HM Treasury

Government financial reporting review:

best practice examples from 2018-19

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Chapter 1
Introduction

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

1.2 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. 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.

1.3 The best practice examples outlined in this report have been chosen because they display some or all of these characteristics. 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).

1.4 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 2

Performance reporting

2.1 When compiling the performance report, preparers should meet the objectives and principles of government reporting. Specifically, performance reporting must be fair, balanced, and understandable. It must tell the full story of an organisation, including both achievements and where performance has not met objectives, so users can have confidence in any judgements and so it is clear that reporting is trustworthy and transparent. Performance reporting should be straightforward and accessible, so that it can be easily understood by a lay user and contain cross-references to other parts of the annual report and accounts where relevant and appropriate.

2.2 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.

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

Performance Overview

2.4 The performance section must include a statement of the purposes and activities of an organisation in a clear and concise manner. The example below from the Home Office provides a high level overview of the goals of the department. The use of clear formatting and concise plain English increases usability and makes the section more visually appealing.

Figure 1 – Home Office

Performance Overview

Home Office goals

This report is divided into the seven main Home Office goals:

- **Cut crime and the harm it causes, including cyber-crime and serious and organised crime**
- **Manage civil emergencies within the remit of the Home Office**
- **Protect vulnerable people and communities**
- **Reduce terrorism**
- **Control legal migration**
- **Provide world-class public services and contribute to prosperity**
- **Maximise the benefits of the United Kingdom leaving the European Union**

Performance highlights

2.5 The Government Financial Reporting Review also emphasised the importance of reporting the annual performance highlights of a department. Providing an overview of a department's performance over the course of a year increases the usability of the accounts.

2.6 The examples included below from the Foreign and Commonwealth Office and the Department of Health and Social Care provide a clear overview of the department's activities throughout the year in a visually appealing way. This allows the user to easily understand performance objectives and outcomes against the planned objectives.

Figure 2 – Foreign and Commonwealth Office

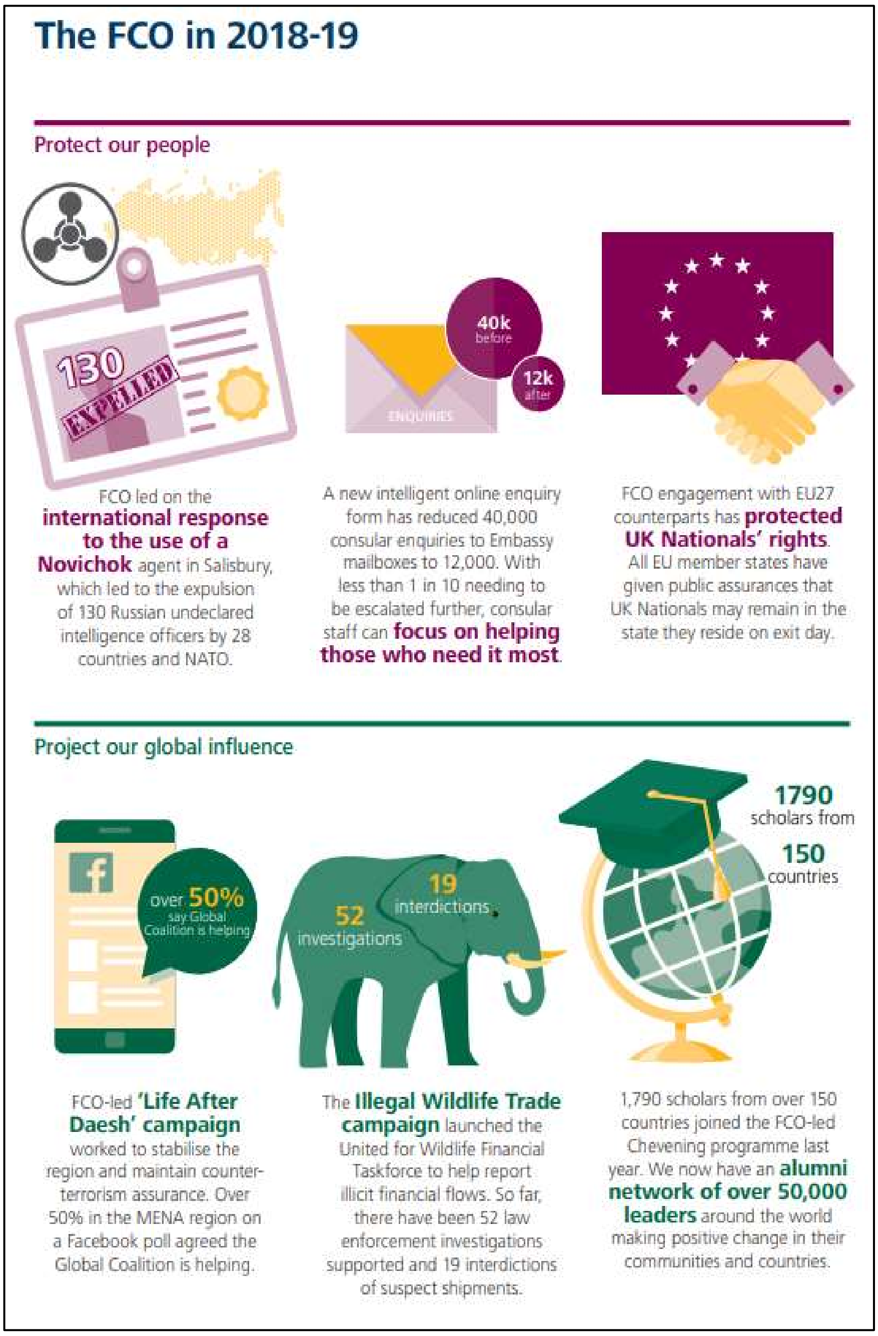
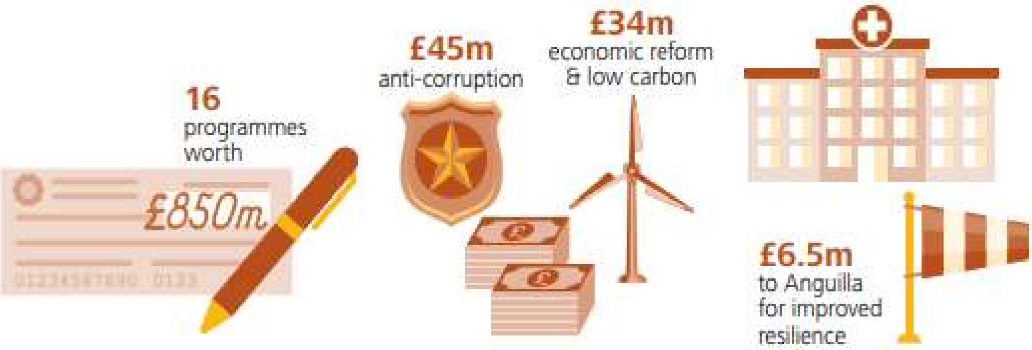


Figure 2a – Foreign and Commonwealth Office

Promote our prosperity

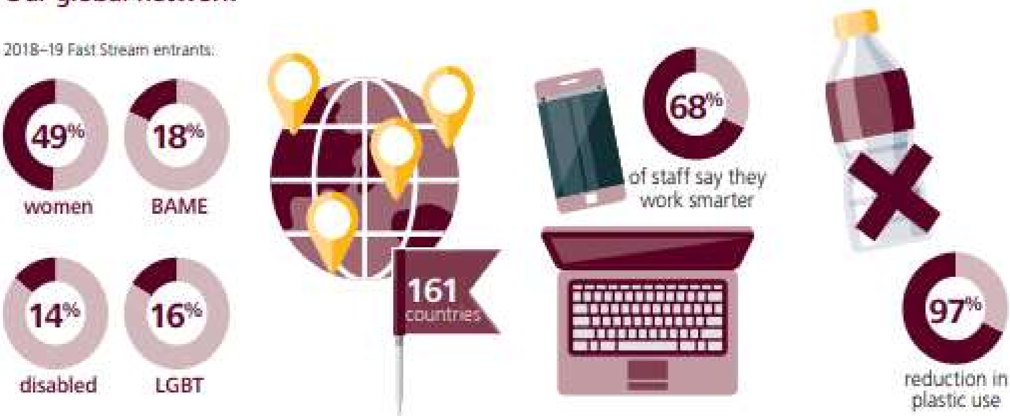


16 FCO-delivered Prosperity Fund programmes, worth a combined £850 million, provide expertise and assistance in sectors and countries where there is high potential to support the inclusive economic growth needed to reduce poverty...

...which include a **£45m** Global Anti-Corruption programme, and **£34m** ASEAN economic reform and low carbon programmes.

We have continued to build **greater resilience** in the Caribbean Overseas Territories following Hurricanes Irma and Maria. Resilience funding in 2018-19 included 6.5m in Anguilla to refurbish the island's only hospital.

Our global network



FCO believes that the better our workforce reflects the **diversity** of the country we represent, the stronger an organisation we will be. We have kept this is mind when recruiting this year.

By the end of 2020, the UK's diplomatic network will have 1,000 more staff members and **sovereign missions in 161 countries**, more than any other European country.

The Tech Overhaul programme deployed over 20,000 new devices to 223 Posts across the FCO network. As a result, **68%** of staff polled reported they now work smarter.

The Beyond Plastics campaign to remove all plastics from our Estates has led to a **97% reduction in plastic use** in FCO UK buildings.

Figure 3 – Department of Health and Social care

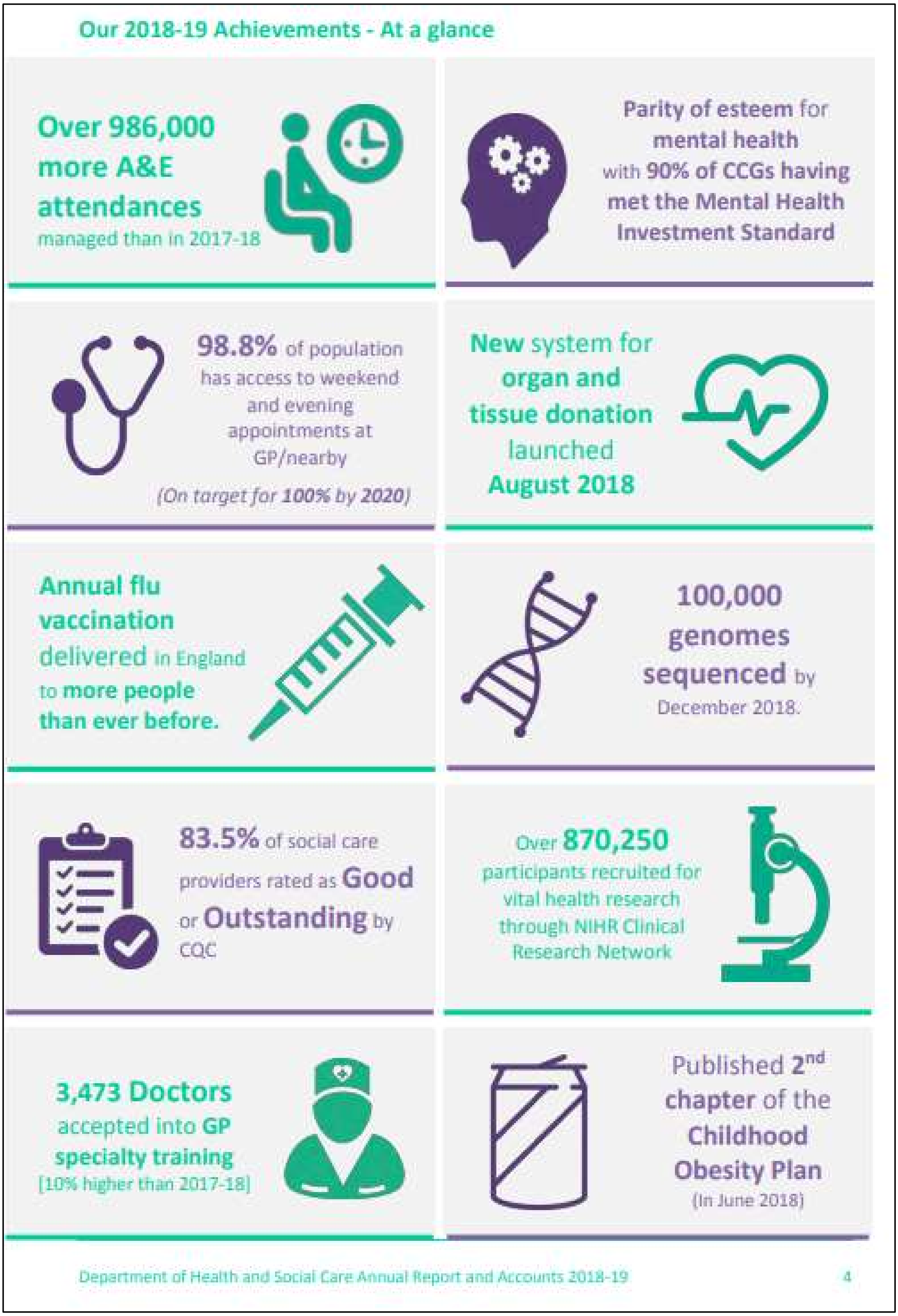


Figure 3a – Department of Health and Social Care

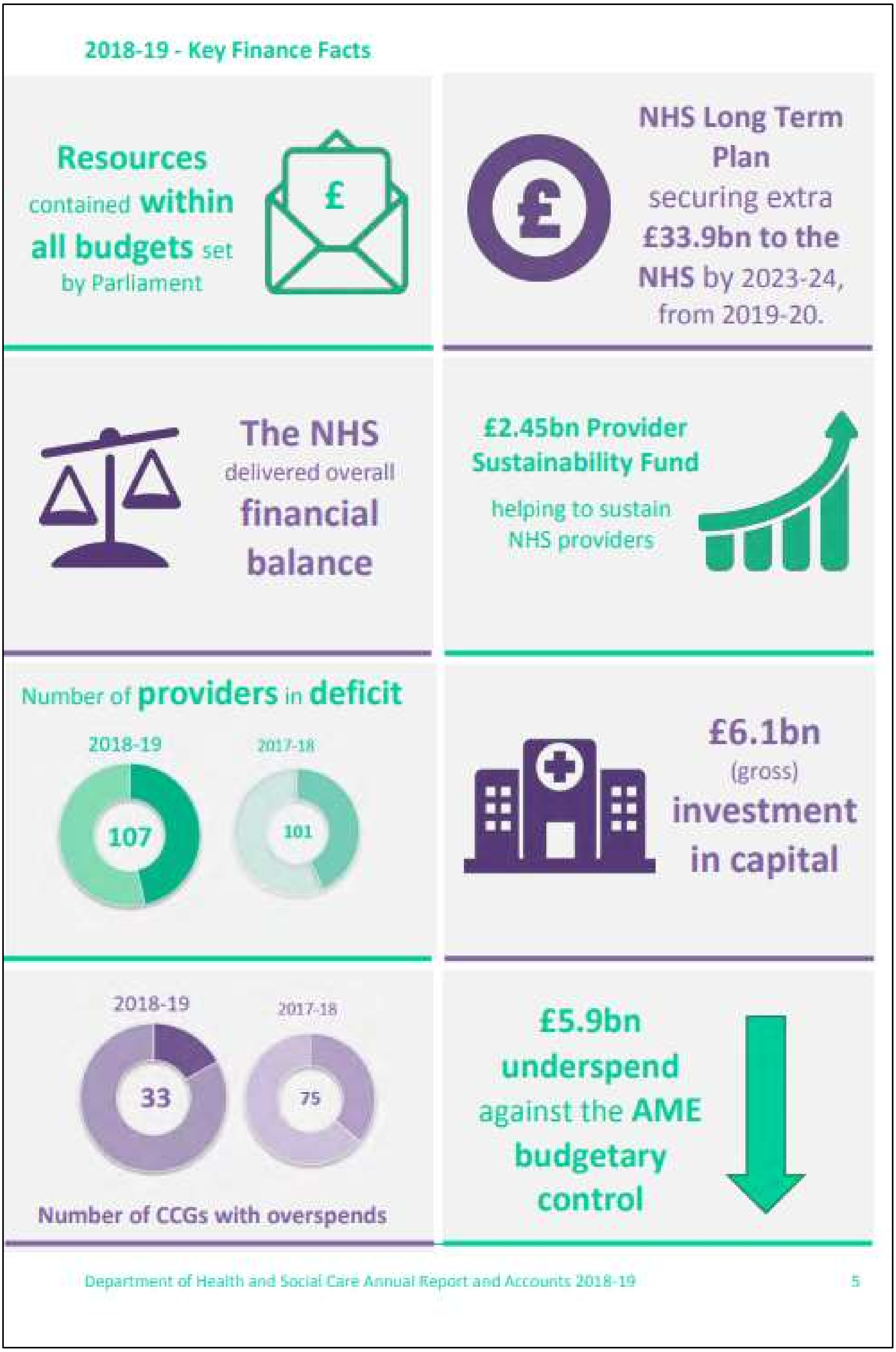


Figure 4 – Department for International Trade

Performance measures and statistics

- **UK Inward FDI stock in 2017[8]**

  £1,336.5bn, increased from £1,187.3bn in 2016

- **New jobs created from DIT supported FDI projects in 2018-19[9]**

  51,863, decreased from 67,060 in 2017-18

English Regions (excl. London)	New Jobs
North East	2,098
North West	4,148
Yorkshire and The Humber	1,999
East Midlands	1,694
West Midlands	4,155
East of England	1,247
South East	3,409
South West	1,905

Scotland
2,944
New Jobs

Northern Ireland
1,319
New Jobs

Wales
1,665
New Jobs

England (excl. London)
20,655
New Jobs

London
12,992
New Jobs

Note 51 multiple location projects associated with 12,288 new jobs are not included.

- **Value of venture capital supported in 2018-19[9]**

  £583m, increased from £285m in 2017-18

- **FDI projects supported by DIT in 2018-19[9]**

  1,436, decreased from 1,682 in 2017-18

8 Source: ONS FDI involving UK companies
9 Department for International Trade Inward Investment Results.

High level financial information

2.7 Entities should seek to tie in the performance analysis to other parts of the annual reports and accounts as relevant, for example to the Statement of Outturn against Parliamentary Supply (SOPS) and the financial statements, to provide a cohesive and consistent understanding of performance across the annual report and accounts. The extracts below from the Ministry of Housing Communities and Local Government, Ministry of Justice and the Ministry of Defence outline high level financial information in an engaging way with clear links to the financial statements.

