HM Treasury

Issue:	This paper highlights some of the best practice examples from the 2020-21 ARAs, and is expected to be published in early April. This is produced as a result of the commitment HM Treasury made as part of the government financial reporting review. The report has been considered by the User Preparer Advisory Group.
Impact on guidance:	The expectation is that these examples will be considered by those preparing ARAs across government.
IAS/IFRS adaptation or interpretations?	N/A.
Impact on WGA?	N/A
IPSAS compliant?	N/A
Impact on budgetary regime?	N/A
Alignment with National Accounts (ESA10)?	N/A
Impact on Estimates?	N/A
Recommendation:	For information and to note content of the best practice report – although any further comments welcome before publication.
Timing:	This report is expected to be published W/C 04/04, and will continue to be produced on an annual basis.

HM Treasury

Introduction

1. HM Treasury continues its commitment to producing an annual best practice in financial reporting report taking examples from departmental annual report and accounts (ARAs) with the intention of highlighting recognised best practice for preparers to access as a reference when producing their own ARAs. This report provides examples taken from the 2020-21 ARAs and is now the third annual report produced and published on gov.uk.
2. These examples are taken from ministerial and non-ministerial departments, agencies and public bodies. The examples are taken from the main sections within the ARAs: Performance reporting, accountability reporting and financial statements. Like last year, we have again included additional criteria of COVID-19 disclosures, EU exit disclosures, Sustainability reporting and Diversity & Inclusion, all as notable areas of parliamentary interest.
3. This paper was sent to the User Preparer Advisory Group (UPAG) last month, who appreciated the ongoing creation of the report and opportunity to provide comment. UPAG agreed that the best practice examples would be very useful when producing the 2021-22 ARAs. Members provided some helpful suggestions for minor improvements which have since been incorporated, but overall commented that the report includes very good content and provides users with a helpful overview of good practice in different aspects of reporting.
4. A link to the report will also be shared on OneFinance. It is also key to note that the NAO has recently published a report on ‘good practice’ with similar examples (link on page 60).

HM Treasury

Government financial reporting review:

Best practice examples from 2020-21

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Chapter 1- **Introduction**

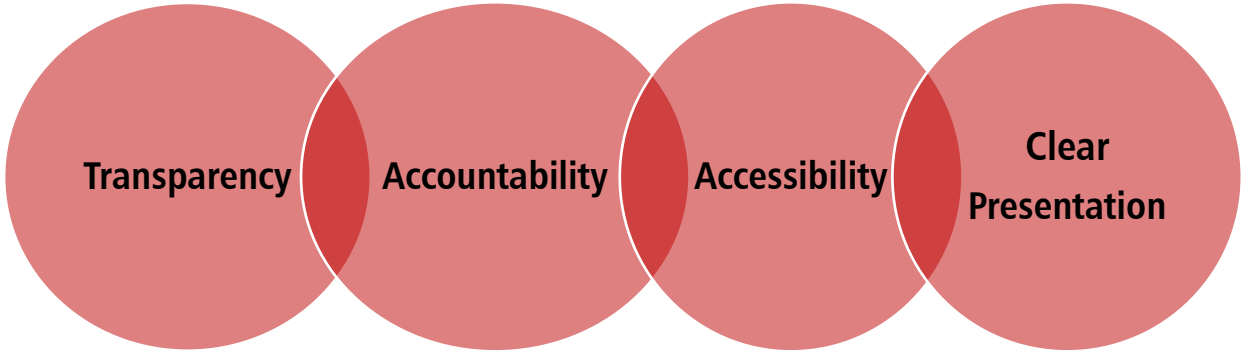
Why this publication?

- In April 2019 HM Treasury published the Government Financial Reporting Review.
- This included several examples of best practice in financial reporting taken from 2017-18 central government annual reports and accounts (ARAs). Since then, HM Treasury has published two best practice reports in annual financial reporting: 2018-19 best practice and 2019-20 best practice.
- HM Treasury is committed to continue supporting ongoing improvements in financial and non-financial reporting and this report outlines further examples of best practice, taken from 2020-21 PDF versions of ARAs.
- The expectation is that these examples will be considered by those entities preparing ARAs across government as a source of reference in making improvements to their own ARAs.

Further guidance

The best practice examples outlined in this report have been chosen because they display some or all of these characteristics, including: enhanced transparency and accountability, good accessibility and clear presentation of information (e.g. use of formatting/graphics) etc. to help the understanding of users of ARAs.

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).



Chapter 1- **Introduction**

Transparency

- ✓ Provide open, balanced and honest reflections;
- ✓ Communicate complex information clearly;
- ✓ Identify and explain key risks and performance outcomes;
- ✓ Build context with the use of trend data.

Accessibility

- ✓ Reporting should be straightforward and accessible for users;
- ✓ Clear and simple language of key messages;
- ✓ Use of pictures, bolded text and alternating colours.

Accountability

- ✓ Meet key accountability requirements to Parliament;
- ✓ Tell the story of the organisation in a fair, balanced and understandable way;
- ✓ Ensure all disclosure requirements are met.

Clear presentation

- ✓ Use of infographics and diagrams to display important information;
- ✓ Use of concise and plain English;
- ✓ Use of clear formatting;
- ✓ Consistency of reporting methods.

Chapter 1- **Introduction**

What should accounts preparers consider in narrative reporting?

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

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

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

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

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

Why is narrative reporting important?

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

2020-21 ARAs challenges:

2020-21 was a challenging year for reporting due to the continuing impact of the COVID-19 pandemic with the timeliness of publication suffering for some ARAs.

Due to the significance of COVID-19 on reporting, we have specifically looked at this as an area in relation to: performance, risk and financial reporting.

Chapter 2 – Performance Reporting

What should accounts preparers consider in performance reporting?

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

To **build trust**, it must be **transparent** including achievements as well as where objectives have not been met and why.

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

What is required within the performance report?

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

Further information can be found on this within the 21-22 FReM (Government Financial Reporting Manual).

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

Performance Overview examples (1)

Reporting Issue

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

Example and why this is best practice

The example on this slide from the National Infrastructure Commission:

- ✓ Provides a high-level overview of the strategic objectives of the entity;
- ✓ Breaks down each strategic objective by the key activities undertaken;
- ✓ Includes detail on the status of each activity under the relevant strategic objective.

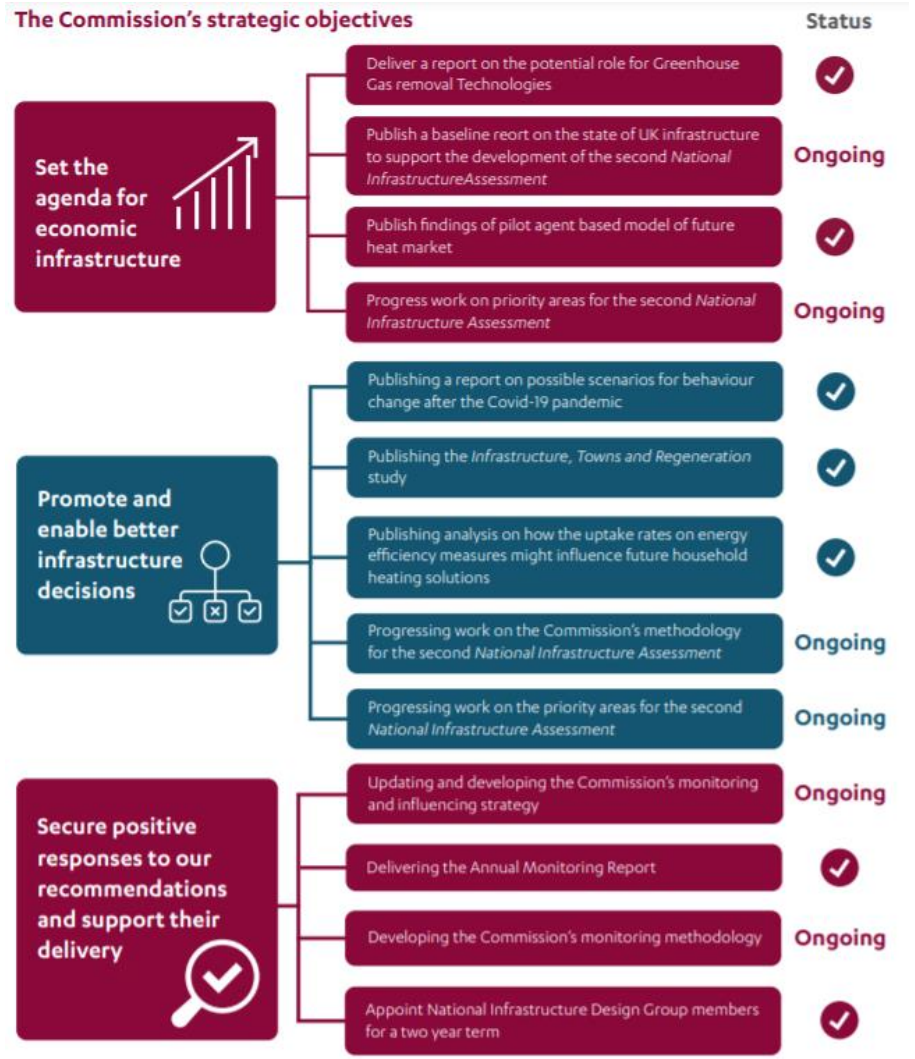


Figure 1 – National Infrastructure Commission

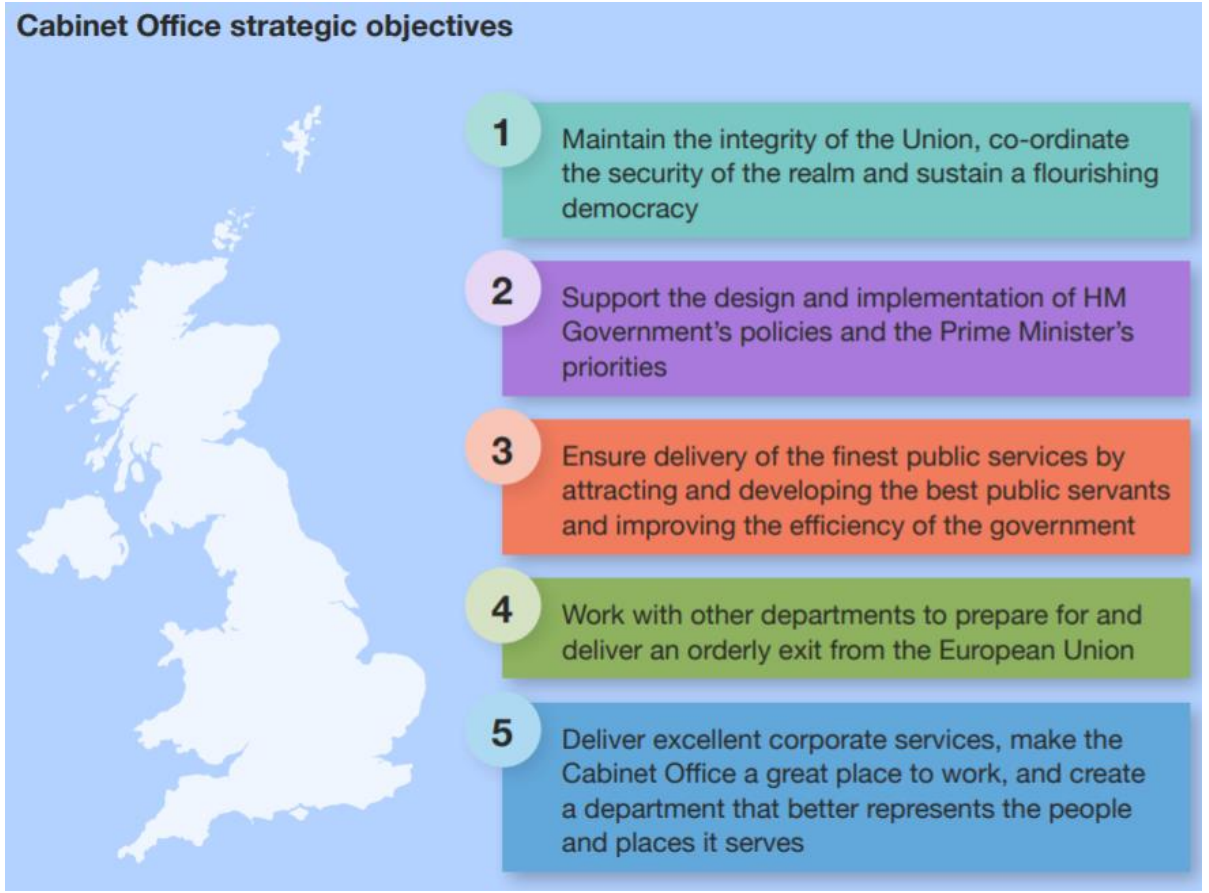
Performance Overview examples (2)

Example and why this is best practice

As in to the previous slide, this example from the Cabinet Office:

- ✓ Provides a high-level overview of the strategic objectives of the entity;
- ✓ Uses clear numbered formatting; and
- ✓ For ease of reference, it uses a consistent colour theme throughout the annual report and accounts when explaining:
  - a) how the core department is organised;
  - b) spend by objective;
  - c) COVID-19 spend by objective; and
  - d) EU EXIT spend by objective.

Figure 2 – Cabinet Office



Performance Highlights (1)

Reporting Issue

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

Example and why this is best practice

The example on this slide from the Civil Service Commission:

- ✓ Provides a clear overview of the department's activities throughout the year;
- ✓ Categorises the activities by the month they occurred, which increases understandability for users;
- ✓ Has a clear focus on summary information, allowing users to easily understand performance outcomes.

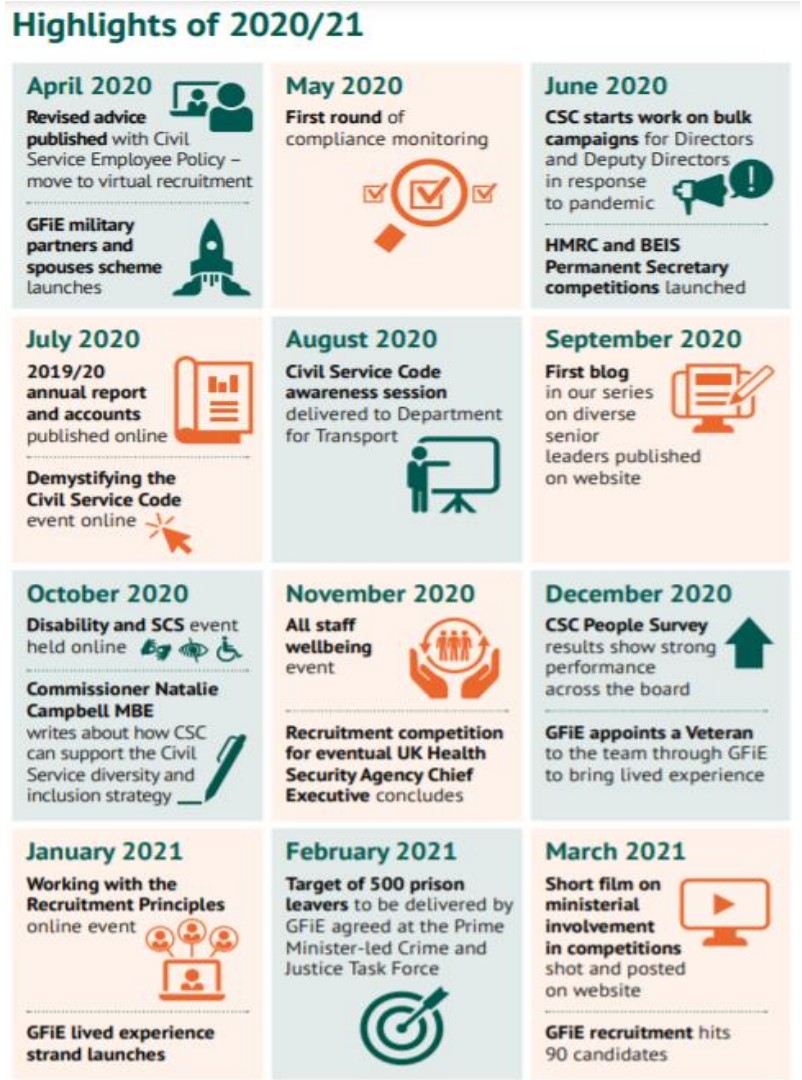


Figure 3 – Civil Service Commission

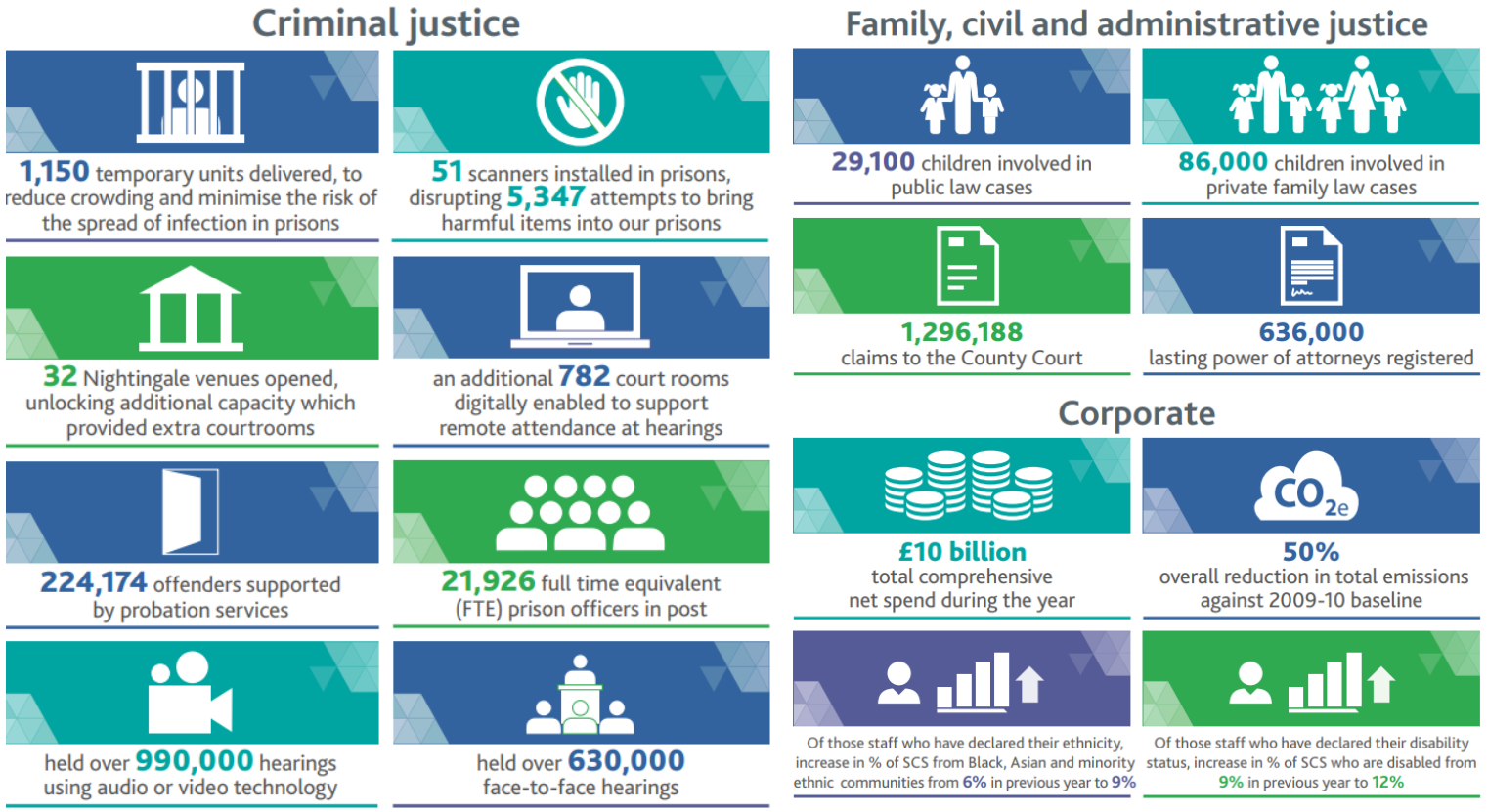
Performance Highlights (2)

Example and why this is best practice

This example from the Ministry of Justice:

- ✓ Provides a clear overview of the Department's activities throughout the year, and breaks these down by specific work area;
- ✓ Has a clear focus on summary data, allowing users to easily understand performance outcomes;
- ✓ Uses a variety of graphics, making this section more visually appealing for users.

