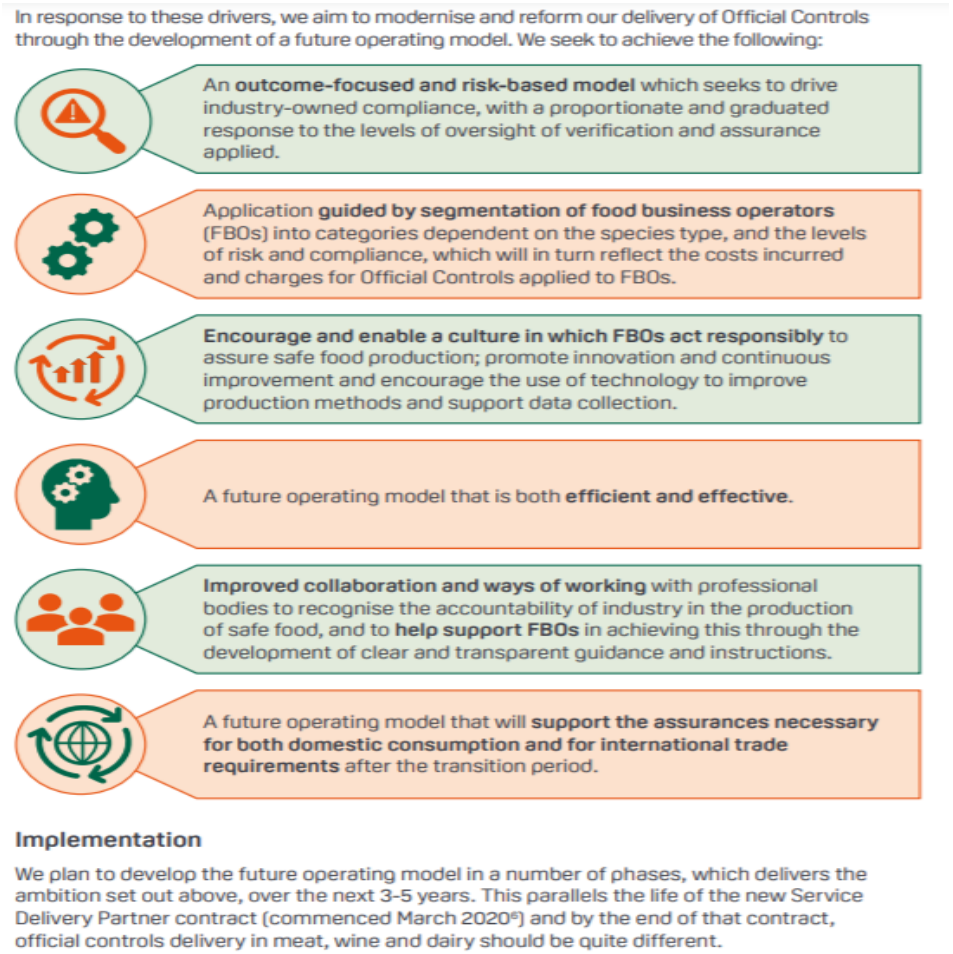
Future plans (2)

Example and why this is best practice

Similarly, the example on this slide from the Food Standards Agency Annual Report and Accounts:

- ✓ Uses clear formatting to highlight each element involved in meeting the overall target;
- ✓ Sets out the planned period for the model to be developed within;
- ✓ Includes a range of graphics, making this section more visually appealing to users;
- ✓ The drivers for change that resulted in this model all link back to the department's 4 strategic priorities.

Figure 14 – Food Standards Agency



Reporting against Single Departmental Plans example (1)

Reporting Issue

Annual reports and accounts should report progress against the objectives set out in Single Departmental Plans [note for 2020-21 entities are required to report against their strategic objectives]. It is important that reporting is fair and balanced, showing instances where performance has been below expectation and goals previously set.

Example and why this is best practice

The example on this slide from the Ministry of Housing, Communities and Local Government Annual Report and Accounts:

- ✓ Provides quantitative data by using prior year comparators – both figures and percentages;
- ✓ Details the department's overall aim and provides a clear explanation on the progress it has made.

Figure 15 - Ministry of Housing Communities and Local Government

2. Make the vision of a place you call home a reality

We continue to make progress with helping the most vulnerable and making access to the housing market fairer. We have set out proposals for the reform of the leasehold housing market, ending unfair practices in the sector. We are introducing a better deal for renters, through the Renters Reform Bill including abolishing no fault evictions and introducing a new lifetime deposit to make moving easier. We have seen good progress in tackling homelessness and rough sleeping and will be providing further support to local authorities through additional funding over the coming year.

What we achieved in 2019-20:

Helping vulnerable people

- A continued reduction in the number of people sleeping rough on a single night **down 411 people (9%)** in Autumn 2019 compared to the previous year (figure 3), with a 32% reduction in areas receiving the Rough Sleeping Initiative funding.
- **36,460** households secured accommodation in October to December 2019 through the new prevention or relief duties under the Homelessness Reduction Act and there was a **37%** reduction in the number of families in Bed & Breakfast accommodation for longer than 6 weeks.

Figure 3

Our performance: Rough sleeping count for England

The total number of people counted or estimated to be sleeping rough on a single night was 4,266. This was down by 411 people or 9% from the 2018 total of 4,677. This is a single night snapshot and is taken annually in England using street counts, evidence-based estimates, and estimates informed by spotlight street counts.

Year	Number of rough sleepers	% change from previous year
2019	4,266	-9
2018	4,677	-2
2017	4,751	15
2016	4,134	-

Reporting against Single Departmental Plans (2)

Example and why this is best practice

Similarly, the example on this slide from the [Department for International trade Annual Report and Accounts]:

- ✓ Provides a visual summary and an explanation on the key metrics used to monitor the departments performance against some of their SDPs;
- ✓ Used prior year comparators to show users the percentage changes (provides both increases and decreases, which builds transparency);

Value of Export Wins in 2019-20

£24.4bn

(10% decrease from 2018-19)

Source: DIT Export Wins Service

Value of ODI Wins in 2019-20

£4.92bn

(23% decrease from 2018-19)

Source: DIT Export Wins Service

Figure 16 – Department for international trade

Exports and Outward Investment

UK Exports of Goods and Services

£690.7bn in 2019-20

(3.6% increase from 2018-19)

Source: ONS Balance of Payments, UK: January to March 2020

UK Exports as a % of GDP in 2019-20

31.1%

(0.4 percentage point increase from 2018-19)

Source: ONS Balance of Payments and GDP quarterly national accounts, UK: January to March 2020

Outward Foreign Direct Investment (ODI) Stock in 2018

£1,409bn

(2.9% increase from 2017)

Source: ONS Foreign direct investment involving UK companies

UK share of goods exports to the world in 2018

2.4%

(0.1 percentage point increase from 2017)

Source: DIT Analysis

In 2019-20, UK exports have risen by 3.6% to £690.7bn, equivalent to 31.1% of GDP. This is against the Government's ambition of 35% of GDP from the 2018 Export Strategy. There was a significant difference in 2019-20 between the first three quarters and the last quarter, where COVID-19 begins to make an impact. As both exports and the wider economy are impacted further, exports as a percentage of GDP is expected to become a more volatile indicator.

Reporting activity by projects and key policies example (1)

Reporting Issue

As a key area of public interest, in order to effectively tell their story, entities should report on the performance of major projects they have responsibility for.

Example and why this is best practice

The example on this slide from High Speed Two (HS2) Annual Report and Accounts:

- ✓ Uses a table to clearly outline the assessment of progress to date. This involved the contract, standard, and ratings of the different infrastructure projects;
- ✓ Provides a clear summary of the project supplemented with more detailed commentary elsewhere in the report.

Figure 17 - High Speed Two (HS2) Ltd

This year we were recognised by CEEQUAL and were awarded the CEEQUAL Exceptional Achievement Director's Corporate Award for our contributions to the development of the BREEAM Infrastructure Scheme (Pilot) and our ongoing input to CEEQUAL Version 6, which is the successor to the BREEAM Infrastructure Scheme (Pilot).

All our Phase One civils' and stations' assessments continue to be on track to achieve our 'excellent' rating target and some of them have submitted their design stage assessments over this period.

For example, our Euston Tunnels and approaches civils contract achieved the first ever BREEAM Excellent rated infrastructure project following their design stage certification, with a score of 82.86%, and Birmingham Interchange station received an interim certificate of an 'Outstanding' BREEAM rating with a score of 86.05%, exceeding our target requirement and meeting our sustainability aspirations.

The table below outlines the assessment progress to date:

Civils station/contract	BREEAM standard	Target rating	Design stage rating
S1 – Euston Tunnels and Approaches S2 – Northolt Tunnels	BREEAM Infrastructure (Pilot)	Excellent (70%)	82.86% (awarded)
C1 – Chiltern Tunnels and Colne Valley Viaduct		Excellent (70%)	77.83% (forecasted)
C2 – North Portal Chiltern Tunnels to Brackley C3 – Brackley to Long Itchington Wood Green Tunnel South Portal		Excellent (70%)	77% (forecasted)
N1 – Long Itchington Wood Green Tunnel to Delta Junction / Birmingham Spur N2 – Delta Junction to West Coast Main Line Tie-in		Excellent (70%)	78.33% (forecasted)
S3 – Euston Station	BREEAM Buildings bespoke criteria (2014)	Excellent (70%)	81.47% (forecasted)
S4 – Old Oak Common Station		Excellent (70%)	83.72% (forecasted)
N3 – Birmingham Interchange Station		Excellent (70%)	86.05% (awarded)
N4 – Curzon Street Station		Excellent (70%)	81.2% (forecasted)

Sustainability reporting examples (1)

Reporting Issue

Entities are expected to provide information on environmental matters, including the impact of the entity's business on the environment. Departments shall report performance against sustainability targets, as set out in the Sustainability Reporting Guidance and provide a description of progress within the financial year.

Example and why this is best practice

The example on this slide from the Department for International Development Annual Report and Accounts:

- ✓ Uses individual graphs to clearly show how progress is being made against each Greening Government Commitment (GGC);
- ✓ Incorporates a RAG system to visually show to users what is on track and what is below target.

Figure 18 – Department for International Development

Greening Government Commitment	Progress from 2009-10 to 2019-20	2009-10 Baseline	2019-20 Performance	2019-20 Target	Progress
Greenhouse Gases		3,831 tCO2e	1,279 tCO2e 67% reduction	1,915.50 tCO2e Aiming for 50% reduction	**Exceeded 2019-20 target**
Domestic Flights		3,610 flights	4,098 flights 14% increase over baseline	2,527 flights Aiming for 30% reduction	**Behind 2019-20 target** Positive progress made in 2019-20
Waste to landfill		18% of waste to landfill	1% waste to landfill	>10% to landfill Aiming for 45% reduction	**Exceeded 2019-20 target**
Recycling		82% of waste recycled	49% of waste recycled	Aiming for 75% of waste recycled	**Behind 2019-20 target** Positive progress made in 2019-20
Paper Consumption		16,003 reams of A4 equivalent	5,313 reams of A4e 67% reduction	8,002 reams of A4e Aiming for 50% reduction	**Exceeded 2019-20 target**
Water		8,459m3	10,958m3 29% increase over baseline	>6,500m3 Aiming for 23% reduction	**Behind 2019-20 target**

Sustainability reporting (2)

Example and why this is best practice

Similar to the previous slide, this example from the Food Standards Agency Annual Report and Accounts :

- ✓ Uses multi-year trend data to show both the amount of energy used by the department and the related expenditure;
- ✓ Builds transparency by providing users with data on the energy consumption by location;
- ✓ Provides commentary on the reason for the increase in energy use and plans to reduce it going forward.

Figure 19 – Food Standards Agency

Sustainability reporting

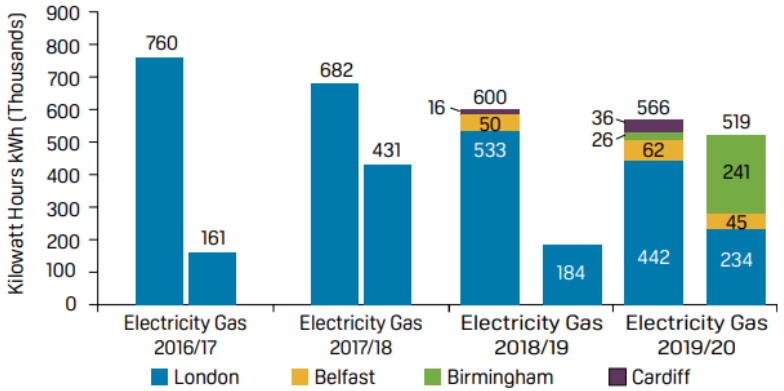
Greenhouse gas emissions – Scope 2 (indirect)[17]

The FSA has increased its focus on sustainability in the reporting year. In early 2019 the FSA moved into its fifth office, Apex House, Birmingham to give a small central location for the FSA's National Food Crime Unit and field-based staff. This increased our accommodation footprint and subsequently saw an increase in our overall energy consumption in this financial year. The figures for the previous two years also include our offices in Wales and Northern Ireland.

