

## Mid-Year Reports- An overview of the first year

### SCRUTINY UNIT

#### **1. Background**

In 2009, the Liaison Committee published a report on *Parliamentary control over government budgets*<sup>1</sup>. Amongst its recommendations was a proposal that departments should augment their annual reports and accounts with a mid-year update on spending and performance, to be known as a Mid-Year Report (or MYR). The House of Commons Scrutiny Unit was tasked with taking forward with Treasury.

Initial discussions with Government were held up over concerns about cost, resources and audit implications. To break the deadlock, in 2012 the Scrutiny Unit suggested to government a simplified approach involving shorter, more visual, but unaudited reports. With the approval of the Financial Reporting Advisory Board, and its Parliamentary member, Sir Edward Leigh, the Scrutiny Unit began a new dialogue with the Treasury on taking this approach forward. Two Departments- Ministry of Justice and Department for Communities and Local Government agreed to participate in a pilot exercise in early 2013, with pilot reports shared with Committees in June 2013.

Departments were notified by Treasury in November 2013 that Mid-Year Reports (MYRs) relating to 2012-13 should be published in January 2014. This delayed publication date reflects the extra time it would take to produce the documents for the first time. Subsequent MYRs are expected to be published in the December of each year.

Mid-Year reporting is not a new concept. Departments used to submit Autumn Performance Reports to Parliament. These were suspended in 2009 with the abandonment of the previous performance and target based regime, in the expectation that these would be replaced in due course with the more wide ranging Mid-Year Reports proposed by the Liaison Committee.

#### **2. Aim of the exercise**

The purpose of a MYR is to provide an update on a department's spending and performance mid-way through the year. These will be short, easily digestible documents which can highlight key achievements, policy changes and spending, without a select committee having to wait until the publication of the annual report and accounts.

The primary audience for these reports is **select committees**, and the hope is that, as the concept of mid year reports develops and becomes more embedded, individual committees will make increasing use of the opportunity to engage with departments in order to clarify their areas of interest and make the reports more useful.

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<sup>1</sup> <http://www.publications.parliament.uk/pa/cm200809/cmselect/cmliaisn/804/804.pdf> 25/06/09

### **3. Wider Treasury Initiatives**

The publication of MYRs ties in with the wider Treasury initiative around ‘Simplifying and Streamlining Accounts’<sup>2</sup>, which is looking at ways in which departmental accounts can be trimmed down and made more accessible to the lay person.

### **4. Summary of Findings**

All but one department (Department of Health)<sup>3</sup> published their reports on or before 23 January, in line with the timetable agreed between Parliamentary Scrutiny Unit and Treasury.

Departments generally made a good effort to present data graphically and in charts, with most reports including trend data from the past few years, along with financial information. The structure of most reports was easy to follow, with better reports including useful narrative. All reports stayed within the short length suggested by Treasury guidelines.

However, many departments made little or no attempt to acknowledge any challenges facing them, despite the Treasury guidelines calling for a ‘balanced’ report. In addition, few reports advised of any expected changes to come in the Supplementary Estimates, and some reports lacked the necessary amount of narrative needed to draw the report together into a cohesive document.

Key aspects of the reports are discussed below in more detail, with good practice examples highlighted.

#### **4.1 Narrative coherence**

Departments were encouraged to provide useful narrative to help explain facts and figures, and to bring a sense of ‘flow’ and ‘telling a ‘story’ to the MYR.

The best example of doing this well is from DCMS, who attempt to tell a story throughout, focussing on broadband and the Olympics.

Poorer attempts didn’t group data thematically, and left unexplained charts and variances (DECC, DFID), or used overly technical language to explain figures (HMT)

#### **4.2 Design and Structure**

All MYR structures followed Business Plan objectives or Coalition Priorities, and stuck to Treasury guidelines. This approach seemed to work well and provides a sensible structure to

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<sup>2</sup> A project initiated by the Treasury, with the support of the Liaison Committee, Financial Reporting Advisory Board, Scrutiny Unit and the National Audit Office to simplify future Annual Reports and Accounts and focus more on the needs of the user. For more information on this, see [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/265638/FRAB\\_118\\_02\\_Simplifying\\_and\\_Streamlining\\_Statutory\\_Annual\\_Report\\_Accounts.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/265638/FRAB_118_02_Simplifying_and_Streamlining_Statutory_Annual_Report_Accounts.pdf)

<sup>3</sup> The Scrutiny Unit and the Health Committee have chased Department of Health and understand that its report has been written and will be produced shortly.

follow in future years, with the potential inclusion of some additional sections (see Section 5 below).

Executive Summaries varied in quality, with better reports using these to succinctly explain the main strands of activity and messages. (e.g. HMRC, DWP).