Figure 4 – Ministry of Justice



High-level financial information (1)

Reporting Issue

- Entities should seek to tie in the performance analysis to other parts of the annual report and accounts including the financial statements to reflect a holistic assessment of performance.
- For example, linking the Statement of Outturn against Parliamentary Supply (SOPS) and the financial statements to provide a cohesive and consistent understanding of performance across the entire annual report and accounts.

Example and why this is best practice

The example on this slide from the Legal Aid Agency:

✓ Outlines high level financial information in an engaging way;

✓ Uses prior year data to clearly show the percentage change of each area of expenditure;

✓ Provides brief commentary for the reasons for the increases and decreases in expenditure.

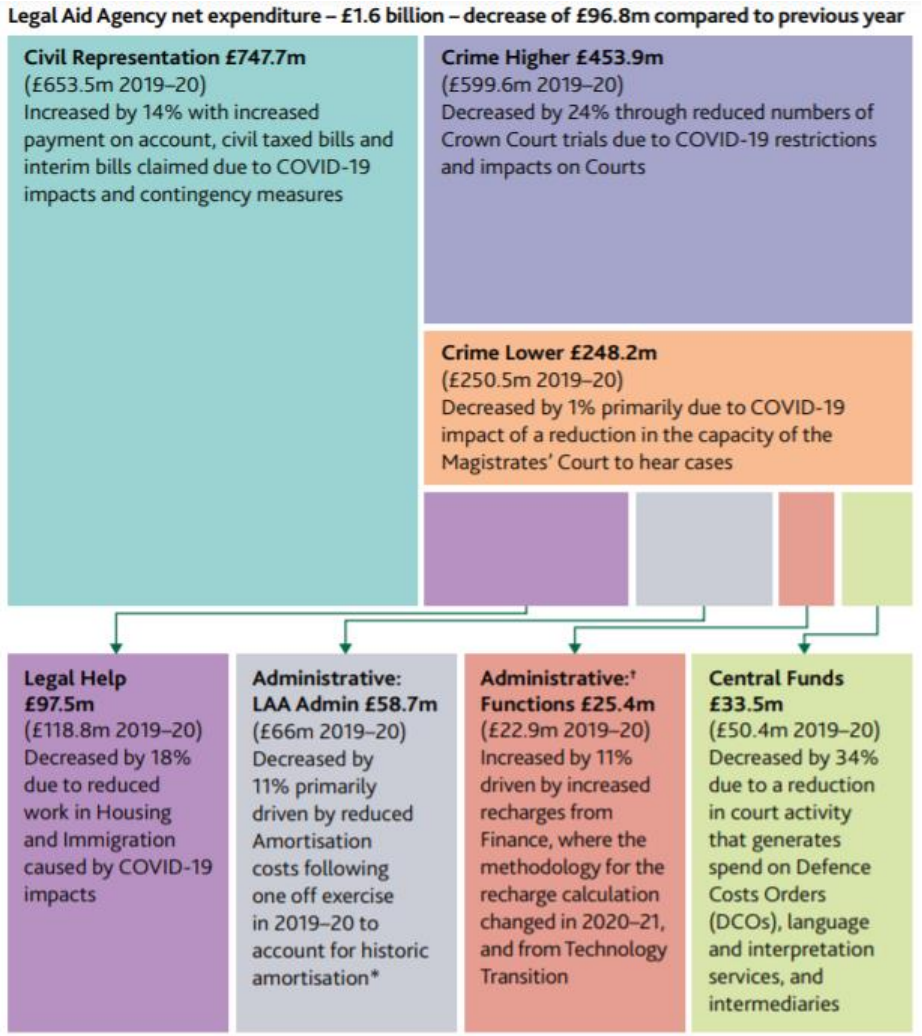


Figure 5 – The Legal Aid Agency

High-level financial information (2)

Example and why this is best practice

This example from the Department for Education also:

- ✓ Outlines high level financial information in an engaging way;
- ✓ Varies the size of the bubbles as a representation of the level of expenditure within the different areas;
- ✓ Provides a thorough breakdown of spend and includes a colour code according to the area of expenditure.

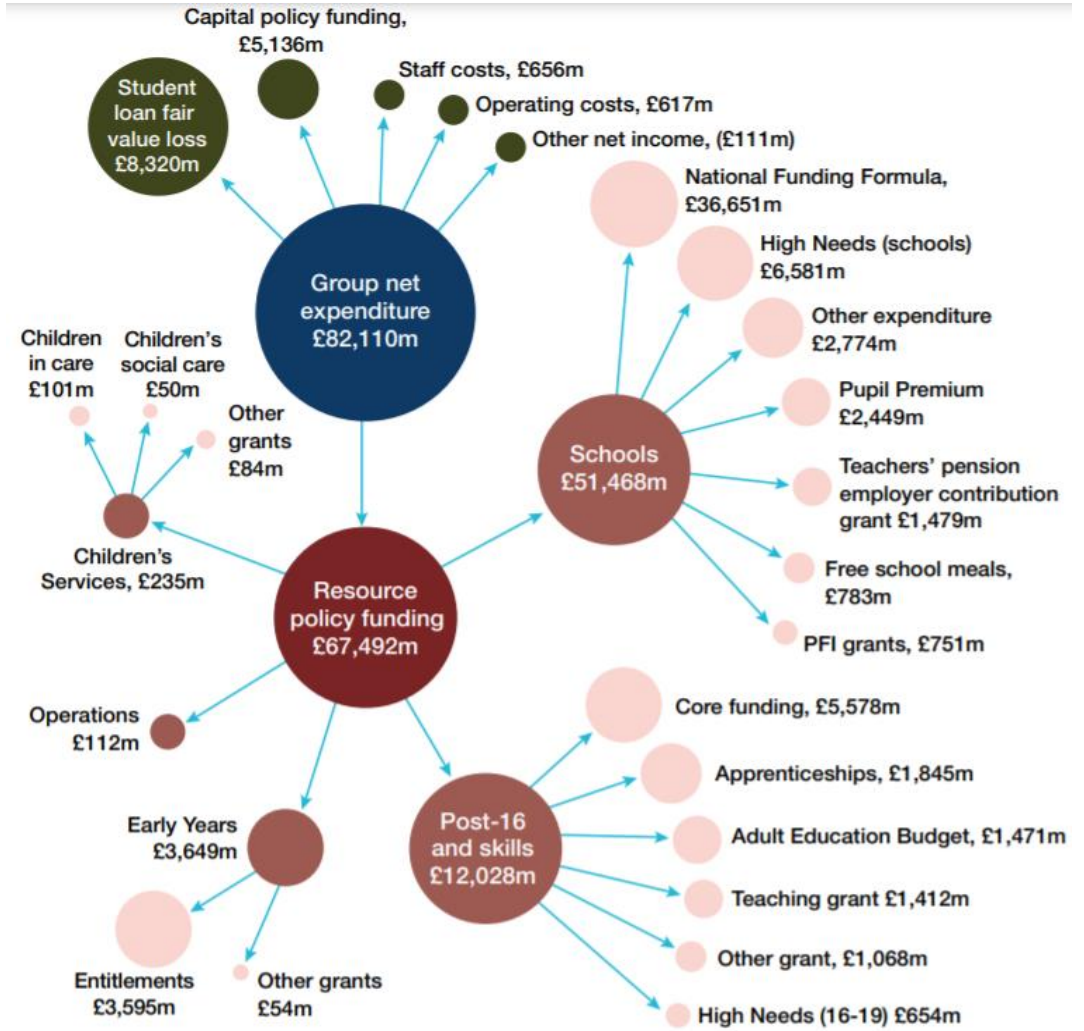


Figure 6 – Department for Education

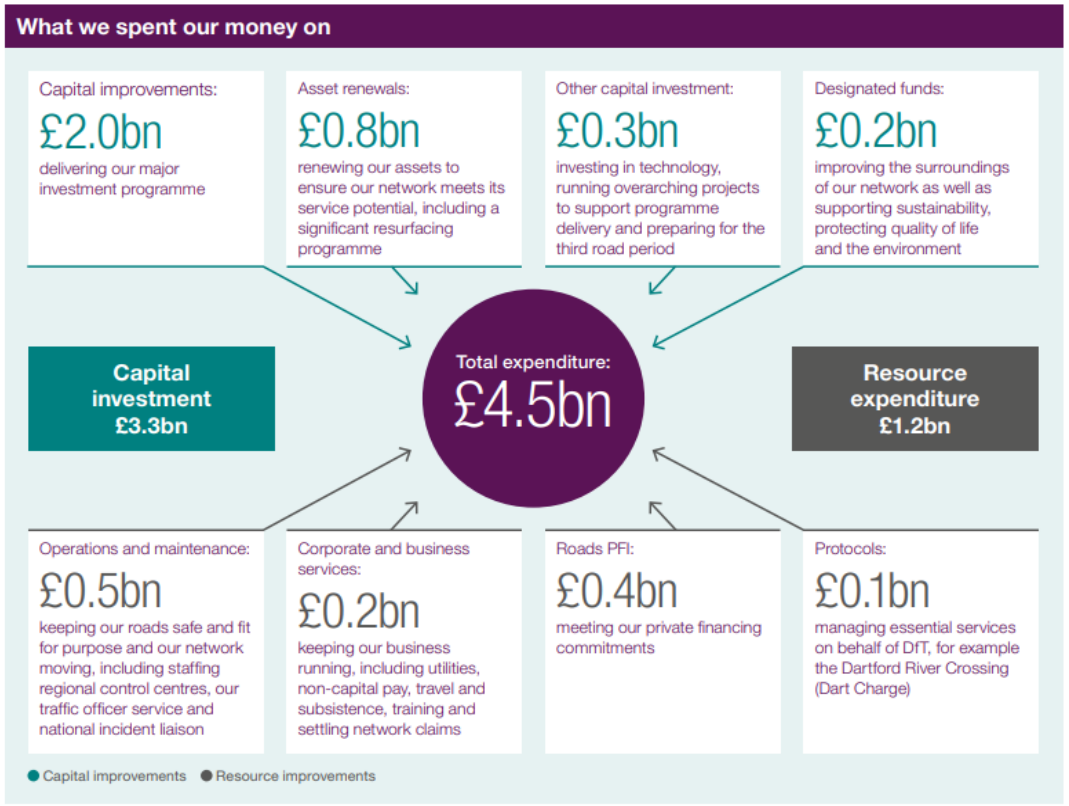
High-level financial information (3)

Example and why this is best practice

This example from Highways England:

- ✓ Outlines high level financial information in an engaging way with clear links to the financial statements;
- ✓ Uses a clear and concise diagram to set out the organisation's expenditure, and includes brief narrative for each area of spend;
- ✓ Categorises each area of spend by either capital investment or resource expenditure, which increases understanding for users;
- ✓ Provides further narrative of the reasons for variances between funding and outturn.

Figure 7 – Highways England



Our financial performance

Capital investment

	Funding £m	Outturn £m	Variance £m
Total capital investment*	3,455	3,296	159

* Capital departmental expenditure limit

operating safely. We also invested £0.3 billion in technology and overarching business initiatives.

Through our designated funds, we invested a further £0.2 billion on projects to deliver a range of benefits for our customers, neighbouring communities, the environment and the economy.

for example to ensure social distancing. We have also had some difficulties in sourcing materials.

There have been many positive achievements this year. On our M4 smart motorways project, a bridge re-design reduced costs by removing the need to divert utilities. We also handed back

Trend data with commentary (1)

Reporting Issue

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

Example and why this is best practice

The example on this slide from The Office of Communications (Ofcom):

- ✓ Includes multiple-year trend data in the form of colour coded bar charts on a key area of interest for the users of the accounts;
- ✓ Goes beyond the minimum requirements and includes data on the entity's 2021-22 indicative allocation of expenditure.

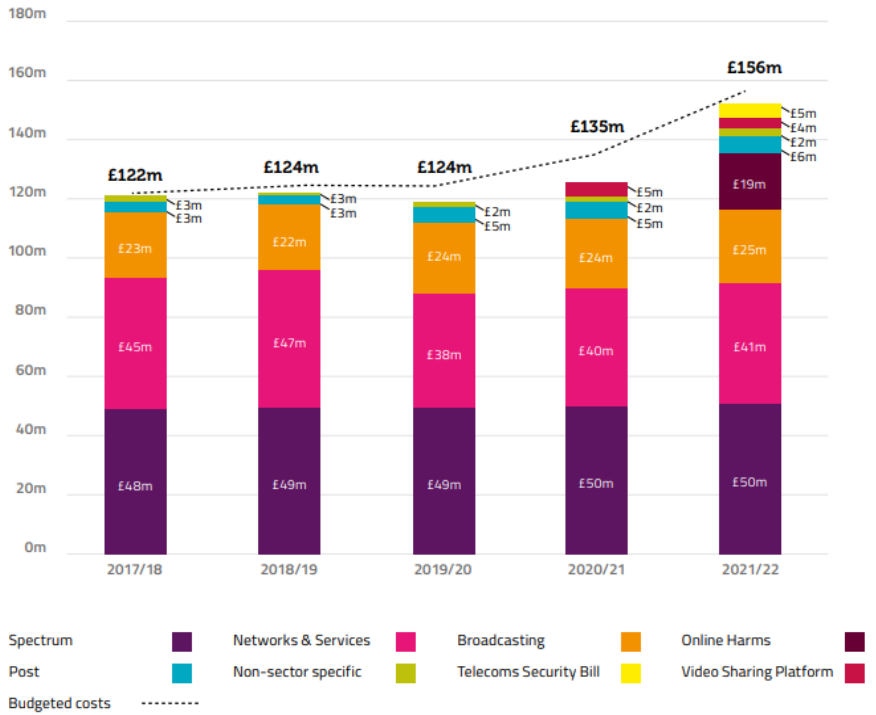
Figure 8 – The Office of Communications

Tariffs

Ofcom published the 2021/22 Tariff Tables on 26 March 2021. Ofcom's core budget remains at the same level as the previous financial year, £131.9m. The overall spending cap will be increased further by £23.8m to incorporate preparatory work for our new regulatory duties i.e. Online Safety and enhanced Telecommunications (Security) Bill. These activities will be funded by the retention of Wireless Telegraphy Act (WTA) receipts and not stakeholder Further details can be found in the 2021/22 Tariff Tables on our website.

As shown in Figure 4 below, except for costs associated with our new responsibilities, the overall tariffs for each regulatory sector are broadly in line with the 5-year average.

Figure 4: Five year sector view of funding



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Trend data with commentary (2)

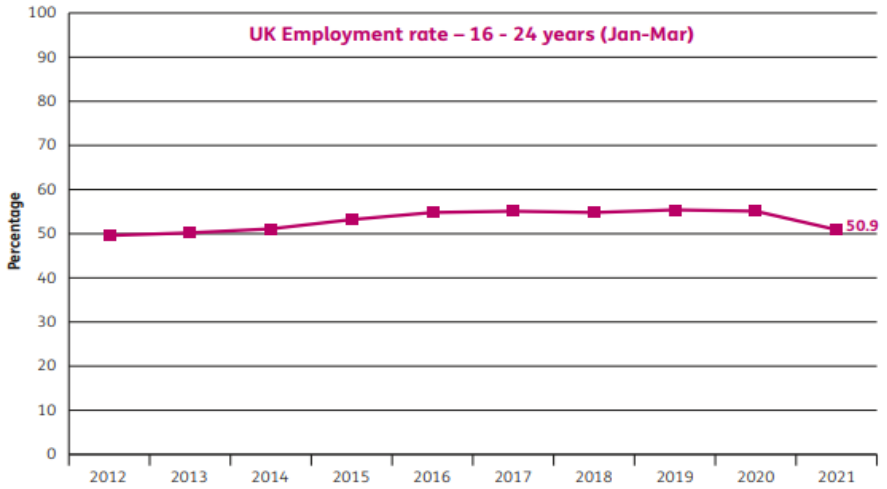
Example and why this is best practice

This example from the Department for Work and Pensions:

- ✓ Presents the UK employment rate levels in the form of a multi-year trend data line graph. Due to the impact of the pandemic on employment levels, this is a key area of interest for users of the accounts and it shows the change in rates since the pandemic started;
- ✓ Uses a table to provide a clear breakdown of employment rates into separate categories based on location, which allows the reader to easily see how regions have been affected and which are deteriorating year on year;
- ✓ Provides commentary relating to the figures presented to build context for users.

Figure 9 – Department for Work and Pensions

The latest available data, covering January to March 2021, shows the UK's employment rate for young people (aged 16-24) at 50.9%. This rate has fallen by 4.2 percentage points on the year, and by 4.7 percentage points since December to February 2020 (prior to the impact of COVID-19). Prior to COVID-19, the youth employment rate was last at this rate in 2014.



The data shown below (for the regions / nations of GB) is experimental data published by ONS. As with the headline employment rate for those aged 16-64, the majority of areas saw a fall in their youth employment rate over the year.

(Jan-Mar)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
North East	48.8	42.7	48.8	44.4	50.1	57.8	50.9	54.4	52.8	51.7
North West	46.2	50.1	51.2	55.0	55.5	57.4	53.8	51.6	56.7	50.7
Yorkshire and The Humber	46.0	49.9	50.5	50.2	50.6	54.9	55.0	53.2	56.5	49.0
East Midlands	52.2	50.0	53.4	54.1	52.7	56.3	57.5	59.4	57.8	54.4
West Midlands	45.5	46.3	48.9	49.6	51.4	46.5	49.1	49.6	49.5	49.6
East of England	57.2	54.0	53.5	54.9	60.4	58.9	58.4	60.2	59.5	55.4
London	37.7	40.7	41.8	45.5	46.0	45.6	45.7	43.1	46.2	41.2
South East	55.5	51.7	51.2	55.7	60.5	55.5	55.3	58.9	59.2	54.6
South West	54.0	53.9	56.9	58.6	57.7	61.2	61.8	63.7	58.8	54.6
Wales	43.3	47.2	46.4	46.3	52.7	50.3	57.8	55.4	52.7	49.3
Scotland	52.1	56.5	51.5	59.2	54.7	58.6	55.6	59.3	54.6	54.5

Balanced reporting

Reporting Issue

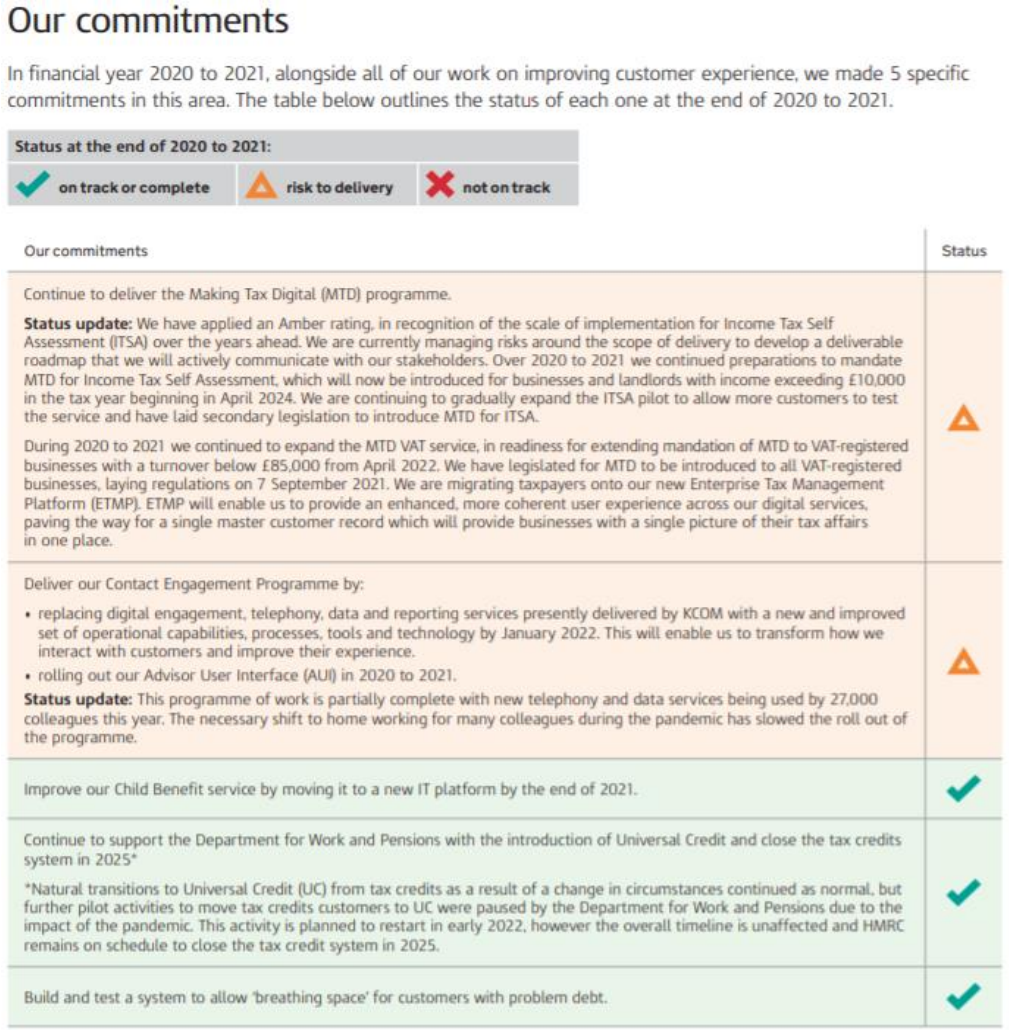
Departments are expected to report the status of progress against their strategic objectives in a fair, balanced and understandable way.