Figure 5 – Ministry of Housing Communities and Local Government

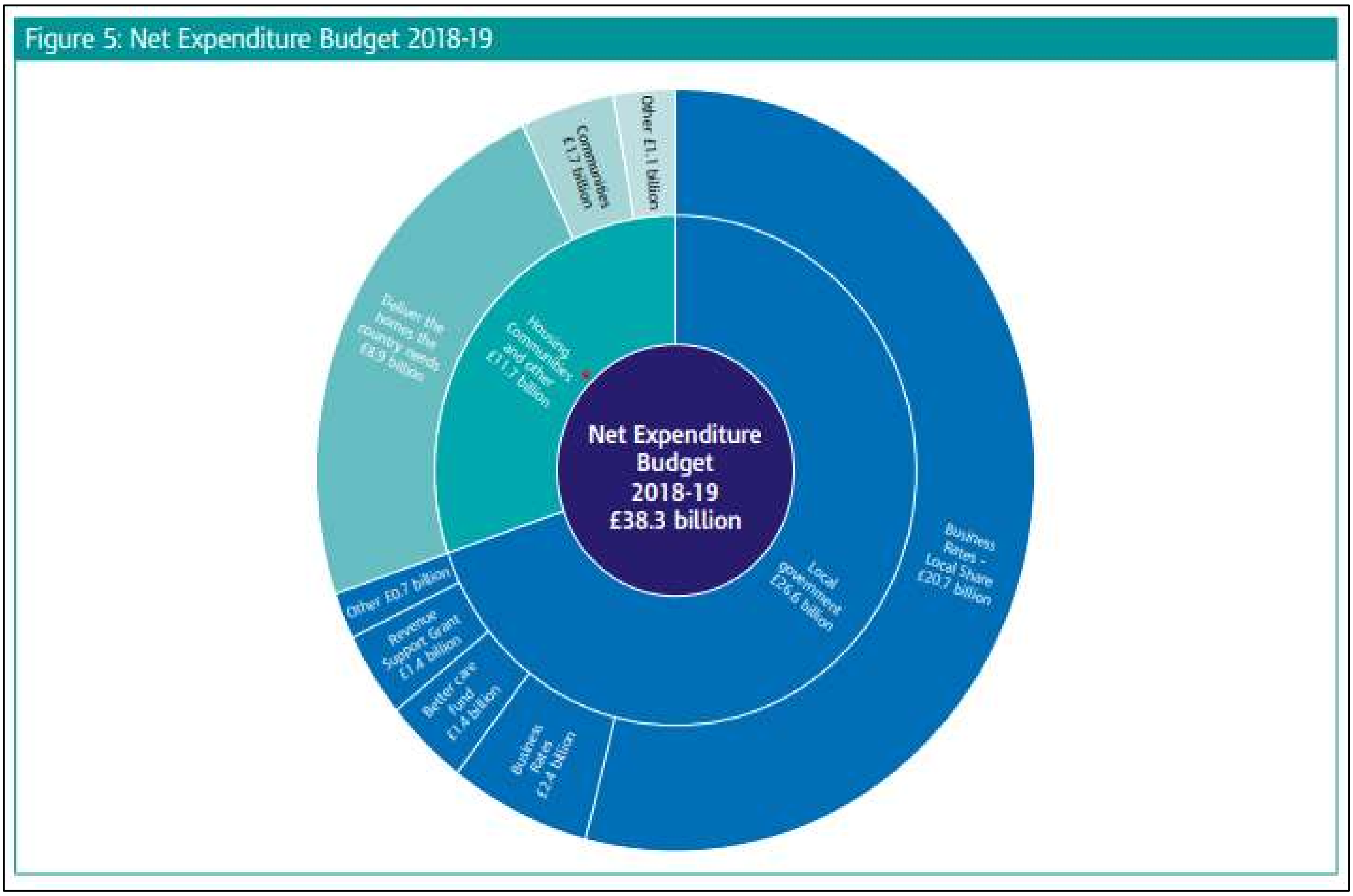
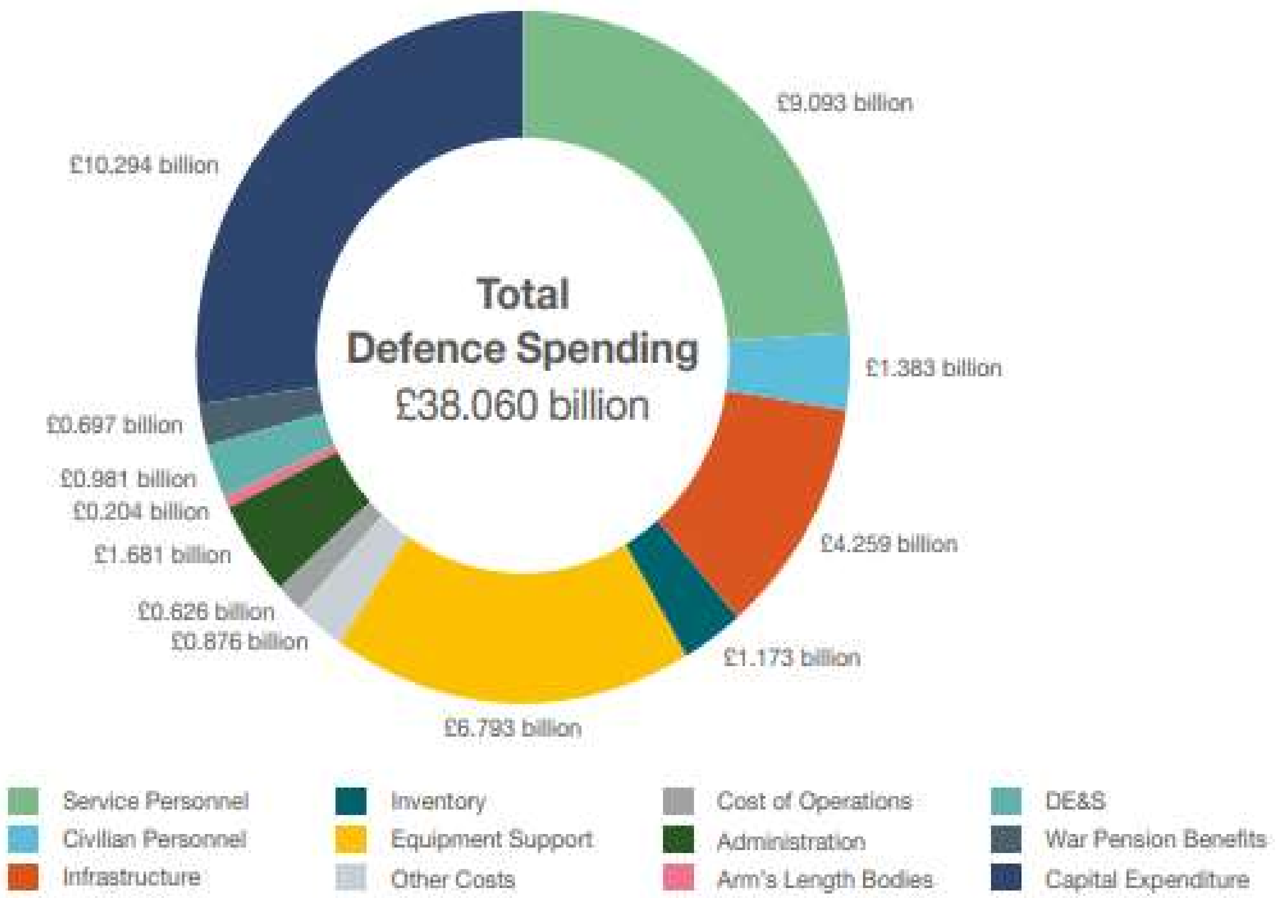


Figure 6 – Ministry of defence

Where We Spent Our Money in 2018–19

The chart below provides a breakdown of all non ringfenced expenditure incurred by the Department in 2018–19. This expenditure is controlled by the Department through close scrutiny of the In Year Management Process. It is this close scrutiny that has resulted in the Departments outturn against non ringfenced RDEL and CDEL being 0.1% and 0.8% respectively.

Where We Spent Our Money in 2018–19



Notes

1. Total Defence Spending is Non ringfenced Cash Resource DEL and Capital DEL plus the cost of operations. Non ringfenced Cash Resource DEL refers to cash available to the Department for spending on Defence Capability. It excludes Depreciation and Impairment costs which are included in ringfenced DEL.
2. Includes all administration costs relating to Other Costs and Services, Cash Release of Provisions and cost of Military and Civilian personnel who perform an administrative role.
3. Includes Other Costs and Services, Receipts and Other Income, Cash Release of Provisions and Research and Development Costs related to Provision of Defence Capability.
4. Capital Expenditure includes Capital Expenditure related to Operations.

Figure 7 – Ministry of Justice

Spending by grant recipients

During the year the Department has provided funding to multiple programmes. The most significant programmes included:

Total grant funding: £170.1m[4]

(2017-18: £179.7m)

Youth Justice Grant

£71.6m

(2017-18: £71.4m)

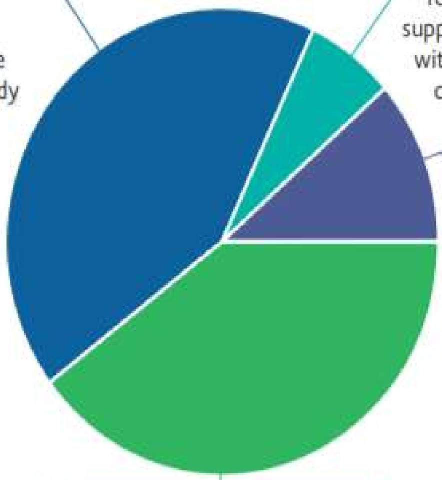
To support reducing the level of youth re-offending, the number of first time entrants to the justice system, and the use of youth custody

Witness Service

£11.1m

(2017-18: £12.0m)

To provide emotional and practical support and information to victims and witnesses giving evidence at criminal courts across England and Wales



Other grants

£19.7m

(2017-18: £28.4m)

Local Commissioning of Victims Services

£67.7m

(2017-18: £67.9m)

Grants funded via 42 Police and Crime Commissioners which included £4.7m for Child Sexual Abuse for the local commissioning of victims' services and additional payments for the delivery of local support services

To ensure that we have robust governance arrangements and grant expenditure is achieving value for money the Department set up a Grants Challenge Panel in October 2017. This has subsequently been taken forward as best practice by the Cabinet Office. Panels were held in the autumn of 2018 to review planned grant expenditure for 2019-20. The purpose of the panel is to:

- Assess individual grants and provide advice to grant managers
- Consider the benefits and value for money derived from grant payments
- Consider whether grants allocation is achieving specified benefits and
- Consider whether grant funding is the most appropriate, efficient and cost effective option.

Trend data

2.8 Trend data is a key aspect of reporting performance as it provides context and builds trust in the information presented. The 2020-21 FReM mandates that the performance analysis section of ARAs must include a prior year comparator for the data presented. 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.

2.9 Below are examples of multiple-year trend data on specific performance metrics taken from the Department of Health and Social Care, Whole of Government Accounts and the Department for International Development.

Figure 8 – Department of Health and Social Care

Performance of the Healthcare System

110. Demand for services provided in the health and care system continues to rise above population and demographic growth as better diagnosis and medical advancement means more treatment is possible. To meet this demand the NHS continues to deliver more activity than ever before - as evidenced in **Figures 3 and 4** - by the growth in emergency admissions and elective (i.e. non-emergency) treatments since 2010-11.

Figure 3: Emergency Admissions

Source: A&E attendances & Emergency Admission Statistics.

Figure 4: Elective Treatments

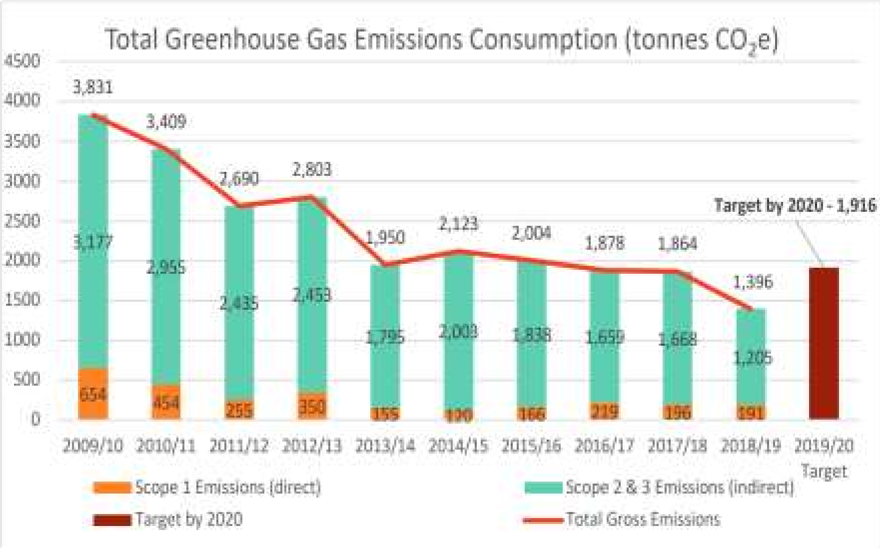
Source: NHS England Consultant Led Referral to Treatment Statistics. Data adjusted for non-submitting Trusts and exclusion of sexual health services from 2013.

111. Compared with 2017-18, the NHS managed nearly 987,000 (4.2% increase) more A&E attendances in 2018-19, and an increase of 15.7% in people seen by a specialist for

https://www.england.nhs.uk/statistics/statistical-work-areas/ae-waiting-times-and-activity/
https://www.england.nhs.uk/statistics/statistical-work-areas/rtt-waiting-times/

Figure 3 – Department for International Development

Greening Government Commitments: progress against greenhouse gas emissions consumption



Reductions in this area have been achieved through various initiatives, including moving to a smaller office in London (in 2013), introducing a green roof (in 2010) and biomass boiler (in 2013) in Abercrombie House, undertaking pointing works to improve the exterior fabric in Abercrombie House for better insulation and increasing staff awareness through various campaigns.

Figure 10 – Whole of Government Accounts

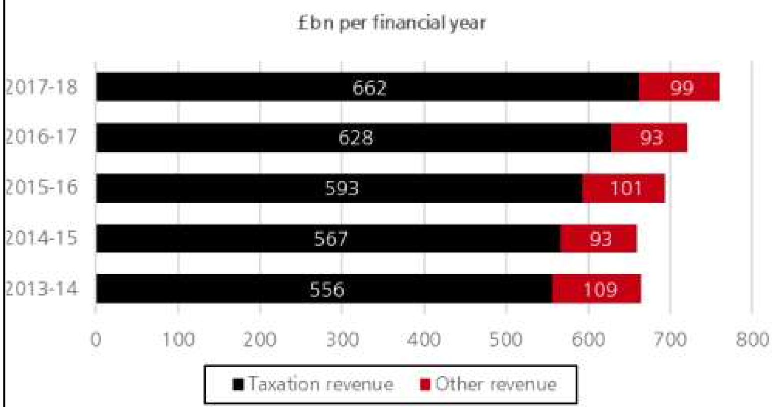
Income

What does government receive from taxes and other income?

The primary source of revenue is **taxation**, making up 87% of total public sector income.

		2017-18 £bn	2016-17 £bn
Taxation revenue	Note 4	661.6	628.1
Other revenue	Note 5	99.3	92.7
Total public services revenue		760.9	720.8

Chart 1.U: Income trends



Source: HM Treasury

1.127 Over the last 5 years there has been a 15% increase in the total revenue from public services which is analysed in further detail below.

Balanced reporting

2.10 Departments are expected to report the status of progress against their Single Departmental Plan (SDPs) objectives in a fair, balanced and understandable way

2.11 The example below from HMRC shows clearly performance against their commitments, including where progress was not on track or where was a risk to delivery. Building this transparency into reporting builds trust and increases the value of the report to the user.

Figure 11 - HMRC

How we performed in **2018-19**

We have made important progress in our core objectives, while delivering on new and urgent priorities.

It's been a successful year for us in delivering our vital purpose to raise money for the UK's public services. We achieved record total revenue figures yet again, we had our best ever year for Self Assessment returns filed online, and we brought in more money than ever before from tackling avoidance, evasion and non-compliance.

We've also risen to the new challenge of preparing for the UK to leave the EU. We're right at the heart of the government's preparations - including hosting the cross-government Border Delivery Group to coordinate UK border plans, carrying out vital work on customs and preparing businesses and individuals for new rules. This important work has affected our ability to meet some of our broader targets, and we've had to scale back some of our plans to improve our digital services, but we've shown responsiveness and flexibility in delivering our core functions alongside complex and critical new tasks.

Objective **1:**

Collecting revenues due and bearing down on avoidance and evasion

We increased total tax revenues for the UK by 3.6% on last year. There was a small increase in the tax gap in 2017-18 (the latest year for which figures are available) but it remained at a near-record low. We continued our strategy of reducing non-compliance by minimising customer error at the earliest possible stage, so we can respond more robustly and effectively to deliberate fraud and customers with complex tax affairs.

How we performed against our public commitments

11	3	1
on track or complete	risk to delivery	not on track

Key performance figures

£627.9bn
Total tax revenues in 2018-19

£34.1bn
Additional tax generated by tackling avoidance, evasion and non-compliance

5.6%
The UK's tax gap in 2017-18 - the difference between tax that should be paid and what is actually paid

648
Criminals and fraudsters successfully convicted

5.7%
Proportion of error and fraud within the tax credits system in 2017-18

£3bn+
Tax protected or generated from tackling organised crime

+ **Read our full performance report on page 22**
+ **Read our full commitments on page 242**

Future plans

2.12 Departments are encouraged to report on future plans in the performance report. Departments are required to 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.

2.13 The example below from the Foreign and Commonwealth Office clearly articulates the department's plans in the year ahead, using plain English and a range of visuals. The example from the Ministry of Defence provides a clear infographic that sets out planned expenditure in the next decade across a number of areas.

Figure 12 – Foreign and Commonwealth Office

FCO in the year ahead

National Interest, Global Leadership

We lead HMG's global diplomatic network to advance British interests and act for the people of the UK around the world, supporting all UK Government activity overseas. As the UK leaves the EU, we will seize the opportunities to deliver for a Global Britain as we protect our country and our people, project our influence and values, and promote our prosperity overseas.

The Foreign and Commonwealth Office has a Single Departmental Plan (SDP) that sets out our objectives and how we will achieve them. For the year 2019-20, we will have 11 Foreign Policy Priority Outcomes, facilitated by our new Corporate Policy Priority Outcome, under the following three strategic objectives: protect our people, project our influence and demonstrate diplomatic leadership, and promote our prosperity.