Weaker executive summaries tended to be either very short introductions (e.g. DEFRA, HMT), or long indiscriminate lists of 'achievements' against priorities. These would benefit from a more targeted approach.

#### **4.3 Honesty and Openness**

Departments were encouraged to use MYRs as an opportunity to communicate both success stories and challenges to the Select Committees. Most departments included little or no detail on challenges/ shortcomings.

Good examples of MYRs including challenges are BIS, Home Office and HMRC. In particular in the case of BIS, the inclusion of challenges led to the BIS committee holding a useful discussion about the report.

MYRs were also intended to provide a window for departments to inform committees about any large or unexpected intended changes to budgets in Supplementary Estimates. The only example of using the MYR in this way is from BIS, who used the MYR to talk about an expected underspend relating to the Green Investment Bank.

#### **4.4 Trends**

Trend data was generally dealt with well, with all departments making attempts to provide trend data for at least some parts of their MYRs, generally over 3 years. In all cases, MYRs would have benefitted from departments providing trend data over a larger number of years- for example going back to the start of the current government.

Weaker reports provided limited trend data for spending only. Better reports had trend data for longer periods in an annex (eg DfT) and ensured that the trends were explained with explanatory narrative.

#### **4.5 Use of visual data**

Use of good visual data is considered a key part of MYRs. The more appealing and easily digestible information is made to be, the more likely it is that committees will make use of it.

The best example of good visual data is from DCMS, who use a variety of charts, diagrams and graphs to demonstrate their data. This makes the report appealing to look at, and also informative.

Other reports have made reasonable use of graphs and some charts, but have made little effort to present data any more imaginatively.

#### **4.6 Delivery and Performance Updates**

All reports made some attempt to report delivery and performance updates against stated aims and objectives. Some of these updates (e.g. DEFRA) lacked refinement, meaning that actual achievements were mixed in amongst administrative actions, making it difficult for the reader to work through. A shorter more targeted approach would be more beneficial.

There was an observed tendency by departments to only highlight the good, and not provide clarity on where the department are in terms of overall progress/ delivery. (e.g. DFID). It would be beneficial for departments to also highlight specific indications of where performance has slipped or not been in line with expectations and why, as this is not clear in many reports. (e.g. DWP)

#### **5. Committee Engagement**

MYR publication represents a good opportunity for committees to engage with the departments and shape a document which contains information which is interesting and useful to the committee. As select committees are the primary audience for these documents, departments were all keen to have input from committees about which topics and themes they would find most useful to read about in the published documents.

Although specific engagement by committees on MYRs thus far has been relatively limited, most have been happy to send a feedback letter to the relevant department, generally following oral and/or written briefing by the House of Commons Scrutiny Unit.

A small number of committees have been more engaged- notably the Defence Committee, who held a session with the Permanent Under Secretary based on the MYR, where the committee welcomed the report but said they would have preferred more information to have been shared by MOD.

The BIS Committee also engaged in a discussion of the content of report and particularly the challenges highlighted by department. They used some of the content of the report in their session on the BIS Annual Report and Accounts.

While it is a little disappointing that more committees have not engaged more specifically on MYRs so far, as select committees are the primary audience for these documents, this does not negate the benefits that the discipline of producing such reports, and the potential specific interest they may generate with committees from time to time in the future could bring. The Scrutiny unit will continue to encourage committees to consider what specifically they would find useful for inclusion in Mid-Year Reports, and what they have liked, and liked less, in those produced so far.

In addition, as Committee hearings with Ministers and accounting officers can take place at any time of the year it is useful for Committees to have sight of an up-to-date report on spending and activities provided by mid-year reports if such hearings take place between December and July. The Scrutiny Unit will continue to make use of the MYRs in briefings as appropriate.

## **6. Future Issues and potential improvements**

### **2015 General Election**

From 2014-15, MYRs will be published in the December of the financial year to which they relate. However, the General Election in May 2015 will mean that departments will be even more wary of releasing data which may be considered political or contentious. This could lead to delays in the clearance process, or else bland reports with limited useful information.

### **Major Projects**

Due to Cabinet Office guidelines around publication of major projects data, departments were restricted in what they could say about major projects in this year's MYRs. They were only able to refer back to past data published in May 2013, which in turn related back to Quarter 2, 2012-13. The next publication of major projects data will be in May 2014, and will relate to Quarter 2, 2013-14.

Committees have consistently expressed interest in major projects and frustration that data cannot, under present government wide guidelines, be published on a timelier, and more frequent, basis. While it is understood that the policy is at least in part a result of concerns over issues of commercial confidentiality, the blanket restriction on release of more frequent information, including updates within the mid-year reports is very frustrating. The Scrutiny Unit suggests that this issue should be raised with government as a real concern in order to determine a way forward.