Example and why this is best practice

The example on this slide from HM Revenue and Customs:

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

Figure 10 – HM Revenue & Customs



Our commitments

In financial year 2020 to 2021, alongside all of our work on improving customer experience, we made 5 specific commitments in this area. The table below outlines the status of each one at the end of 2020 to 2021.

Status at the end of 2020 to 2021:

✓ on track or complete | ▲ risk to delivery | ✗ not on track

Our commitments	Status
Continue to deliver the Making Tax Digital (MTD) programme. **Status update:** We have applied an Amber rating, in recognition of the scale of implementation for Income Tax Self Assessment (ITSA) over the years ahead. We are currently managing risks around the scope of delivery to develop a deliverable roadmap that we will actively communicate with our stakeholders. Over 2020 to 2021 we continued preparations to mandate MTD for Income Tax Self Assessment, which will now be introduced for businesses and landlords with income exceeding £10,000 in the tax year beginning in April 2024. We are continuing to gradually expand the ITSA pilot to allow more customers to test the service and have laid secondary legislation to introduce MTD for ITSA. During 2020 to 2021 we continued to expand the MTD VAT service, in readiness for extending mandation of MTD to VAT-registered businesses with a turnover below £85,000 from April 2022. We have legislated for MTD to be introduced to all VAT-registered businesses, laying regulations on 7 September 2021. We are migrating taxpayers onto our new Enterprise Tax Management Platform (ETMP). ETMP will enable us to provide an enhanced, more coherent user experience across our digital services, paving the way for a single master customer record which will provide businesses with a single picture of their tax affairs in one place.	▲
Deliver our Contact Engagement Programme by: • replacing digital engagement, telephony, data and reporting services presently delivered by KCOM with a new and improved set of operational capabilities, processes, tools and technology by January 2022. This will enable us to transform how we interact with customers and improve their experience. • rolling out our Advisor User Interface (AUI) in 2020 to 2021. **Status update:** This programme of work is partially complete with new telephony and data services being used by 27,000 colleagues this year. The necessary shift to home working for many colleagues during the pandemic has slowed the roll out of the programme.	▲
Improve our Child Benefit service by moving it to a new IT platform by the end of 2021.	✓
Continue to support the Department for Work and Pensions with the introduction of Universal Credit and close the tax credits system in 2025* *Natural transitions to Universal Credit (UC) from tax credits as a result of a change in circumstances continued as normal, but further pilot activities to move tax credits customers to UC were paused by the Department for Work and Pensions due to the impact of the pandemic. This activity is planned to restart in early 2022, however the overall timeline is unaffected and HMRC remains on schedule to close the tax credit system in 2025.	✓
Build and test a system to allow 'breathing space' for customers with problem debt.	✓

Reporting against strategic objectives (1)

Reporting Issue

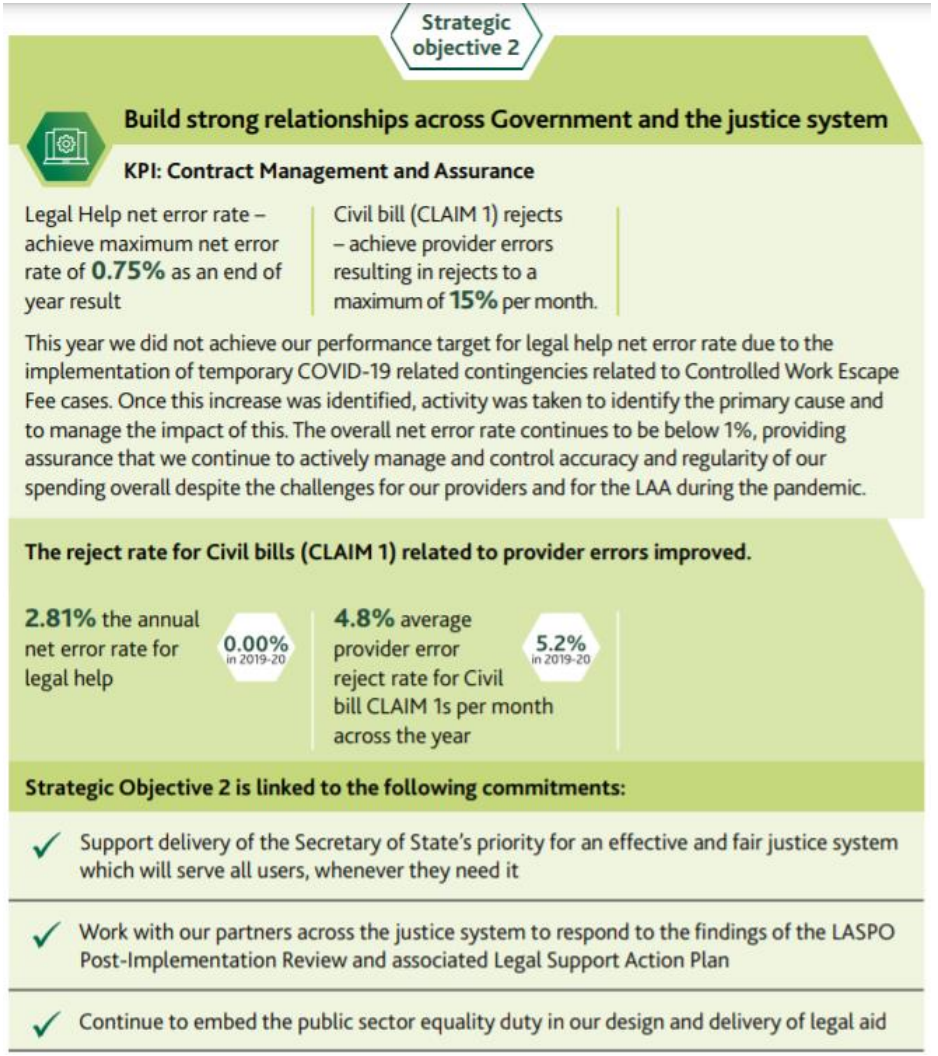
Annual reports and accounts should report progress against their strategic objectives. It is important that reporting is fair and balanced, showing instances where performance has been below expectation and goals set.

Example and why this is best practice

The example on this slide from the Legal Aid Agency:

- ✓ Provides a clear and detailed summary of each of the strategic objectives of the entity;
- ✓ Links each strategic objective to their relevant commitments;
- ✓ Gives a balanced and honest reflection by providing explanations on the reasons for the under-achievements of targets, which provides trust and increases the value of the report to the user.

Figure 11 – The Legal Aid Agency



Strategic objective 2

Build strong relationships across Government and the justice system

KPI: Contract Management and Assurance

Legal Help net error rate – achieve maximum net error rate of **0.75%** as an end of year result

Civil bill (CLAIM 1) rejects – achieve provider errors resulting in rejects to a maximum of **15%** per month.

This year we did not achieve our performance target for legal help net error rate due to the implementation of temporary COVID-19 related contingencies related to Controlled Work Escape Fee cases. Once this increase was identified, activity was taken to identify the primary cause and to manage the impact of this. The overall net error rate continues to be below 1%, providing assurance that we continue to actively manage and control accuracy and regularity of our spending overall despite the challenges for our providers and for the LAA during the pandemic.

The reject rate for Civil bills (CLAIM 1) related to provider errors improved.

2.81% the annual net error rate for legal help — 0.00% in 2019-20

4.8% average provider error reject rate for Civil bill CLAIM 1s per month across the year — 5.2% in 2019-20

Strategic Objective 2 is linked to the following commitments:

- ✓ Support delivery of the Secretary of State's priority for an effective and fair justice system which will serve all users, whenever they need it
- ✓ Work with our partners across the justice system to respond to the findings of the LASPO Post-Implementation Review and associated Legal Support Action Plan
- ✓ Continue to embed the public sector equality duty in our design and delivery of legal aid

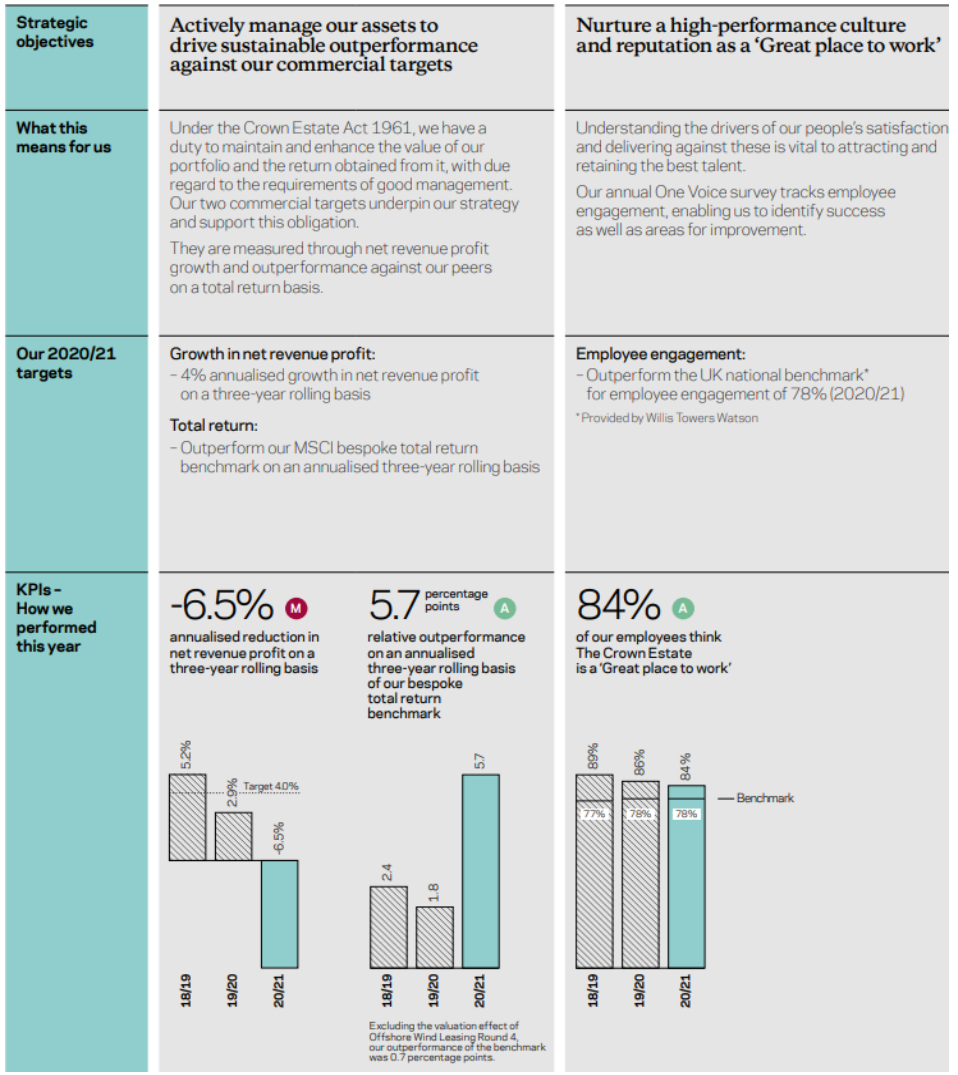
Reporting against strategic objectives (2)

Example and why this is best practice

This example from The Crown Estate:

- ✓ Includes detailed narrative for each of the strategic objectives in the form of a well laid out table, communicating what they mean to the entity, the targets set for 2020-21 and the Key Performance Indicators (KPIs) relating to each objective;
- ✓ Uses multi-year trend data when presenting the KPIs, which builds context for users when determining progress made by the entity. Similarly, a key code has been incorporated to clearly show users which KPIs have been achieved and which have not.

Figure 12 – The Crown Estate



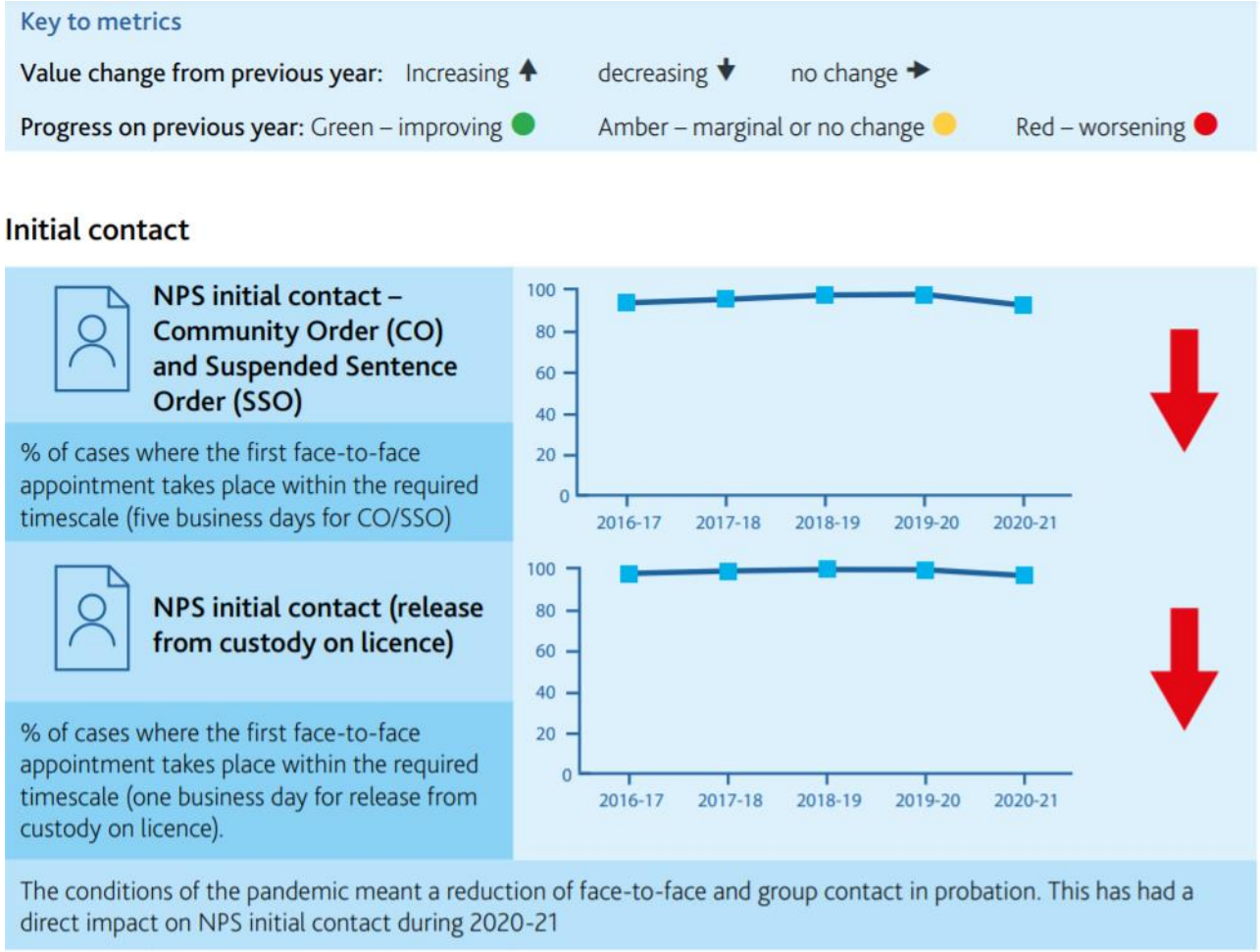
Reporting against strategic objectives (3)

Example and why this is best practice

This example from the Ministry of Justice:

- ✓ Repeats the same reporting method for each of the strategic objectives for consistency to help the user;
- ✓ Includes data on a range of different performance metrics for each strategic objective, showing users:
  - a) multi-year trend data;
  - b) value change from the previous year; and
  - c) progress on the previous year.
- ✓ Provides sufficient explanations on the trends shown in the diagrams.

Figure 13 – Ministry of Justice



Future plans

Reporting Issue

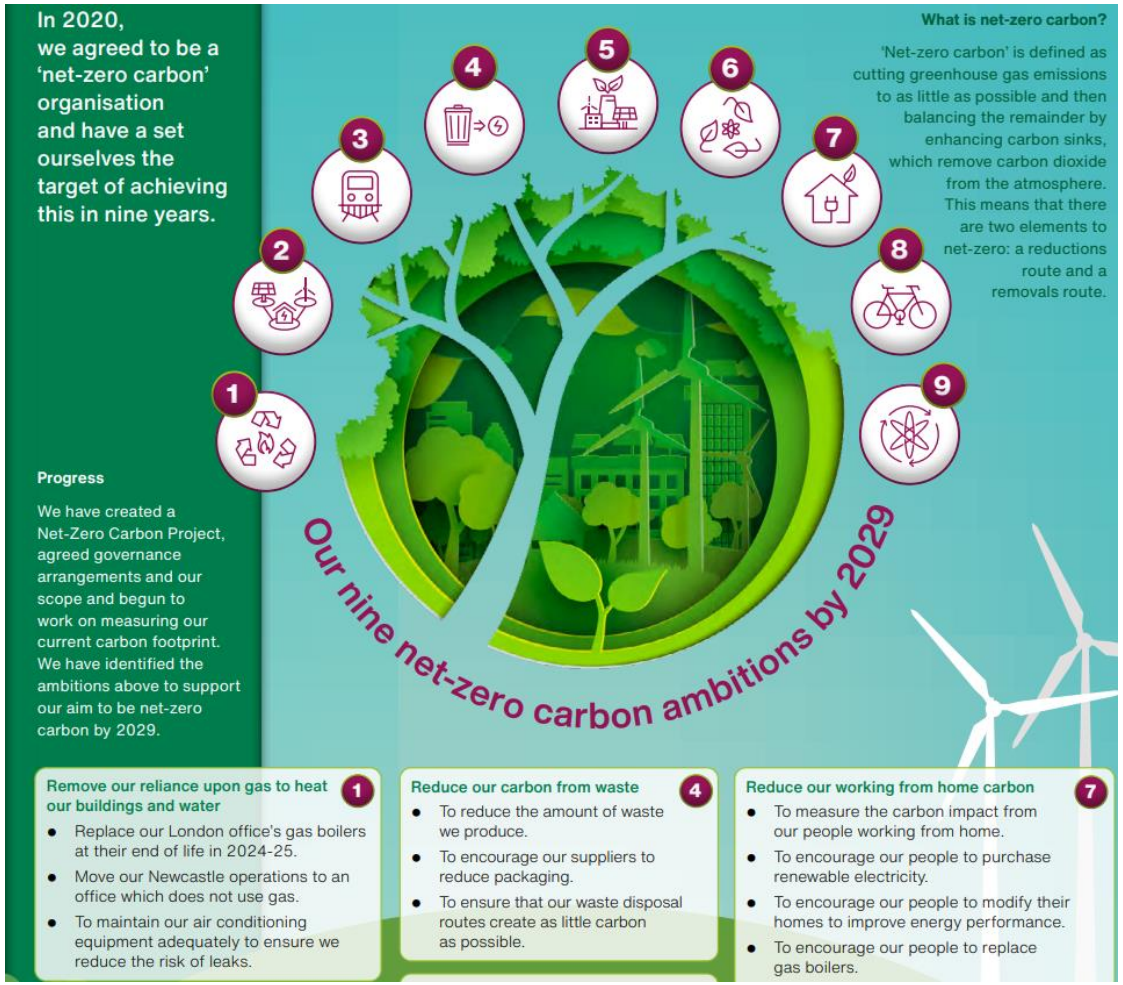
Departments are encouraged to report on future plans in the performance report. Departments are required to produce forward looking information as it increases the value of the narrative surrounding the current year's performance including why decisions have been taken and how they contribute to future ambitions.