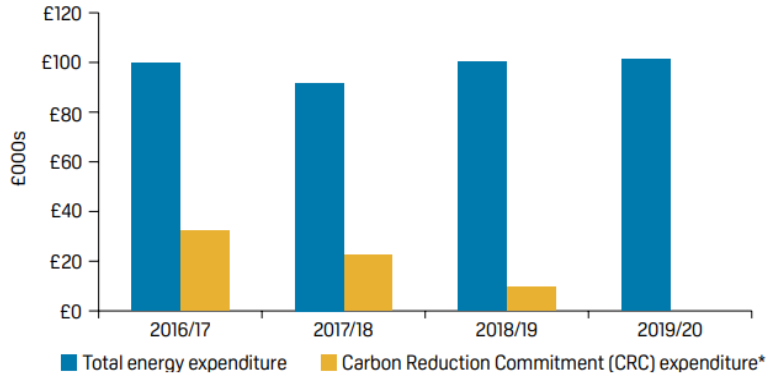
We will continue to work with our landlords to better understand the energy usage information they provide to us, and to deploy approaches to further reduce our energy consumption across our estate.

The FSA's CRC charge ceased in 2019/20 as this is now paid by our Landlord rather than directly by the FSA as a result of the FSA moving to Clive House in London.

Energy consumption by building



Expenditure



*Carbon Reduction Commitment was a UK mandatory scheme aiming to cut carbon emissions by 1.2 million tonnes of carbon per year by 2020.

Disclosures on the impact of COVID-19 examples (1)

Additional reporting requirement

The government has undertaken a major programme of work to respond to the COVID-19 pandemic and entities are required to provide a balanced narrative of the impact of COVID-19 on activities and outcomes for 2020-21.

Therefore, they must reflect this in their performance reports, drawing on the full range of information they hold to offer insight into the use of public funds in the response, future objectives and risks and where these are expected to be significantly different in future reporting periods.

Example and why this is best practice

The example on this slide from HM Revenues & Customs Annual Report and Accounts:

- ✓ Shows a clear focus on summary spend in response to the pandemic;
- ✓ Uses concise plain English to provide further detail on these support measures.

Figure 20 – HM Revenue & Customs

How we're supporting the government's response to COVID-19

By 30 September 2020, there had been:

£39.2bn

in grants claimed under the Coronavirus Job Retention Scheme (in support of staff furloughed to the end of August) and **9.6m jobs furloughed***

By 31 July 2020, there were:

£7.6bn

in grants claimed under the first phase of the Self Employment Income Support Scheme, with **£5.7bn in grants claimed** under the second phase by 30 September

By 27 August 2020, there were:

over 84k**

restaurants registered to the Eat Out to Help Out scheme, with **£522m in claims** as at 31 August 2020

Between 11 March and 30 September 2020 there were:

over 1m

calls answered by call handlers and **over 366k webchats handled**

* This is calculated as the sum of the maximum number of employees furloughed by each PAYE scheme that has made a claim.

** This is calculated by the number of individual restaurant premises that are registered to take part in the scheme, across the UK.

Disclosure on Covid-19 (2)

Example and why this is best practice

HMRC continues to detail the impact of the pandemic on its operations both as part of its immediate response and into the next reporting period. This summary:

- ✓ Uses a diagram to set out a clear timeline of events since the pandemic started in March 2020;
- ✓ Incorporates a colour scheme to provide users with a visual representation on the different areas of support measures that have been introduced.
- ✓ Goes beyond the minimum requirements by providing additional information after the end of the financial year, which recognises the importance of this data for users.

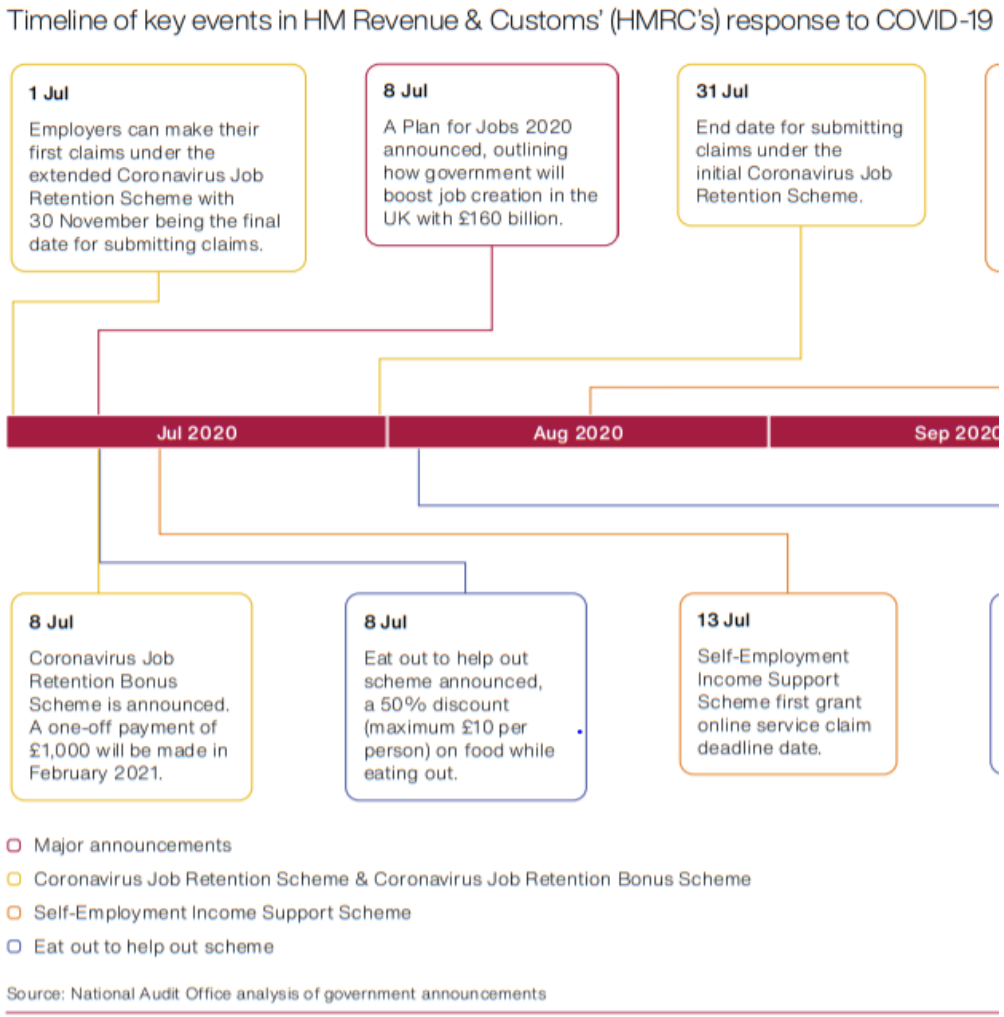


Figure 21 – HM Revenues & Customs

Disclosure on Covid-19 (3)

Example and why this is best practice

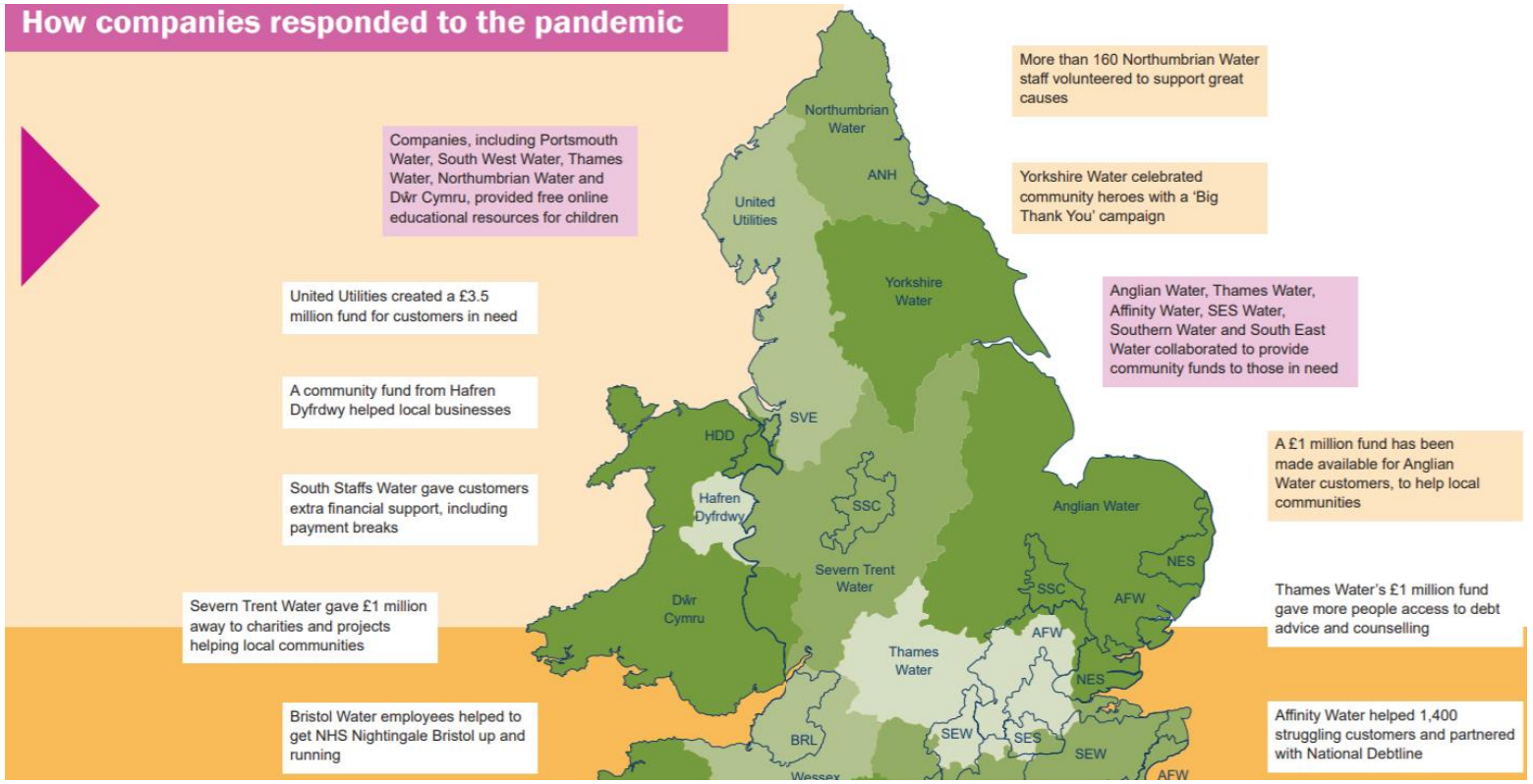
Similar to the previous slide, the example on this slide from The Water Services Regulation Authority Annual Report and Accounts:

- ✓ Uses an infographic to map the different responses made across the UK in relation to the pandemic;
- ✓ This is a visually appealing way of presenting the departments response, therefore increasing user engagement.

Further examples on the impact of Covid-19:

- Risk reporting
- Financial reporting

Figure 22 – The Water Services Regulation Authority



Disclosure on EU exit examples (1)

Additional reporting requirement

The government has undertaken major programmes of work to prepare for and deliver the UK's exit from the EU. Entities must therefore reflect this in their performance reports, drawing on the full range of information they hold to provide a balanced narrative between performance, future objectives and risks, where details are known and expected to be significantly different in future reporting periods.

Example and why this is best practice

In this example the Department for Business, Energy and Industrial Strategy Annual Reports and Accounts:

- ✓ Has highlighted its major programmes to show users how it has responded to the UK leaving the EU;
- ✓ Provided detailed information on what mitigating activities were undertaken, in order to reduce identified risks;
- ✓ Uses Icons within the table to map the risk to the relevant departmental objective(s), which have already been highlighted earlier on in the report.

Figure 23 –Department for Business, Energy and Industrial Strategy

Prepared businesses for EU Exit by creating a £15 million Business Readiness Fund for business groups and trade associations to help firms prepare and running the Brexit Business Readiness Roadshow with more than 30 events over five weeks spanning the breadth of the UK.