### **Openness about challenges**

Few departments chose to talk about challenges in a meaningful way in their MYRs, despite Treasury guidance requesting a balanced report. MYRs are unaudited documents, and there is an acknowledged lack of incentive for departments to share adverse news. The Parliamentary Scrutiny Unit are currently considering how best to amend guidance and structure to mean that departments would be more likely to share unfavourable news. One way forward may be to include a requirement for a section on challenges, or a 'what went well and what didn't' format, to ensure that departments share this information. Another suggestion, made by the Cahir of FRAB is that writers of reports are required to present a "fair and balanced view" in their reports.

## **7. Conclusion**

Overall, MYRs can be considered a useful addition to the documentation available to those wishing to scrutinise the finances of Government departments. By placing greater emphasis on visual data, avoiding overly technical language and 'telling the story', they provide a focussed update at a mid point in the year. Much shorter than annual reports and accounts, and thus easier to digest, they are aimed at a lay audience who may not have the time to absorb the information contained within a larger document.

Mixed objectivity was noted in the 2012-13 MYRs, with very few departments acknowledging the key challenges or risks they were facing. In future years it may be necessary to amend Treasury

guidance in this area to ensure that departments present a balanced view of their achievements alongside their challenges.

Given that committees are the primary audience for mid-year reports, it is recommended that in future years committees engage more with departments at the early stages of production. This engagement would mean that departments can ensure reports can focus on areas of interest to committees, which would in turn mean that committees found the documents more useful.

## **SCRUTINY UNIT**

*Strengthening scrutiny through specialist support*

*24 April 2014*

## Annex A: Best Practice Examples

Area	Department	Example
Narrative Coherence	DCMS	DCMS have focussed on 'telling the story' through emphasising the Olympics and Broadband. They included useful narrative to explain numbers and key changes and highlighted both the good and the bad.
Design and ease of use	DWP	DWP used easy to understand language throughout, and formatted the report to show performance against each of its priorities, using both narrative and easy to read charts and diagrams.
Executive Summary	HMRC	HMRC gave the most useful executive summary (p2) using it to explain succinctly the information that was contained in the report.
Honesty and Openness	BIS	On page 6 of their report, BIS acknowledged a number of challenges around resourcing, meeting demand whilst maintaining budgets, providing a skilled workforce. These were not dwelt upon in detail but give a flavour of the high level issues facing the department. HMRC was also open about some of the delays which had arisen.
Trends	DCMS	DCMS used 6-monthly data since 2010 to show trends, in particular in their 'people' section (p21). Their data on major projects in Annex B of their report (p27) is also very helpful.
Visual interpretation	DCMS	DCMS made use of a variety of visual aids. They were the only department to use a spider diagram- to illustrate the engagement level of their staff (p23). They also made use of bar charts and line graphs, often with helpful comments boxes to highlight key changes.
Explanations e.g. accompanying data and charts	DfE	DfE provide a very useful management commentary to accompany financial data and 'people' section on p10 and p15 respectively. Both provide detail but are not overly long.
Performance data and spending info	DfT	DfT have provided spending and performance data for the longest period of time, in particular in Annex B where they share transport statistics. This gives the reader an excellent idea of how performance has changed over the years.
Updates on major projects and programmes	DCMS	Despite the restrictions on publishing information relating to Major Projects, DCMS have shared the most up to date spending data they have, in Annex B.

## **Annex B: Committee Actions following Mid-Year Reports**

<b>Committee</b>	<b>Action</b>
HMRC	Committee received feedback from SU but have not yet sent a letter to department
Treasury	Committee received feedback from SU but have not yet sent a letter to department
DWP	Feedback letter sent to department
Health	<b>Report not yet received from department</b>
Education	Feedback letter sent to department
Justice	Feedback letter sent to department
Environment, Food and Rural Affairs	Feedback letter sent to department
Culture Media and Sport	Feedback letter sent to department
Communities and Local Government	Committee sent a letter with feedback to the department and received an acknowledgement from the Secretary of State
Home Affairs	Committee received feedback from SU but have not yet sent a letter to department
Foreign Affairs	Committee received feedback from SU but have not yet sent a letter to department
Defence	Committee held an evidence session with PUS about Mid Year Report. Committee is currently deliberating whether to write a report or not
Transport	Feedback letter sent to department
International Development	Committee received feedback from SU but have not yet sent a letter to department
PASC	Feedback send from SU to department with agreement from Clerk
Energy and Climate Change	Committee sent a letter with feedback to the department and have received a response.
BIS	Committee discussed the content of report and particularly the challenges highlighted by department. Feedback letter sent by SU with agreement from Committee Clerk.