Example and why this is best practice

The example on this slide is from the National Audit Office:

- ✓ Provides an eye-catching infographic that sets out the organisation's 'nine net-zero carbon ambitions' they are hoping to achieve by 2029;
- ✓ Clearly articulates the organisation's nine ambitions, using plain English and a range of visuals.

Figure 14 – National Audit Office



Sustainability reporting (1)

Reporting Issue

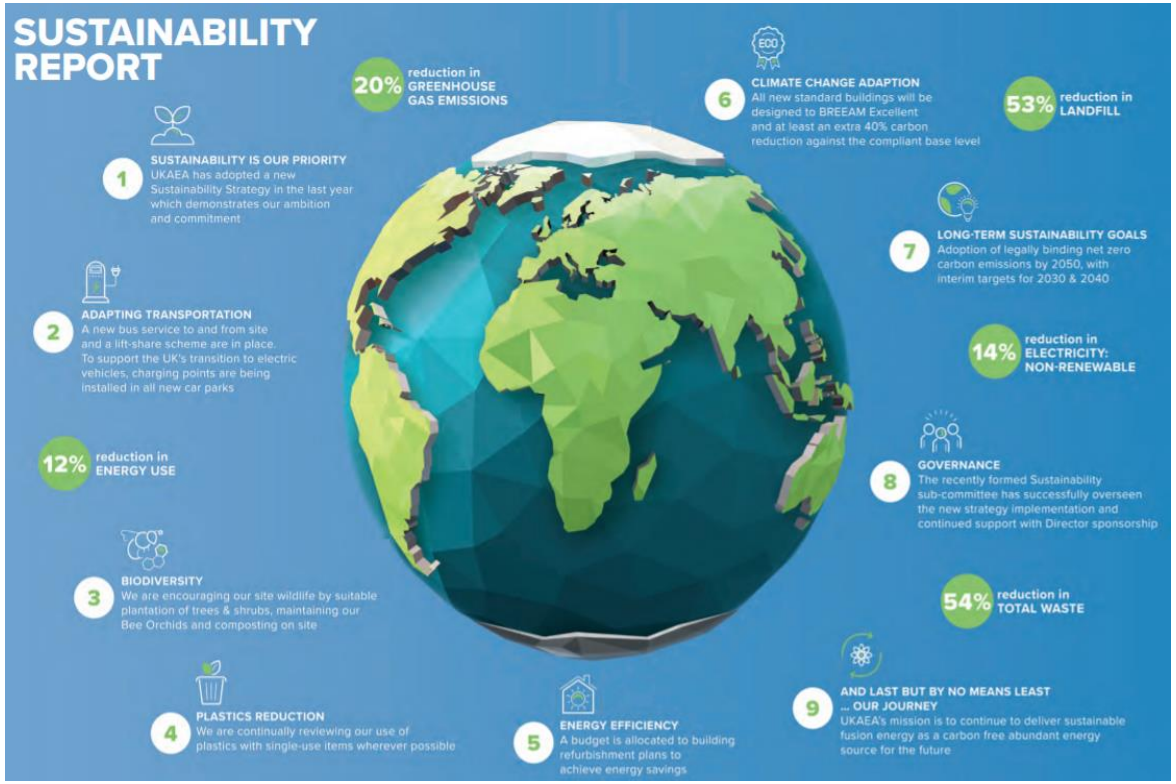
Entities are expected to provide information on environmental matters, including the impact of the entity's business on the environment. Departments shall report performance against sustainability targets, as set out in the Sustainability Reporting Guidance and provide a description of progress within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

Example and why this is best practice

The example on this slide from the UK Atomic Energy Authority:

- ✓ Uses a coherent infographic to provide a high-level overview of the organisation's key activities and performance;
- ✓ Has a clear focus on summary information, allowing users to easily understand performance outcomes.

Figure 15 - UK Atomic Energy Authority



Sustainability reporting (2)

Example and why this is best practice

This example from the Driver and Vehicle Standards Agency:

- ✓ Uses individual graphs with multi-year trend data to clearly reflect how progress is being made against each Greening Government Commitment (GGC);
- ✓ Incorporates a RAG system to visually show users what is on track and what is below target;
- ✓ Provides brief explanations on the reasons for improvements or deteriorations for each GGC (ARA pg. 19).

Figure 16 – Driver and Vehicle Standards Agency

Greening Government Commitment	2009-10 Baseline	Progress from 2017-18 to 2020-21	2020-21 Target	2020-21 Performance
Greenhouse gas emissions	15,748 tonnes of CO2	9,368 9,368 8,330 4,772 (17-18 18-19 19-20 20-21)	8,189 tonnes of CO2	4,772 tonnes of CO2
Domestic business flights	2,742 flights	1,114 2,013 1,623 64 (17-18 18-19 19-20 20-21)	2,002 flights	64 flights
Water use	8.7m3/FTE (Full Time Equivalent)	14.9 16.1 17.8 17.6 (17-18 18-19 19-20 20-21)	6.0m3/ FTE	17.6m3/FTE
Paper use	40,772 reams	21,000 32,145 22,893 11,759 (17-18 18-19 19-20 20-21)	18,347 reams	11,759 reams
Waste arising	1,902 tonnes	1,116 1,077 704 552 (17-18 18-19 19-20 20-21)	1,021 tonnes	552 tonnes
Waste to landfill	84%	81% 83% 42% 37% (17-18 18-19 19-20 20-21)	< 10% to landfill	37%

Disclosures on the impact of COVID-19 (1)

Reporting disclosure

The government has undertaken major programmes of work to respond to the COVID-19 pandemic. Departments must therefore reflect these in their performance reports, drawing on the full range of information they hold to provide a balanced narrative between performance, future objectives and risks, where details are known and expected to be significantly different in future reporting periods.

Example and why this is best practice

The example on this slide from the Department for Work and Pensions:

- ✓ Has a clear focus on summary data, allowing users to easily understand actions taken to keep workplaces and colleagues safe because of the pandemic;
- ✓ Uses a variety of graphics, making this section more visually appealing.

Figure 17 – Department for Work and Pensions

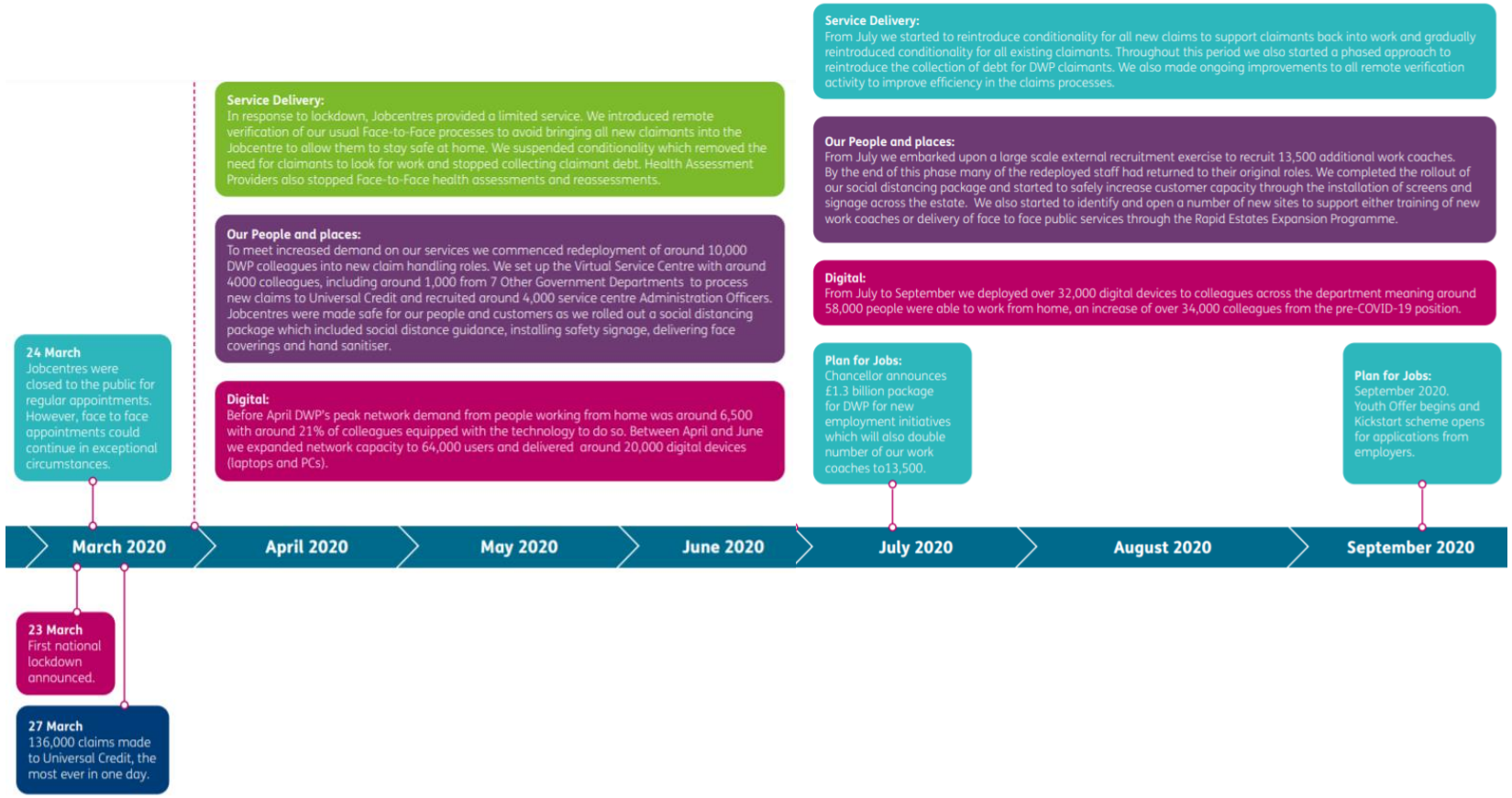
Disclosures on the impact of COVID-19 (2)

Example and why this is best practice

Similar to the previous slide, this example from the Department for Work and Pensions:

- ✓ Uses a diagram to set out a clear timeline of events since the pandemic started in March 2020;
- ✓ Categorises each response according to the specific area and includes key government announcements;
- ✓ Provides detail of the 3-phase approach on the department's response (see ARA pg. 30-35).

Figure 18 – Department for Work and Pensions



HM Treasury

Disclosures on the impact of COVID-19 (3)

Example and why this is best practice

This example from HM Revenue and Customs:

- ✓ Provides clear and concise breakdowns on each of the financial support schemes issued throughout the year, enabling users to clearly see the scale of impact the pandemic had on the department and the importance of their response;
- ✓ Incorporates the use of graphs to present complex information in a more visually appealing way, and allow users to clearly see the trend changes across the year.

Figure 19 – HM Revenue & Customs

Financial support schemes: at a glance

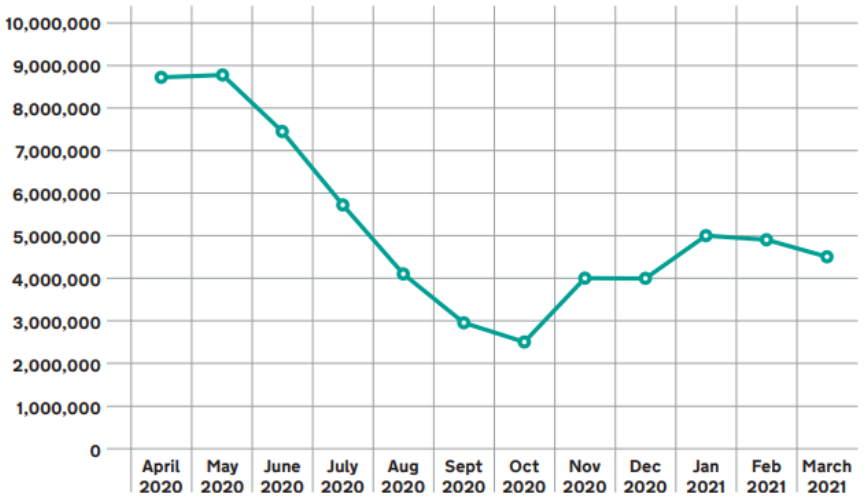
We worked quickly to deliver the government's financial support schemes, building the Coronavirus Job Retention Scheme (CJRS) and Self-Employment Income Support Scheme (SEISS) from scratch in under 7 weeks, and making payments across both schemes within 6 days of customers making an online claim. We engaged with external stakeholders on their design and delivery so we could understand the pressures our customers faced and how best to support them.

Coronavirus Job Retention Scheme (CJRS)

CJRS paid a proportion of the wages of employees who were furloughed during the coronavirus outbreak. The scheme went live on 20 April 2020, less than one month after the first national lockdown was announced on 23 March 2020. Up to 31 March 2021, the Coronavirus Job Retention Scheme supported 11.5 million jobs. HMRC expenditure on CJRS claims (net of voluntary repayments) was £60.7 billion in 2020 to 2021[1]. At the highest point of demand, CJRS was supporting 8.9 million jobs at once.

[1] This figure includes March 2020.

Figure 11: Average number of employments on furlough and supported by the CJRS (April 2020 to March 2021)



Disclosures on EU exit (1)

Reporting Issue

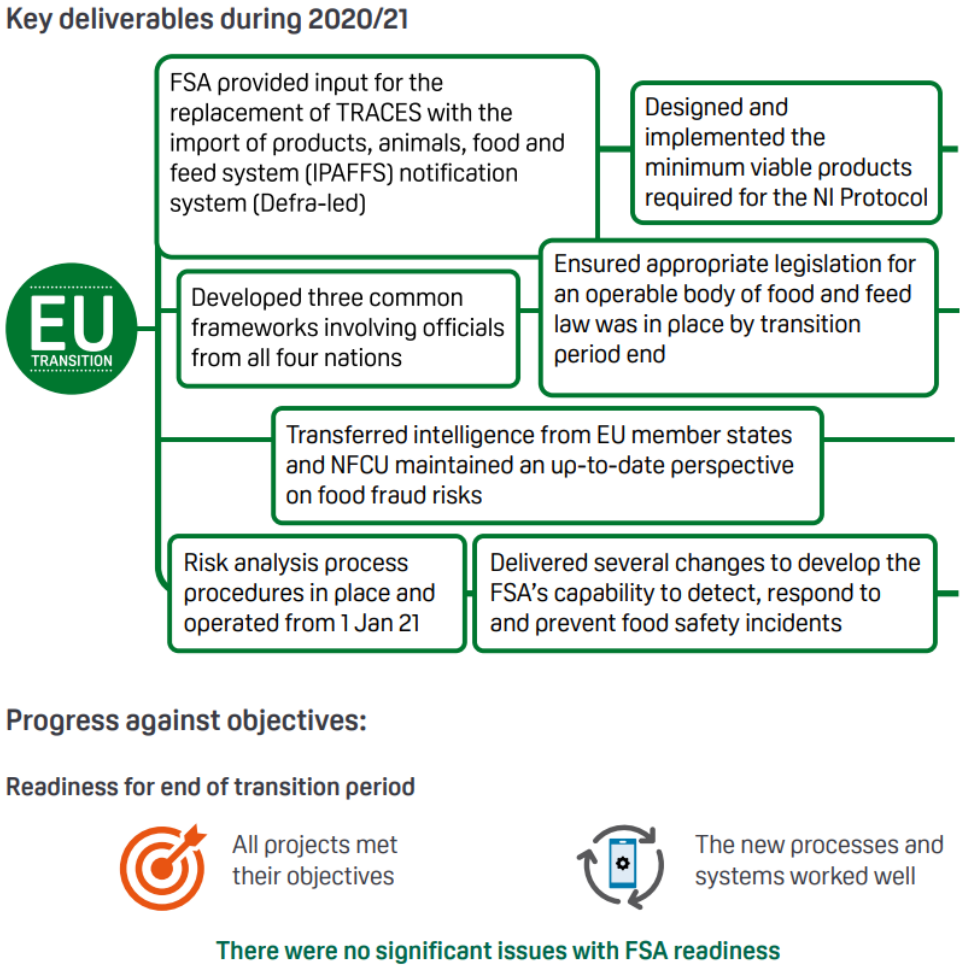
The government has undertaken major programmes of work to prepare for and deliver the UK's exit from the EU. Entities must therefore reflect this in their performance reports, drawing on the full range of information they hold to provide a balanced narrative between performance, future objectives and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

Example and why this is best practice

The example on this slide from the Food Standards agency:

- ✓ Highlights the department's key deliverables on EU transition for 2020/21 through a clear diagram;
- ✓ Summarises the entity's progress against objectives;
- ✓ Repeats this method of presenting information throughout the performance report for consistency to help the user.

Figure 20 – Food Standards Agency



Disclosures on EU exit (2)

Example and why this is best practice

This example from the Department for International Trade:

- ✓ Provides information on the trading agreements secured by the Department as at 31 March 2021, which is a key area of interest for users of the accounts since leaving the EU;
- ✓ Uses a well-laid out table to provide a breakdown of each agreement and country by including the total UK trade (£m) and the percent of UK trade;
- ✓ Provides narrative relating to the figures presented, and the report follows on to outline the departments key achievements and progress.

Figure 21 – Department for International Trade

Trading agreements secured as at 31 March 2021

The Government has ambitious plans to secure bilateral trade agreements with countries accounting for 80% of UK total trade by the end of 2022. This table includes those countries the Government sought continuity for under our previous EU trade agreements (the Continuity Negotiations programme) as well as all other trade agreements as at 31 March that were outside the scope of the programme, such as the UK-Japan Comprehensive Economic Partnership Agreement.

Agreement and Country	Total UK trade with countries (2020, £m)	Per cent of UK trade (2020)
Albania	55	<0.1%
Andean countries (Colombia, Ecuador, Peru)	2,018	0.2%
Cameroon	163	<0.1%
Canada	17,662	1.5%
CARIFORUM trade bloc (Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Dominican Republic, Grenada, Guyana, Jamaica, St Kitts and Nevis, St Lucia, St Vincent and the Grenadines, Suriname, Trinidad and Tobago)	2,897	0.2%

Disclosures on EU exit (3)

Example and why this is best practice

This example from HM Revenue and Customs:

- ✓ Provides a comprehensive overview of the Department's response to the UK leaving the EU;
- ✓ Provides a clear focus on summary data, which captures user attention;
- ✓ Clearly presents the commitments set by the Department through a colour coded table, which informs the user that all were on track or completed;
- ✓ Uses icons to link performance to the relevant strategic objectives.

Figure 22 – HM Revenue & Customs

Supporting the UK's international trade

The EU-UK Trade and Cooperation Agreement and the provisions of the Withdrawal Agreement and Northern Ireland Protocol came into force on 1 January 2021. Helping businesses prepare for and navigate the new rules, after the biggest border change for more than 40 years, was an urgent priority for us and across government.

We worked with other departments across government to ensure the UK transition was as smooth as possible. As well as publishing information and engaging with businesses to make sure they were prepared for the end of the transition period, we carried out a major programme of process and system changes, including delivering over 60 IT requirements.

We opened new border customs facilities and pop-up sites in key locations, designed a grant scheme to increase the capacity of the customs intermediary sector and introduced the Trader Support Service to help businesses required to operate under the Northern Ireland Protocol. We also introduced multiple temporary changes to minimise disruption to trade flow at the border and we have been focused on stabilising the new processes to make sure the UK has a fully secure and operational border.

Working with other government departments, we also introduced a new online declaration service for passengers; digitising the declaration and payment process, minimising disruption and making it easier for passengers to be compliant with the rules.

£80m
in grants to the customs intermediary sector

6
new border facilities built

600
guidance updates for customers and stakeholders

490,000
views of our GOV.UK support pages

We took action to support the UK's international trade

3,000+
businesses supported to prepare for the end of UK's transition from the EU

80,000+
calls answered on our customs and international trade helpline

359,000+
declarations processed by our free Northern Ireland Trader Support Service

3,000
colleagues trained in process and system changes to support customers for the end of the UK's transition period

Our commitments	Status
Implement HMRC's role in the delivery of UK transition by: • delivering the necessary policy, operational, system and infrastructure changes • supporting the government in negotiations with the EU on the Northern Ireland Protocol and Future Trade Agreement • ensuring we have the people in place to support operational systems and support customers • developing contingency plans	✓
We will ensure that people coming into the country from the EU will only be able to access Child Benefit after five years, in the way non-EEA (European Economic Area) migrants currently do. We will no longer allow people to claim Child Benefit for children living overseas*. * Changes are consistent with commitments made under the UK's international agreements, including the UK-EU Withdrawal Agreement.	✓

Risk reporting (1)

Reporting Issue

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

Example and why this is best practice

The example on this slide from HM Courts & Tribunal Services:

- ✓ Graphically shows the risk assessment and how risks have developed throughout the year;
- ✓ Provides sufficient detail on the key controls and activities undertaken to manage the risks.