Created new legislation to lay the groundwork for our future outside the EU, covering areas such as product safety and metrology, employment rights, carbon emissions and renewable energy.

Closed or deescalated risks	Mitigating activities	Narrative
Failure to prepare for EU Exit	→ We have continuously assessed delivery requirements and developed a prioritisation strategy to manage EU Exit work. → We have redeployed and mobilised staff to priority EU Exit areas. → We have worked with other government departments to ensure a coherent cross-Whitehall governance structure for negotiations and identify and resolve strategic trade-offs. → We have engaged with HM Treasury to develop a strong evidence base, based on a sectoral analysis of impacts, to refine low-alignment scenario planning and refine BEIS's flexible business support package. → We have led broad engagement with businesses, in coordination with other government departments, to deliver readiness messaging, as well as developing material, including online checklists and a self-certification tool for businesses.	The changing nature of the challenges of Brexit and the impact of external factors resulted in this risk remaining high through most of the financial year with an improved picture towards the point when the risk was closed.

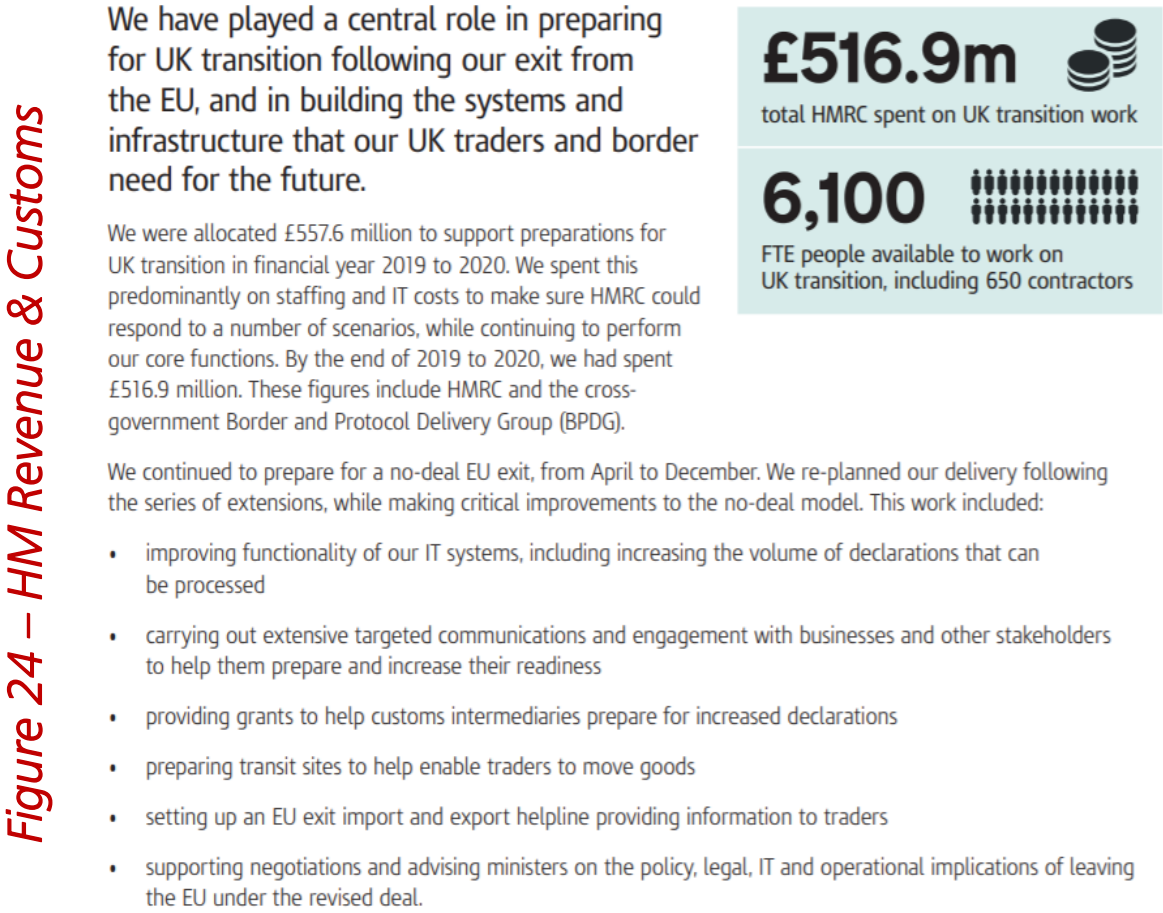
Disclosure on EU exit (2)

Example and why this is best practice

Similar to the previous slide, the e example on this slide from HM Revenue & Customs Annual Report and Accounts:

- ✓ Highlights the response the department has made in relation to preparing for the EU exit;
- ✓ Uses clear and simple language, which makes this section easier for a wide range of people to read;
- ✓ Provides a clear focus on summary data, which capture users attention.

Figure 24 – HM Revenue & Customs



We have played a central role in preparing for UK transition following our exit from the EU, and in building the systems and infrastructure that our UK traders and border need for the future.

£516.9m
total HMRC spent on UK transition work

6,100
FTE people available to work on UK transition, including 650 contractors

We were allocated £557.6 million to support preparations for UK transition in financial year 2019 to 2020. We spent this predominantly on staffing and IT costs to make sure HMRC could respond to a number of scenarios, while continuing to perform our core functions. By the end of 2019 to 2020, we had spent £516.9 million. These figures include HMRC and the cross-government Border and Protocol Delivery Group (BPDG).

We continued to prepare for a no-deal EU exit, from April to December. We re-planned our delivery following the series of extensions, while making critical improvements to the no-deal model. This work included:

- improving functionality of our IT systems, including increasing the volume of declarations that can be processed
- carrying out extensive targeted communications and engagement with businesses and other stakeholders to help them prepare and increase their readiness
- providing grants to help customs intermediaries prepare for increased declarations
- preparing transit sites to help enable traders to move goods
- setting up an EU exit import and export helpline providing information to traders
- supporting negotiations and advising ministers on the policy, legal, IT and operational implications of leaving the EU under the revised deal.

Chapter 3 – **Accountability Reporting**

What should accounts preparers consider in Accountability Reporting?

Meet key accountability requirements to Parliament, being the **primary user** of annual report and accounts.

Disclosures should be presented in a way that **meets the needs of users.**

Ensure all disclosure requirements are met within the report.

What is required within the Accountability Report?

- The accountability report is made up of three sections: **A Corporate Governance Report**; a **Remuneration and Staff Report**, and a **Parliamentary Accountability and Audit Report.**
- Entities should provide an overview of these sections and explain how they contribute to an entity's accountability.

Further information can be found on this within the 20-21 FReM (Government Financial Reporting Manual).

This chapter highlights some examples of best practice in accountability reporting in departmental ARA's.

Risk reporting and Governance examples (1)

Reporting Issue

Risk reporting appears in both the performance and accountability reports in ARAs. The performance report should provide information on the risk profile of the organisation – the risks it faces, how risks have affected the organisation in achieving its objectives, how they have been mitigated and managed throughout the period and how this may affect future plans and performance.

Example and why this is best practice

The example on this slide from the Department for Business, Energy and Industrial Strategy Annual Reports and Accounts:

- ✓ Presents the risks facing the organisation, alongside the risk direction (how the risk has developed throughout the year), severity and the mitigating activities being undertaken;
- ✓ Uses Icons within the table to map the risk to the relevant departmental objective(s), which have been highlighted earlier on in their annual report.

Figure 25 – Department for Business, Energy and Industrial Strategy

Risk	Mitigating activities	Risk severity and direction of risk trend
Sensitive information is lost or compromised through cyber-attack, theft, mistakes or leaks, or a security incident at work harms BEIS ministers, staff or visitors.	→ We continue to develop a culture of security through staff awareness campaigns to reinforce simple security behaviours – technical and physical defences are not enough on their own. → We continue to maintain strong and tested cyber defences. → We are building a more coherent approach to personnel security to mitigate the insider threat and minimise the security vulnerabilities caused by staff mistakes. → We maintain a risk-adjusted and systematic approach to monitoring and assuring security in BEIS and its Partner Organisations. → We are working with other government departments to realise the benefits of security centralisation and professionalism across government.	H BEIS is satisfied that all possible avenues are in place to mitigate this risk, however, the rating remains high due to the increasing nature of cyber-attacks and reflecting the importance of staff safety.
Failure to attract, develop and retain sufficiently skilled staff and support their wellbeing	→ We have ensured senior leaders maintain oversight of teams, tracking that leave is taken, hours worked are proportionate and flexible working options are considered. → We carried out extensive workforce planning to develop resourcing plans, ensure the correct mix of grades in each profession, and review strategy and international capability. → We actively monitor the results of our People survey to improve staff retention with new learning and development packages and the appointment of Wellbeing Champions. → We carry out an annual Wellbeing survey and act on the results.	H Over the financial year this risk has increased due to the increasing remit of the Department.

Risk reporting and Governance (2)

Example and why this is best practice

This example from the Department for Education Annual Report and Accounts:

- ✓ Presents the risks facing the organisation;
- ✓ Graphically shows the risk direction and severity (how the risk has developed throughout the year);
- ✓ Sets out who owns each risk, and the mitigating activities being undertaken;
- ✓ Provides detail on the resulting risk from the mitigations.

Figure 26 – Department for Education

Risk	Mitigation	Direction	Relative severity
We fail to have in place enough critical resource to deliver Corporate Services Reform Programme (CSRP) activities. **Risk owned by Operations Group**	CSRP is a key transformation programme delivering change across the Department's corporate services including HR, financial, and commercial systems. This risk was escalated during Q3 2019-20 and relates to specialist resource to support delivery go-live during Q1 2020-21. Key roles have now been identified and recruitment is in progress including knowledge retention plans. This risk is expected to be relatively short term and reduce in severity over the next period. Risk will be closed when the programme is completed.	Stable	High H
We are unable to deliver timely and accurate 2020/21 allocations to the education and skills sectors. **Risk owned by ESFA**	This risk was escalated during the latter half of 2019-20 to reflect the impact of Spending Review timing, General Election and associated policy decisions and changes. We established a communication plan to enable close co-ordinated working with the sector, collaborated with policy colleagues and ensured sufficient information was made available at the right time to inform decisions and planning. This included publishing key policy information and securing timely ministerial decisions. The timely announcement of the 2020/21 Dedicated Schools Grant allocations in December and securing key decisions had a positive effect and the risk has been de-escalated. ESFA are still managing a low risk to a subset of the sector, as by end February 2020 a small number of local authorities are yet to finalise budgets.	Downward trend	Medium M

Risk reporting and Governance (3)