Cross-Cutting Activity

Underpinning our Priority Outcomes will be:

- Strong communications with international partners and UK citizens
- A twenty-first century diplomatic service ready to respond quickly to global challenges by ensuring that it is well trained, has local expertise and language skills, and the technology to work in an agile, collaborative way
- A work force that both represents the modern United Kingdom and benefits from the expertise of local staff, and that can utilise modern programme and project skills to ensure impact and value for money for our Official Development Assistance
- The ability to host world class events

Expertise

- Strategy and policy leadership and delivery.
- International negotiations.
- Strategic communications on international priorities for HM Government.
- Innovative programme delivery.
- Deep country, multilateral and regional expertise.
- Professional Expertise: negotiating, influencing, crisis management, consular assistance, engagement.
- Language skills.
- Diplomatic Academy develops to keep our diplomatic skills and tradecraft best in class.

Agility

- New technology introduced and exploited to work smarter.
- Corporate Capability Programme improving support services, freeing up time for front-line diplomacy.
- Agile workforce and resource use, meeting needs of EU Exit Global Britain, and Africa Strategy.

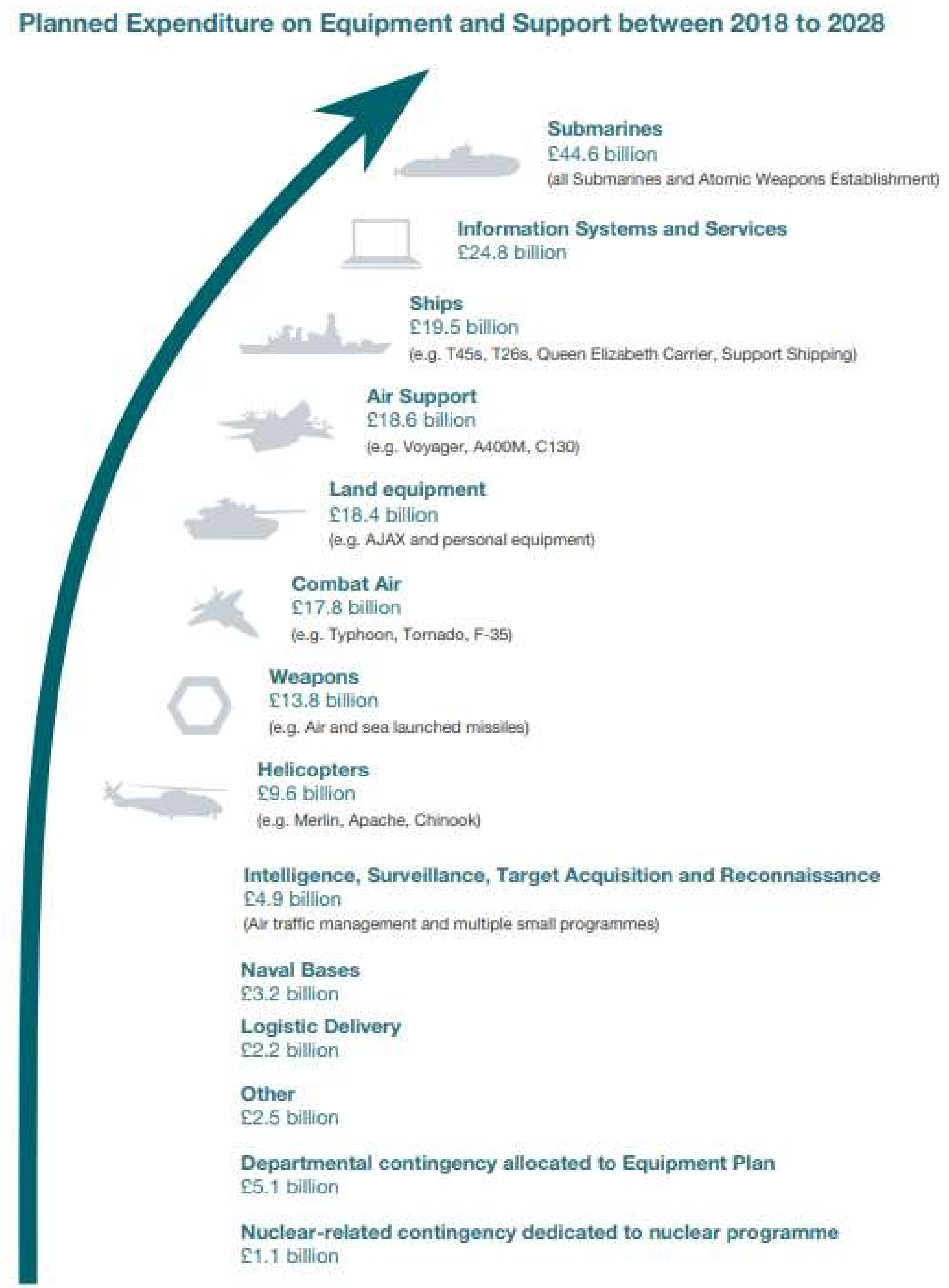
Platform

- A bigger, more impactful, growing global network that operates globally, 24/7: UK HQ, 274 overseas Posts, 169 countries and territories, 9 international organisations, over 12,000 staff.
- FCO provides a home for 'One HMG'—delivering all government activity overseas, supporting 30 departments and the Devolved Administrations, through our diplomatic network of Embassies, High Commissions, Consulates and offices.
- Investment in, and improvement of the global platform so that it is safe, secure, and promotes a positive image of the UK (for all government departments).

Our values

Respect | Expertise | Resilience | Creativity | Courage | Public Service

Figure 13 – Ministry of Defence



Source: MOD Equipment Plan 2018.

Reporting against Single Departmental Plans

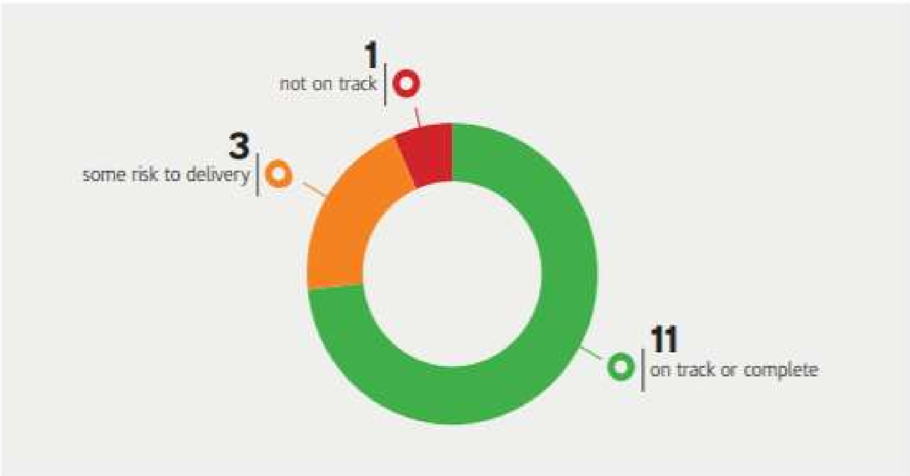
2.14 Annual reports and accounts should report progress against the objectives set out in Single Departmental Plans. It is important that reporting is fair and balanced, showing instances where performance has been below what expectation and goals and providing clear explanations.

2.15 Examples of best practice reporting against SDP objectives can be seen within the reporting provided by HMRC and the Department for Transport (DfT). HMRC's reporting details the department's overall aim and links those aims to individual key performance indicators (KPI's). Each KPI is then RAG rated to clearly show progress. The example from DfT gives qualitative data against SDP indicators as well as prior year comparators.

Figure 14 - HMRC

Progress against our commitments: Collecting revenues due and bearing down on avoidance and evasion

We have committed to delivering further improvements to how we collect revenues, and we set out our commitments at the start of each financial year in our single departmental plan. In **2018-19** we set ourselves **15** commitments.



Commitments on track or complete include:

- We exceeded our target of delivering compliance revenues of £30 billion.
- We increased our ability to prevent alcohol and tobacco smuggling.
- We are on track to raise an additional £5 billion per year by 2019-20 to tackle tax avoidance and evasion.
- We further strengthened our ability to police the National Minimum Wage.

Commitments with some risk to delivery:

- We are committed to invest £800 million to tackle evasion and non-compliance - with a further £155 million announced at Autumn Budget 2017 for future years. In 2018-19 we invested what we expected to in order to continue tackling evasion and non-compliance, but due to resourcing issues our delivery has not been in line with forecast. We are working on recruitment in 2019-20 to address this.
- We continue to make progress towards our commitment of 100 prosecutions from criminal investigations per year by the end of this Parliament. The Fraud Investigation Service has delivered 42 prosecutions against a plan of 30 for 2018-19 - however, there is a risk of not delivering up to 100 by the end of this Parliament.

Figure 15 - HMRC

Objective 1: Collecting revenues due and bearing down on avoidance and evasion

It's our job to make sure the whole tax collection system functions well - so that, ultimately, we bring in no more and no less than the revenue due under the law.

This means creating an environment where increasing numbers of taxpayers voluntarily meet their obligations and where they trust us to act fairly, consistently and professionally.

Our aim is to make it effortless for individuals and straightforward for businesses to meet their obligations, but we recognise that some will always seek to cheat the system. Where the right tax isn't being paid, we use data and insight to make tailored, targeted and proportionate interventions across all of our customer groups, and take tough action against avoidance and deliberate evasion. This creates a level playing field for the vast majority of UK taxpayers who pay what is due.

How we performed against our public commitments

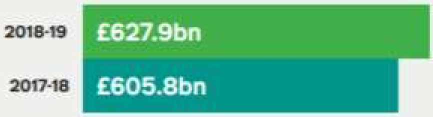
11	3	1
on track to complete	risk to delivery	not on track

+ **Read more about progress against our commitments on page 36**

Key performance figures*

3.6%

Increase in total tax revenues



£34.1bn

Additional tax generated by tackling avoidance, evasion and non-compliance**

5.7%

Level of error and fraud within the tax credits system

UK tax gap - the difference between tax that should be paid and what is actually paid

2017-18	2016-17
5.6%	5.5%
0.1% increase on 2016-17	

£3bn+

Protected or generated from tackling organised crime

£ +

648

Criminals and fraudsters successfully convicted

Figure 16 – Department for Transport

SDP indicator	Current	Previous
National Rail Passenger Survey, Great Britain: passengers satisfied with their journey (%)		
Passengers satisfied with their journey (current data = Autumn 2018, previous = Autumn 2017)[1]	83%	81%
National Road User Satisfaction Survey: satisfaction score most recent journey, users very or fairly satisfied with elements of most recent journey		
(i) Satisfaction score for most recent journey taken on the Strategic Road Network	88%	89%
(ii) Users very or fairly satisfied with elements of their most recent journey		
(a) Safety	90%	90%
(b) Upkeep	85%	89%
(c) Information provision	92%	92%
(d) Journey time	87%	88%
(e) Roadworks management	61%	63%
(current data = 2018-19, previous = 2017-18)		
Use of smartphones/apps for journey planning		
(current data = December 2018, previous data = December 2017)	86%	84%
Proportion of trains running on time, Great Britain		
(current data = Q4 2018-19 (provisional), previous data = 2017-18)	86.3%	87.8%
Proportion of non-frequent bus services running on time, England		
(current data = 2017-18, previous = 2016-17)[2]	83.0%	82.7%
Average excess waiting time for frequent bus services, England		
Data is available at local authority level, and is not collected nationally	n/a	n/a
Average delay on strategic roads and average delay on local 'A'roads, England: Strategic Road Network and Local 'A' roads		
(i) Strategic Road Network	9.4	9.2
(ii) Local 'A' roads	43.1	47.1
(current data = 2018-19, previous = 2017-18)[3]		
Proportion of flights on time (within 15 minutes), UK (%)		
(current = 2018, previous = 2017) (CAA's methodology for measuring flight accuracy has changed and the 2018 position is not comparable to the 2017 position)[4]	71%	73%

1 Source: Transport Focus.

2 Source: DfT Bus Statistics. 'On time' is defined as between 1 minute early and 5 minutes 59 seconds late.

3 Source: DfT Road congestion and travel times. Units: seconds per vehicle mile. Note: Due to changes in the traffic flow weighting in 2017, a step change has been introduced to the 2019 estimates of average delay. The 2018 data was calculated for quality assurance purposes and used to calculate the 12 month rolling average.

4 Source: DfT Analysis of CAA Punctuality Data. Note: 'On time' is defined as between arriving early and up to 15 minutes late, selected UK airports only. The CAA's methodology for measuring flight performance has changed and the 2018 position is not directly comparable to the 2017 position.

Reporting activity by projects and key policies

2.16 In order to effectively tell their story, departments should report on the performance of their major projects. Examples below taken from HMRC and MoD outline several ways in which this can be done effectively.

2.17 The example taken from HMRC links statistics to project performance and again uses plain English to explain performance on an important policy. The example from MoD biefly outlines progress on the project from when it was announced as well as future expected cost and timescale.

Figure 17 – Ministry of Defence

Continuous at Sea Deterrence

Our independent nuclear deterrent deters against the most extreme threats to our way of life, both now and in the future. It provides the ultimate guarantee of our national security, and is a major part of this Government's commitment to ensure the safety and security of its citizens. The Royal Navy's Vanguard Class ballistic missile submarines currently maintain deterrent patrol missions, sustaining Operation RELENTLESS which delivers the Continuous At Sea Deterrence (CASD) posture, which has been uninterrupted since April 1969. In 2016, Parliament voted overwhelmingly in favour of retaining the UK's nuclear deterrent, endorsing the Government's plans to maintain the deterrent beyond the life of the existing system and replacing the current submarines with four new Dreadnought Class ballistic missile submarines. This will ensure that the UK has a credible, independent and capable nuclear deterrent out to the 2060s and beyond.

The commencement of building the Dreadnought submarines was announced by the then Secretary of State for Defence on the 1 October 2016. Over £1.5 billion of investments have been made to support the second delivery phase of the Dreadnought programme so far, which commenced in April 2018. The Dreadnought programme remains on track to deliver on time and within the £31 billion (excluding £10 billion contingency) forecast.

Figure 4 - HMRC

The UK tax gap

The tax gap is the difference between the amount of tax that should, in theory, be paid to HMRC, and what is actually paid. We use a percentage tax gap to understand compliance trends over time. The cash figure is affected by economic growth and changes to tax rates, whereas the percentage gap takes the impact of these factors into account.

The tax gap for 2017-18 (the latest figure available) is estimated at 5.6% of liabilities (£35 billion), which means that HMRC collected 94.4% of all the tax due. Overall, the tax gap has fallen from 7.2% in 2005-06, with some year-on-year variations.

Figure 3: UK tax gap in 2017-18

5.6%

+ **0.1%** increase on **2016-17**

Value of the tax gap: **2017-18**

1 IT – Income tax, NICs – National Insurance Contributions, CGT – Capital Gains Tax

Of the £35 billion tax gap, the largest proportion (40%) can be attributed to small businesses, followed by large businesses at 22%. The tax gap is due to a range of behaviours, some deliberate - such as evasion - and some non-deliberate - such as error and failure to take reasonable care

We are taking steps to tackle the underlying causes of the tax gap - reducing error by making it easier for individuals to pay tax through online digital services, and by launching Making Tax Digital for VAT-registered businesses, which requires them to keep digital records and submit their VAT return using compatible software. You can read about the steps we're taking to respond to evasion and criminal attacks on pages 29 to 33.

HMRC's Measuring tax gaps report go to
www.gov.uk/government/statistics/measuring-tax-gaps

Unit cost information

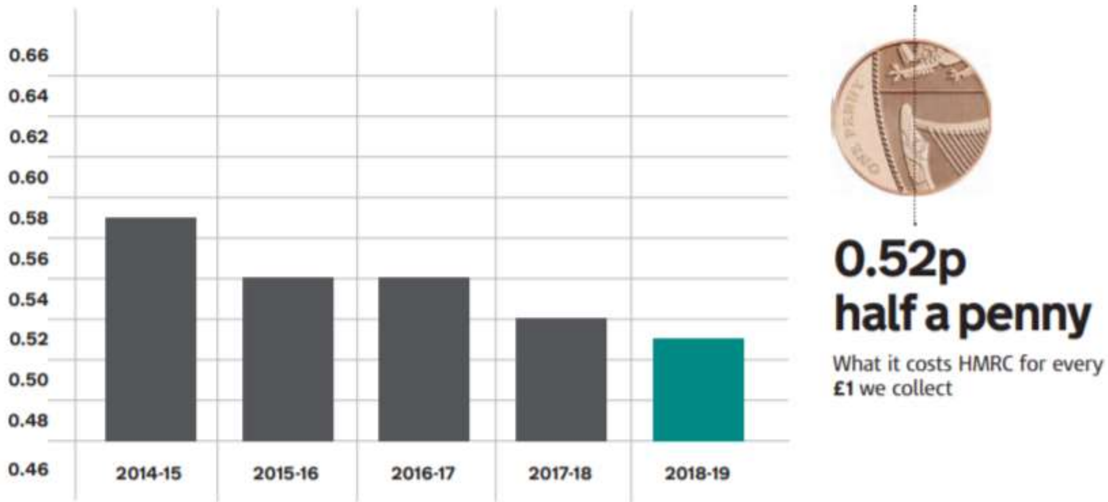
2.18 Reporting on the unit cost of key services of an entity's activities can provide a unique insight into the value that the organisation brings. Feedback from both Parliament and other users of accounts has indicated that unit cost is useful, and where unit costs are central to decision-making or accountability for the organisation, then they should be disclosed

2.19 The example below from HMRC is a good example of reporting unit costs. Not only is the unit cost of a key service is outlined, and information includes five-year trend data. The unit cost information is also linked to other activities and targets of the organisation, therefore providing context.

Figure 19 - HMRC

Together with our increasing revenues, these efficiencies mean it costs us around half a penny for every pound of tax revenue we collect - that figure has dropped from 0.58 of a penny in 2014-15 to 0.52 of a penny in 2018-19.

Figure 9: Cost of tax collection 2014-15 to 2018-19 (pence per £ collected)



Becoming a sustainable organisation

The 2016-20 Greening Government Commitments set a challenge for us to reduce the environmental impact of our estate and operations. They also form part of our contribution to the global Sustainable Development Goals.

How did we do?