Figure 23 – HM Courts & Tribunal Services

Key

Risk assessment as at end March 2021	Very high	High	Medium	Low
Risk movement *(from date risk identified to end March 2021)*	Risk increase	Risk decrease	No risk movement	At target score

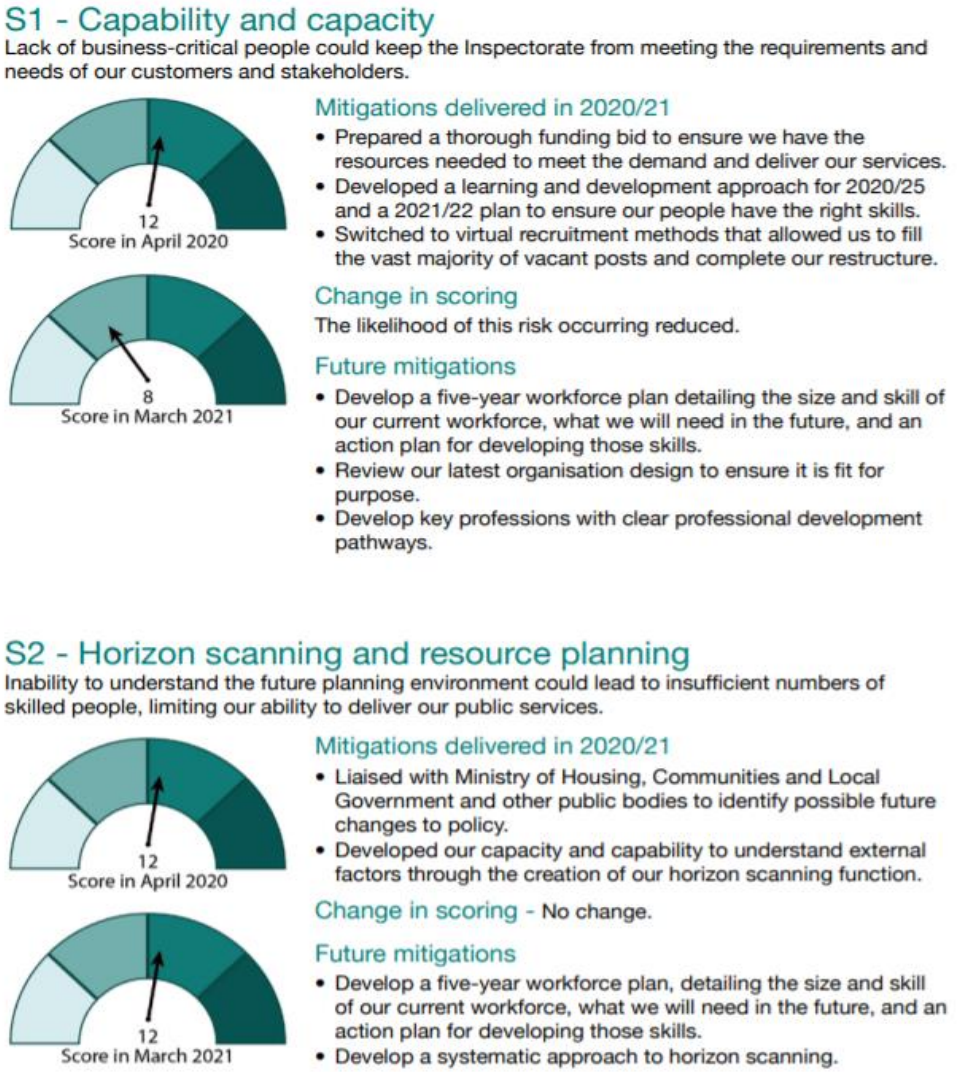
Risk description	Key controls and activities to manage risks
Operational performance is substantially impeded thus HMCTS does not achieve its organisational outcomes[11]	• Gold, Silver and Bronze Commands were stood up to co-ordinate plans during the response period and weekly delivery director telekits continue. • The Operational Delivery Board was in place (and continues to be in place) to drive operational recovery and performance. • A weekly Response Board managed the immediate response to matters impacting recovery. This continues but is also supplemented by the monthly HMCTS Recovery Board which now oversees the progress and impact of national recovery activity and plans. • We increased provision of audio and video hearings technology and ensured associated process was in place so as to be able to increase court and tribunal hearings across all jurisdictions wherever directed by the judiciary. • We maximised the workforce through the provision of laptops to support remote working. In addition, plans were in place and implemented to resource up to 1,600 additional posts to support operational recovery. • The Additional Court and Tribunal Capacity programme was established to increase operational capacity. There were circa 60 additional courtrooms (Nightingale courts) at the end of March 2021. • Several jurisdictions and regions are now bringing backlogs down and performance is improved. However, the risk remains very high due to some areas remaining unable to meet demand. Rule changes expected on 21 June 2021 may improve the risk.
Reform is unable to secure sufficient funding to deliver its complete vision and scope	• Agreement to complete the Reform Programme was reached at the Major Projects Review Group in February 2021.
The HMCTS pay deal is delayed and fails to meet staff expectations	• Ongoing and regular engagement with MoJ, HM Treasury and the Cabinet Office on the pay business case. • Regular updates on pay given to staff at a weekly chief executive led webinar. • A Pay Working Group established with input from across HR and communications to consider and plan all workstream elements to successfully communicate and implement the pay award (when agreed).

Risk reporting (2a)

Example and why this is best practice

Similar to the previous slide, this example from the Planning Inspectorate:

- ✓ Represents the direction of strategic risks by using a graphically representation of scores enabling users to easily see changes in the likelihood of the risk occurring against a start of year comparator;
- ✓ Provides a detailed summary of the key mitigations they have undertaken and the future mitigations planned;
- ✓ Assesses each risk by using a five-by-five scoring matrix and maps their position, also including a prior year comparator for context (see next page);
- ✓ Includes clear and concise narrative on the risk profile throughout the year.



S1 - Capability and capacity

Lack of business-critical people could keep the Inspectorate from meeting the requirements and needs of our customers and stakeholders.

12
Score in April 2020

8
Score in March 2021

Mitigations delivered in 2020/21

- Prepared a thorough funding bid to ensure we have the resources needed to meet the demand and deliver our services.
- Developed a learning and development approach for 2020/25 and a 2021/22 plan to ensure our people have the right skills.
- Switched to virtual recruitment methods that allowed us to fill the vast majority of vacant posts and complete our restructure.

Change in scoring

The likelihood of this risk occurring reduced.

Future mitigations

- Develop a five-year workforce plan detailing the size and skill of our current workforce, what we will need in the future, and an action plan for developing those skills.
- Review our latest organisation design to ensure it is fit for purpose.
- Develop key professions with clear professional development pathways.

S2 - Horizon scanning and resource planning

Inability to understand the future planning environment could lead to insufficient numbers of skilled people, limiting our ability to deliver our public services.

12
Score in April 2020

12
Score in March 2021

Mitigations delivered in 2020/21

- Liaised with Ministry of Housing, Communities and Local Government and other public bodies to identify possible future changes to policy.
- Developed our capacity and capability to understand external factors through the creation of our horizon scanning function.

Change in scoring - No change.

Future mitigations

- Develop a five-year workforce plan, detailing the size and skill of our current workforce, what we will need in the future, and an action plan for developing those skills.
- Develop a systematic approach to horizon scanning.

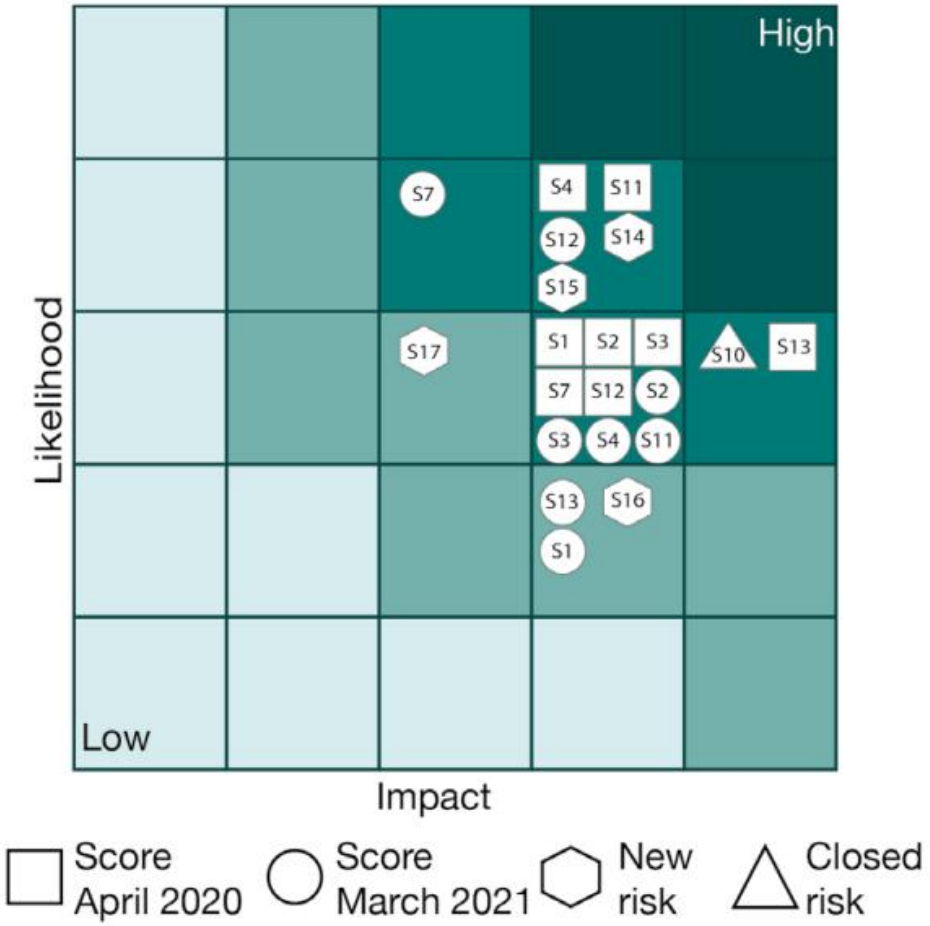
Figure 24 – Planning Inspectorate

Risk reporting (2b)

Our risk profile through 2020/21

Our strategic risk profile changed throughout 2020/21. This was due to external events, such as the COVID-19 pandemic or the Planning for the future White Paper, and to internal changes and pressures. The following pages show in detail how each risk score changed and explains the mitigations implemented as well as the ones planned for the future.

We identified four new strategic risks (S14, S15, S16 and S17). We closed one risk, about the Heathrow Project (S10), since S15, one of the newly logged risks, covers Nationally Significant Infrastructure Projects in general. We updated and re-assessed all other risks: one score increased (S12), three risks remained stable overall (S2, S3 and S7) and four risks reduced by the end of the year (S1, S4, S11 and S13). Strategic risks S5, S6, S8 and S9 were closed in previous years. The heat map below shows our strategic risks and how they evolved in 2020/21.



Risk reporting in relation to COVID-19 (1)

Reporting Issue

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

Example and why this is best practice

The example on this slide from the UK Atomic Energy Authority:

- ✓ Identifies the key risk factors from the COVID-19 pandemic;
- ✓ Builds context for users by breaking down the risks by year, and whether they are ongoing or retired;
- ✓ Links the risks to the department's strategic priorities through coloured pie segments.

Figure 25 – UK Atomic Energy Authority

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

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

FUSION DELIVERY Enable the delivery of sustainable fusion power plants

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

RELATES TO ALL

KEY RISKS FROM COVID-19 FROM 2019/20 – NOW RETIRED	STRATEGIC PRIORITY
Challenging economic landscape exposes UKAEA to the risk of supply chain failure.	
Delays to construction impact major building project timescales, causing potential shift of spend and delivery.	
Reduced working efficiency, due to the move to remote working, impacts short term delivery.	
FROM 2019/20 – ONGOING	
Continuing impact of COVID-19 causes milestone slippage, loss of fusion progress and funding.	
Failure to embed new ways of working and take our people with us on the journey impacts long term delivery.	
COVID-19 damages development of UK fusion supply chain.	
NEW IN 2020/21	
Increased working from home may heighten the risk of cyber attacks.	
Post COVID-19 employment conditions and pay restraint causes a loss of morale and engagement.	
COVID-19 aftermath causes an escalation in operational and supply chain costs.	

Risk reporting in relation to COVID-19 (2)

Example and why this is best practice

This example from HM Prison and Probation Service:

- ✓ Identifies the key risk factor from the COVID-19 pandemic and provides clear narrative on the specific areas of concern;
- ✓ Links the risks to the Department's strategic principles;
- ✓ Provides detailed explanations on the key mitigations the entity has undertaken;
- ✓ Graphically shows the impact on risk, allowing users to clearly see that the risk has improved since the previous year.

Figure 26 – HM Prison and Probation Service

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

Impact key		
↓	↑	↔
Risk has improved	Risk has worsened	Risk has remained stable

Specific operational issues

Topic: COVID-19 – Principles 2, 3, 4

Risk: The impacts of a pandemic impede the agency's ability to deliver an effective and safe environment for staff and the people in our care.

Detail:	Key mitigations:	Impact on risk:
COVID-19 had the potential to prevent the agency from providing a functioning service. Areas of concern were: • explosive COVID-19 outbreaks leading to hospitalisations and deaths • population exceeding available capacity and headroom required to compartmentalise prisoners effectively • disorder and instability • insufficient PPE and testing • insufficient staff to run effective and safe services in both prisons and the community • loss of staff confidence risking walk-outs • challenges with providing purposeful activity for prisoners and in our ability to meet the sentences of the court Ongoing restrictions mean there are outstanding cases of unpaid work and accredited programmes. Recovery from COVID-19 will place additional pressures on the system, including addressing outstanding cases, ensuring the safety of both staff and prisoners and people we work with in the community.	• Effective partnership with Public Health England and Public Health Wales to manage health risks. • Effective partnership and planning to purchase appropriate stocks of PPE. • Effective partnership and planning to provide testing to prison and probation staff, prisoners and those we work with in the community. • Effective rollout of a vaccination programme that mirrors that in the community. • Increasing capacity through additional temporary accommodation and increasing efficiency of capacity impacting COVID-19 measures. • Boosting staffing resilience at the frontline through pay incentives, redeployment of HQ staff and offers to former staff to return on temporary contracts. • Delivering exceptional regime management plans that prioritise meals, medication, health services, prisoner safety and welfare, and family contact. • Delivering exceptional delivery models to provide community services. • Health and wellbeing support for staff and trade union engagement locally and nationally.	↓

Chapter 3 – **Accountability Reporting**

What should accounts preparers consider in Accountability Reporting?

Meet key accountability requirements to Parliament, as the **primary user** of central government annual reports and accounts.

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

Ensure all disclosure requirements are met within the report.

What is required within the Accountability Report?

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

Further information can be found on this within the 21-22 FReM (Government Financial Reporting Manual).

This chapter highlights some examples of best practice in accountability reporting in departmental ARAs.

Governance (1)

Reporting Issue

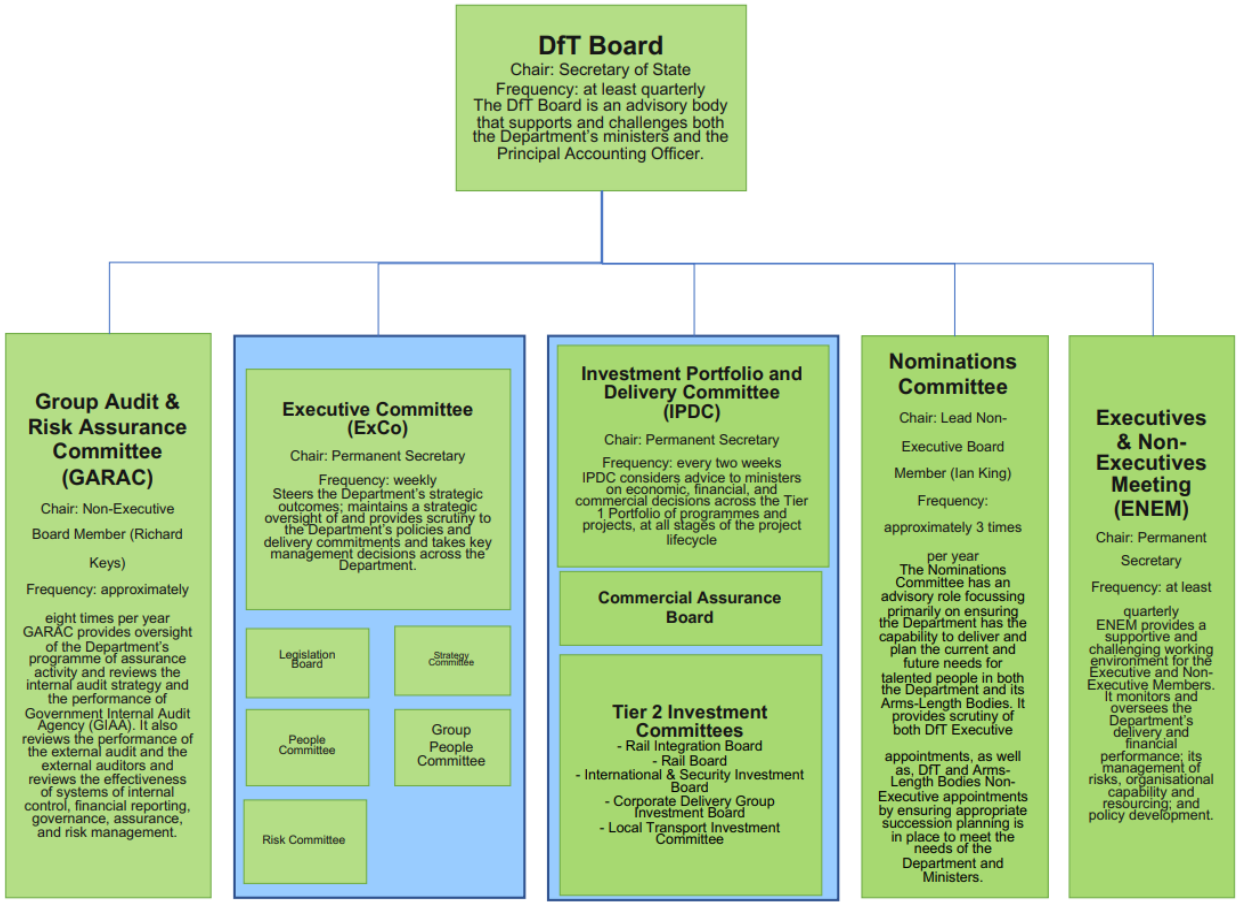
All reporting entities covered by the requirements of the FReM shall report on the review of the risk management and internal control system and the main features of the entity's risk management and internal control system in preparing the governance statement.

Example and why this is best practice

The example on this slide from the Department for Transport:

- ✓ Includes a well structured diagram representing the Department's system of corporate governance, management and internal control;
- ✓ Sets out the structure and purpose of each committee as well as the frequency of meetings.