Reporting Issue

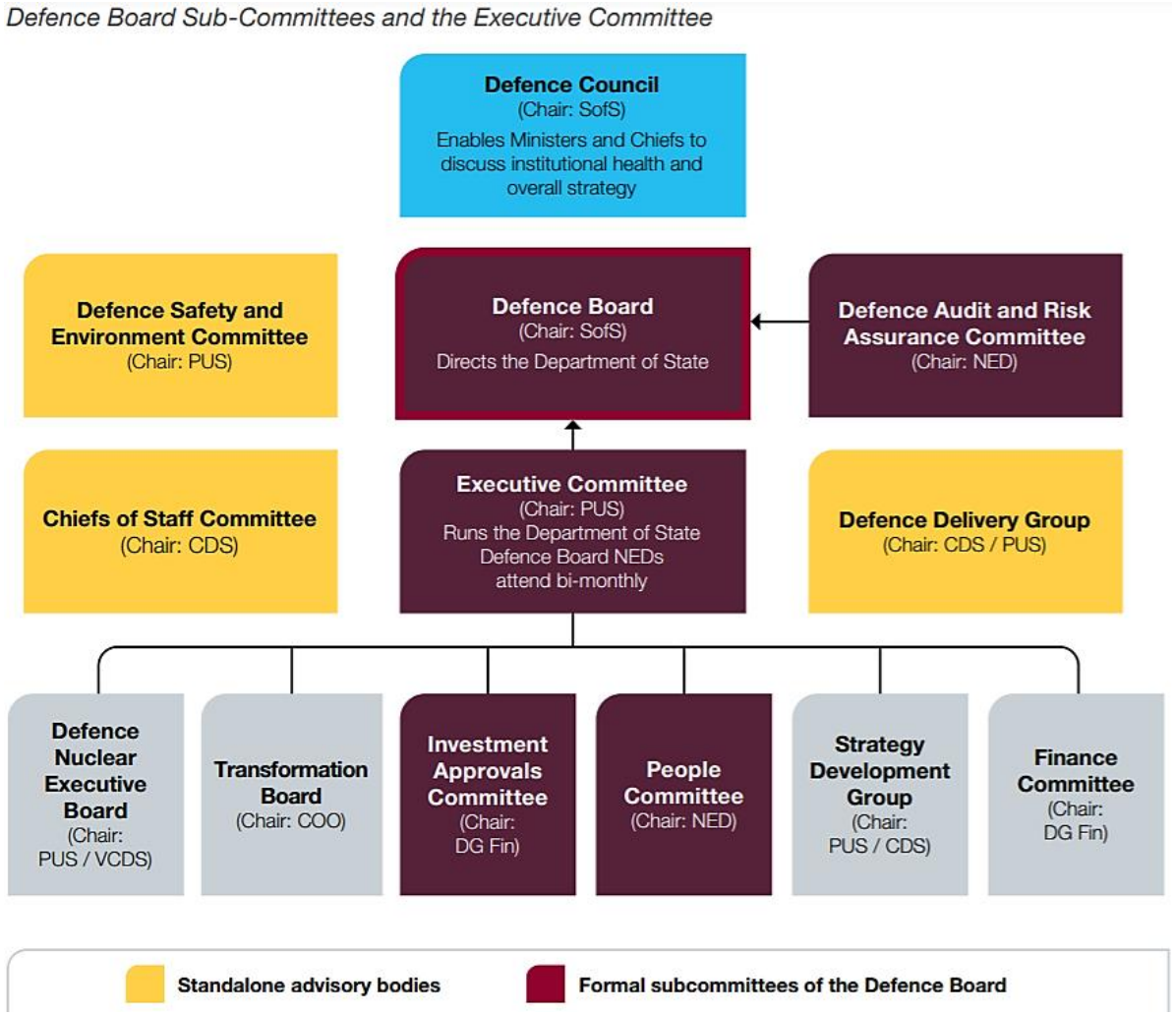
The accountability report should explain the responsibilities for risk management and internal control systems and the ongoing process and structures used to identify, evaluate and manage the principal and emerging risks faced.

Example and why this is best practice

The example on this slide from the [Ministry of Defence Annual Report and Accounts]:

- ✓ Effectively represents the Board using a clear organogram;
- ✓ Uses a colour scheme, allowing users to easily identify each committee to provide additional context.

Figure 27 – Ministry of Defence



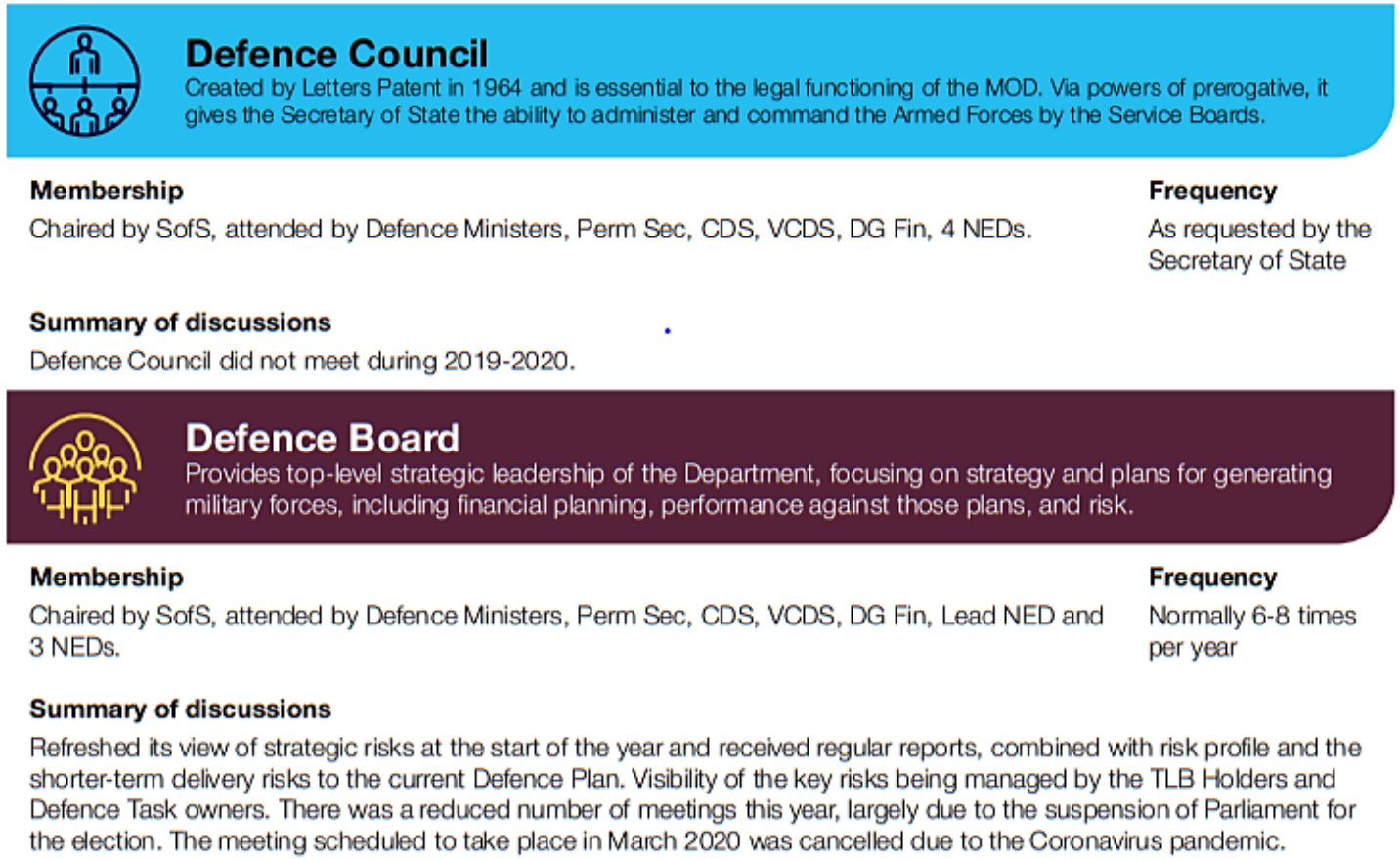
Risk reporting and Governance (4)

Example and why this is best practice

The slide continues the example from the MoD:

- ✓ Gives a brief description on the different responsibilities across the board;
- ✓ Includes detail on the discussions made throughout the year;
- ✓ Includes information on the frequency of meetings;
- ✓ Uses the same colour scheme as the organogram for ease of reference.

Figure 27a – Ministry of Defence



Defence Council

Created by Letters Patent in 1964 and is essential to the legal functioning of the MOD. Via powers of prerogative, it gives the Secretary of State the ability to administer and command the Armed Forces by the Service Boards.

Membership

Chaired by SofS, attended by Defence Ministers, Perm Sec, CDS, VCDS, DG Fin, 4 NEDs.

Frequency

As requested by the Secretary of State

Summary of discussions

Defence Council did not meet during 2019-2020.

Defence Board

Provides top-level strategic leadership of the Department, focusing on strategy and plans for generating military forces, including financial planning, performance against those plans, and risk.

Membership

Chaired by SofS, attended by Defence Ministers, Perm Sec, CDS, VCDS, DG Fin, Lead NED and 3 NEDs.

Frequency

Normally 6-8 times per year

Summary of discussions

Refreshed its view of strategic risks at the start of the year and received regular reports, combined with risk profile and the shorter-term delivery risks to the current Defence Plan. Visibility of the key risks being managed by the TLB Holders and Defence Task owners. There was a reduced number of meetings this year, largely due to the suspension of Parliament for the election. The meeting scheduled to take place in March 2020 was cancelled due to the Coronavirus pandemic.

Risk reporting in relation to Covid-19 examples (1)

Additional reporting requirement

Departments should go beyond the minimum level of reporting wherever possible. To support parliamentary accountability, it is important that the ARAs demonstrate what departments have achieved with the resources made available to them.

Example and why this is best practice

The example on this slide from the United Kingdom Atomic Energy Authority Annual Report and Accounts:

- ✓ Identifies the key risk factor(s) from the COVID-19 pandemic;
- ✓ Links the risks to the departments strategic priorities through coloured pie segments.

Figure 28 – United Kingdom Atomic Energy Authority

WORLD LEADING RESEARCH
Be a world leader in fusion research and development

ECONOMIC GROWTH
Drive economic growth and high-tech jobs in the UK

FUSION DELIVERY
Enable the delivery of sustainable fusion power plants

PEOPLE & PLACES
Create places that accelerate innovation and develop skilled people for industry to thrive

RELATES TO ALL

KEY RISKS FROM COVID-19	STRATEGIC PRIORITY
Continuing impact of COVID-19 causes milestone slippage, loss of fusion progress and funding.	
Reduced working efficiency, due to the move to remote working, impacts short term delivery.	
Failure to embed new ways of working and take our people with us on the journey impacts long term delivery.	
COVID-19 damages development of UK fusion supply chain.	
Challenging economic landscape exposes UKAEA to the risk of supply chain failure.	
Delays to construction impact major building project timescales, causing potential shift of spend and delivery.	

Risk reporting in relation to Covid-19 (2)

Example and why this is best practice

The example on this slide from HM Prison and Probation Service Annual Report and Accounts:

- ✓ Identifies the key risk factor from the COVID-19 pandemic;
- ✓ Links the risk to the departments strategic principles;
- ✓ Provides a detailed explanation on the risk and the key mitigations they have undertaken;
- ✓ Graphically shows the impact on risk.

Figure 29 – HM Prison and Probation Service

HMPPS strategic principles:	
1) Enable people to be their best	3) Transform through partnerships
2) An open, learning culture	4) Modernise our estates and technology

Specific operational issues		
Topic: COVID-19 – principles 2, 3, 4		
Detail	**Key mitigations**	**Impact on risk**
The impact of COVID-19 on the business created the potential risk of the inability to provide a functioning service, resulting from any or all of the following: population exceeding available capacity and headroom required to compartmentalise prisoners effectively; disorder and instability; explosive COVID-19 outbreaks leading to hospitalisations and deaths; insufficient Personal Protective Equipment (PPE) and testing; and loss of staff confidence risking walk-outs. Measures taken mean these risks have been mitigated to reduce their impact or avoided to date.	• Effective partnership with Public Health England (PHE)/ Public Health Wales (PHW) to manage health risks. • Effective partnership and planning to purchase PPE ahead of forecasted 14-day and 28-day demand. • Effective partnership and planning to provide testing to symptomatic prison and probation staff and prisoners. • Increasing headroom to around 5,500 by June 2020 through additional temporary accommodation and increased early release. • Boosting staffing resilience at the frontline through pay incentives, redeployment of HQ staff and offers to former staff to return on temporary contracts; delivering exceptional regime management plans that prioritise: meals, medication and health services; prisoner safety and welfare; and family contact. • Strong support for staff and trade union engagement locally and nationally.	⟷

Risk reporting in relation to Covid-19 (3)