10% less waste generated in 2018-19 compared to last year	**16%** cut in emissions from our estate and business travel compared to 2017-18	**1,474** fewer UK flights taken by our staff compared to 2017-18

We have made further progress in our commitment to reduce our environmental impact. We cut paper usage by 44 million sheets in 2018-19 compared to the previous year, while our water usage reduced by 5%. The amount of our waste diverted from landfill is now 99%.

Chapter 3
Accountability

3.1 The purpose of the accountability section of the annual report is to meet key accountability requirements to Parliament, being the primary user of annual report and accounts. It is important that accountability disclosures are presented in a way that meets the needs of users.

3.2 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.

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

Risk reporting and Governance

3.4 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.

3.5 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.

3.6 The examples below from the Ministry of Defence (MoD), Department for Transport (DfT)and Department for Digital, Culture, Media and Sport (DCMS) demonstrate both aspects of risk reporting. The examples from DfT and DCMS present the risks facing the organisation alongside the risk direction (how the risk has developed throughout the year) and the mitigating activities being undertaken by the department. The example from MoD effectively shows the responsibilities for risk management and internal control systems in a clear diagram.

Figure 20 – Ministry of Defence

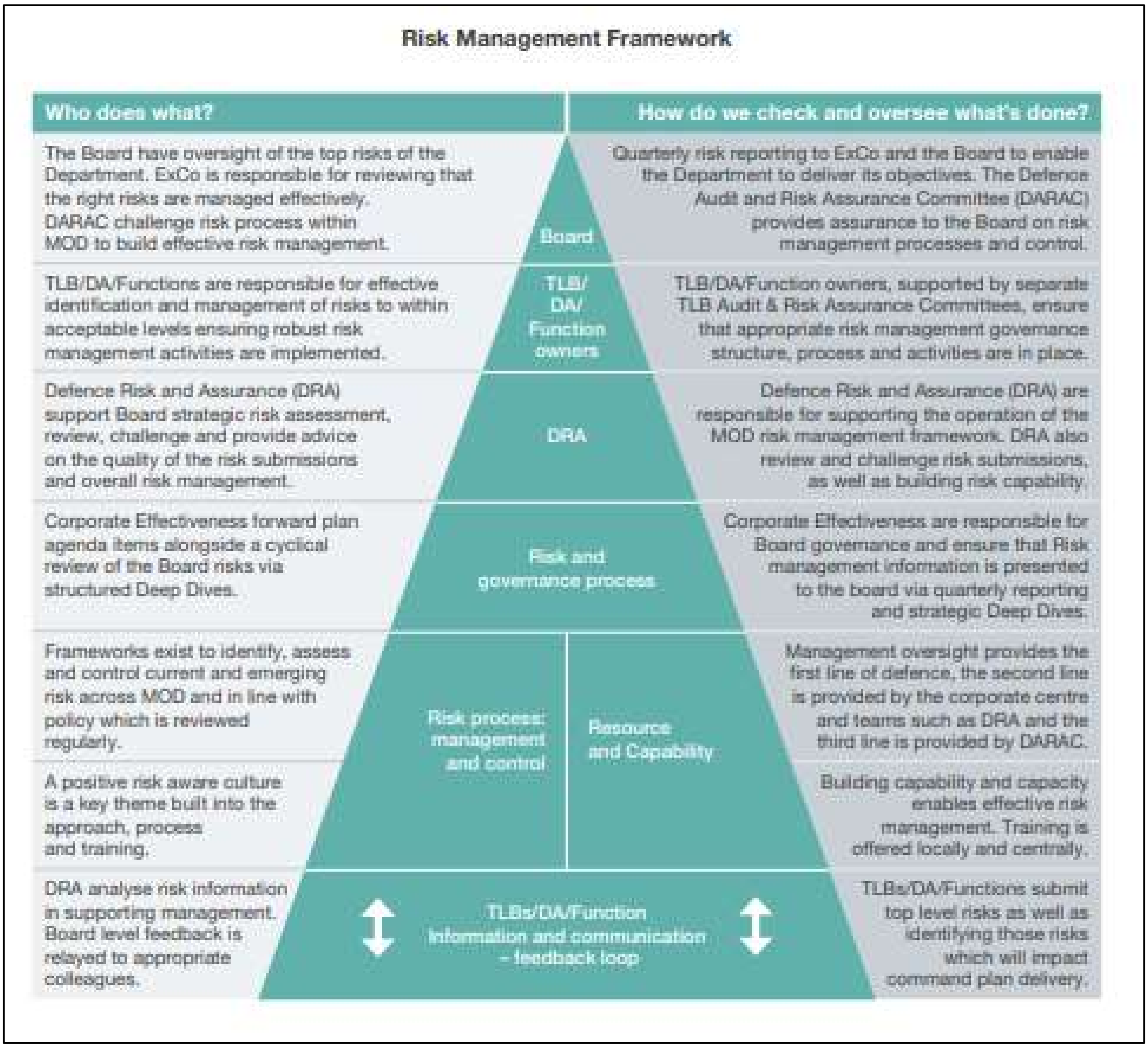


Figure 21 – Department for Transport

Table 14: DfT's top-level risk themes for 2018-19[15]

Risk	Mitigating activities taken so far	Direction of risk trend at year end and explanation of rating and trend
1. EU Exit: There could be an adverse impact on our links to Europe, our transport services, associated industries and our economy arising from the UK's exit from the EU.	• Critical paths developed for main scenarios. • Programme boards established to oversee negotiations, contingency planning and operations. • Close involvement with the government's border work and proactive contingency planning together with other government departments. • Dedicated resources to deal with increased requirement for legislation.	 Continued active management of the risks going forward, including readiness to contribute to negotiations, though acknowledging continuing uncertainty.
2. Environmental: Adverse impact on the environment and public health if greenhouse gas emissions (GHG) and air quality targets are not met.	• The policies and ambitions set out in our focused modal strategies – Road to Zero, Maritime 2050, Aviation 2050 and our challenge to the rail sector to remove diesel only trains by 2040 have put the UK on a pathway to make substantial emissions reductions right across transport. • The Clean Growth Strategy, aims to accelerate the pace of 'clean growth', and achieve our economy wide intermediate GHG reduction targets. • The Road to Zero strategy sets out the detail of the UK's pathway to zero emission road transport and an investment of nearly £1.5 billion between 2015 and 2021. • The Clean Air Strategy sets out the approach for meeting the 2020 and 2030 national air quality emission ceilings. • Continued the delivery of the 2017 Air Quality Plan for Nitrogen Dioxide.	 Climate change is one of the most urgent and pressing challenges we face today, and the UK is committed to tackling it. The new 'net zero' greenhouse gas emissions legal target will require a step change in sustained Government action. The challenge is also pressing in the context of our binding carbon targets. The Department is committed to playing its fullest role as we decarbonise the UK economy. We continue to implement our existing commitments. However, with transport accounting for an increasingly large share of the UK's greenhouse gas emissions, we recognise the need to increase our ambition and step up the pace of progress. The Department remains committed to enabling the delivery of local air quality plans.
3. Disruption to services: There is a risk of harm to the public and disruption to our transport system if there were a terrorist attack on our transport network.	• A proportionate risk-informed approach to prioritising DfT and industry work on counter-terrorism and cyber, drawing on information from all stakeholders (DfT, other government departments, security community, police and industry). • Large risk-informed science and technology research programme to improve security standards. • Modal specific protective and reactive counter-terrorism and cyber security programmes. • Public awareness campaigns such as 'See it, Say it, Sorted' coordinated with Home Office and police forces. • Regular contingency planning and associated exercises to ensure we are best placed to respond to the variety of incidents that could impact on transport.	 The likelihood of attack, whilst varied across the modes and types of attacks, remains high in certain aspects. Industry must continue to implement effectively mature, modal regimes to manage the resultant risks. Those regimes must also evolve to meet changes to the threat - lessons are being learned from previous attacks to increase resilience and set policy direction, including working with the Home Office and police forces.

Figure 22 – Department of Digital Culture Media and Sport

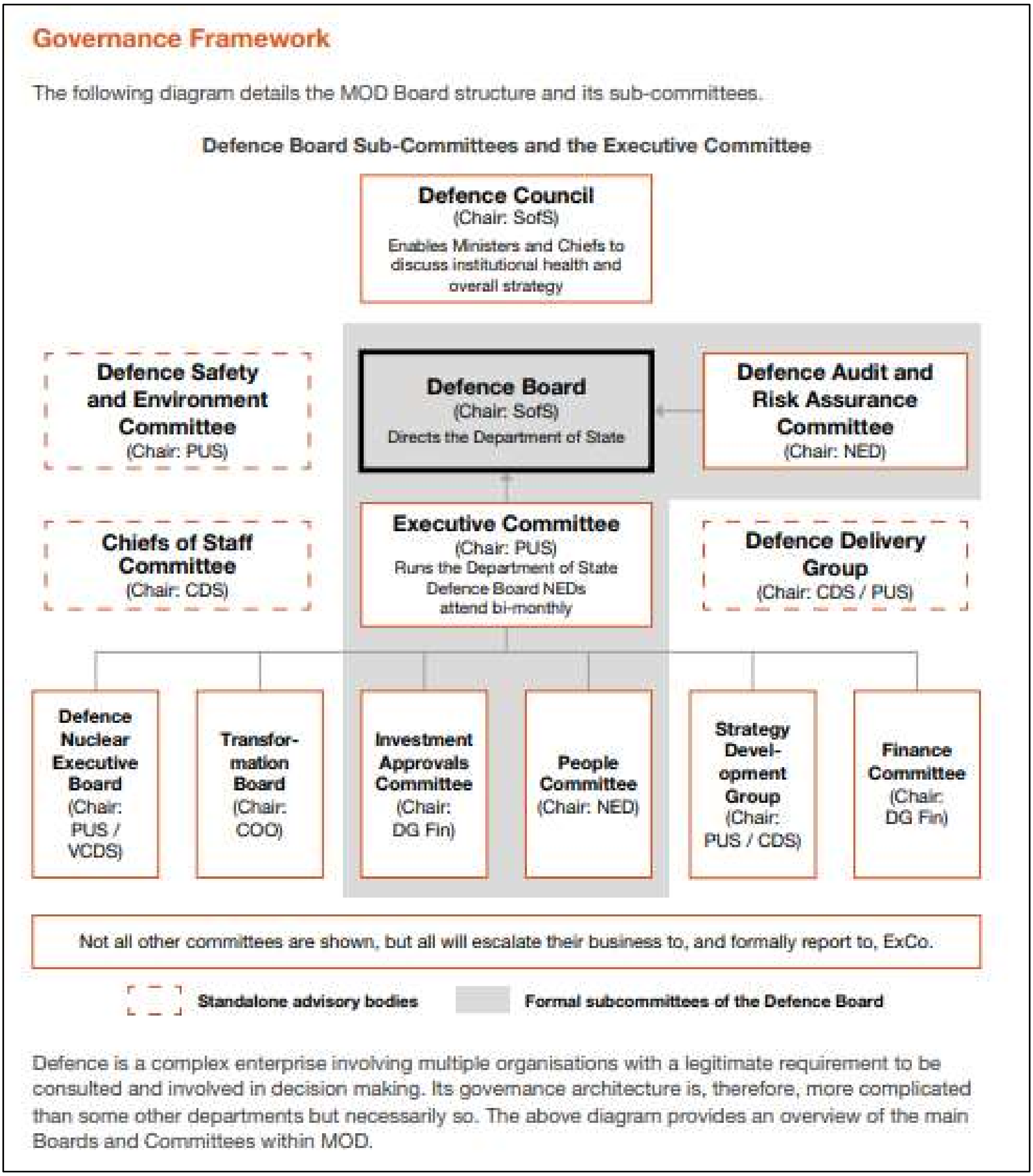
Risks affecting delivery

During 2018-19, DCMS continued with a rigorous approach to risk management of the top-level challenges which could hamper delivery of key priorities. Strategic risks were categorised in line with the SDP objectives and overseen through our Risk Framework. The table shows significant risks that the department faced during 2018-19:

Single Departmental Plan	Risks	Mitigations	Direction at year end
Global: EU Exit	A lack of capacity to deliver increasing requirements of EU Exit work alongside other priority work.	Cross-DCMS prioritisation exercise to scope EU Exit impacts and over 110 officials were seconded from primary roles. A significant number of others were drawn in to support EU Exit work alongside primary roles.	↔
Growth: Digital Charter	Fail to collaborate effectively with citizens, businesses and society as a whole in the development of digital economy policies (for example, the Digital Charter).	Engaged extensively with stakeholders outside of government, with a strong central joined-up narrative guiding DCMS' approach.	↔
Digital Connectivity: Cyber security in the telecoms and broadband industries	Interruptions to information networks and a loss of critical data may occur due to sustained cyber attacks.	Continued to work closely with National Cyber Security Council to ensure a joint coordinated response to any risks that would arise due to cyber attacks. This included publication of the Cyber Governance Health Check 2018.	↔
Participation: First World War centenary events and other major events	Increasing demands on capacity and capability lead to an adverse impact on delivering high profile events.	Established close working relationships with delivery partners and ensured invited members of the public were well briefed. Maintained sufficient staffing levels and ensured good knowledge management throughout.	↓
Society: Internet safety	Failing to deliver groundbreaking policy, such as the Online Harms White Paper.	Worked closely with ministers, providing regular updates on progress to the Cabinet Secretary. Used internal resources effectively, engaging with partners and stakeholders, which led to publication in April 2019.	↔
Agile and Efficient: Spending review	DCMS lacks sufficient resources to deliver its commitments and vision.	Conducted effective business planning to manage resources and prioritise activity in the year. Set up a dedicated team and additional Governance structures to prepare for the Spending Review.	↔

The arrows indicate the trend of risk across the year as a result of mitigating actions and final position of risk at the year end.

Figure 23 – Ministry of Defence



Remuneration disclosures

3.7 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 This example below from the Home Office extends beyond the minimum requirements set out within the FReM and provides information in multiple formats including a breakdown by headcount and detailed breakdown of spend category (consultancy, agency costs etc).

Figure 24 – Home Office

Consultancy Services	2018-19 total expenditure (£000)	2017-18 total expenditure (£000)
Home Office core Department	20,195	12,313
Disclosure and Barring Service	1,169	415
College of Policing	1,342	-
Security Industry Authority	728	-
Gangmasters and Labour Abuse Authority	7	-
TOTAL	**23,441**	**12,728**

Contingent Labour/Agency Costs	2018-19 total expenditure (£000)	2017-18 total expenditure (£000)
Home Office core Department	87,314	70,148
Independent Office for Police Conduct	1,707	2,563
College of Policing	5,992	7,826
Disclosure and Barring Service	1,251	687
Security Industry Authority	384	471
Gangmasters and Labour Abuse Authority	2	27
Office of the Immigration Services Commissioner	35	5
TOTAL	**96,685**	**81,727**

Total Consultancy Services and Contingent Labour/Agency Costs	2018-19 total expenditure (£000)	2017-18 total expenditure (£000)
Home Office core Department	107,509	82,461
Independent Office for Police Conduct	1,707	2,563
College of Policing	7,334	7,826
Disclosure and Barring Service	2,420	1,102
Security Industry Authority	1,112	471
Gangmasters and Labour Abuse Authority	9	27
Office of the Immigration Services Commissioner	35	5
TOTAL	**120,126**	**94,455**

Figure 24a – Home Office

Off-payroll engagements

Following the Review of Tax Arrangements of Public Sector Appointees published by the Chief Secretary to the Treasury on 23 May 2012, departments and their arm's length bodies must publish information on their high paid and/or senior off-payroll engagements.

The tables below provide the total number of off-payroll engagements, who are earning more than £245 per day plus new engagements during the year and a table showing those who were board members or senior officials during the year.

Table 1: This table shows the number of off-payroll engagements as of 31 March 2019, for more than £245 per day and that last for longer than six months.

All existing off-payroll engagements, outlined above, have at some point been subject to a risk-based assessment as to whether assurance is required that the individual is paying the right amount of tax and, where necessary, that assurance has been sought.

	Main Department	Agencies	ALBs
Number of existing engagements as of 31 March 2019	181	-	6
Of which:			
Number that have existed for less than one year at time of reporting	82	-	1
Number that have existed for between one and two years at time of reporting	72	-	2
Number that have existed for between two and three years at time of reporting	25	-	2
Number that have existed for between three and four years at time of reporting	2	-	0
Number that have existed for four or more years at time of reporting	0	-	1

Figure 24b – Home Office

Distribution of Headcount of Senior Civil Service (SCS) salaries (actual) as at end of March 2019

Salary Bands	SCS within the range as at end of March 2019	Percentage
£65,000 - £70,000	6	2.32%
£70,000 - £75,000	24	9.27%
£75,000 - £80,000	45	17.37%
£80,000 - £85,000	44	16.99%
£85,000 - £90,000	38	14.67%
£90,000 - £95,000	26	10.04%
£95,000 - £100,000	18	6.95%
£100,000 - £105,000	7	2.70%
£105,000 - £110,000	8	3.09%
£110,000 - £115,000	10	3.86%
£115,000 - £120,000	7	2.70%
£120,000 - £130,000	6	2.32%
£130,000 - £135,000	5	1.93%
£135,000 - £145,000	7	2.70%
£150,000 - £155,000	1	0.39%
£155,000 - £160,000	1	0.39%
£160,000 - £165,000	2	0.77%
£165,000 - £170,000	1	0.39%
£185,000 - £190,000	2	0.77%
£190,000 - £200,000	1	0.39%
Grand Total	**259[1]**	**100.00%**

1 There is one SCS excluded from this list as their salary is not held on the Home Office payroll system.

Staff numbers are headcount of SCS, including grade equivalents.

Where individual £5k bands contain less than five individuals, some have been combined as per ONS statistical disclosure controls. However, those earning above £150k are subject to full disclosure.

Figures are for current paid civil servants only, in line with ONS guidelines on headcount reporting.

Statement of Outturn Against Parliamentary Supply (SOPS)

3.8 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 is explained clearly and effectively.

3.9 The examples below from the Department for Work and Pensions (DWP) and DfT include a breakdown by Estimate line, allowing easier comparison between the planned spend and the actual outturn of each estimate line .They also provide a brief and understandable explanation for the variance within each Estimate line.