Figure 27 – Department for Transport



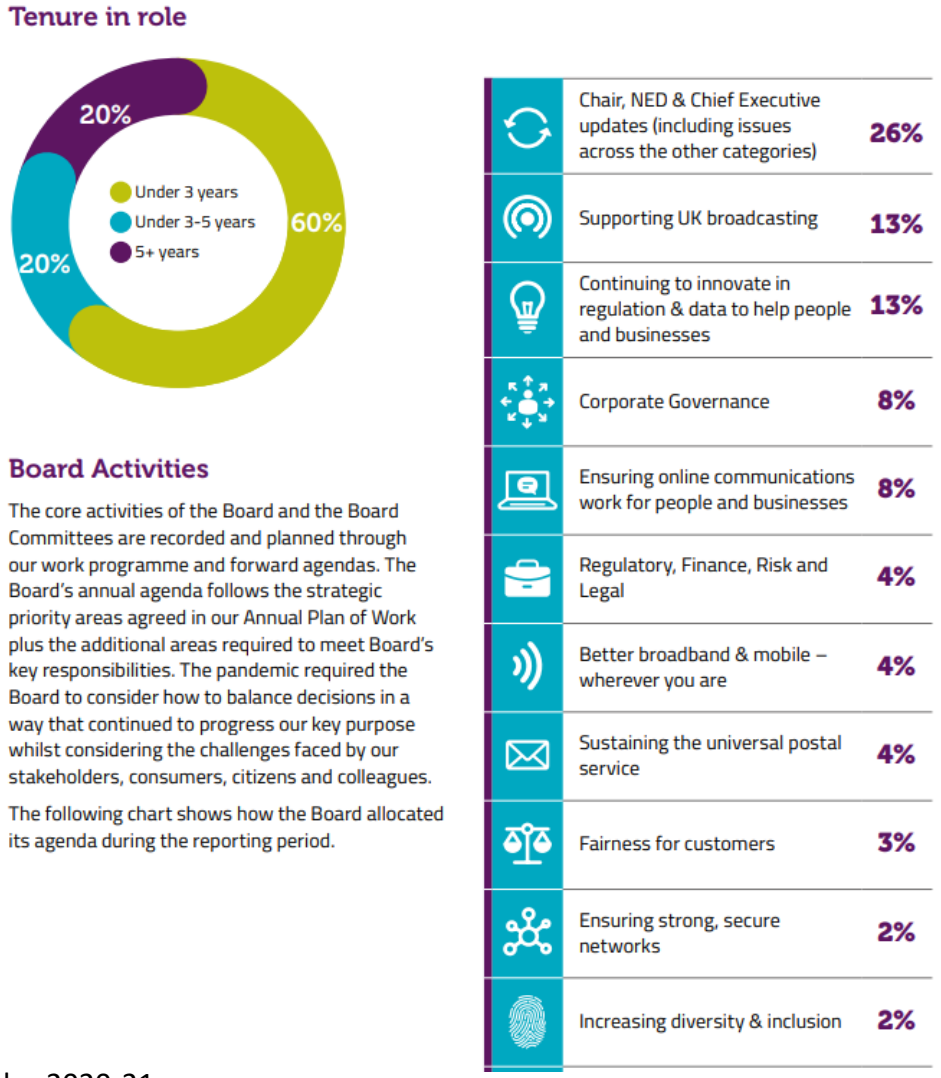
Governance (2)

Example and why this is best practice

This example from The Office of Communications:

- ✓ Discloses the core activities and the time allocated for each item discussed by the Board and the Board Committees throughout the year in a visually appealing way;
- ✓ Includes the percentage allocation for each activity, which allows users to easily determine which matters are considered a priority for the Board;
- ✓ Uses an infographic to disclose the Board's tenure in role.

Figure 28 – The Office of Communications



Risk management (1)

Reporting Issue

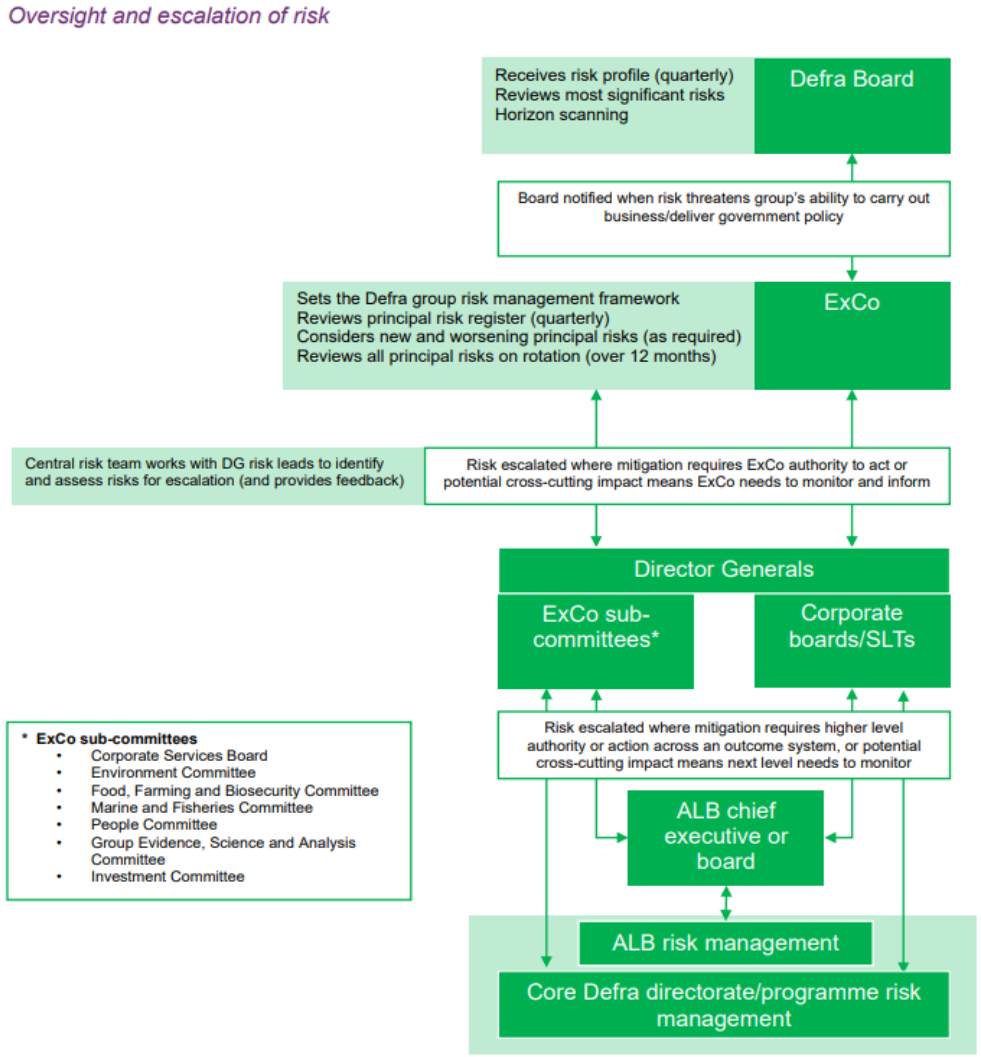
All reporting entities covered by the requirements of the FReM shall report on the review of the risk management and internal control system and the main features of the entity's risk management and internal control system in preparing the governance statement.

Example and why this is best practice

The example on this slide from the Department for Environment, Food and Rural Affairs:

- ✓ Provides a clear depiction of the Department's oversight and escalation process of risk in one easy-to-understand diagram;
- ✓ Clearly presents the Board's activities throughout the year, and the responsibilities for each of the bodies within the structure.

Figure 29 – Department for Environment, Food and Rural Affairs



Risk management (2)

Example and why this is best practice

This example from the Ministry of Defence:

- ✓ Provides a clear representation of the organisation's approach to risk management through a levelled pyramid, allowing users to easily understand responsibilities of the major risks;
- ✓ Includes clear narrative on the roles and responsibilities of each body within its risk management model.

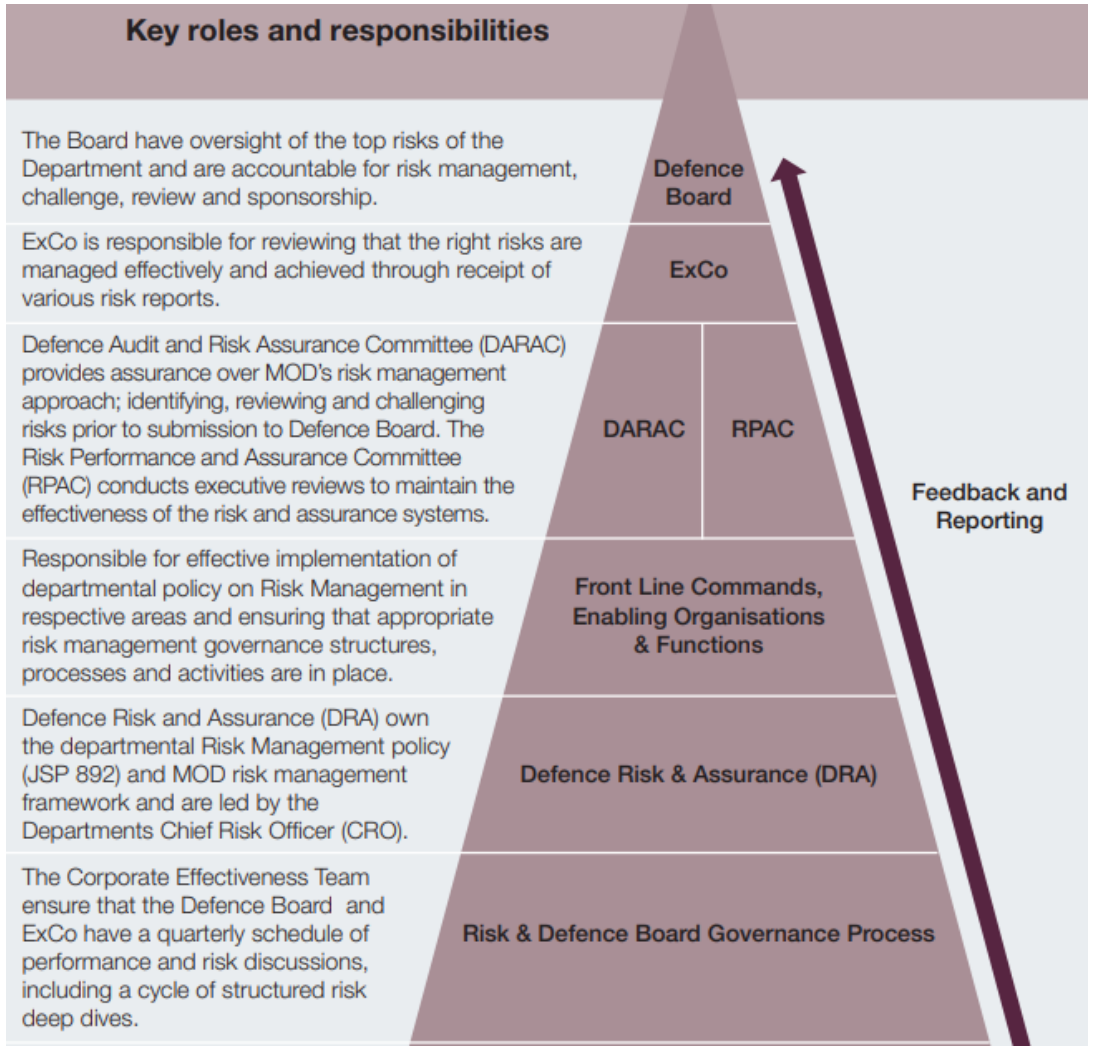


Figure 30 – Ministry of Defence

Civil Service People Survey

Reporting Issue

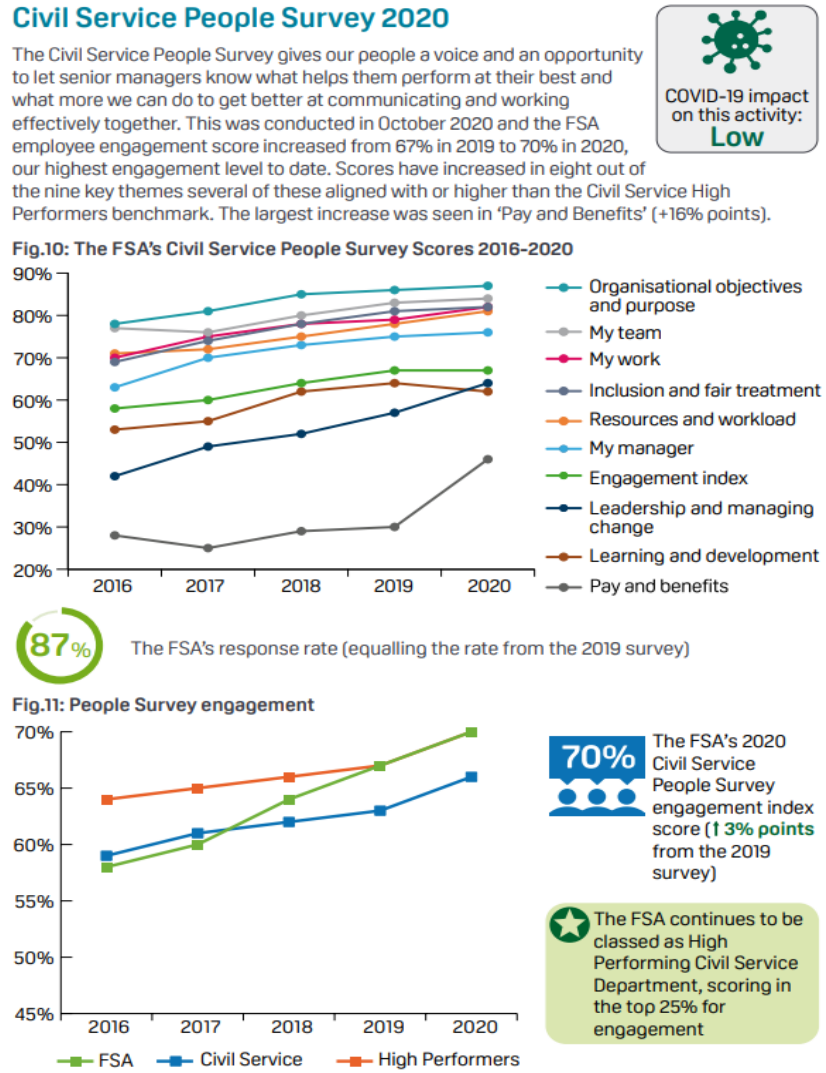
For those entities who contribute to it, staff engagement percentage scores must be disclosed from the latest Civil Service People Survey. Information should be provided with sufficient explanation and context, including trend data where appropriate.

Example and why this is best practice

The example on this slide from the Food Standards Agency:

- ✓ Builds transparency for users by breaking down the nine key themes of the survey in the form of a colour coded line graph, including multiple-year trend data;
- ✓ Includes another graph on the people survey engagement scores, and uses the overall civil service and high performer results as a comparator;
- ✓ Provides detailed commentary in relation to the figures presented and discloses the level of COVID-19 impact.

Figure 31 – Food Standards Agency



Diversity & Inclusion (1)

Reporting Issue

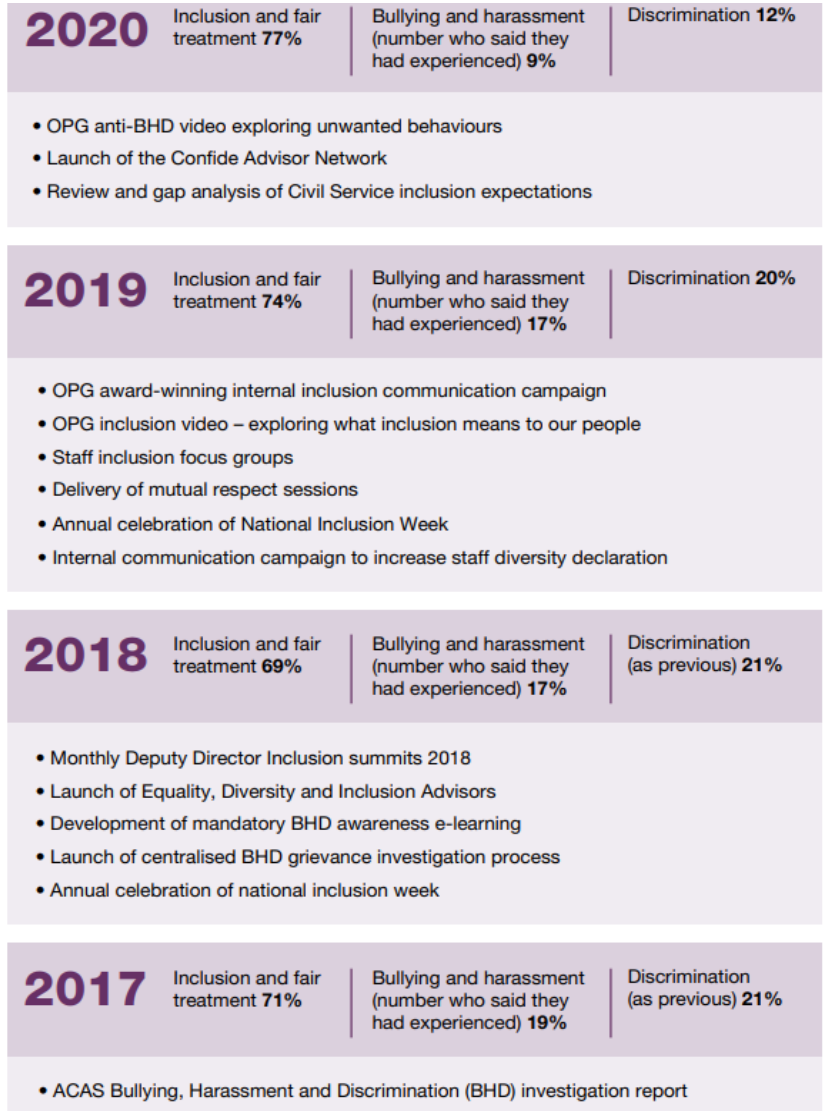
Entities are encouraged to include details and narrative of their diversity and inclusion policies, initiatives and longer-term ambitions in the staff report.

Example and why this is best practice

The example on this slide from the Office of the Public Guardian:

- ✓ Details the actions taken to improve diversity and inclusion within the entity;
- ✓ Includes multi-year trend data to clearly show the user how the three KPI percentage scores have changed over time;
- ✓ Uses clear formatting, allowing users to easily compare between the different years.

Figure 32 – Office of the Public Guardian



2020 | Inclusion and fair treatment **77%** | Bullying and harassment (number who said they had experienced) **9%** | Discrimination **12%**

- OPG anti-BHD video exploring unwanted behaviours
- Launch of the Confide Advisor Network
- Review and gap analysis of Civil Service inclusion expectations

2019 | Inclusion and fair treatment **74%** | Bullying and harassment (number who said they had experienced) **17%** | Discrimination **20%**

- OPG award-winning internal inclusion communication campaign
- OPG inclusion video – exploring what inclusion means to our people
- Staff inclusion focus groups
- Delivery of mutual respect sessions
- Annual celebration of National Inclusion Week
- Internal communication campaign to increase staff diversity declaration

2018 | Inclusion and fair treatment **69%** | Bullying and harassment (number who said they had experienced) **17%** | Discrimination (as previous) **21%**

- Monthly Deputy Director Inclusion summits 2018
- Launch of Equality, Diversity and Inclusion Advisors
- Development of mandatory BHD awareness e-learning
- Launch of centralised BHD grievance investigation process
- Annual celebration of national inclusion week

2017 | Inclusion and fair treatment **71%** | Bullying and harassment (number who said they had experienced) **19%** | Discrimination (as previous) **21%**

- ACAS Bullying, Harassment and Discrimination (BHD) investigation report

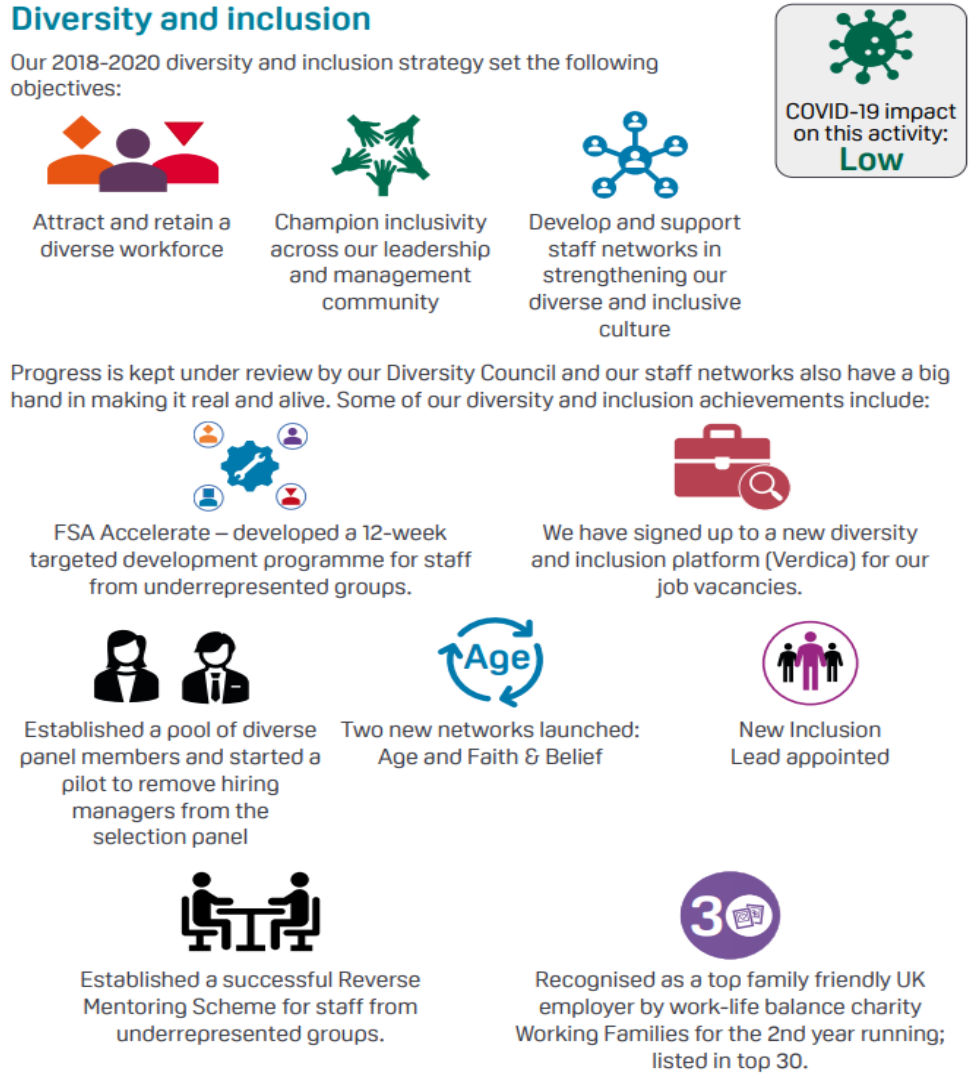
Diversity & Inclusion (2)

Example and why this is best practice

In a similar way to the previous slide, this example from the Food Standards Agency:

- ✓ Summarises the Department's objectives set within their 2018-2020 strategy and discloses the key achievements from the diversity and inclusion initiatives;
- ✓ Uses graphics and concise plain English to increase usability and makes the section more visually appealing;
- ✓ Discloses the level of COVID-19 impact on this activity.