Example and why this is best practice

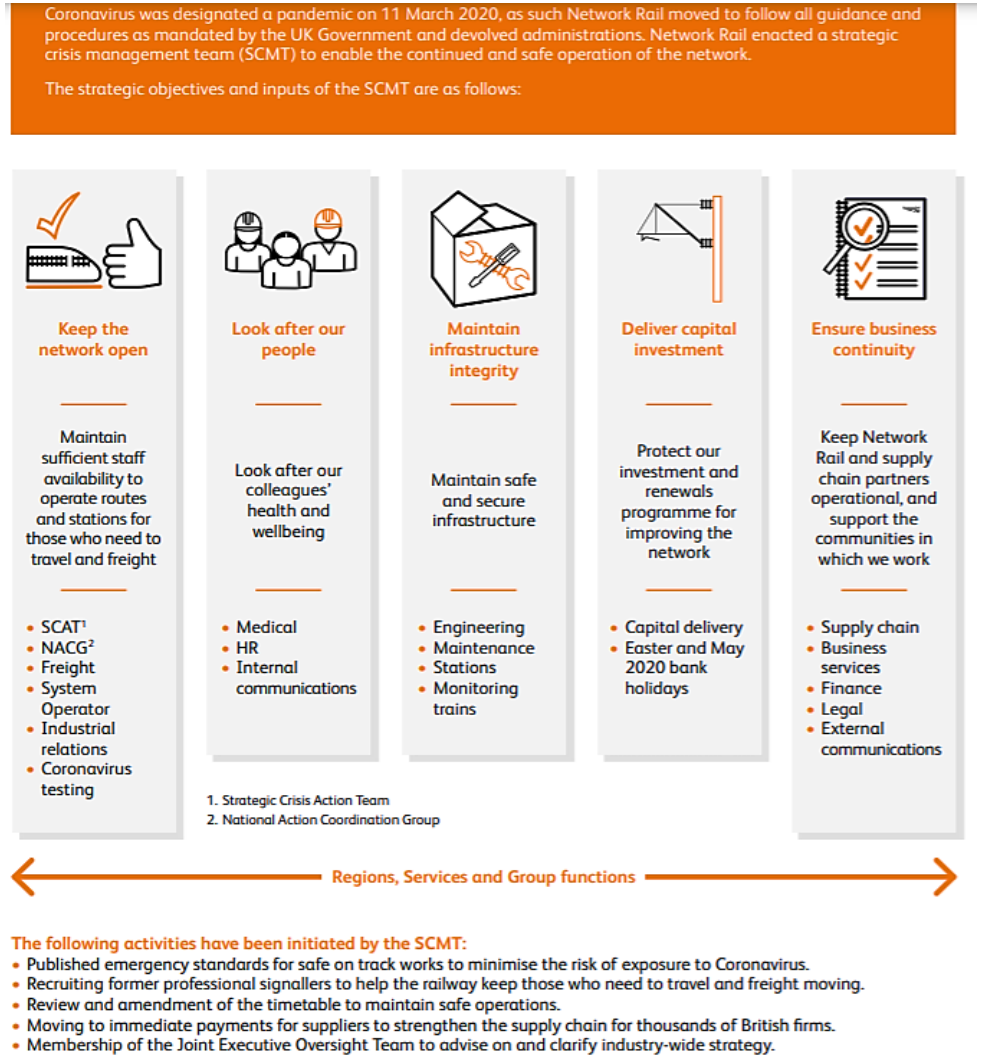
Similarly, the example on this slide from Network Rail Annual Report and Accounts:

- ✓ Clearly outlining strategies that have been implemented as a result of the pandemic;
- ✓ Providing detail on how each objective is managed/who is managing it;
- ✓ Using a variety of graphics, making this section more visually appealing.

Further examples on the impact of Covid-19:

- Performance reporting
- Financial reporting

Figure 30 – Network Rail



Remuneration disclosures examples (1)

Reporting Issue

The remuneration and staff report sets out the entity's remuneration policy for directors, reports on how that policy has been implemented and sets out the amounts awarded to directors and where relevant, the link between performance and remuneration. In addition, the report provides details on remuneration and staff that Parliament and other users see as key to accountability.

Example and why this is best practice

The example on this slide from the Department for International trade Annual Report and Accounts:

- ✓ Provides information including a breakdown by headcount and detailed breakdown of spend category (Civil Servants, Ministers etc) in a clear format;
- ✓ Uses a prior year comparator to show changes.

Figure 31 – Department for International Trade

Staff costs

The cost of people engaged in delivering DIT's objectives is disclosed in the table below. DIT is recharged the full costs of all FCO staff overseas and at DIT headquarters who spend more than 50 per cent of their role on DIT objectives. This table has been subject to audit.

	Civil Servants £000	Other Staff[1] £000	Ministers £000	Special Advisors[2] £000	UK based Civil Servants working overseas £000	Local Staff £000	Total 2019-20 £000	Total 2018-19 £000
Wages and salaries	90,505	9,585	125	47	13,490	46,665	160,417	133,894
Social security costs	10,150	1,202	14	9	316	-	11,691	9,705
Other pension costs	23,369	2,794	-	13	2,243	4,970	33,389	25,369
Agency and temporary staff	-	33,273	-	-	-	-	33,273	25,621
Voluntary Exit Scheme	-	-	-	-	-	-	-	-
Compulsory exits	71	-	-	-	-	173	244	1,217
Other departures	-	-	25	25	-	-	50	179
Recoveries from outward secondments	(382)	-	-	-	-	-	(382)	(264)
Total staff costs	**123,713**	**46,854**	**164**	**94**	**16,049**	**51,808**	**238,682**	**195,721**

Remuneration disclosures (1a)

Example and why this is best practice

The example follows on from the previous slide, from the Department for International Trade (DIT):

- ✓ Provides information including a breakdown by headcount and detailed breakdown of spend category (Civil Servants, Ministers etc) in a clear format;
- ✓ Uses a prior year comparator to show changes.

Figure 31a – Department for International Trade

Staff numbers

The average number of full-time equivalent (FTE) persons employed during the year (from 1 April 2019 to 31 March 2020) was as follows. The average number of FTE persons employed during the previous year (from 1 April 2018 to 31 March 2019) is also shown for comparison purposes.

This table has been subject to audit.

Average number of staff (FTE)[1]	2019-20	2018-19
Permanently employed[2]	1,998	1,671
Other Staff[3]	538	464
Ministers	3	4
Special Advisors[4]	2	2
Overseas[5]		
UK Based	149	145
Local Staff	1,240	1,184
Total	**3,930**	**3,470**

Number of Senior Civil Servants by pay band (FTE)

Range	2019-20	2018-19
SCS1	106	97
SCS2	38	28
SCS3	5	4
SCS4	2	2
Total	**151**	**131**

Statement of Outturn Against Parliamentary Supply example (1)

Reporting Issue

The Statement of Outturn against Parliamentary Supply (SOPS) is unique to the public sector and shows the year end outturn against the Supply voted earlier in the year by Parliament. It is a key accountability statement, showing whether entities have operated within the limits (also termed control totals) which Parliament has provided statutory approval for. As part of the Statement of Outturn against Parliamentary Supply. It is important that variances between the Estimates and the actual spend of a department are explained clearly and effectively, and are linked to data elsewhere in the report to reflect a cohesive picture of performance.

Example and why this is best practice

The example on the next slide from the Department for Education Annual Report and Accounts:

- ✓ Includes a breakdown by budget type to show a clear comparison between the planned spend and the actual outturn of each estimate line;
- ✓ Provides a brief and understandable explanation for the variance within each Estimate line;
- ✓ Includes a graph to visually show the 'year on year' variance.

Statement of Outturn Against Parliamentary Supply (1a)

Figure 32– Department for Education

Type of spend	2019-20 Budget £m	2019-20 Outturn £m	2019-20 Variance £m	2018-19 Budget £m	2018-19 Outturn £m	2018-19 Variance £m
Departmental Expenditure Limit	**85,853**	**84,274**	**1,579**	**83,501**	**73,302**	**10,199**
Resource	80,941	79,410	1,531	77,977	67,900	10,077
of which cash	63,989	63,539	450	62,294	61,623	671
of which non-cash	16,952	15,871	1,081	15,683	6,277	9,406
Capital	4,912	4,864	48	5,524	5,402	122
Annually Managed Expenditure	**21,650**	**19,243**	**2,407**	**21,412**	**14,602**	**6,810**
Resource	(889)	(1,739)	850	(1,341)	(1,029)	(312)
Capital	22,539	20,982	1,557	22,753	15,631	7,122
Total Managed Expenditure	**107,503**	**103,517**	**3,986**	**104,913**	**87,904**	**17,009**

Resource DEL cash

The underspend of £450 million is primarily driven by unused budget cover set aside at Supplementary Estimates to cover volatility in demand-led programmes such as apprenticeships and higher education.

Resource DEL non-cash

The non-cash underspend of £1.1 billion reflects unused budget cover set aside for potential volatility of student loan book impairment (which is still applied for budgetary purposes even though not for accounting).

The movement in impairment is dependent on the year end student loan carrying value; which is itself dependent upon the Office for Budgetary Responsibility's (OBR's) macroeconomic forecasts, including earnings, RPI and the Bank of England base rate. All of these year end valuation inputs are published after Supplementary Estimates are finalised.

Capital DEL

The underspend of £48 million is primarily due to a combination of lower than anticipated capital spend on demand driven activities.

Capital AME

The underspend of £1.6 billion is a result of unused budget cover set aside at Supplementary Estimates to cover the volatility in student loan outlay, capitalised interest and repayments. These year end balances are dependent on macroeconomic forecasts, published by the OBR after Supplementary Estimates are finalised.

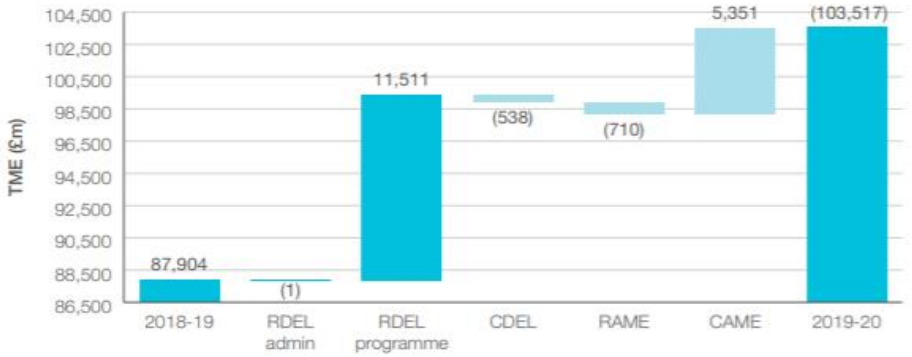
Resource AME

The underspend of £850 million is a result of the final outturn being lower than the budget cover that the Department requested at Supplementary Estimates for the expected volatility in effective interest relating to student loans (which is still recognised for budgetary purposes).

Year-on-year variance

The Department's TME has increased by £15.6 billion from £87.9 billion in 2018-19 to £103.5 billion in 2019-20.

The graph below shows the increase of TME from 2018-19 to 2019-20.



The increase is primarily due to the following factors:

- **RDEL programme:** the increase of £11.5 billion since 2018-19 is primarily driven by an increase in the non-cash expenditure driven by spending on student loan impairment, including those elements driven by changes to macroeconomic forecasts
- **Capital DEL:** the £538 million decrease from 2018-19 is primarily driven by one-off capital grants to schools made in 2018-19 which did not reoccur in 2019-20
- **Resource AME:** the reduction of £710 million is due to an increase in both resource AME income offset by an increase in expenditure. This is mainly due to the volatility of effective interest applied to student loans and the impacts of changes in macroeconomic forecasts
- **Capital AME:** the increase of £5.4 billion is mainly driven by the impact in 2018-19 of the second student loan sale, in addition to an increase in capitalised interest, and a slight increase in student loan outlay

Diversity & Inclusion disclosures examples (1)

Reporting Issue

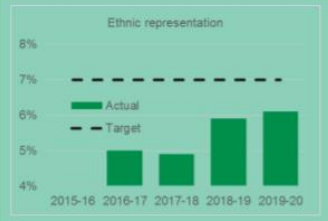
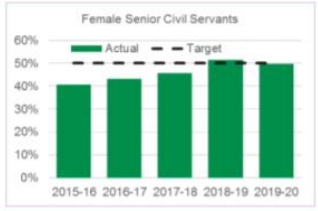
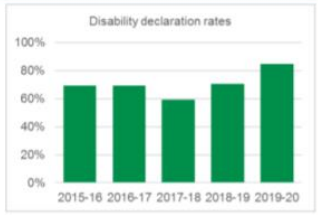
Entities are encouraged to include details and narrative of their diversity and inclusion policies, initiatives and longer-term ambitions in the staff report.

Example and why this is best practice

The example on the slide from the Department for the Environment, Food and Rural Affairs Annual Report and Accounts details a significant volume of data in one simple table:

- ✓ Uses trend data to clearly show the percentage change on each indicator over a period of time;
- ✓ Provides commentary based on the trends and targets;
- ✓ Incorporates a RAG system to visually show to users what is on track and what is not meeting targets.

Figure 33 – Department for Environment, Food and Rural Affairs

Indicator	2018–19	2019–20	Trends and targets	Commentary
BAME staff	5.9%	6.1%		There has been a small increase in the representation rate in 2019–20. We encourage staff to participate in programmes and projects such as Positive Action Pathways and Project Race initiatives. A new approved Diversity and Inclusion Strategy for 2020-24 is designed to take a unified approach across the core department and ALBs
Gender balance within the Senior Civil Service (SCS)	46% female	47.4% female		This has remained fairly constant in 2019–20 but has improved by 7.7 percent since March 2017. The Defra SCS Civil Service is 49 percent a reduction of 2 percent since March 2019.
Disability declaration rates	70.5%	84.9%		The increase in declarations is the result of a simplification of the declaration page on Defra's HR IT system. The Civil Service average declaration rate is 72 percent.

Diversity & Inclusion (2)

Example and why this is best practice

Similar to the previous slide, the example on this slide from the Foreign & Commonwealth Office Annual Report and Accounts:

- ✓ Gives a visual overview of recruitment for the year;
- ✓ Provides the percentage recruited from each category of protected characteristics in a clear and visually appealing way;
- ✓ Uses clear formatting, allowing users to easily compare between the different recruitments.