Figure 25 – Department for Transport

Expenditure Line	Outturn (£m)	Limit (£m)	Variance (£m) (over)/ under	Explanation of variance
Resource DEL				
C: Highways England (Net)	2,371	2,713	342	Highways England did not utilise £280m of contingency sought for depreciation. A prudent forecast was adopted for the Supplementary Estimate based on the condition of the Strategic Road Network and ultimately the final charge was within the budget tolerance.
O: Support for Passenger Rail Services	(186)	(33)	153	The Department recognised more income than expected mainly due to the performance of some train operating companies, and unutilised contingency set aside for various negotiations.
Resource AME				
V: Network Rail (Net)	7,046	8,267	1,221	This underspend is related to derivatives on financial instruments moving £0.2bn in the opposite direction to the £1bn that we held in contingency for such movements.
Capital DEL				
R: High Speed Two Ltd (Net)	2,056	2,190	134	The underspend relates to contingency held for VAT and changes to the profile of Phase 1 spending.
Capital AME				
V: Network Rail (Net)	5,383	5,740	357	This underspend was mainly due to increased asset divestment sales and lower than expected spend on enhancements.
AC: High Speed Rail	(98)	750	848	This underspend was due to provision creation for land and property being lower than anticipated.
AD: High Speed Two Ltd (Net)	(230)	32	262	The underspend relates to the contingency held for the HS2 VAT provision. The provision was reclassified to accruals, which has an equal and opposite impact on Capital DEL. Note 23 provides further information.

Figure 26 – Department for Work and Pensions

Variances

At the start of each year, we estimate our costs for each budget type and we monitor these throughout the year and revise at the Supplementary Estimate. The size and complexity of our budget, along with economic, environmental and social changes, means there will inevitably be some variances for our Estimates. Significant variances are:

	Limit	Outturn	Variance (Over)/ Under	Explanation of variance
Estimate Line	**£'000**	**£'000**	**£'000**	
Voted Expenditure DEL				
Employment Programmes – Resource	219,224	284,835	(65,611)	Within 2018-19 there was a major change in the Employment Programmes operated by DWP. Eventual full-year outturn applied to this subhead was higher than the limit applied at the time of the Supplementary Estimate due to the difficulty in forecasting for complex new programmes.
Other Programmes – Capital	121,932	93,000	28,932	NEST Loan requirements have reduced due to achieving a higher than forecast revenue from NEST pension scheme members. Efficiencies have also been achieved by increased use of online services for employers and members. In addition, DWP has maintained its full SR15 funding limit against this category at the Supplementary Estimate in recognition of uncertainty over Capital outturn during 2018-19.
Voted Expenditure AME				
Financial Assistance Scheme – Resource	(1,394,100)	(1,636,130)	242,030	The process for calculating the impact of discount rates associated with FAS changed during 2018-19. This, combined with inherent uncertainty over the forecast of cash flows at the time of the Supplementary Estimate, meant DWP applied a margin to the value of the provision calculation in the Supplementary Estimate.
Universal Credit Inside Welfare Cap – Resource	6,690,354	5,935,344	755,010	At the Supplementary Estimate allocation of expenditure between inside and outside the welfare cap was based on an estimation, this has been revised leading to a reduction in the amount recorded inside the cap and an increase in the amount outside the cap.
Universal Credit Outside Welfare Cap – Resource	1,901,334	2,195,264	(293,930)	
Universal Credit Inside Welfare Cap – Capital	167,213	135,931	31,282	At the Supplementary Estimate allocation of expenditure between inside and outside the welfare cap was based on an estimation, this has been revised leading to a reduction in the amount recorded inside the cap and an increase in the amount outside the cap.
Universal Credit Outside Welfare Cap – Capital	44,449	50,276	(5,827)	
Other Expenditure – Outside Welfare Cap – Resource	1,051,282	(2,791)	1,054,073	At the time of the Supplementary Estimate, anticipated accounting provisions for liabilities relating to benefit expenditure were recorded on this line.
Other Expenditure – Outside Welfare Cap – Capital	86,918	29,373	57,545	Support for Mortgage Interest which changed from a benefit to a loan from 1 April 2018. Data was not available to accurately predict outturn at the time of the Supplementary Estimate.
Non-voted Expenditure AME				
Expenditure Incurred by the Social Fund – Resource	2,508,786	2,053,902	454,884	The main reason is due to the expenditure on Cold Weather Payments being lower than provision. The weather is inherently difficult to predict therefore provision always includes a margin.
Expenditure Incurred by the Social Fund – Capital	(29,027)	(80,764)	51,737	Recoveries of Social Fund loans higher than anticipated.
Other Contributory Benefits – Resource	(80,150)	(208,943)	128,793	The variance represents an adjustment to the impairment for Tax Credits transferred in 2018-19. Debt was transferred at a higher rate of impairment than the rate we impair at, which is representative of rates of recovery for our benefit overpayment receivables. This adjustment was not agreed at the time of the Supplementary Estimate.
Jobseeker's Allowance – Resource	191,201	154,886	36,315	Outturn is lower than forecast due to lower unemployment and a greater impact of Universal Credit.
Voted Expenditure Non-budget				
Cash Paid into the Social Fund – Resource	2,534,544	2,081,317	453,227	Cold Weather Payments were lower than anticipated at the time the funding was finalised in the Supplementary Estimate and loan recoveries were higher than expected. Consequently, there was a reduced cash requirement to be paid into the fund.

3.10 The examples below from DCMS have been identified as best practice in SOPS reporting as they extend beyond the requirements of the 2018-19 FReM and meet a number of new reporting requirements set out in the 2019-20 FReM despite being produced a year before. The example includes commentary against the financial position, breakdown of outturn by business area, examples of reporting by budget type, a financial review diagram as well as trend data. Please note that these examples have been taken from 2017-18 accounts

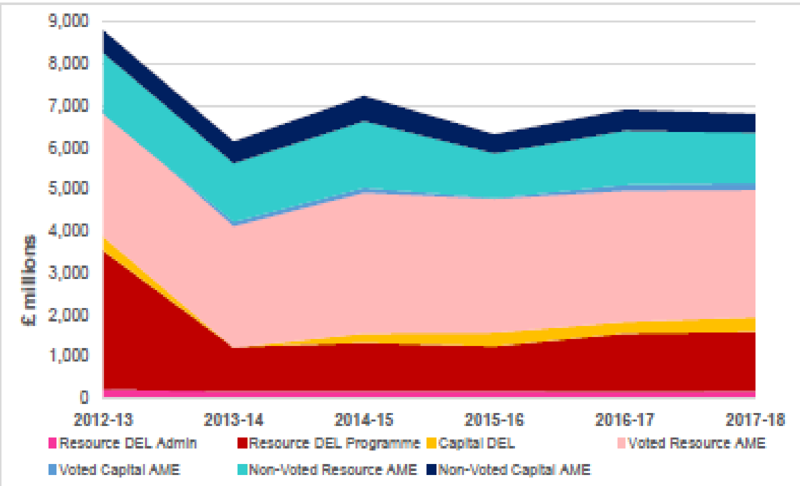
Figure 27 – Department of Digital Culture Media and Sport

Trends in total expenditure over the last six years

The table below[185] shows the department's outturn by budget type for current and prior years:

Type of spend	2012-13 outturn £m	2013-14 outturn £m	2014-15 outturn £m	2015-16 outturn £m	2016-17 outturn £m	2017-18 outturn £m
Voted DEL						
Resource DEL Admin	269	208	213	211	192	190
Resource DEL Programme	3,322[186]	1,069	1,163	1,082	1,407[187]	1,427
Capital DEL	342	(16)[188]	228	328	275	351
Total Voted DEL	**3,933**	**1,261**	**1,604**	**1,621**	**1,874**	**1,968**
Non-Voted Resource DEL	(60)	(55)	(53)	(52)	(50)	(33)
Total Voted and Non-Voted	**3,873**	**1,206**	**1,551**	**1,569**	**1,824**	**1,935**
Voted AME						
Resource AME	3,031	2,911	3,363[189]	3,201	3,139	3,051
Capital AME	(89)	104	118	20	141	156
Total Voted AME	**2,942**	**3,015**	**3,481**	**3,221**	**3,280**	**3,207**
Non-Voted AME						
Resource AME	1,450	1,399	1,594	1,070	1,295	1,214
Capital AME	537	524	602	454	504	449
Total Non-Voted AME	**1,987**	**1,923**	**2,196**	**1,524**	**1,799**	**1,663**
Total Voted and Non-Voted	**4,929**	**4,938**	**5,677**	**4,745**	**5,079**	**4,870**
Total Expenditure	**8,802**	**6,144**	**7,228**	**6,314**	**6,903**	**6,805**

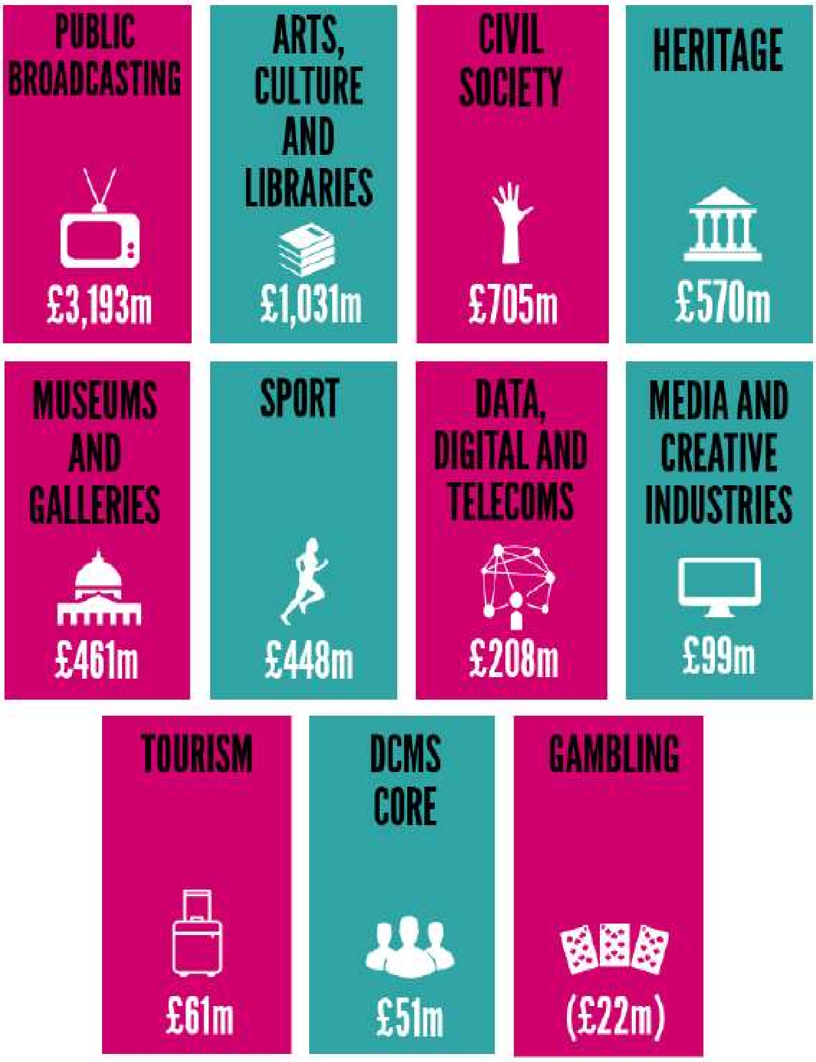
Total Voted and Non-Voted Expenditure by budget type:



185 All figures are presented as reported in the Statement of Parliamentary Supply in those years' accounts. They have not been adjusted for any restatements arising from non-budgetary prior period adjustments, Machinery of Government Changes or errors.
186 Includes £1,575m for London 2012 Olympics (including depreciation) and £502m for Olympic Legacy Programmes.
187 Includes £256m for Office for Civil Society not included in prior years.
188 Includes net capital income of £184m relating to Olympic disposals.
189 Increase to prior year predominately relates to an increase in BBC expenditure.

Figure 27a – Department of Digital Culture Media and Sport

DCMS Outturn by Business Area



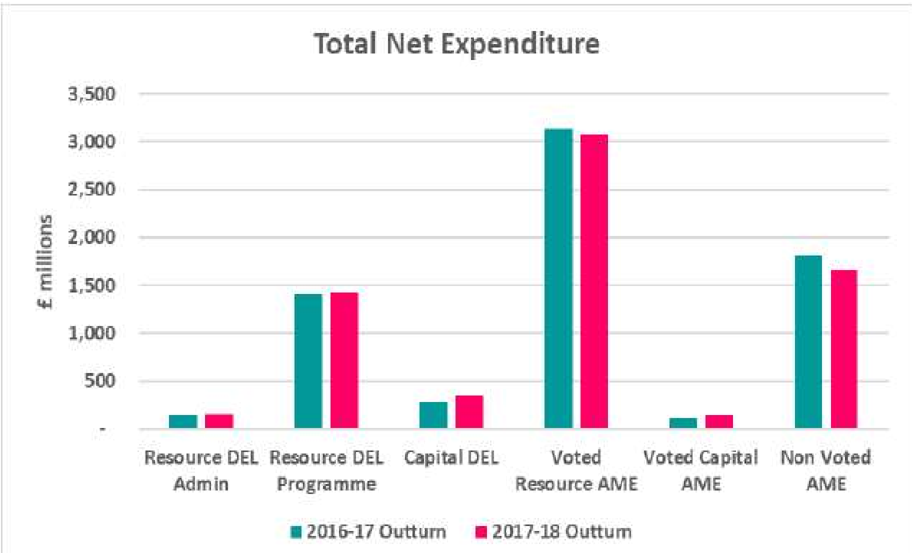


Figure 27b – Department of Digital Culture Media and Sport

Financial Review

Each year Parliament approves the total funds available to the department to spend against specific objectives (within agreed budgetary limits). It is against these limits that the department, as guided by HM Treasury's spending control framework, is held accountable for its performance and the use of taxpayers' funds. The diagram below explains the different budgets managed by the department and their purpose:

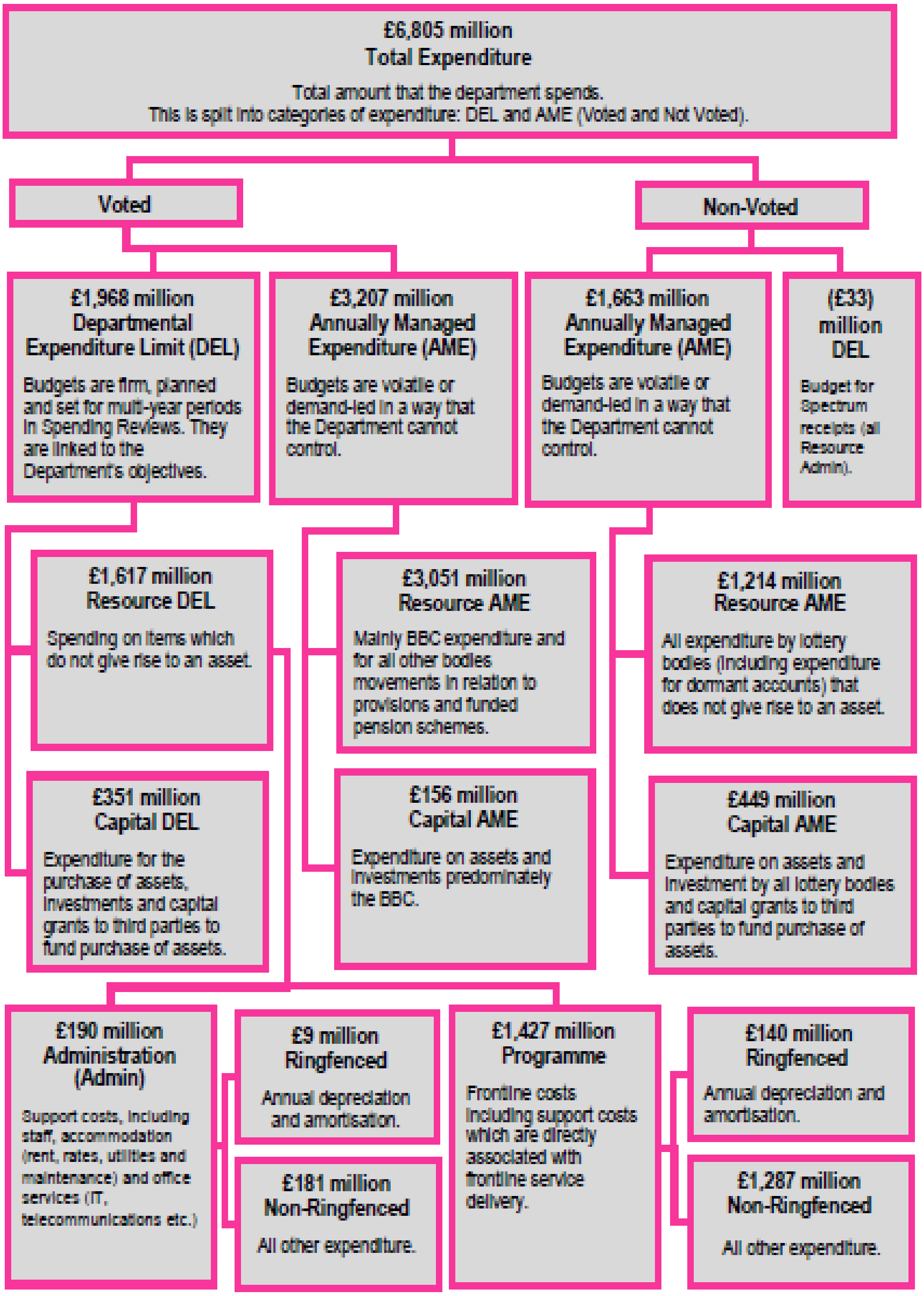


Figure 27c – Department of Digital Culture Media and Sport

The voted outturn was lower than the Estimate in all categories. The commentary that follows relates to the key features of the outturn position as reported in the Statement of Parliamentary Supply and the supporting analysis in SoPS Notes 1.1 and 1.2.