Figure 33 – Food Standards Agency



Diversity & Inclusion (3)

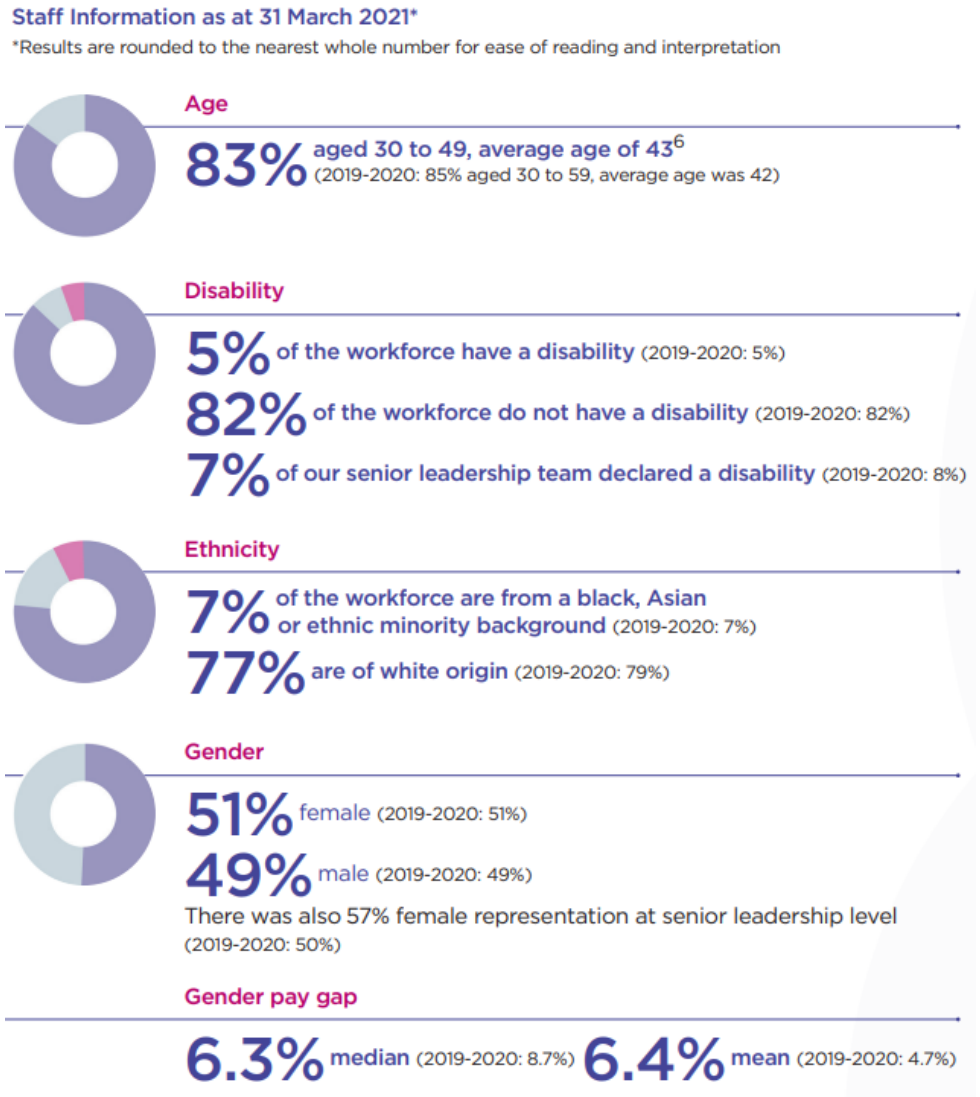
Example and why this is best practice

Similar to the previous slide, this example from The Pension Regulator:

- ✓ Gives a visual overview of the staff information for the year by using coloured pie segments;
- ✓ Provides the percentages for each category of protected characteristics in a clear and visually appealing way;
- ✓ Builds transparency by providing users with a prior year comparator, allowing them to clearly see percentage changes.

This example would be even better if the entity presented multi-year trend data.

Figure 34 – The Pension Regulator



Diversity & Inclusion (4)

Example and why this is best practice

This example from the National Audit Office:

- ✓ Uses a well-laid out table to present data for a range of key diversity and inclusion indicators of the workforce;
- ✓ Provides data for each category of protected characteristics in a clear and visually appealing way;
- ✓ Breaks down this data by position within the organisation and also provides an overall total;
- ✓ Uses a prior year comparator to build context for the user.

This example would be even better if the entity presented multi-year trend data.

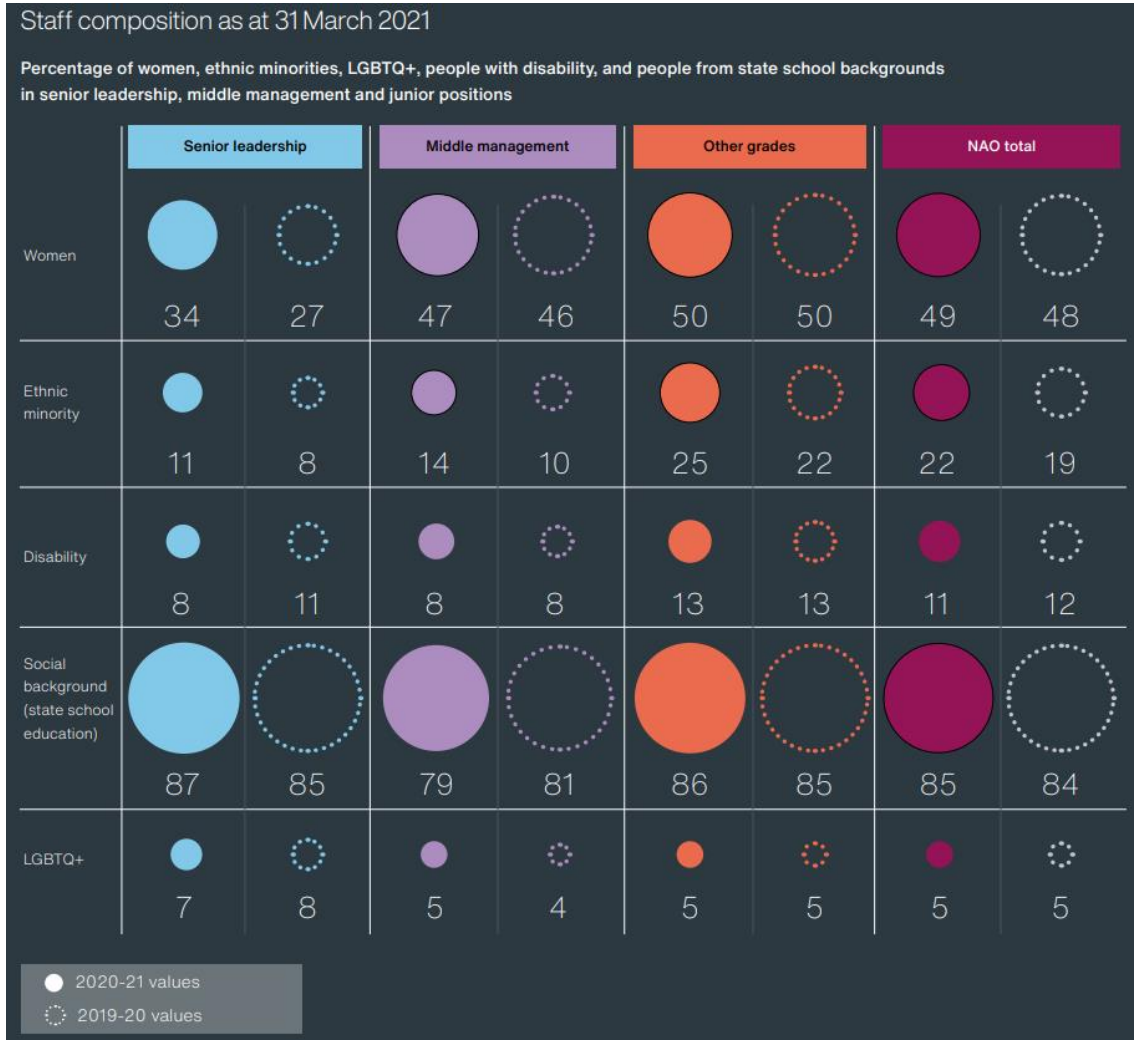


Figure 35 – National Audit Office

HM Treasury

Staff Turnover

Reporting Issue

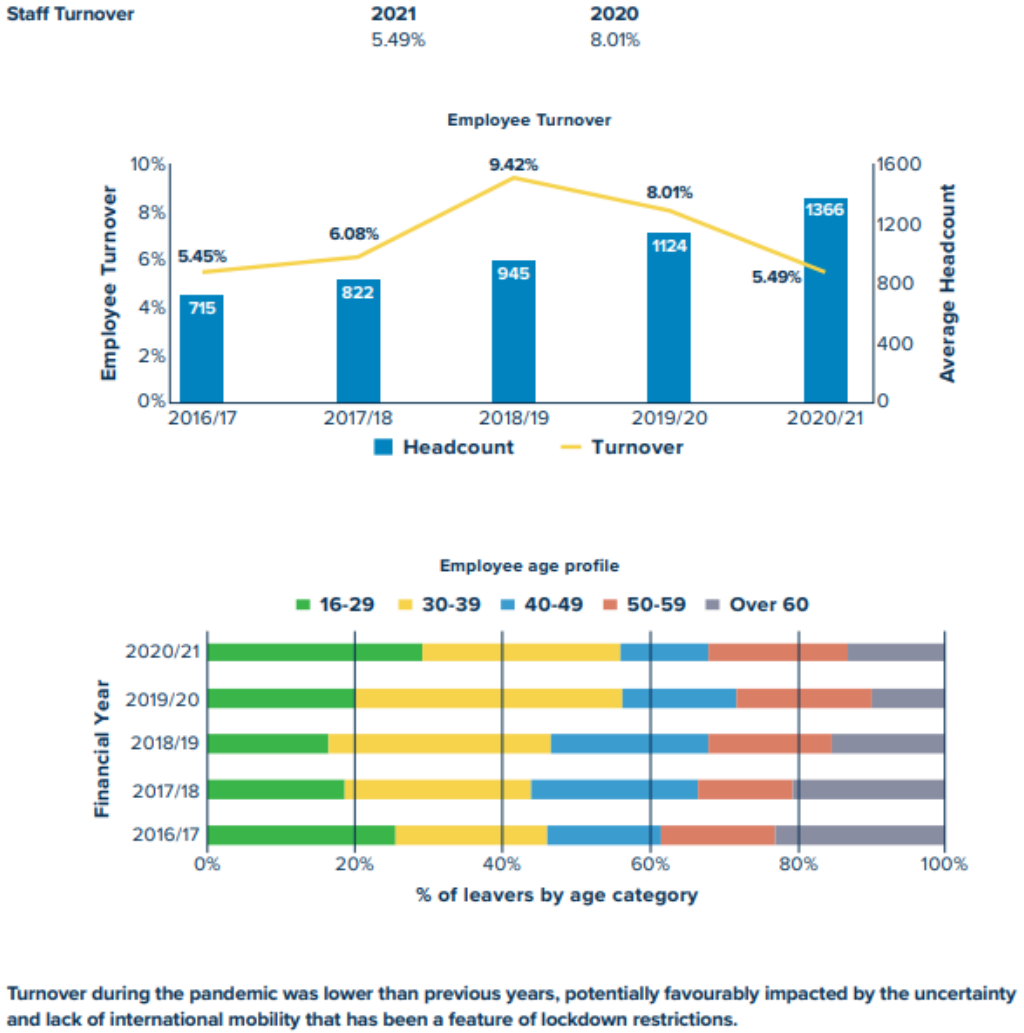
Entities are required to disclose the staff turnover percentage (on a comply or explain basis). Where it is provided, information should give sufficient explanation and context, including trend data where appropriate.

Example and why this is best practice

The example on this slide from the UK Atomic Energy Authority:

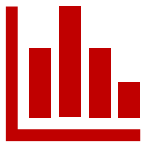
- ✓ Uses two engaging charts to present data on the entity's staff turnover rates in a visually appealing way;
- ✓ Uses multi-year trend data from the previous four financial years to allow users to clearly see changes overtime;
- ✓ Goes beyond the minimum requirements and includes a breakdown of staff turnover by employee age profile.

Figure 36 - UK Atomic Energy Authority

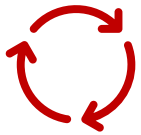


Chapter 4 – **Financial Information**

What should accounts preparers consider in Financial Reporting?



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



Information throughout the annual report and accounts should be **consistent** with the information provided within the financial statements.

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

Why is financial information so important?

- The inclusion of financial information is key as it links reporting within the performance and accountability sections with the information reported in the financial statements.
- Financial information is reported throughout the annual report and accounts and should not be exclusive to the financial statements section of the report.
- It is the only part of the annual report and accounts that is formally audited, so linkages build trust.

Further information can be found on this within the 21-22 FReM (Government Financial Reporting Manual).

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

Financial reporting (1)

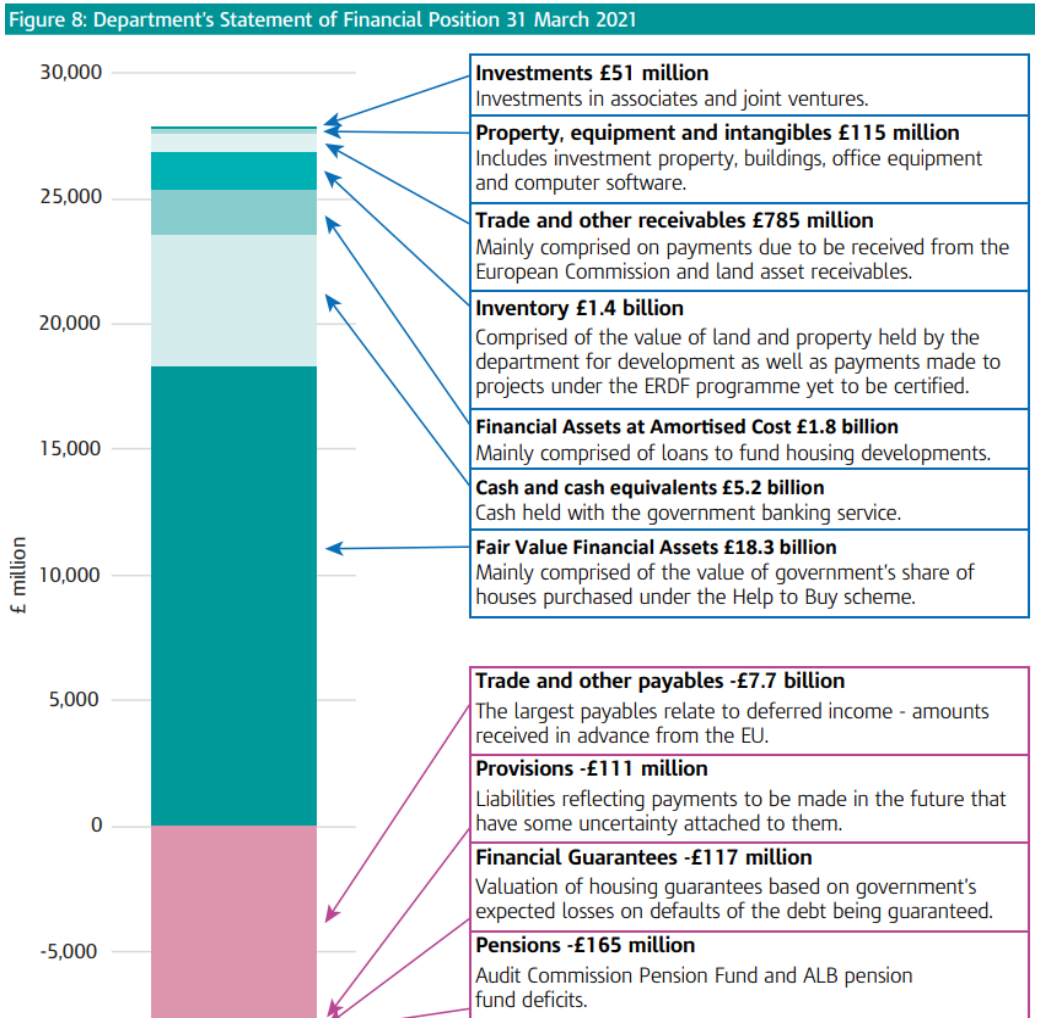
Reporting disclosure

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

The example on this slide from the Department for Levelling Up, Housing and Communities (Ministry of Housing, Communities and Local Government (MHCLG) at the time of reporting):

- ✓ Uses a graph to clearly present the Statement of Financial Position of the Department, which allows users to easily understand the breakdown and relationship between assets and liabilities;
- ✓ Provides helpful commentary about the composition of assets and liabilities;
- ✓ Uses a more visually appealing way to present complex information.

Figure 37 – Department for Levelling Up, Housing and Communities



Financial reporting in relation to Covid-19 (1)

Reporting disclosure

Departments must ensure that an analysis of COVID-19 related expenditure for 2020-21 is included within ARAs, with details of the spend disaggregated by area and funding type. Departments should include an explanation of how funds were spent, what they were spent on, and the outcomes achieved.

The example on this slide from the Department for Levelling Up, Housing and Communities (MHCLG at the time of reporting):

- ✓ Includes detailed breakdowns on how funds were spent in relation to COVID-19;
- ✓ Links the expenditure to the Department's strategic priorities and budget category;
- ✓ Uses a prior year comparator to build context for the user.

Figure 38 – Department for Levelling Up, Housing and Communities

COVID-19 Expenditure

How Funds Were Spent	Budget Category	Strategic Priority	2020-21 £'000	2019-20 £'000
Local authority and other local services funding that enabled a response to service pressures due to COVID-19. Including the adult social care workforce, public health services and services helping the most vulnerable; including the homeless, clinically vulnerable and clinically extremely vulnerable.	Current Grant to Local Authorities	2	3,000,000	1,600,000
Reimbursing local authorities for lost income. Where relevant losses were more than 5% of planned income from sales, fee and charges, the government covered 75p in every pound lost. This included the 'Sales Fee and Charges Income Compensation Scheme'	Current Grant to Local Authorities	3	1,329,600	-
Local authority funding to support Clinically Extremely Vulnerable (CEV) individuals to access the services required during periods where Shielding advice was in place, either nationally or locally.	Current Grant to Local Authorities	2	176,110	-
Support to project rough sleepers during winter 2020-21. Including £154 million for the Rough Sleeping Accommodation Programme, £10 million Cold Weather Fund for local authorities and £15 million for the Protect Programme. Also including £2 million for faith and community groups and £1.6 million extra support for the Protect Plus programme. 2019-20 funding was for the Emergency Rough Sleepers fund.	Current Grant to Local Authorities	6	254,900	2,800
Grants to local authorities and voluntary sector organisations for community champions, compliance and enforcement, innovative digital projects and local business partnerships. Also includes a charities support package, other support to communities and MHCLG's additional operating staff and non-staff costs (£23 million).	Current Grant to Local Authorities and Voluntary and Community Sector Organisations and Staff Costs and Professional Services	1, 2, 3, 6 and 7	98,680	-
Additional Hardship Fund funding which enabled local authorities in England to reduce the 2020-21 council tax bills of working age people receiving Local Council Tax Support.	Current Grant to Local Authorities	3	500,000	-
Total			**5,359,290**	**1,602,800**

Unused funding - The department did not spend £26.3 million of ring-fenced reserve funding received for COVID-19 work.