Figure 34 – Foreign and Commonwealth Office

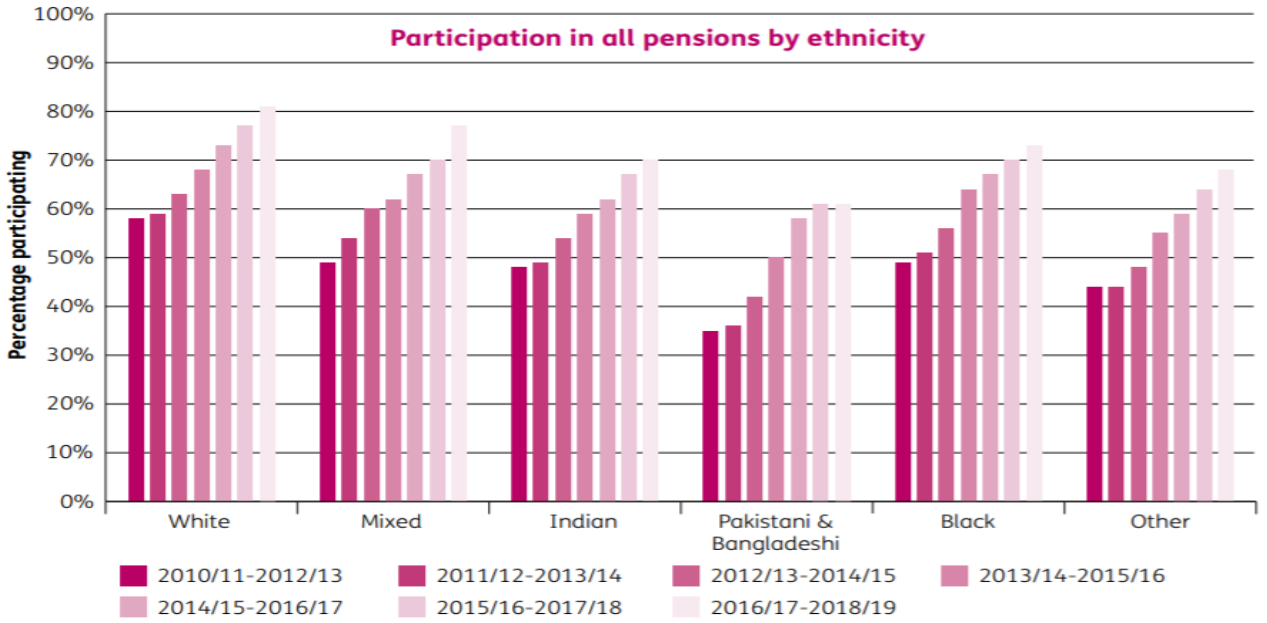
Diversity & Inclusion (3)

Example and why this is best practice

In this example, the Department for Work and Pensions Annual Report and Account:

- ✓ Uses multiple-year trend data to clearly show the percentage change of the participation in all pensions by each ethnic group over a period of time;
- ✓ The chart allows users to easily compare between the data.

Figure 35 – Department for Work and Pensions



"* Ethnicity analysis used a three year rolling average in order to account for volatility in single year results which are caused by small sample sizes and clustering effects."

Diversity & Inclusion (4)

Example and why this is best practice

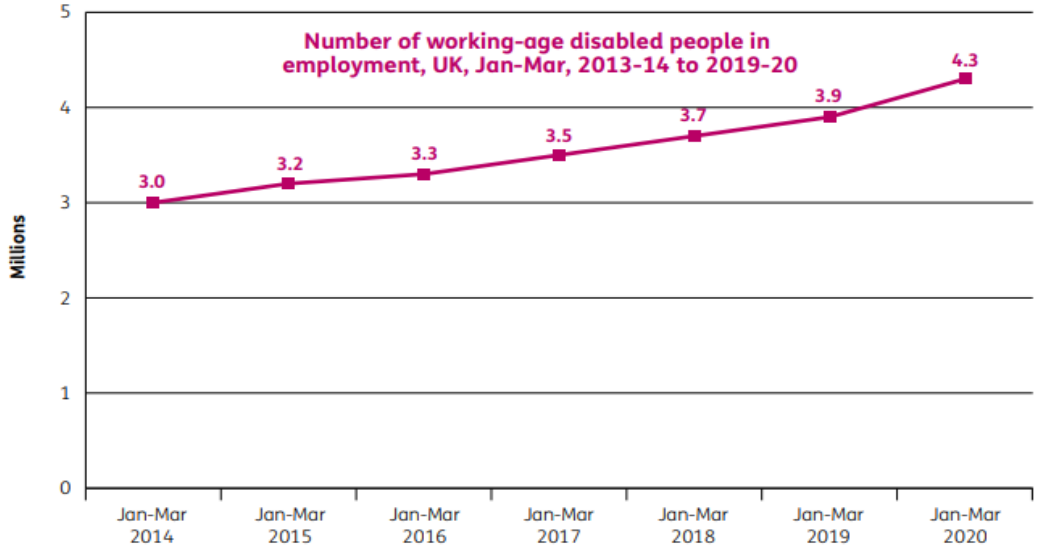
Similarly, the example on this slide from [Department for Work and Pensions Annual Report and Account]:

- ✓ Uses multiple-year trend data to clearly show the increase in working-age disabled people over time;
- ✓ Provides brief, but sufficient commentary in relation to the figures the graph presents.

Figure 36 – Department for Work and Pensions

The UK employment rate of working-age disabled people during January to March 2020 was 53.8%. This has increased by 9.5 percentage points over the last six years, from 44.2% in January to March 2014, the earliest comparable figure.

Over this period the number of disabled people in employment has increased by 1.4 million to a total of 4.3 million people.



This indicator is measured using data from the Labour Force Survey published each quarter by the Office for National Statistics (ONS). The data is not seasonally adjusted so only year-on-year comparisons between equivalent quarters should be made.

Staff turnover disclosures example (1)

Reporting Issue

Parliament has shown particular interest in the level of staff turnover within government organisations. In response. entities will be required to disclose this information (on a comply or explain basis) from 2020-21 however, some organisations are already doing so. Where it is provided, information should give sufficient explanation and context.

Example and why this is best practice

The example on the slide from the Ministry of Justice Annual Report and Accounts:

- ✓ Includes the staff turnover percentage with a prior year comparator;
- ✓ Goes beyond the minimum requirements and includes the 'Departmental turnover' as well;
- ✓ Provides a brief, but sufficient explanation in regards to the data.

Figure 37 – Ministry of Justice

Staff turnover

Staff turnover for the Department and its agencies is shown below. The Department continues to monitor turnover rates and support initiatives to maintain a healthy level of turnover. The annual Civil Service People Survey, coupled with other research, helps us to understand our people's experience of working in the Ministry of Justice and take appropriate action to improve effectiveness, including where turnover becomes problematic.

	2019-20		2018-19	
	Turnover	Departmental turnover	Turnover	Departmental turnover
MoJ HQ	8.2%	16.0%	9.0%	15.4%
HMPPS	10.1%	10.7%	9.7%	10.1%
HMCTS	9.1%	11.1%	10.0%	11.3%
OPG	5.3%	11.4%	5.7%	10.2%
LAA	4.2%	7.3%	4.1%	6.4%
CICA	5.9%	14.2%	10.7%	15.4%

Note: Transfers of staff within the Civil Service are included in 'Departmental turnover' and excluded from 'Turnover'.

Sickness absence disclosures example (1)

Reporting Issue

The staff report must include sickness absence information for all entities. It is important that the staff report disclosures are presented in a way that meets the needs of users.

Example and why this is best practice

The example on the slide from the Health and Safety Executive Annual Report and Accounts:

- ✓ Uses multi-year trend data on a line graph, to clearly show the average working days lost;
- ✓ Provides a brief, but sufficient explanation in regards to the data shown.

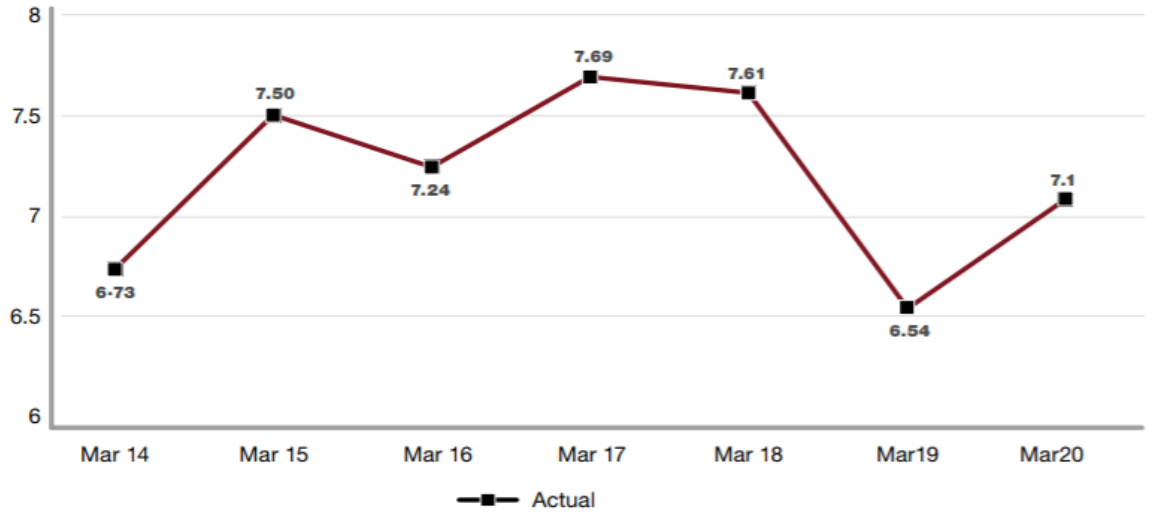
Figure 38 - Health and Safety Executive

Sickness absence data

The 2019/20 figure for average working days lost per FTE is 7.10 days in comparison to 6.54 days per FTE in 2018/19.

Although the target set in our Business Plan to achieve an average working days lost of 6 days per FTE was not met, support continues to be given to managers to deal with attendance issues in particular for long-term absences. As part of our Health, Safety and Wellbeing Strategy there are now health, safety and wellbeing business partners who are supporting managers and staff on wellbeing and attendance.

Figure 16 Average Working Days Lost



HM Treasury

Accessible & transparent data example (1)

Reporting Issue

Different users of the annual reports and accounts have different accessibility requirements. Best practice is to provide both print friendly reports and web friendly reports online. Some users of government ARAs wish to extract and analyse the data that is contained within the report. All departments must publish the data from their core tables in Excel or an equivalent format to make it easier to collect and compare.

Example and why this is best practice

The example on the slide from the Foreign & Commonwealth Office Annual Report and Accounts:

- ✓ Provides both 'web accessible' and 'print ready' formats of the ARA;
- ✓ Has published their core tables alongside their reports.

Figure 39 – Foreign & Commonwealth Office

FCO annual report and accounts 2019 to 2020 (web accessible)

Ref: ISBN 978-1-5286-2047-5, HC 553 2020-21
PDF, 5.14MB, 108 pages

Order a copy

FCO annual report and accounts 2019 to 2020 (print ready)

Ref: ISBN 978-1-5286-2047-5, HC 553 2020-21
PDF, 11.5MB, 106 pages

Order a copy

This file may not be suitable for users of assistive technology.

▶ Request an accessible format.

FCO accounts data 2019 to 2020

ODS, 11.1KB

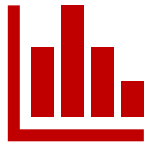
This file is in an OpenDocument format

FCO corporate sponsorship 2019 to 2020 data (CSV)

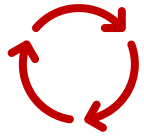
View online Download CSV 26.7KB

Chapter 4 – **Financial Information**

What should accounts preparers consider in Financial Reporting?



Good financial information should be **understandable, relevant, reliable and comparable.**



The front half the departmental accounts should be **consistent** with the information provided within the financial statements.

Ensure it is **cohesive** and provides a **holistic view** of performance against objectives.

Why is Financial information so important?

- The inclusion of financial information is key as it links reporting within the performance and accountability sections with the information reported in the financial statements.
- Financial information is reported throughout the annual report and accounts and should not be exclusive to the financial statements section of the report.

Further information can be found on this within the 20-21 FReM (Government Financial Reporting Manual).

This chapter sets out some best practice examples on the inclusion of financial information within departmental annual report and accounts.