Resource DEL

The voted resource DEL outturn position as reported in these Accounts is £1,617.6m, which is £314.2m (2016-17: £95.6m) or 16.3% lower than provided in the Estimate. Excluding the exceptional underspend of £213.0m related to litigation costs (see below), the underspend is £101m, or 5.9%, including underspends on ring-fenced budgets. The main reasons for this variance are:

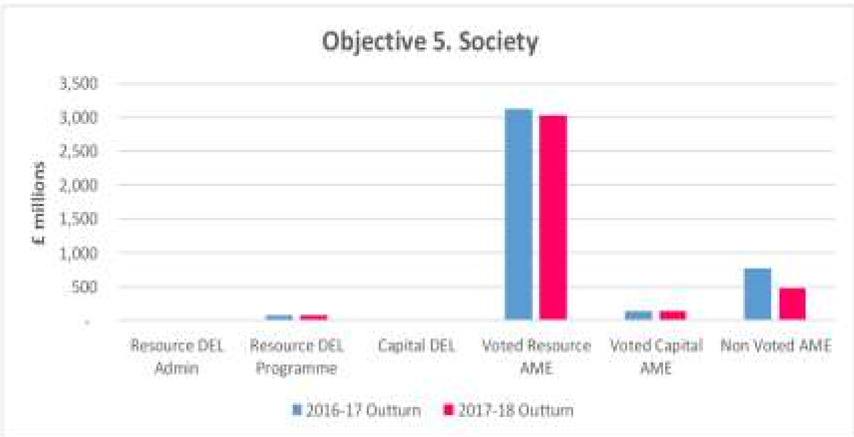
Museums and Galleries sponsored ALBs (Line B) shows a £46.7m underspend of which £12.0m relates to depreciation identified as excess to requirements across a number of ALBs. The remainder relates to budgetary freedoms (under which the Department's more commercial ALBs operate, which allows them to utilise their own reserves by drawing down Estimates cover), including the effect of late donations and pledges, additional income raised from a number of sources, including improved trading, exhibitions, investment income, property sales and unexpected operational slippages.

Libraries sponsored ALBs (Line C) shows a £5.7m underspend of which £2.5m is due to unplanned donations. The remainder is due to slippage on a number of major projects, including St Pancras Transformed.

Support for the Arts sector (Line D) shows an underspend of £3.3m, this is due to £3.0m Hull City of Culture legacy bids which should have been recorded against Estimate Line E (Arts and Culture ALBs).

Heritage sponsored ALBs (Line I) is showing a £4.2m underspend, of which £1.8m relates to excess budget cover for depreciation that was not required. The remainder is due to project

Chart to the right represents the net group expenditure on Society by budget type. These budget types are explained on page 131.



Staff turnover disclosures

3.11 From 2020-21 it is mandatory to include staff turnover data in annual reports and accounts. Information should be provided with sufficient explanation and context, including trend data where appropriate and available.

3.12 Currently only a handful of departments provide staff turnover data within their staff report. HM Treasury has included the staff turnover percentage with a prior year comparator. This could be improved further by providing explanation and context to the figures presented.

Figure 28 – Her Majesty's Treasury

Staff Report[31]

Workforce dynamics

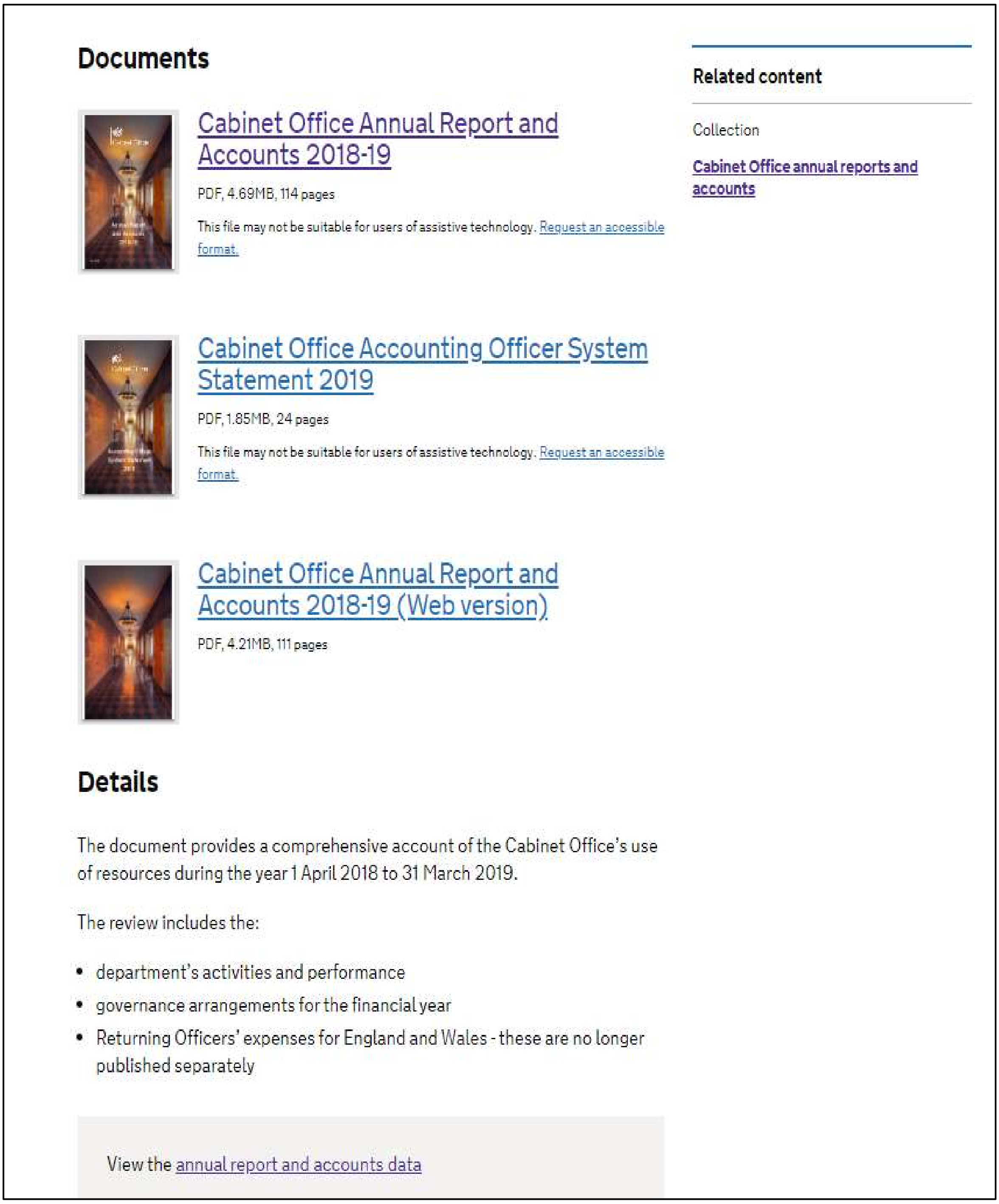
Core Treasury workforce breakdown

		31 March 2019	31 March 2018
Workforce Dynamics	Recruitment Exemptions[32] (number)	-	88
	Annual Turnover rate %	21.8	21.2
Workforce Diversity (%)[33]	Black and Minority Ethnic	17.0	15.9
	Women	46.3	46.5
	Disabled	8.0	6.8
	Part time	8.0	7.6
	LGBT	6.6	5.2
Diversity of Senior Civil Servants only (%)[33]	Black and Minority Ethnic	5.9	5.8
	Women	50.0	45.2
	Women (Top Management Posts)[34]	51.5	50.0
	Disabled	3.4	2.9
	Part time	18.6	17.3
Attendance (AWDL)[35]	Actual (days)	2.6	2.4

Accessibility

3.13 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, as per the example below from Cabinet Office.

Figure 29 – Cabinet Office



Documents

Cabinet Office Annual Report and Accounts 2018-19

PDF, 4.69MB, 114 pages

This file may not be suitable for users of assistive technology. Request an accessible format.

Cabinet Office Accounting Officer System Statement 2019

PDF, 1.85MB, 24 pages

This file may not be suitable for users of assistive technology. Request an accessible format.

Cabinet Office Annual Report and Accounts 2018-19 (Web version)

PDF, 4.21MB, 111 pages

Details

The document provides a comprehensive account of the Cabinet Office's use of resources during the year 1 April 2018 to 31 March 2019.

The review includes the:

- department's activities and performance
- governance arrangements for the financial year
- Returning Officers' expenses for England and Wales - these are no longer published separately

View the annual report and accounts data

Related content

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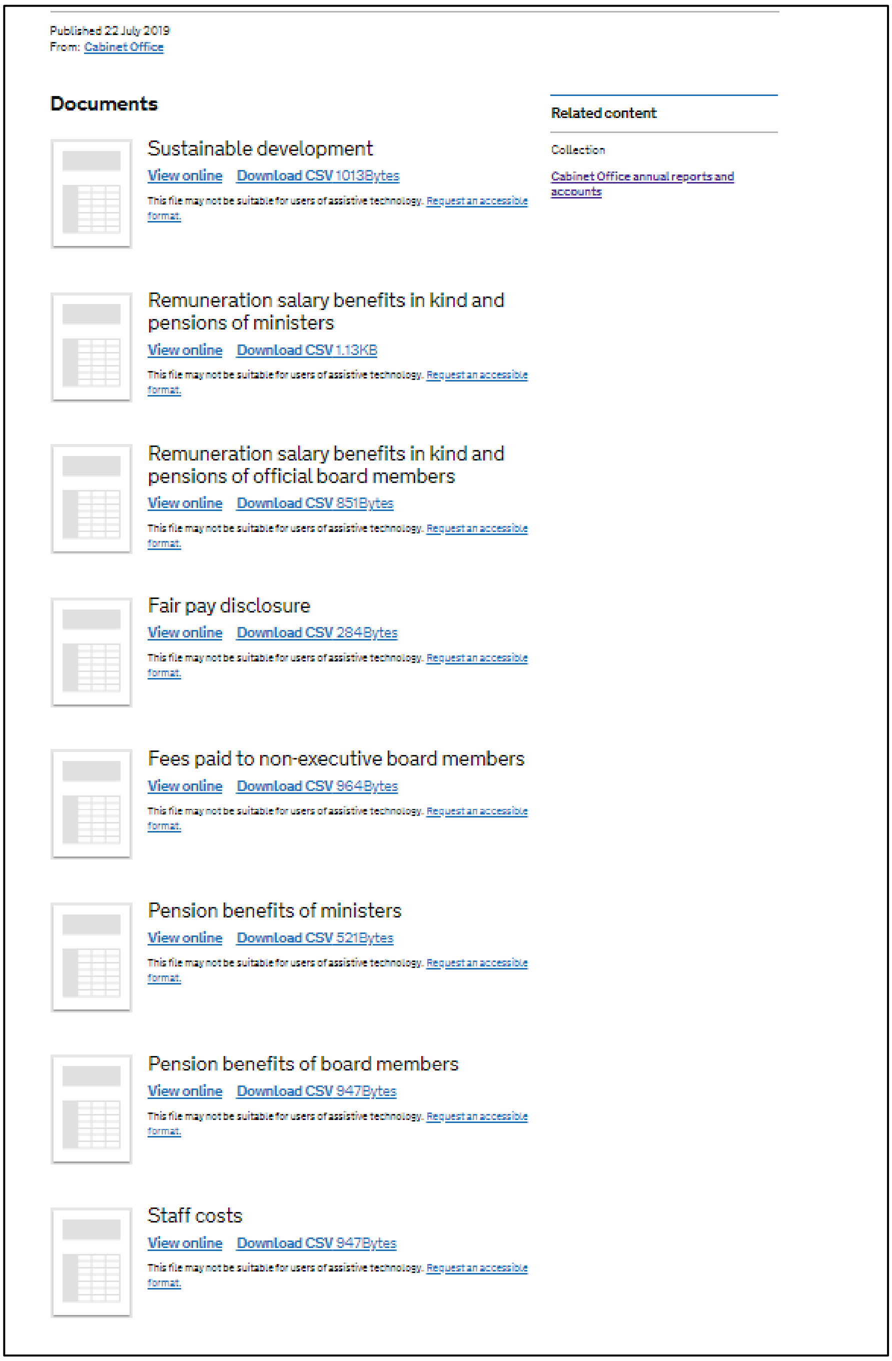
Cabinet Office annual reports and accounts

Transparency data

3.14 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. Best practice for this is to extend this principle to other data sets included in the annual report and accounts.

3.15 The examples below from Cabinet office and HMRC are examples of best practice in reporting transparency data. This information was made promptly available to users (published in July) and are made available in both an online format and a CSV download format.

Figure 30 – Cabinet Office



Published 22 July 2019
From: Cabinet Office

Documents

Sustainable development
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Remuneration salary benefits in kind and pensions of ministers
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Remuneration salary benefits in kind and pensions of official board members
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Related content

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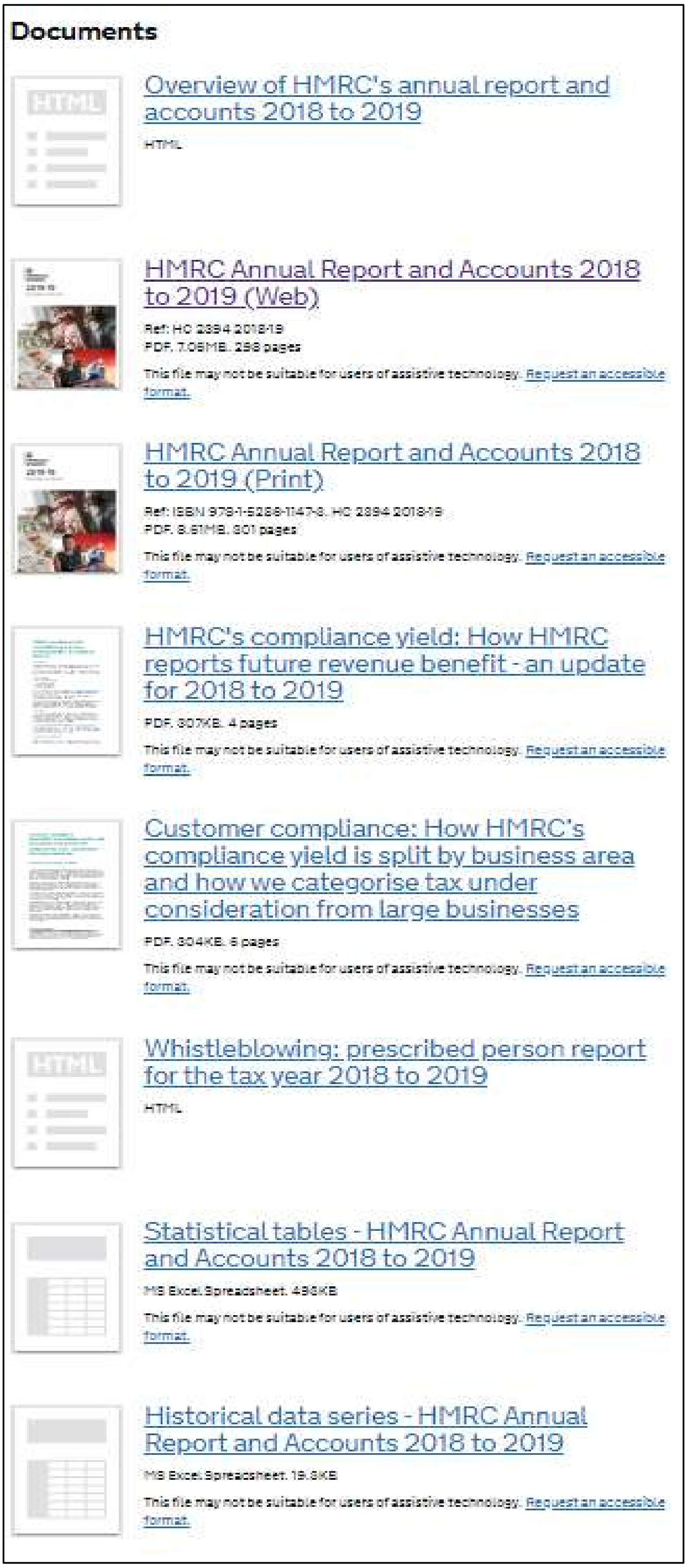
Figure 31 - HMRC



Documents

[Overview of HMRC's annual report and accounts 2018 to 2019]

HTML

[HMRC Annual Report and Accounts 2018 to 2019 (Web)]

Ref: HC 2394 2018-19
PDF, 7.06MB, 298 pages

This file may not be suitable for users of assistive technology. Request an accessible format.

[HMRC Annual Report and Accounts 2018 to 2019 (Print)]

Ref: ISBN 978-1-5286-1147-8, HC 2394 2018-19
PDF, 8.61MB, 301 pages

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[HMRC's compliance yield: How HMRC reports future revenue benefit - an update for 2018 to 2019]

PDF, 307KB, 4 pages

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[Customer compliance: How HMRC's compliance yield is split by business area and how we categorise tax under consideration from large businesses]

PDF, 304KB, 6 pages

This file may not be suitable for users of assistive technology. Request an accessible format.

[Whistleblowing: prescribed person report for the tax year 2018 to 2019]

HTML

[Statistical tables - HMRC Annual Report and Accounts 2018 to 2019]

MS Excel Spreadsheet, 496KB

This file may not be suitable for users of assistive technology. Request an accessible format.

[Historical data series - HMRC Annual Report and Accounts 2018 to 2019]

MS Excel Spreadsheet, 19.3KB

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Chapter 4
Financial information

4.1 Financial information is reported throughout the annual report and accounts and should not be exclusive to the financial statements section of the report. 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. Best practice in this area ensures that the document is cohesive and provides a holistic view of performance against objectives

4.2 Good financial information should be understandable, relevant, reliable and comparable. The information provided throughout the front half the departmental accounts should be consistent with the information provided within the financial statements.

4.3 The follow sets out some best practice examples on the inclusion of financial information within departmental annual report and accounts.

Integrating financial reporting

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

4.5 The example below from the Department for Digital Culture Media and Sport gives a helpful commentary on the Statement of Financial Position with useful explanation of the figures presented.

Figure 32 – Department of Digital Culture Media and Sport

Statement of Financial Position Commentary

DCMS Group Statement of Financial Position: Assets

The table below shows material asset classes included in the Statement of Financial Position.

Statement of Financial Position	Restated 2015-16 £'000	Restated 2016-17 £'000	2017-18 £'000	Restated 2015-16 % of assets	Restated 2016-17 % of assets	2017-18 % of assets
Assets						
Property, plant and equipment	7,059,279	7,583,882	7,126,583	49%	50%	46%
Heritage assets	1,291,277	1,432,361	1,506,055	9%	9%	10%
Non-current and current receivables	1,271,098	1,226,627	1,483,722	9%	8%	10%
Investment properties	169,905	208,970	196,781	1%	1%	1%
Inventories	307,290	262,169	191,301	2%	2%	1%
Cash and cash equivalents	2,388,669	2,064,512	2,318,248	16%	14%	15%
Other assets	2,016,819	2,496,717	2,706,238	14%	16%	17%
Total assets	14,504,337	15,275,238	15,528,928	100%	100%	100%

Whilst the percentage split across asset classes has been fairly consistent across the years, the year on year increases are a result of a number of different factors for each asset class.