Use of estimates - The figures in the table above are actuals.

Financial reporting in relation to Covid-19 (2)

This example from HM Treasury:

- ✓ Includes detailed breakdowns on how funds were spent in relation to COVID-19;
- ✓ Splits the analysis into DEL and AME expenditure;
- ✓ Links the expenditure to the Department's strategic priorities and budget category;
- ✓ Uses a prior year comparator to build context for the user.

Figure 39 – HM Treasury

Analysis of departmental group's COVID-19 - DEL expenditure

How funds were spent	Budget Category	Objective	2020-21 £000	2019-20 £000
Additional pay costs of staff recruited throughout the year to bolster the policy response to the pandemic.	Staff Costs	2	25,943	-
Additional costs for public financing-related activities.	Staff Costs	2	2,558	-
Use of external consultants to provide economic modelling of strategically important sectors which were potentially at risk during the pandemic. Support also provided for assessments of companies requiring bespoke or complex financial assistance.	Consultancy	2	6,348	-
Use of financial services firms to provide due diligence accountancy analysis and advice on companies requesting bespoke financial assistance where support through already established policies were unavailable. Other services provided include polling and focus groups in order to gauge the public response to policies implemented through the pandemic and external support in order to embed hybrid working policies.	Professional Services	2	8,121	-
Additional hardware such as laptops and equipment to enable staff to work from home. Specialist security equipment to enable data security for staff required to work from home on classified material.	ICT Outsourcing & Maintenance / Support	4	1,597	246
Provision of legal advice on the implementation of a number of policy interventions designed in response to the pandemic.	Legal Expenses	2	1,058	-
Adjustments to office buildings and increased cleaning costs as well as a number of other contract variations in relation to maintaining standards in response of the pandemic.	Other Accommodation Costs	4	481	-
Total			**46,106**	**246**

Analysis of departmental group's COVID-19 – AME expenditure/(income)

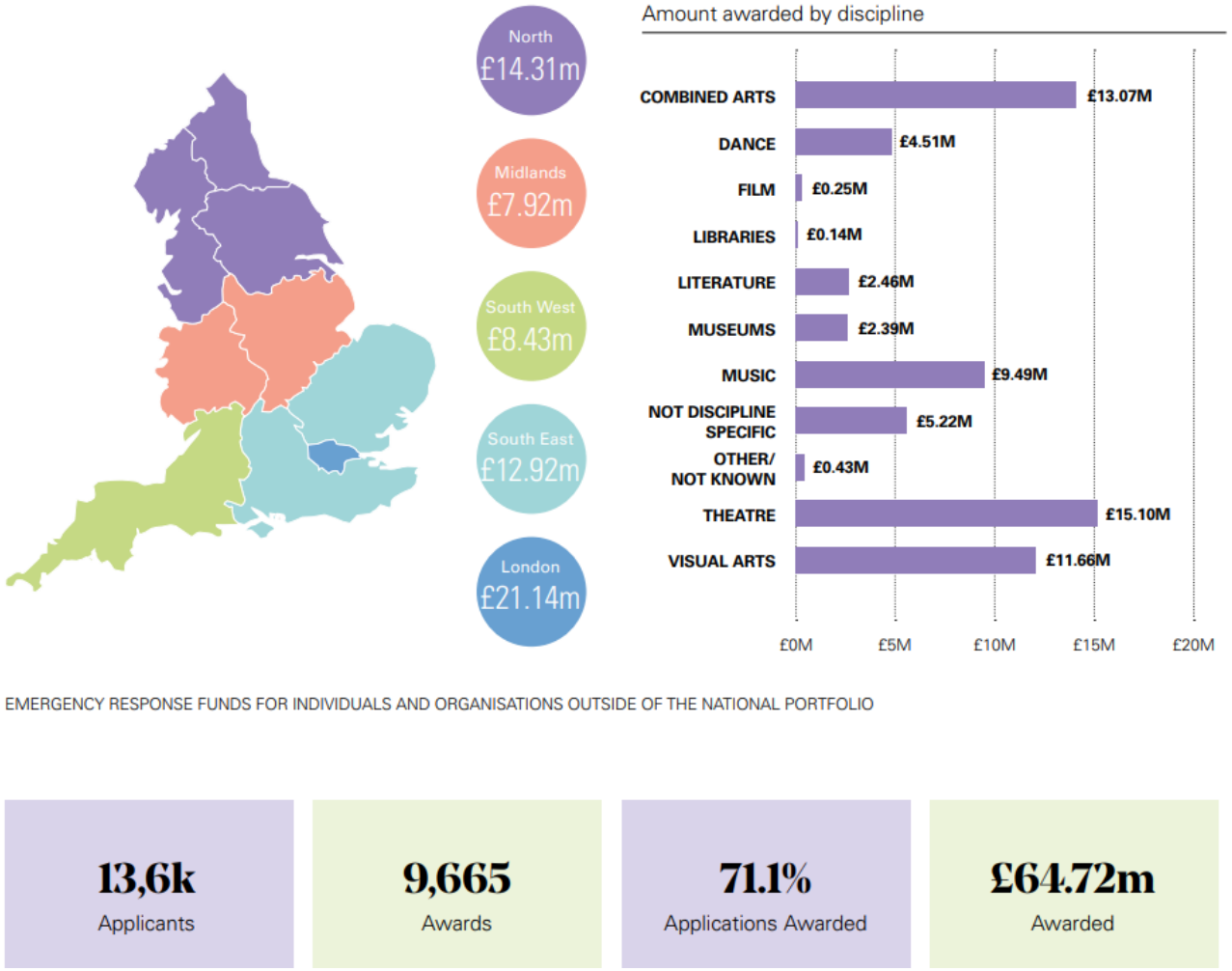
How funds were spent	Budget Category	Objective	2020-21 £000	2019-20 £000
In-year movement of the Covid Corporate Financing Facility (CCFF) derivative asset, which is an indemnity between HM Treasury and CCFF, an entity set up by the Bank of England, for any losses arising out of or in connection with the funding facility created to purchase high quality Commercial Paper from non-financial institutions that made a material contribution to the UK economy. More information can be found under the "Contingent liabilities not required to be disclosed under IAS 37" section on page 116 and note 7 Revaluation of financial assets and liabilities in the SoCNE.	Assistance to financial institutions, businesses and individuals	2	(20,996)	(4)
Additional legal and actuarial advice, and travel and subsistence costs.	Arm's length bodies with AME budget	2	75	-
Use of external consultants and contractors to update processes to handle increased claims volumes due to COVID-19 and enhancements to make our internal processes/system infrastructure capable of being fully digital.	Arm's length bodies with AME budget	2	2,603	-
Additional hardware such as laptops and equipment to enable staff to work from home. Specialist security equipment to enable data security for staff required to work from home on classified material.	Arm's length bodies with AME budget	4	371	19
Adjustments to buildings and increased cleaning costs as well as a number of other contract variations in relation to maintaining standards in response of the pandemic. Also includes costs incurred to prepare Buckingham Palace Road (BPR) site for safe working conditions and extended material hire.	Arm's length bodies with AME budget	4	1,132	-
Increased costs relating to the resurfacing work on BPR, including COVID-19 related inefficiencies (changes in working methodology due to social distancing) and supporting at risk suppliers.	Arm's length bodies with AME budget	2	755	-
Implementation of additional measures to support B&B and NRAM mortgage customers impacted by the pandemic, including offering payment deferrals of up to six months in line with FCA direction.	Arm's length bodies with AME budget	2	563	-
Total			**(15,497)**	**15**

Financial reporting in relation to Covid-19 (3)

This example from Arts Council England:

- ✓ Presents the Council's Covid-19 emergency response funds in a visually appealing way, with the use of colour codes and diagrams;
- ✓ Builds transparency for users by providing a breakdown on the amount awarded by discipline and location;
- ✓ Provides users with a snapshot of key information relating to the emergency response funds.

Figure 40 – Arts Council England



£ Fraud and Error (1)

Reporting disclosure

For 2021-22, entities administering coronavirus support schemes must also provide information on the level of fraud and error.

The example on this slide from the Department for Work and Pensions:

- ✓ Uses a clearly formatted table to display the level of estimated total of fraud and error;
- ✓ Builds transparency for users by breaking down the estimated figures by, Fraud, Claimant Error and Official error, using both percentages and monetary amounts;
- ✓ Separates the estimates by 'overpayments' and 'underpayments', allowing users to easily compare the figures.

Figure 41 – Department for Work and Pensions

Statistics

Table 1. Overall 2020-21 fraud and error estimates

	Fraud	Claimant Error	Official Error	Total
Overpayments	* 3.0%	0.6%	0.4%	*3.9%
	(£6.3bn)	(£1.3bn)	(£0.8bn)	(£8.4bn)
Underpayments	0.0%	0.7%	0.4%	1.2%
	(£0bn)	(£1.6bn)	(£0.9bn)	(£2.5bn)
Total Expenditure				***£211.7bn***

Table 2. Estimates for benefits reviewed in 2020-21

	Overpayments				Underpayments			Total Expenditure
	Fraud	Claimant Error	Official Error	Total	Claimant Error	Official Error	Total	
Universal Credit	*12.8%	0.9%	0.9%	*14.5%	*1.1%	0.4%	1.4%	
	(£4,880m)	(£330m)	(£330m)	(£5,540m)	(£400m)	(£140m)	(£540m)	£38.2bn

£ Fraud and Error (2)

This example from HM Revenue and Customs shows a key area of user interest and:

- ✓ Uses tables to provide a clear break down on the estimate of fraud and error apparent in each of the three COVID-19 support schemes;
- ✓ Includes detail of estimates by scheme and by band as percentage of expenditure;
- ✓ Builds transparency by providing users with reasons for the significant estimation uncertainties.

Figure 42 – HM Revenue and Customs

Provisional estimate of the value of COVID-19 support schemes error and fraud and as a percentage of related expenditure

	2020-21 £m Lower bound	Most likely	Upper bound
Coronavirus Job Retention Scheme	4,065.4 (6.7%)	5,278.9 (8.7%)	7,281.3 (12.0%)
Self Employment Income Support Scheme	354.9 (1.8%)	492.9 (2.5%)	630.9 (3.2%)
Eat Out to Help Out	42.8 (5.1%)	71.4 (8.5%)	99.1 (11.8%)

There is significant estimation uncertainty due to the following points:

- the schemes began in the financial year 2020 to 2021 and so there was limited, directly-relevant compliance data available to inform the estimate
- post payment scheme specific operational activity is still ongoing at the time that provisional estimates were prepared
- some inputs to the estimate were based upon relevant operational Management Information but rely on substantial adjustment or extrapolation to the data
- some inputs were assumption-based using expert opinion or drawing on operational Management Information, high-level statistics; nearest analogous compliance process or risk

Financial reporting in relation to EU Exit (1)

Reporting disclosure

Departments must ensure that an analysis of EU Exit related expenditure for 2020-21 is included within ARAs, with details of the spend disaggregated by area and funding type. Departments should include an explanation of how funds were spent, what they were spent on, and the outcome achieved.

The example on this slide from The Supreme Court of the United Kingdom:

- ✓ Includes detailed breakdowns of how funds were spent, what they were spent on and the outcomes achieved in relation to EU Exit;
- ✓ Increases transparency by including the budgetary figure against outturn, and clearly explains the reason for the variance;
- ✓ Includes the specific budget category for each area of EU Exit funding.

Figure 43 – The Supreme Court of the UK

Brexit Funding

The table below illustrates EU Exit related expenditure disaggregated by areas of spend by budget category for 2020-21 with an explanation of how funds were spent, what they were spent on, and the outcome achieved. All expenditure was funded by HM Treasury, and no expenditure was self-funded out of Spending Review 2019 settlements. All spend was resource and with no requirement for capital expenditure.

Budget Category	An explanation of how funds were spent, what they were spent on, and the outcome achieved	Budget £000	Outturn £000	Net Total Outturn compared with budget saving (excess) £000	Variance
Supplementary Justices Panel	Due to increased caseloads following exit of the EU there was an requirement for greater use of retired justices from the Supplementary Panel. This would also apply if more than five justices are required to sit on cases because of their constitutional or other importance (11 sat on the Article 50 case) and the necessity to keep on top of other important work heard by the Court. The outcome was that all cases were heard and judgement delivered.	30	56	(26)	Due to the demands and volumes of cases there was a greater need for supplementary justices than originally budgeted for leading to an slight over spend, which has been absorbed within the overall funding settlement.

Financial reporting in relation to EU Exit (2)

This example from the Foreign, Commonwealth and Development Office:

- ✓ Includes detailed breakdowns of how funds were spent in relation to EU Exit;
- ✓ Increases transparency by splitting the analysis into DEL and AME expenditure;
- ✓ Uses a prior year comparator to build context for the user;
- ✓ Clearly explains to the user how the EU funding has contributed to the Department's goals.

Figure 44 – Foreign, Commonwealth and Development Office

How funds were spent	Total committed £000	Disbursed in 2020-21 £000	Disbursed in 2019-20 £000
DEL expenditure			
Staff and programme funding to help EU exit preparations.	–	46,300	44,192
Preparations for a possible no-deal EU exit.	–	–	2,843
UK's share of Western European Union pension liabilities.	–	24,010	–
Total DEL expenditure	**–**	**70,310**	**47,035**
AME expenditure			
Provision for UK's share of EUISS (EU-funded security think tank) pension liabilities.	–	3,152	–
Total AME expenditure	**–**	**3,152**	**–**
Total DEL and AME expenditure	**–**	**73,462**	**47,035**

The funding has enabled the FCDO to continue to support over 500 roles, retaining essential expertise and contributing to the following goals:

- Support on-going future relationship negotiations with the EU through lobbying and engagement with Brussels and the EU 27 Member States, including through specialist support
- Deepen our bilateral relationships with our European neighbours, allies and partners and increase our capacity to engage and influence
- Support delivery of key foreign policy issues that we lead on
- Develop and use Europe expertise to focus on more coordinated international engagement

In addition to funding the above roles and their associated administration costs, the fund has allowed essential programme work to be carried out throughout the Financial Year.

The UK Nationals Support programme fund has provided assistance and support to at risk UK Nationals applying for EU residency across 13 countries in Europe. Funds were awarded to 8 implementing partners, who have directly assisted UK nationals through advertising campaigns, dedicated helpline support networks and direct outreach, where possible. So far, the Fund has reached nearly 320,000 individuals, with just over 16,000 UK Nationals provided with individual support from a caseworker, to help them secure their residency.

Infographics (1)

Reporting disclosure

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

The example on this slide from the UK Debt Management Office:

- ✓ Displays complex financial information in an engaging and informative way;
- ✓ Provides a thorough breakdown of different assets and liabilities;
- ✓ Presents this information through a colour coded bar chart including multi-year trend data to allow users to see changes over time.

Figure 45 – UK Debt Management Office

Infographics (2)

This example from Highways England:

- ✓ Uses an infographic to map expenditure by location, enabling users to compare geographical areas by spend in 2020-21;
- ✓ References the major projects throughout the year, and maps them to location;
- ✓ Builds transparency by providing users with a prior year comparator with clear percentage changes.

Figure 46 – Highways England

IFRS 16 Leases (1a)

Reporting issue

The mandated adoption of IFRS 16 Leases is 1 April 2022. The Crown Prosecution Service applied for early adoption of IFRS 16 from 1 April 2021. HM Treasury has published Application Guidance on this standard.

The example on this slide from the Crown Prosecution Service:

- ✓ Provides clear narrative outlining the entity's early adoption of IFRS 16 and explains how both assets and liabilities for leases have been recognised;
- ✓ While there are no graphics or diagrams, the detailed explanations of the Department's early adoption will be helpful for those adopting from April 2022 and users to aid their understanding of a new complex accounting standard.

Figure 47 – Crown Prosecution Service

HM Treasury has withdrawn the accounting policy choice to apply IFRS 16 retrospectively to each prior reporting period presented in accordance with IAS 8. At the date of initial application, therefore, the CPS will recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of taxpayers' equity.

HM Treasury has also withdrawn the option to reassess whether a contract is, or contains, a lease at the date of initial application. The CPS will therefore initially apply IFRS 16 to any contracts previously identified as a lease, or containing a lease, under IAS 17 and will not apply IFRS 16 to any contracts not previously identified as such. The following leased assets have been identified in this way:

a) Land and buildings – The CPS leases office accommodation throughout its estate, primarily through the Government Property Agency. Under IAS 17, these contracts are treated as operating leases. The minimum lease commitment at 31 March 2021 was £59.1 million.

b) Vehicles – The CPS leases vehicles in some of its Areas for the purpose of transporting documents and other items. Under IAS 17, these contracts are treated as operating leases. The minimum lease commitment at 31 March 2021 was nil, reflecting that the existing contracts have expired and that the vehicles have been or will shortly be surrendered. The CPS expects to enter into new leases for a small number of vehicles during 2021-22.

c) Multi-Function Devices (MFDs) – The CPS leases MFDs across its estate to provide printing, scanning and copying functionality. The current pricing model for the majority of these devices is on a usage driven 'per click' basis with no minimum charges. Under IAS 17, these devices are treated as operating leases with zero minimum lease rental. Additionally, some MFDs are currently outside the 'per click' model and are subject to a fixed charge. Under IAS 17, these devices are treated as operating leases. The minimum lease commitment at 31 March 2021 was £7,000. During 2021-22, the CPS will commence a new contract for the supply of MFDs, resulting in the replacement of the current machines. Where existing MFDs are expected to be in service for less than 12 months from 1 April 2021, they will be treated as short term leases under IFRS 16.

IFRS 16 Leases (1b)

IFRS 16 does not require the recognition of assets or liabilities for leases where the underlying asset is of low value. HM Treasury has mandated the election of this option, and the CPS will therefore recognise lease payments for low value assets as an expense. The CPS has not set a specific threshold for identifying assets that are of low value, and will apply the guidance in IFRS 16 on a case by case basis. The CPS has identified small desktop printers and small franking machines as currently leased assets that are of low value.

IFRS 16 similarly does not require the recognition of assets or liabilities for leases of 12 months or less. Again, HM Treasury has mandated the election of this option, requiring short term leases to be recognised as an expense. The CPS has identified no such leases, other than leases that will have fewer than 12 months remaining on initial application of IFRS 16.

On transition, HM Treasury has mandated the option to recognise right of use assets at an amount equal to the initial lease liability, adjusted by the amount of any prepaid or accrued lease payments recognised immediately before the date of initial application.

On initial application of IFRS 16, the CPS will recognise right-of-use assets and lease liabilities for each identified lease, based on the present value of future cash flows for each lease over the applicable lease term determined in accordance with the new standard.

The CPS expects to recognise the following opening balances in 2021-22:

Operating segment	Land and buildings £000	Other £000	Total £000
IAS 17 operating lease commitments at 31 March 2021 per Note 13	**58,966**	**7**	**58,973**
Less leases treated as short term on initial adoption of IFRS 16	(411)	(7)	(418)
Adjustment from committed expenditure to future cashflows	(2,428)	-	(2,428)
Adjustment for different lease term assumptions under IFRS 16	10,967	-	10,967
Adjustment for discounting of future cashflows	(2,072)	-	(2,072)
IFRS 16 lease liability at 1 April 2021	**65,022**	**-**	**65,022**
Amounts accrued for amortised expenditure during rent free periods	(79)	-	(79)
Amounts prepaid	2,437	-	2,437
Right-of-use asset value at 1 April 2021	**67,380**	**-**	**67,380**

Chapter 5 – **Further links**

Information	Website link
The Building Public Trust Awards	Link
NAO Good practice in annual reporting	Link
Government Financial Reporting Review	Link
Audit Scotland good practice note on improving the quality of central government annual report and accounts.	Link
The ONS published guidance on producing effective graphs and table	Link
The ONS published guidance on data visualisation: colours	Link
Accessible print publications	Link

HM Treasury contacts

This document can be downloaded from https://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