Integrated financial reporting example (1)

Reporting Issue

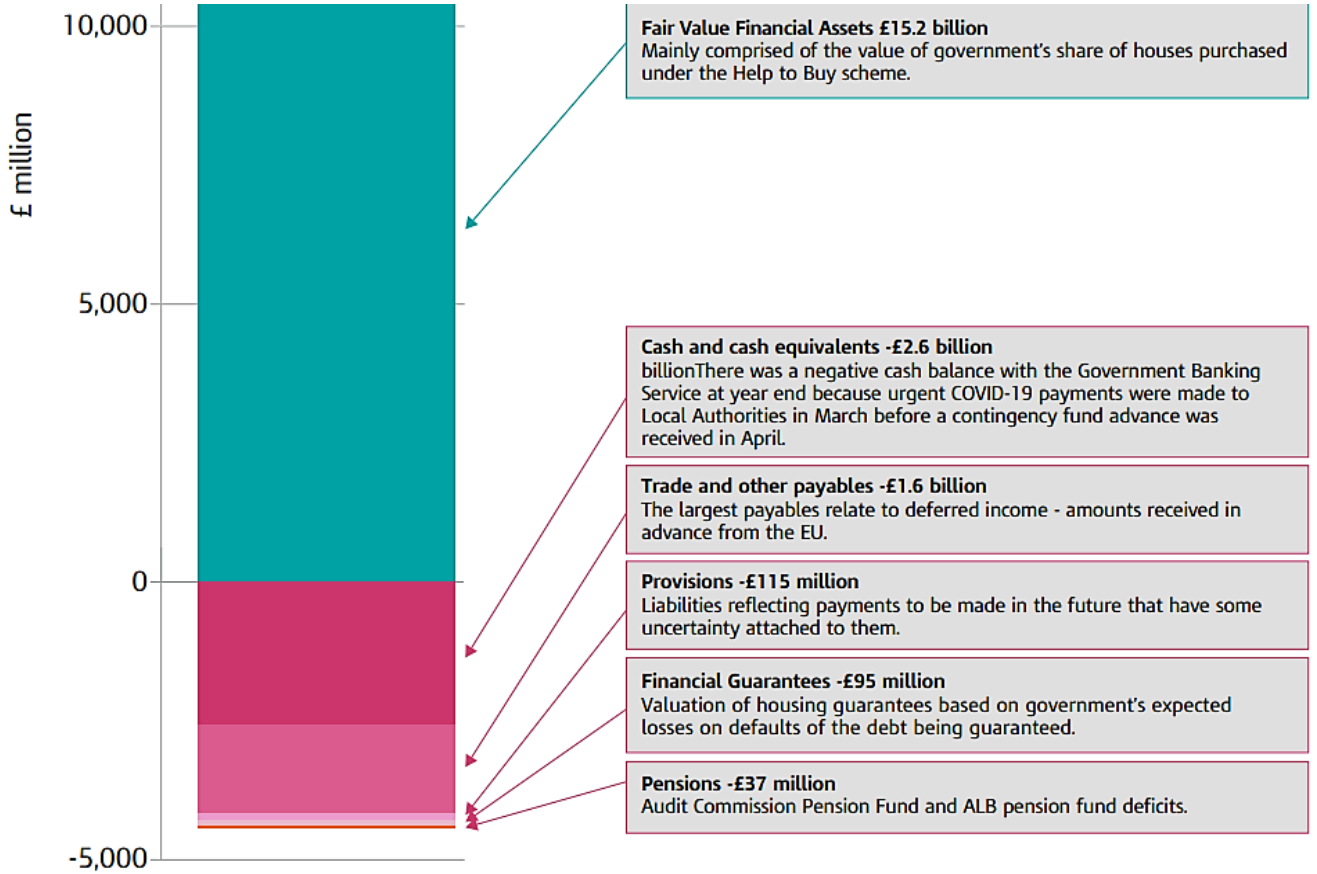
Departments are encouraged to include key information from the financial statements in the performance report, including clear narrative and comparisons where appropriate.

Example and why this is best practice

The example on the slide from the Ministry of Housing, Communities and Local Government Annual Report and Accounts:

- ✓ Uses a graph to clearly present the Statement of Financial Position of the department;
- ✓ Provides users with the exact figure on each area of asset and liability;
- ✓ Gives useful explanations for each spend.

Figure 40 - Ministry of Housing Communities and Local Government



Financial reporting in relation to Covid-19 examples (1)

Additional reporting requirement

Departments must ensure that an analysis of COVID-19 related expenditure for 2019-20 is included within ARA's, with details of the spend disaggregated by area and funding type. Departments should include an explanation on how funds were spent, what they were spent on, and the outcome achieved. This information will also be required in 2020-21.

Example and why this is best practice

The example on the slide from HM Treasury Annual Report and Accounts:

- ✓ Uses a table to summarise the support measures introduced;
- ✓ Includes the different costings for the interventions;
- ✓ Disaggregates the different areas of funding out, depending on their purpose.

Figure 41 – HM Treasury

Table B: Costings for further policy interventions underpinning the 'Plan for Jobs' announced at the Summer Economic Update on 8 July 2020

	£ billion Total
Job Retention Bonus	
Job Retention Bonus[14]	Up to 9.4
Supporting jobs	
Kickstart Scheme[15]	2.1
Boosting worksearch, skills and apprenticeships[16]	1.6
Protecting jobs	
Reduced rate of VAT for hospitality, accommodation and attractions[17]	4.1
Eat Out to Help Out[18]	0.5
Creating jobs	
Infrastructure package[19]	5.6
Public sector and social housing decarbonisation	1.1
Green Homes Grant[20]	2.0
Stamp Duty Land Tax temporary cut[21]	3.8
Total support announced[22]	Up to 30

Financial reporting in relation to Covid-19 (2)

Example and why this is best practice

The example on the slide from the Department for Transport Annual Report and Accounts:

- ✓ Uses a table to summarise the support measures introduced for each transport mode, with clear explanations;
- ✓ Includes the different costings for the measures;
- ✓ Includes the period of support, which provides users with a clearer insight.

Further examples on the impact of Covid-19:

- Performance reporting
- Risk reporting

Figure 42 – Department for Transport

Transport Mode	Description of support measure	Period of support in 2020	Value of support measure announced to date (£m)
Rail	The Department put in place Emergency Measures Agreements with Train Operating Companies to support rail services from March 2020 for an initial period of 6 months (see **Notes 10.3** and **28**). The Department has statutory obligations to ensure the ongoing provision of rail services. The arrangements for continuing to meet these obligations beyond 20 September are currently under commercial negotiation.	1 March – 20 September	c.600-700 per 4 week rail period
Transport for London (TfL)	The Government granted TfL up to £1,095m via the Department and a loan of up to £505m via the Public Works Loan Board, which must be drawn pro rata to any grant taken, assuming a total funding shortfall of £1.6bn. The package covers the TfL rail periods 1-7 ending 17 October.	1 April – 17 October	1,095
Buses	The Department established a grant to support operators and maintain commercially unviable appropriate levels of service.	24 March – 3 October	639
Light Rail	Similar to buses, the Department established grants to support services and maintain commercially unviable appropriate levels of service. Services included: Greater Manchester, Sheffield, Nottingham, West Midlands and Tyne and Wear.	17 March – 31 October	93
Ferries	The Department established grants to support specific lifeline services and maintain certain commercially unviable minimum service levels.	Varies according to route: from April to July 2020 or March 2021	12
Maritime freight	The Department established grants to support services and maintain commercially unviable minimum service levels to ensure the vital supply of freight and medicines.	11 May – 19 July	10
Civil Aviation Authority	HM Treasury has permitted the Department to provide support of up to £51m to the CAA to ensure service continuity.	1 April 2020 – 31 March 2021	51

Infographics examples (1)

Reporting Issue

The use of infographics enhances the look and feel of annual reports and accounts. The use of these infographics is an effective way of communicating complicated information, and this is particularly true when presenting financial information.

Example and why this is best practice

The example on the slide from the Food Standards Agency Annual Report and Accounts:

- ✓ Displays financial information in an engaging and informative way;
- ✓ Uses clear formatting and a range of graphics, increasing usability and makes the section more visually appealing.

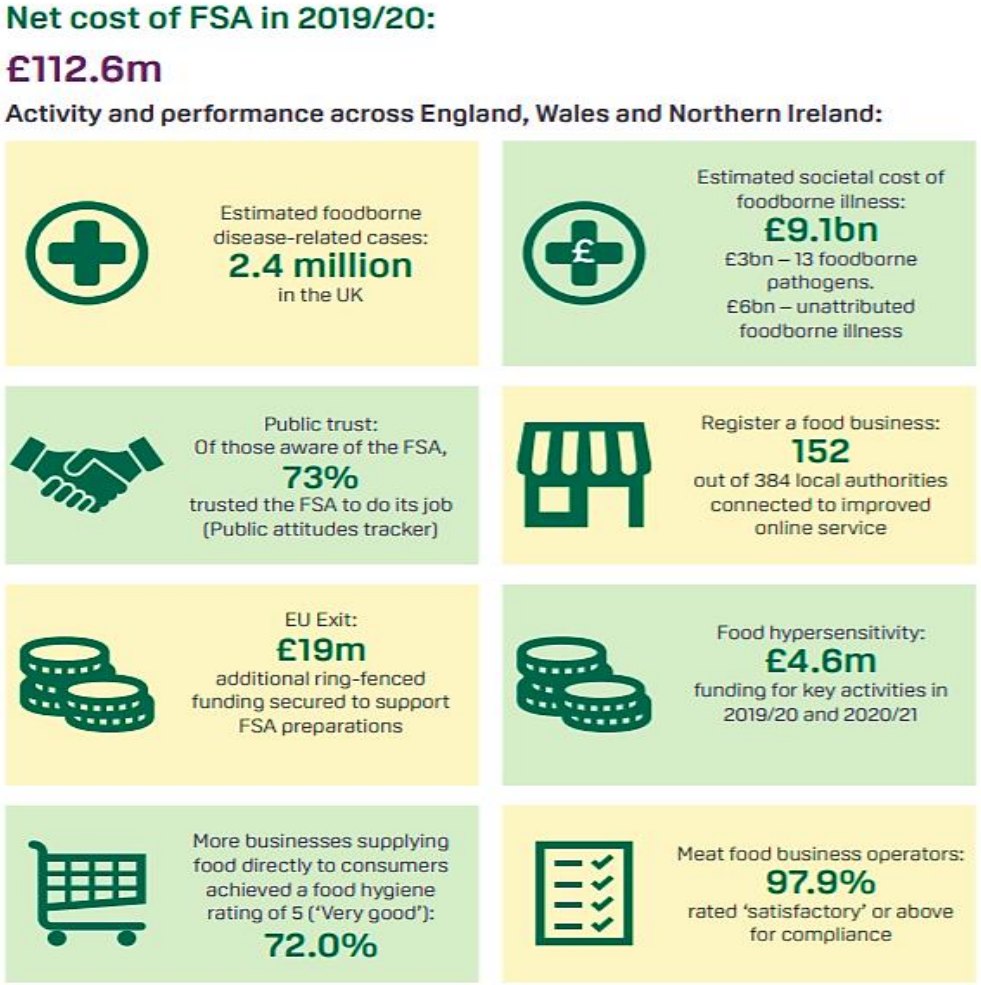


Figure 43 – Food standards agency

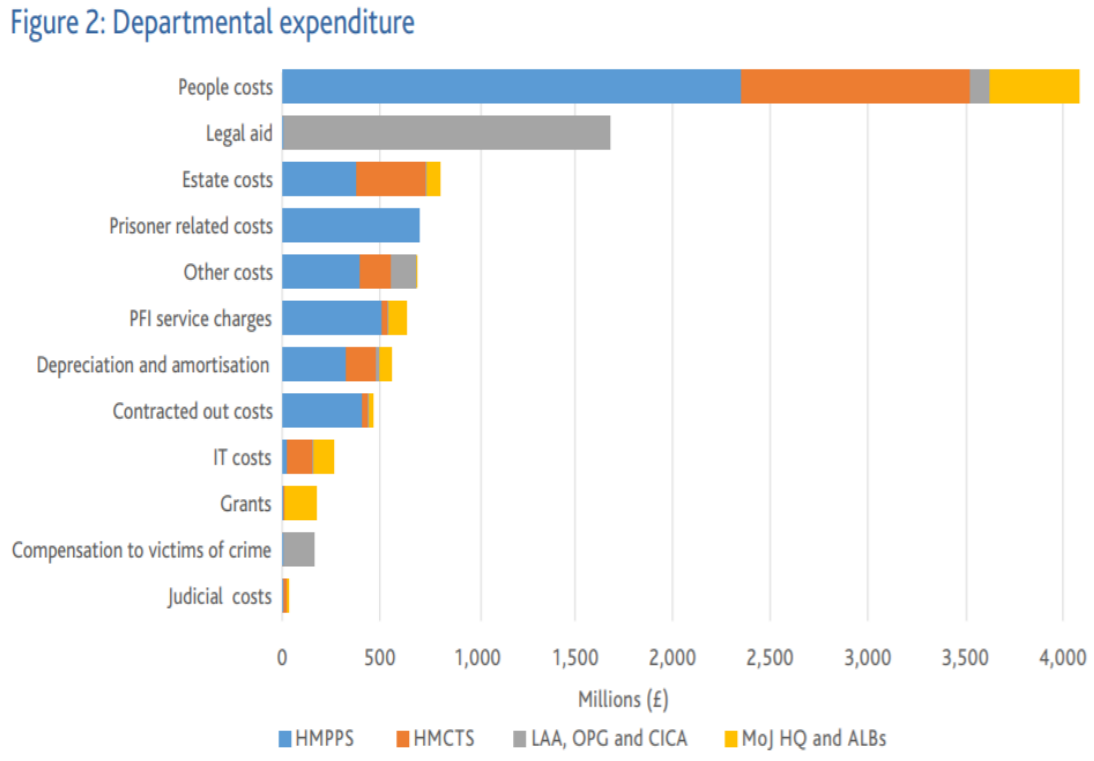
Infographics (2)

Example and why this is best practice

Similar to the previous slide, the example on this slide from the Ministry of Justice Annual Report and Accounts:

- ✓ Displays financial information in an engaging and informative way;
- ✓ Allows users to easily compare the different expenditure across the departmental groups by using colour codes;
- ✓ Sums up information in a way that can better communicate messages and increase user engagement.