1. Property, plant and equipment

The most significant reasons for the decreasing value of PPE are:-

- Land and buildings downward revaluations of £243m in 2017-18 (2016-17: upward revaluations of £482m) – this is largely due to the British Library which decreased by £443m because a new property advisor applied a zero based approach to the valuation of the St Pancras site and the associated fit out assets, as well as a different RICS approved valuation method this year.
- Plant & machinery downward revaluations of £98m in 2017-18 (2016-17: upward revaluations of £153m) of which £143m relates to the British Library. This was partially offset by a transfer from Assets Under Construction following the completion of the Tate's St Ives development project.

Infographics

4.6 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.

4.7 The examples below from FCO, DCMS, HMRC, MOD, DWP, DIT and DFT show a variety of ways that diagrams can be presented and show relationships that are more difficult to describe in words. They are all used to display information in an engaging an informative way. Summing up information in this way can better communicate messages and increase user engagement.

Figure 33 – Department for Work and Pensions

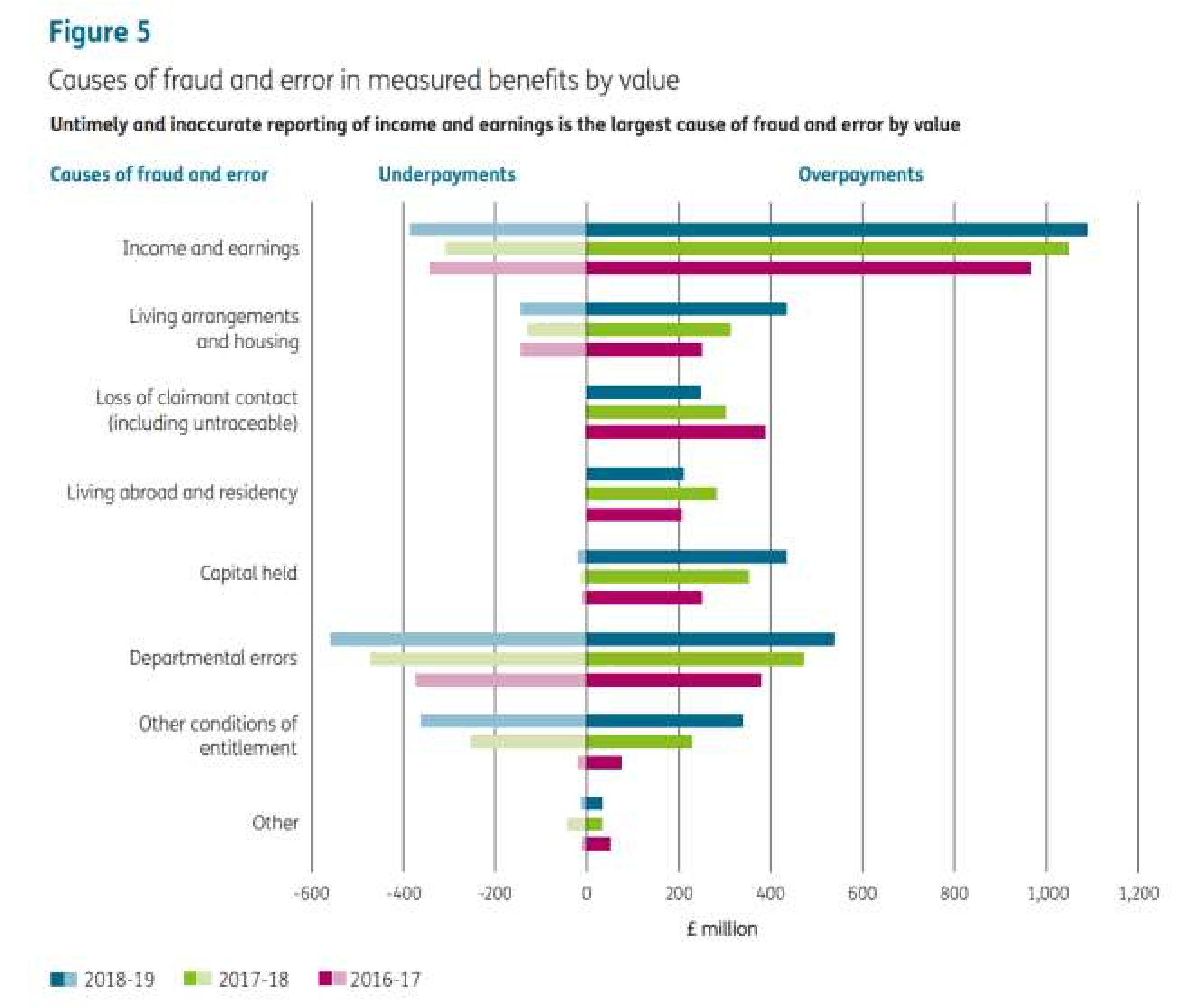


Figure 34 – Foreign and Commonwealth Office

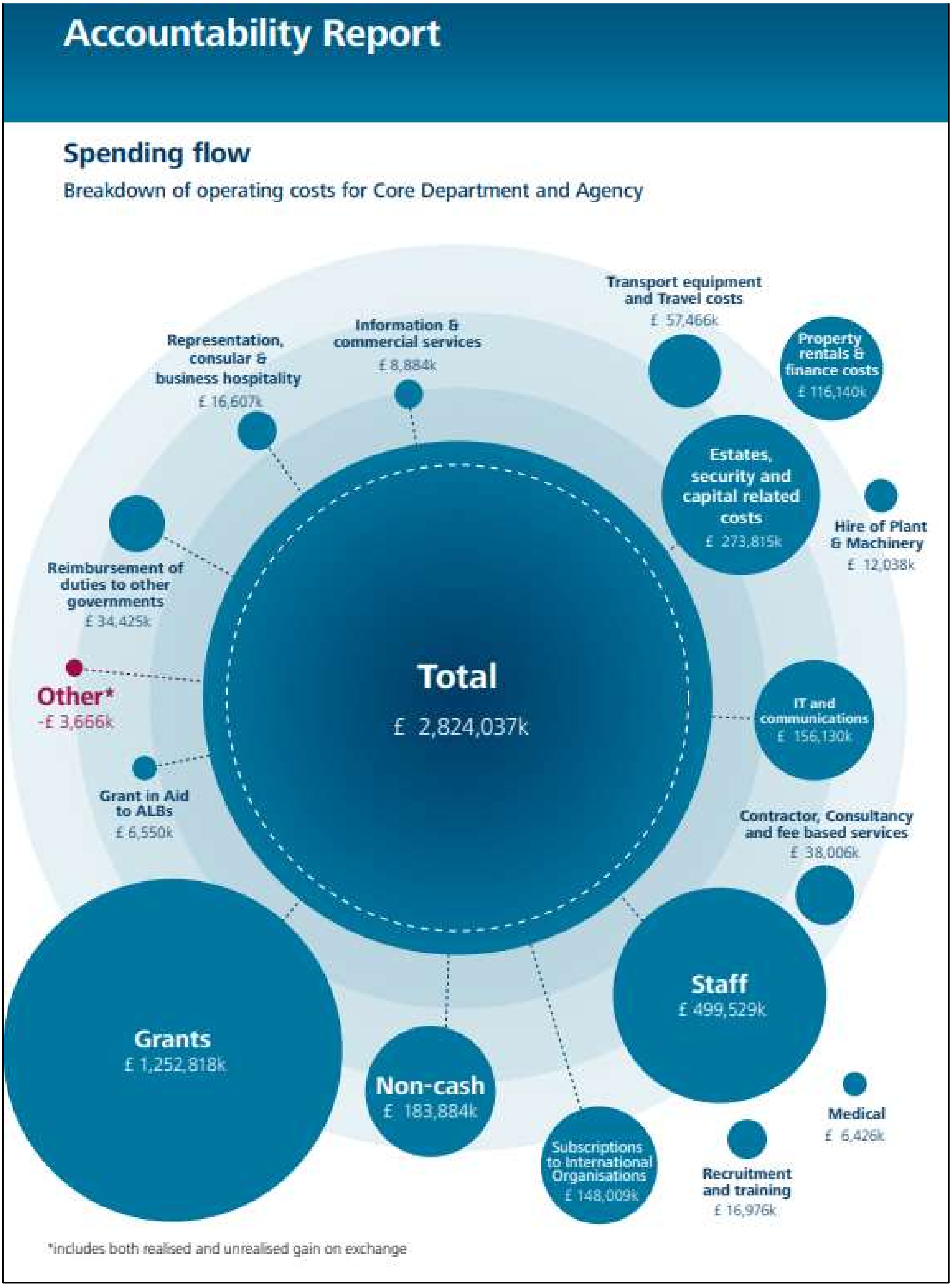


Figure 35 – Foreign and Commonwealth Office

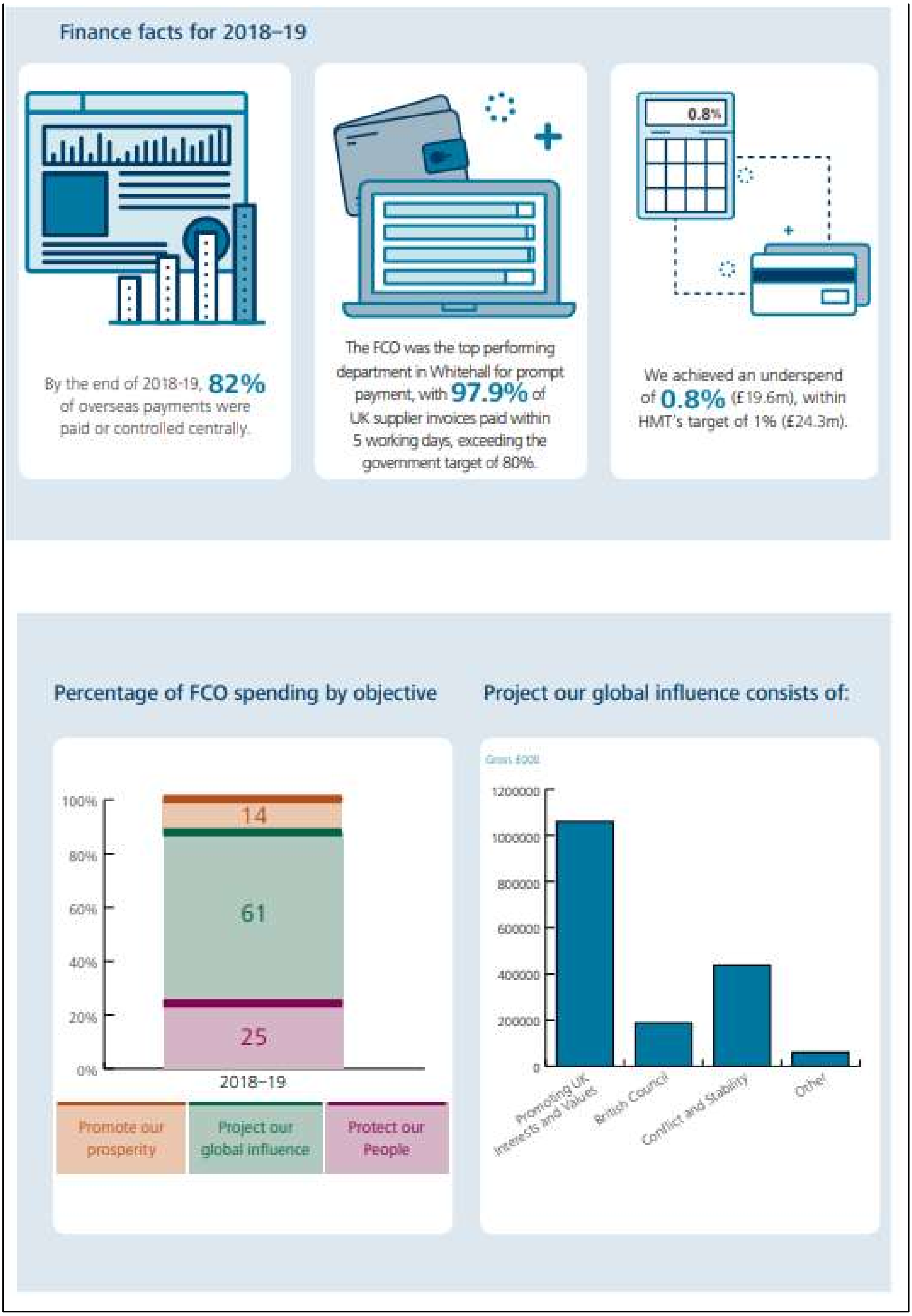
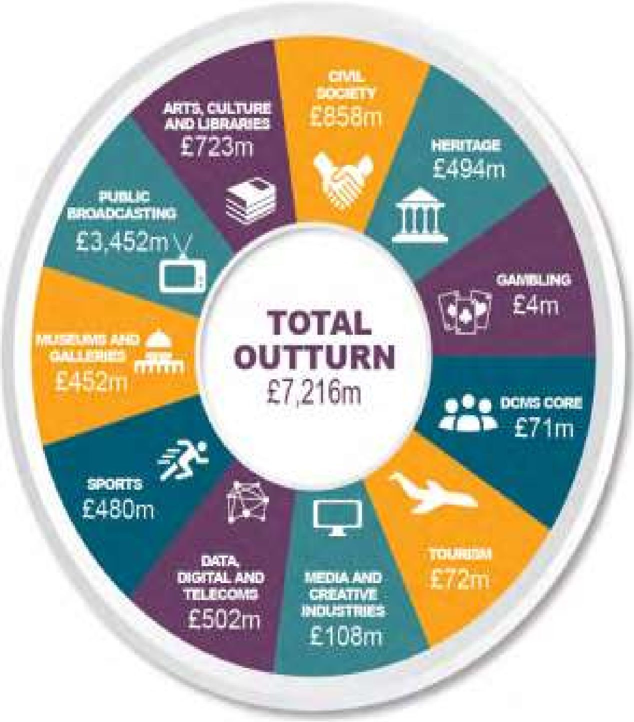


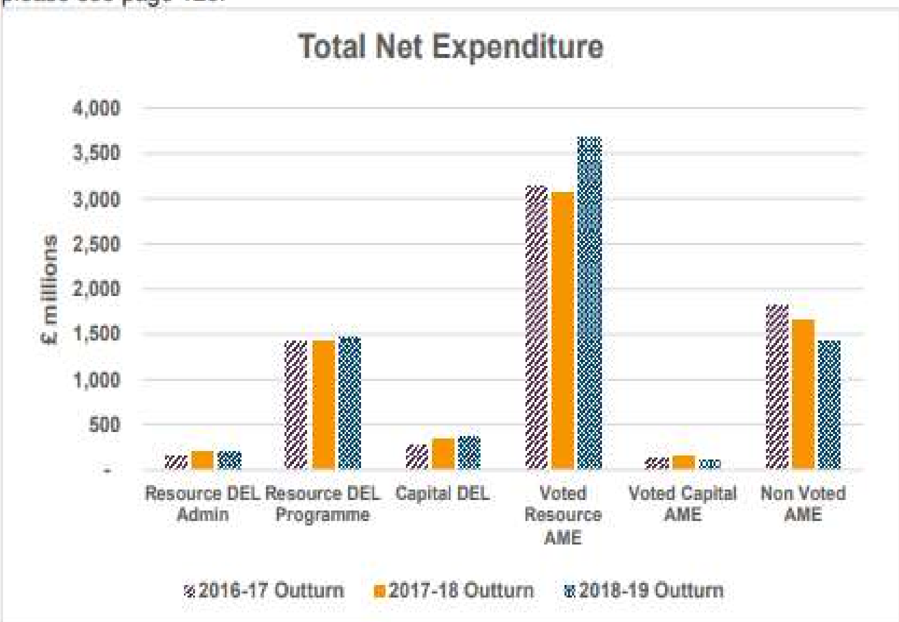
Figure 36 – Department of Digital Culture Media and Sport

Department for Digital, Culture, Media and Sport Annual Report and Accounts 2018-19

DCMS Outturn by Business Area



Figures in this diagram agree to the Statement of Parliamentary Supply. For more information please see page 120.



The total of the above for 2018-19 is £7,216m and includes both Voted and Non Voted expenditure and also both Departmental Expenditure Limit (DEL) and Annually Managed Expenditure (AME). Page 120 includes an explanation of these items.

Figure 37 - HMRC

Total revenues by type of tax

Income tax, National Insurance Contributions and VAT make up the three largest elements of total tax revenue, but a wide range of other taxes and duties are also factored in. Here are the key elements of our total tax revenue in 2018-19:

Income tax and National Insurance

£329bn of total revenue

4% increase from 2017-18

The amount of revenue raised for these two taxes is closely linked to the number of people in employment and wage levels, both of which increased during this period.

Value Added Tax

£135.6bn of total revenue

5.4% increase from 2017-18

Receipts tend to rise over time because of economic growth, inflation and consumer spending. Higher receipts for the business services, banking and utilities sectors were seen during this financial year.

Corporation Tax

£53.5bn of total revenue

0.4% increase from 2017-18

Corporation Tax has remained relatively static.

Hydrocarbon oils

£28bn of total revenue

0.4% increase from 2017-18

The rates of duty for petrol and diesel have been frozen since 2011-12 and with consumption at similar levels year on year this has led to stable receipts.

Stamp Taxes

£15.7bn of total revenue

5.4% decrease from 2017-18

The devolution of land transaction tax to Wales from April 2018, and First Time Buyers Relief claims (first full year), accounted for the majority of the decrease.

Alcohol

£12.1bn of total revenue

5.2% increase from 2017-18

The increase in receipts reflects increases in the rates of duty on 13 March 2017 and 01 February 2019.

It is also thought that the hot weather, the world cup and royal wedding could be responsible for increased alcohol consumption leading to an increase in receipts.

Capital Gains Tax

£9.3bn of total revenue

19.2% increase from 2017-18

Movement in tax receipts is difficult to determine due to the underlying volatility of asset sales and the extent to which they generate capital gains. Timely information is not available due to the significant lag in declaration via Self Assessment. Revenue increased in line with Office of Budget Responsibility (OBR) forecasts.

Tobacco

£9.2bn of total revenue

4.5% increase from 2017-18

Rates of duty on tobacco products increased on 22 November 2017 and 29 October 2018 - both rate increases were between 4% to 6%.