Figure 44 – Ministry of Justice



Note: HMPPS - HM Prison and Probation Service; HMCTS - HM Courts & Tribunals Service; LAA, OPG & CICA - Legal Aid Agency, Office of the Public Guardian and Criminal Injuries and Compensation Authority; MoJ HQ and ALBs - Ministry of Justice Headquarters and arm's length bodies

Infographics (3)

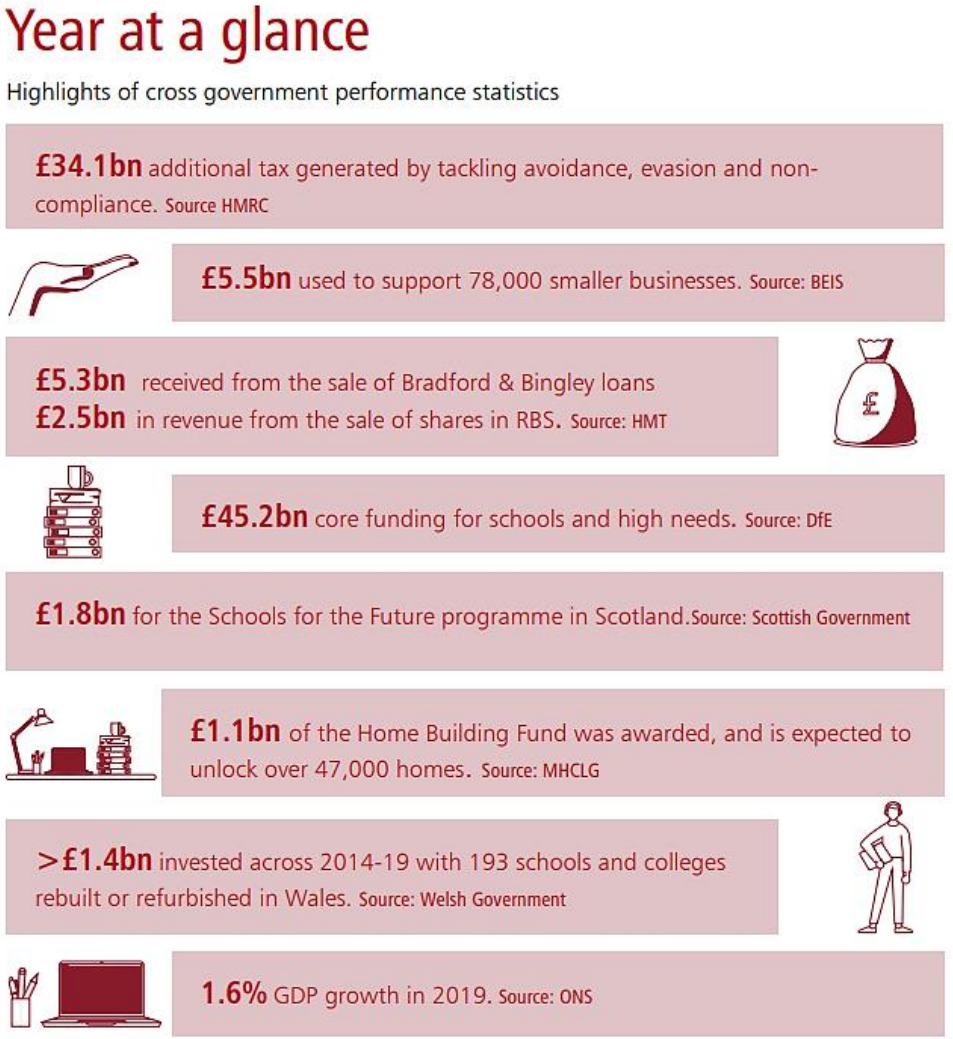
Example and why this is best practice

Similar to the previous slide, the example on this slide from Whole of Government Accounts Annual Report and Accounts:

- ✓ Displays financial information in an engaging and informative way;
- ✓ Provides commentary based on the figures it presents;
- ✓ Sums up information in a way that can better communicate messages and increase user engagement.

Please note that this example has been taken from the 2018-19 accounts, due to the timing of preparing the WGA.

Figure 45 – Whole of Government Accounts



IFRS 16 Leases examples (1)

Reporting Issue

The mandated adoption of IFRS 16 *Leases* is due from 2022-23. However, two departments were granted permission to adopt IFRS 16 early (DCMS and DfT) from 2019-20 due to specific circumstances affecting the groups.

Example and why this is best practice

The example on the slide from the Department for Transport Annual Report and Accounts:

- ✓ Provides a table which is divided into the different areas of leases the department has and clearly shows the figures for each (next page);
- ✓ Some useful commentary has also been included in relation to the figures presented.

Figure 46 – Department for Transport

7. Leases

As explained in **Note 1.6**, the Group has adopted IFRS 16 'Leases' from 1 April 2019. As permitted by the FReM, the Group has implemented it using the cumulative catch-up method, without restating prior year figures. Most leases recognised as operating leases until 31 March 2019 (as shown in **Notes 3.2** and **10**) are now recognised as right-of-use lease assets and borrowings in **Notes 7** and **20**, with the associated costs being recognised in **Notes 3.4** and **3.7**.

The Group's lease contracts comprise leases of operational land and buildings, plant and machinery and motor vehicles. Most are individually insignificant. Three elements, however, are significant in their own right:

- The Core Department's most significant lease relates to its main headquarters building: this lease commenced in December 2018 for a term of fifteen years with no extension options. Rentals increase annually in line with the consumer price index, subject to a cap and floor. The value of the asset as at 31 March 2020 was £78m.
- The MCA provides UK-wide services from ten bases operating under the UK Search and Rescue Helicopter Service contract. This contract also includes non-lease components. The value of the asset as at 31 March 2020 was £238m.
- Network Rail holds £230m of property leases and £181m of other leases.

IFRS 16 Leases examples (1)

Example and why this is best practice

The example on the slide from the Department for Transport (DfT):

- ✓ Provides a table which is divided into the different areas of leases the department has and clearly shows the figures for each;
- ✓ Some useful commentary has also been included in relation to the figures presented.

Figure 46a – Department for Transport

Right-of-use lease assets

				2019-20		
	Land and buildings	Other assets	Core & Agencies	Land and buildings	Other assets	Departmental Group
	£m	£m	£m	£m	£m	£m
Cost or valuation						
Initial recognition	110	311	**421**	345	167	**933**
Reclassifications from PPE	-	-	**-**	-	26	**26**
Additions	18	1	**19**	66	66	**151**
Revaluations	-	-	**-**	-	(2)	**(2)**
Derecognition	-	(19)	**(19)**	-	-	**(19)**
Remeasurement	3	-	**3**	(1)	-	**2**
At 31 March 2020	**131**	**293**	**424**	**410**	**257**	**1,091**
Depreciation						
Charged in year	(13)	(46)	**(59)**	(56)	(48)	**(163)**
Revaluations	-	-	**-**	-	2	**2**
At 31 March 2020	**(13)**	**(46)**	**(59)**	**(56)**	**(46)**	**(161)**
Carrying amount at 31 March 2020	**118**	**247**	**365**	**354**	**211**	**930**

IFRS 16 Leases (2)

Example and why this is best practice

The example on the slide from the Department for Digital, Culture, Media and Sport Annual Report and Accounts:

- ✓ Uses a table to visually show the impact IFRS 16 has had on their financial statements, which is split out between the core department and departmental group (table is on next page);
- ✓ Provides detailed explanations regarding the implementation of IFRS 16.

Figure 47 – Department for Digital, Culture, Media and Sport (DCMS)

Implementation and Assumptions

The group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 "Leases" and IFRIC 4 "Determining whether an arrangement contains a lease". The cumulative effect of adopting IFRS 16 is included as an adjustment to equity at the beginning of the current period. IAS 17 operating leases are included within the SoFP as a lease liability and right of use asset for the first time with changes made through the general fund as a cumulative catch up adjustment. The calculation of the lease liability and right of use assets is included below.

The option to reassess whether a contract is, or contains, a lease at the date of initial application has not been used, the group has used the practical expedient detailed in IFRS 16(C3).1.

The definition of a contract is expanded to include intra-UK government agreements where non-performance may not be enforceable by law. This includes, for example, Memorandum of Terms of Occupation (MOTO) agreements.

The group has expanded the definition of a lease to include arrangements with nil consideration. Peppercorn leases are examples of these, they are defined by HMT as lease payments significantly below market value. These assets are fair valued on initial recognition. On transition any differences between the discounted lease liability and the right of use asset are included through cumulative catch up. Any differences between the lease liability and right of use asset for new leases after implementation of IFRS 16 are recorded in income in the SoCNE.

IFRS 16 Leases (2a)

Example and why this is best practice

The example on the slide from the Department for Digital, Culture, Media and Sport (DCMS):

- ✓ Uses a table to visually show the impact IFRS 16 has had on their financial statements, which is split out between the core department and departmental group;
- ✓ Provides detailed explanations regarding the implementation of IFRS 16.

Figure 47a – Department for Digital, Culture, Media and Sport

	Core department £'000	Departmental group £'000
Operating lease commitment at 31 March 2019	72,062	713,024
Discounted using discount rates	(24,426)	(115,115)
Finance Lease liabilities at 31 March 2019	-	674,087
- Exemptions for		
• Short terms leases	(736)	(11,412)
• Leases of low value assets	-	(767)
• Intangible Assets	-	-
- Extension and termination options reasonably certain to be exercised	100,126	110,183
- Variable lease payments based on an index or a rate	819	1,067
- Residual value guarantees	-	-
- Advance payments	432	(2,618)
- Excluding previously included non lease components	(4,502)	(9,868)
Impacts of restatements for Operating lease and Finance Leases	(12,829)	(19,310)
Re-assessments for IFRS16	-	71,582
Lease liabilities recognised at 1 April 2019	**130,946**	**1,410,853**

Chapter 5 – **Further links**

1. The Building Public Trust Awards:
   https://www.pwc.co.uk/build-public-trust/the-building-public-trust-in-corporate-reporting-awards.html

2. Government Financial Reporting Review
   https://www.gov.uk/government/publications/the-government-financial-reporting-review

3. Government Financial Reporting Manual 2020-21
   https://www.gov.uk/government/publications/government-financial-reporting-manual-2020-21

4. Audit Scotland good practice note on improving the quality of central government annual report and accounts
   https://www.audit-scotland.gov.uk/uploads/docs/um/gp_improving_quality_central_government_accounts.pdf

5. The ONS recently published guidance on producing effective graphs and tables
   https://gss.civilservice.gov.uk/wp-content/uploads/2017/01/GUIDANCE-document-Effective-charts-and-tables-in-official-statistics-Version-2.0-Jan2017.pdf

HM Treasury contacts

This document can be downloaded from www.gov.uk

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