Insurance Premium Tax

£6.4bn of total revenue

3.2% increase from 2017-18

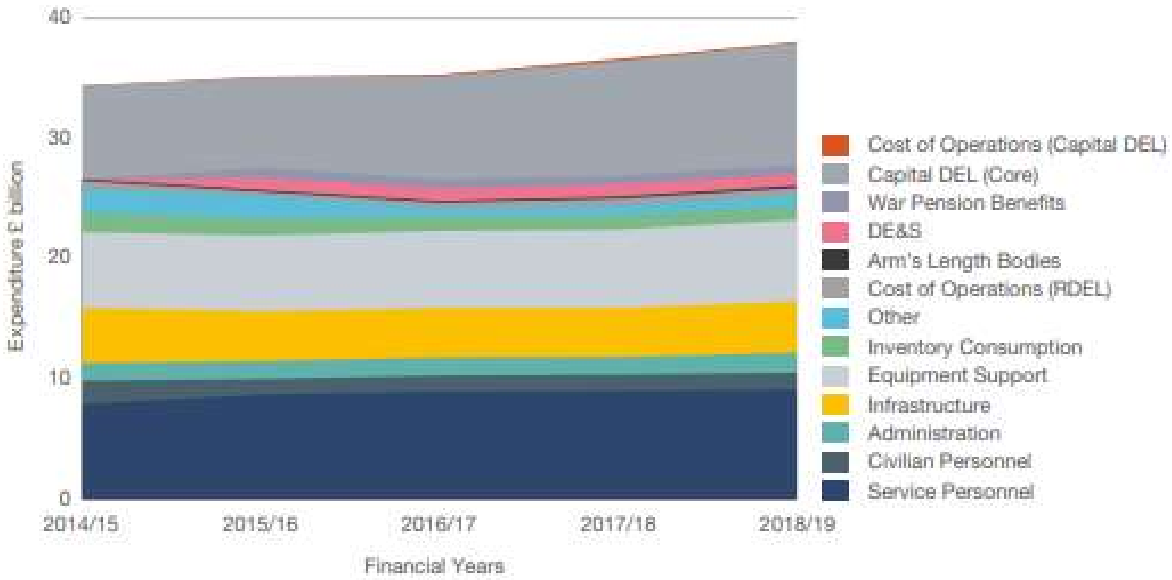
Movement in tax receipts is driven by changes in tax rates and the cost and number of insurance policies. Tax rates have remained the same since June 2017 and there is an indication that the total insurance market rose between 2017 and 2018.

A number of other taxes, including **Inheritance Tax**, **Bank Levy** and **customs duties**, account for the remaining revenue.

+ **For more information, with year-on-year comparisons, go to the Trust Statement on page 173**

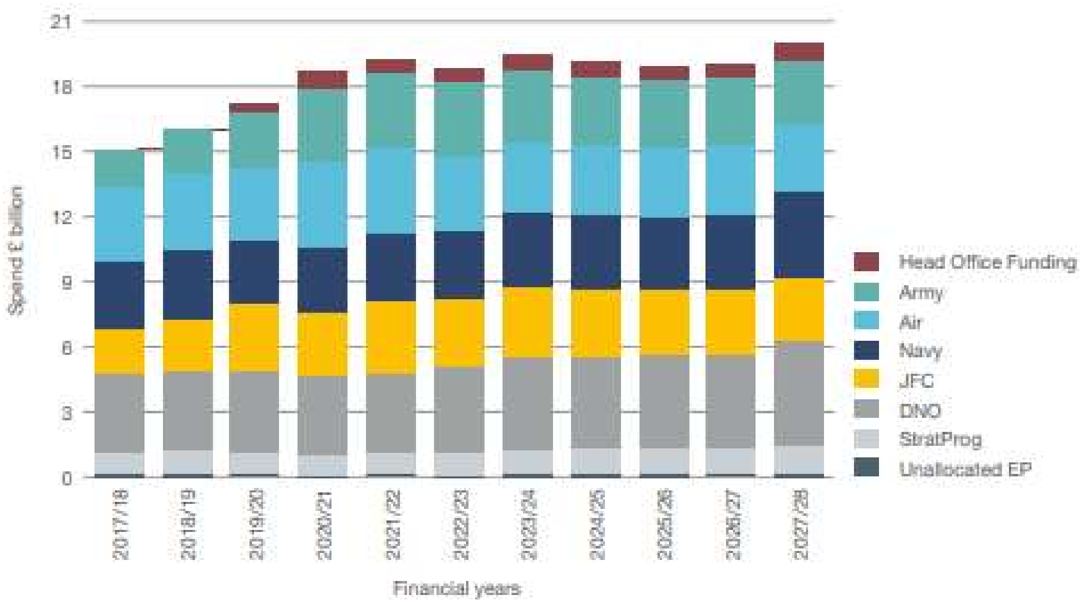
Figure 38 – Ministry of Defence

Analysis of Capital DEL and Cash Resource DEL by Type of Expenditure 2014–15 to 2018–19



A graph showing the long-term trend of Equipment programme spend by TLB can be found below. The Defence Equipment Plan was the subject of a Public Accounts Committee (PAC) report published 1 February 2019. The report concluded that the Department had made little progress in tackling affordability of the Equipment Programme particularly around which programmes to stop, delay or scale back. As a Department, we have been very transparent and clear that we are facing severe financial challenges within the Equipment Programme which will need to be considered as part of the Spending Review.

Long Term Equipment Programme Spend by TLB[1]



1. Source: MOD Equipment Plan 2018.
2. 2017–18 and 2018–19 figures show actual outturn, with 2017–18 figures being restated for the Prior Period Adjustments set out at Note 23.

IFRS 9 financial instruments and IFRS 15 revenue from contracts with customers

4.8 IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* were implemented in the public sector from 01 April 2018, so were first reflected in the 2018-19 annual report and accounts. IFRS 9 and IFRS 15 are the most significant change in accounting standards in recent years and the implementation has been a major reporting challenge for the whole of the public sector.

4.9 HM Treasury have carried out a thematic review on the implementation of IFRS 9 and 15. Part of that review included identifying relevant best practice examples from departmental annual reports and accounts.

4.10 The examples showcased below were identified as part of that thematic review. The summary table provided by DEFRA reflects the major income streams alongside an assessment of the related performance obligations, providing a detailed overview of the effect of the IFRS 15 implementation. The table produced by BEIS extends further to include a quantitative comparison between the figures reported under the old standard (IAS 39) and the new standard (IFRS 9).

Figure 39 – Department for Environment, Food and Rural Affairs

Department for Environment, Food and Rural Affairs — Annual Report and Accounts 2018–19

Notes to the Departmental Accounts

Impact of IFRS 15

Each contract with a customer has been reviewed in line with the five step model.

Defra's major income streams, and an assessment of the related performance obligations, are detailed in the table below:

Contract Type	Note 4 Heading	Entity impacted	Categories of performance obligation	Previous basis of recognition (pre-IFRS 15)	Basis of recognition (IFRS 15)	Summary of impact
Fees and charges (for environmental protection, water abstraction)	Environmental protection charges, abstraction charges	EA	EA issues licences and permits, imposes levies.	Revenue for application for a licence or permit for which revenue is recognised at the time of the application, and the subsistence charge, which covers EA's costs of regulating an activity, is recognised at the point the permit period commences.	Revenue for application for a licence or permit for which revenue is recognised at the time of the application, and the subsistence charge, which covers EA's costs of regulating an activity, is recognised at the point the permit period commences.	No impact on timing or amount.
Statutory levy	Flood Re Levy Income, Agriculture and horticulture levies	Flood Re, AHDB	Statute requires that the bodies charge levies.	Flood Re recognise the charge when it is levied against the insurance industry, which is on an annual basis. AHDB generally recognise revenue on receipt of statutory returns from customer.	Flood Re recognise the charge when it is levied against the insurance industry, which is on an annual basis. AHDB generally recognise revenue on receipt of statutory returns from customer.	No impact on timing or amount.
Flood Risk Levies	Flood risk levies	EA	Construction and maintenance of new and existing flood defences.	Costs and revenues are matched.	Costs and revenues are matched.	No impact on timing or amount.
Other income	APHA income from devolved administrations	APHA	Production of Customer Board Reports.	Upon agreement of monthly report by devolved administrations.	Upon agreement of monthly report by devolved administrations.	No impact on timing or amount.
Scientific project income	Scientific advice, analysis and research	APHA, Cefas	Production of a report (POs are contracted milestones within that process).	At completion of contracted milestones.	At completion of contracted milestones, if, as is generally the case, contract stipulates that money spent up to a specific date can be recovered from the customer prior to completion of the project.	No material impact on timing or amount.

Department for Environment, Food and Rural Affairs — Annual Report and Accounts 2018–19

Notes to the Departmental Accounts

Figure 40 – Department of Business Energy and Industrial Strategy

	Closing balance under IAS 39 at 31 March 2018	Transfers	Gross carrying amount remeasurement under IFRS 9	Expected credit loss remeasurement under IFRS 9	Reclassification from AFS to amortised cost	Opening balance under IFRS 9 at 1 April 2018
	£m	£m	£m	£m	£m	£m
Receivables	2,001	-	-	(2)	-	1,999
Total impact on current assets		**-**	**-**	**(2)**	**-**	
Other financial assets	4,336	(430)	27	(25)	(1)	3,907
Investments in joint ventures and associates	367	461	-	-	-	828
Total impacts on non-current assets		**31**	**27**	**(25)**	**(1)**	
Derivatives	(15,806)	(31)	-	-	-	(15,837)
Provisions	(240,935)	184	-	-	-	(240,751)
Financial guarantee and loan commitment liabilities	(61)	(184)	16	-	-	(229)
Total impacts on non-current liabilities		**(31)**	**16**	**-**	**-**	
General fund	250,098	(926)	(43)	27	1	249,157
Revaluation reserve	(2,915)	926	-	-	-	(1,989)
Total impacts on reserves		**-**	**(43)**	**27**	**1**	

IFRS 16 leases

4.11 The adoption of IFRS 16 is due to be implemented in the public sector from 2020-21. However, two departments were granted permission to adopt IFRS 16 early (DCMS and DFT) in 2019-20 due to specific circumstances affecting the group.

4.12 The inclusion of the table below within the DCMS accounts is an example of best practice reporting. The table sets out the effective year of the Standard, the year of FReM application and the exp

Figure 41 – Department of Digital Culture Media and Sport

1.7 IFRSs in issue but not yet effective

In order to comply with the requirements of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the Group must disclose where it has not applied a new IFRS that has been issued but is not yet effective. The Group has carried out a review of the IFRSs in issue but not yet effective, to assess their impact on its accounting policies and treatment. The full impact of the IFRSs in issue but not yet effective is not known and could be material to the accounts: the Group has therefore, chosen not to early adopt requirements of the following accounting standards and interpretations, which have an effective date after the start of these accounts:

Standard	Effective	FReM Application	Change & Impact
IFRS 16 Leases	Annual periods beginning on or after 1 January 2020	2020-21	**Change:** The proposed changes simplify the classification and measurement of leases by introducing a single lessee accounting model, removing the distinction between recognising an operating lease (off-balance sheet financing) and a finance lease (on-balance sheet financing). The new standard requires recognition of all leases which last over 12 months (on-balance sheet). This will result in the recognition of a right-to-use asset, measured at the present value of future lease payments, with a matching financing liability. The pattern of recognition of the expenditure will result in depreciation of the right-to-use asset and an associated finance cost being recognised. **Impact on Group:** The main effect of the adoption of IFRS 16 will be for lessees; which will result in a number of former operating leases being brought on-balance sheet. However, the Group does not anticipate that this change will have a material impact. The effect on lessor accounting for the new standard is limited in scale, and remains largely unchanged. In addition, the Group does not have significant lessor activities. The Group is as yet unable to quantify the impact of adopting IFRS 16, more work will continue throughout 2019-20 in readiness for adoption on 1 April 2020.
IFRS 17 Insurance Contracts	Annual periods beginning on or after 1 January 2019	Unknown, the standard has not yet been endorsed by the EU	**Change:** The standard makes changes to how insurance contracts are accounted for and may widen the scope to include arrangements that may not have previously been viewed as insurance contracts. Changes may be more extensive for bodies that have not previously adopted the existing standard IFRS 4. However, prior to endorsement by the EU and adoption by FReM the final version for the standard applicable to the Group has still to be decided. Consequently, the Group is unable presently to scope the impact of adopting the new standard.

Chapter 6

List of examples

Figures:

1 Home Office - https://www.gov.uk/government/publications/home-office-annual-report-and-accounts-2018-to-2019

2 Foreign and Commonwealth Office – https://www.gov.uk/government/publications/foreign-and-commonwealth-office-annual-report-and-accounts-2018-to-2019

3 Department of Health and Social Care – https://www.gov.uk/government/publications/dhsc-annual-report-and-accounts-2018-to-2019

4 Department for International Trade – https://www.gov.uk/government/publications/department-for-international-trade-annual-report-and-accounts-2018-to-2019

5 Ministry of House Communities and Local Government – https://www.gov.uk/government/publications/mhclg-annual-report-and-accounts-2018-to-2019

6 Ministry of Defence – https://www.gov.uk/government/publications/ministry-of-defence-annual-report-and-accounts-2018-to-19

7 Ministry of Justice – https://www.gov.uk/government/publications/ministry-of-justice-annual-report-and-accounts-2018-to-2019

8 Department of Health and Social Care – https://www.gov.uk/government/publications/dhsc-annual-report-and-accounts-2018-to-2019

9 Department for International Development – https://www.gov.uk/government/publications/dfid-annual-report-and-accounts-2018-to-2019

10 Whole of Government Account – https://www.gov.uk/government/publications/whole-of-government-accounts-2017-to-2018

11 Her Majesty's Revenue and Customs – https://www.gov.uk/government/publications/hmrc-annual-report-and-accounts-2018-to-2019

12 Foreign and Commonwealth Office – https://www.gov.uk/government/publications/foreign-and-commonwealth-office-annual-report-and-accounts-2018-to-2019

13 Ministry of Defence – https://www.gov.uk/government/publications/ministry-of-defence-annual-report-and-accounts-2018-to-19

14 Her Majesty's Revenue and Customs – https://www.gov.uk/government/publications/hmrc-annual-report-and-accounts-2018-to-2019

15 Her Majesty's Revenue and Customs – https://www.gov.uk/government/publications/hmrc-annual-report-and-accounts-2018-to-2019

16 Department for Transport – https://www.gov.uk/government/publications/dft-annual-report-and-accounts-2018-to-2019

17 Ministry of Defence – https://www.gov.uk/government/publications/ministry-of-defence-annual-report-and-accounts-2018-to-19

18 Her Majesty's Revenue and Customs – https://www.gov.uk/government/publications/hmrc-annual-report-and-accounts-2018-to-2019

19 Her Majesty's Revenue and Customs – https://www.gov.uk/government/publications/hmrc-annual-report-and-accounts-2018-to-2019

20 Ministry of Defence – https://www.gov.uk/government/publications/ministry-of-defence-annual-report-and-accounts-2018-to-19

21 Department for Transport – https://www.gov.uk/government/publications/dft-annual-report-and-accounts-2018-to-2019

22 Department of Culture Media and Sport – https://www.gov.uk/government/publications/dcms-annual-report-and-accounts-2018-19

23 Ministry of Defence – https://www.gov.uk/government/publications/ministry-of-defence-annual-report-and-accounts-2018-to-19

24 Home office – https://www.gov.uk/government/publications/home-office-annual-report-and-accounts-2018-to-2019

25 Department for Transport – https://www.gov.uk/government/publications/dft-annual-report-and-accounts-2018-to-2019

26 Department for Work and Pensions – https://www.gov.uk/government/publications/dcms-annual-report-and-accounts-2018-19

27 Department of Culture Media and Sport – https://www.gov.uk/government/publications/dcms-annual-report-and-accounts-2018-19

28 Her Majesty's Treasury – https://www.gov.uk/government/publications/hm-treasury-annual-report-and-accounts-2018-to-2019

29 Cabinet Office – https://www.gov.uk/government/publications/cabinet-office-annual-report-and-accounts-2018-to-2019

30 Cabinet Office – https://www.gov.uk/government/publications/cabinet-office-annual-report-and-accounts-2018-to-2019

31 Her Majesty's Revenue and Customs – https://www.gov.uk/government/publications/hmrc-annual-report-and-accounts-2018-to-2019

32 Department of Culture Media and Sport – https://www.gov.uk/government/publications/dcms-annual-report-and-accounts-2018-19

33 Department for Work and Pensions – https://www.gov.uk/government/publications/dwp-annual-report-and-accounts-2018-to-2019

34 Foreign and Commonwealth Office – https://www.gov.uk/government/publications/foreign-and-commonwealth-office-annual-report-and-accounts-2018-to-2019

35 Foreign and Commonwealth Office – https://www.gov.uk/government/publications/foreign-and-commonwealth-office-annual-report-and-accounts-2018-to-2019

36 Department of Culture Media and Sport – https://www.gov.uk/government/publications/dcms-annual-report-and-accounts-2018-19

37 Her Majesty's Revenue and Customs – https://www.gov.uk/government/publications/hmrc-annual-report-and-accounts-2018-to-2019

38 Ministry of Defence – https://www.gov.uk/government/publications/ministry-of-defence-annual-report-and-accounts-2018-to-19

39 Department for Environment, Food and Rural Affairs – https://www.gov.uk/government/publications/defras-annual-report-and-accounts-2018-to-2019

40 Department of Business Energy and Industrial Strategy – https://www.gov.uk/government/publications/beis-annual-report-and-accounts-2018-to-2019

41 Department for Culture Media and Sport – https://www.gov.uk/government/publications/dcms-annual-report-and-accounts-2018-19

Chapter 5

Further links

5.1 The Building Public Trust Awards:

https://www.pwc.co.uk/build-public-trust/the-building-public-trust-in-corporate-reporting-awards/reporting-award-winners-2019.html#public-sector

5.2 Post implementation review of IFRS 9 and IFRS 15

https://www.gov.uk/government/publications/post-implementation-review-of-ifrs-9-and-ifrs-15

5.3 Government Financial Reporting Review

https://www.gov.uk/government/publications/the-government-financial-reporting-review

5.4 Government Financial Reporting Manual 2019-20

https://www.gov.uk/government/publications/government-financial-reporting-manual-2019-20

5.5 Government Financial Reporting Manual 2020-21

https://www.gov.uk/government/publications/government-financial-reporting-manual-2020-21

5.6 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

5.7 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

If you require this information in an alternative format or have general enquiries about HM Treasury and its work, contact:

Correspondence Team
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

Tel: 020 7270 5000

Email: public.enquiries@hmtreasury.gov.uk

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