

The User Preparer Advisory Group

8th March 2023

Virtual

09:30am – 11:30am

UPAG 7

Meeting minutes

Attendees:

Maggie McGhee, Chair & Independent member
Lee Su, Department for Business, Energy & Industrial Strategy
Alex Macneill, East West Rail/Department for Transport
Fiona Yallop, HM Revenue and Customs
David Heald, University of Glasgow
Jane Piccaver, Natural England
Sarah Sheen, CIPFA
Debbie Paterson, Healthcare Financial Management Association
Matthew Fright, Institute for Government
Alison Ring, ICAEW
Henning Diederichs, ICAEW
Marcus Wilton, House of Commons
Henry Midgley, Durham University
Max Greenwood, HM Treasury
Sarah Logsdail, HM Treasury
Libby Cella, HM Treasury
Shikha Sharma, HM Treasury

Guests

Lynn Bradley, University of Glasgow
Ron Hodges, University of Birmingham

Apologies:

William Moy, Full Fact
Ed Hammond, Centre for Governance and Scrutiny
Helen Creeke, The National Archives
Anna Hudson, BEIS (Lee Su deputising)
Gavin Freeguard, independent consultant to the Institute for Government (Matthew Fright deputising)

Time	Item	Presenter	Associated Paper
09:30	Welcome and minutes from the last meeting	Maggie McGhee, Chair	UPAG 7 (1)
09:40	Performance report thematic review update	Sarah Logsdail (HMT)	UPAG 7 (2)
10:00	Local government update	Sarah Sheen	UPAG 7 (3)
10:20	WGA update	Shikha Sharma (HMT)	Verbal
10:35	Usefulness of Whole of Government Accounts	David Heald	UPAG 7 (5)
10:55	Sustainability update	Max Greenwood (HMT)	UPAG 7 (6)
11:10	Terms of Reference	Sarah Logsdail (HMT)	UPAG 7 (7)
11:25	AOB	Maggie McGhee, Chair	Verbal

Item 1: Welcome and minutes from the last meeting

1. The new Chair, Maggie McGhee, introduced herself to the Group and proceeded to welcome members. The Chair asked each member to provide an introduction.
2. The Group received a paper from HM Treasury prior to the meeting including the minutes from the last meeting and the matters arising. The minutes were approved.

Item 2: Performance report thematic review update

3. HMT delivered an update to the Group regarding progress on the Performance Report Thematic Review, a topic suggested by the Group.
4. It was outlined that a sample of ARAs have been reviewed and compared against different FReM requirements, using engagement scoring based on the amount of evidence found. The analysis identified that there is low engagement with best practice recommendations and strategic enablers, as well as disclosures on future plans and a summarised overview of budget reconciliation.
5. HMT requested the Group to share their views on the findings of the analysis to date, as well as the direction that should be taken.
6. A member found the low engagement of reporting on 5-year future plans unsurprising, due to the level of uncertainty in the current climate. It was also flagged that there needs to be more guidance provided to preparers on strategic enablers, as feedback from teams has confirmed that it is difficult to interpret. A suggestion was also made for HMT to engage with 'less technical' users on a 121 basis and reach out to Audit Committee members.
7. A member emphasised the importance of the performance report yet highlighted that there is a lack of outturn delivery plans and performance being measured against objectives. Similarly, an assumption was made that the low engagement on best practice recommendations may be a knock-on effect of the

pandemic, as the departments main priority is to produce accounts in a timely manner.

8. A member questioned the number of departments that consult with Select Committees on what goes into the performance report, and how many are engaged. The member also queried how the performance section aligns with what is in the accounts, and it was stressed that accounts should be a document to help with value for money, which was a PACAC recommendation HMT agreed with.
9. A member flagged that within their department, there is a lot of drive to streamline the performance section and use signposting instead (I.e. rather than provide detail in the accounts, include a link instead). Additionally, there is a concern about including too much technical detail on budget reconciliation, as it may be difficult for the lay reader to understand.
10. A member highlighted the capacity for smaller entities to include all FReM requirements and raised that a number of their department's ALBs have also been considering streamlining. A member stressed that new sustainability reporting requirements need to be considered.
11. HMT thanked members for their helpful comments and confirmed that additional users would be engaged with in a more direct manner.

Item 3: Local government update

12. The Group was presented with slides from Sarah Sheen on the local government update, covering areas such as the 2023-24 Code, IFRS 16 implementation, the CIPFA/LASAAC Strategic plan, infrastructure assets and the NAO report on local audit timeliness.
13. The Group were informed that the Levelling Up, Housing and Communities select committee has opened an inquiry on local government accounts and their utility.
14. A member reiterated that the main priority should be getting accounts back on time, rather than focusing on new projects that could hinder efforts of more timely reporting. A suggestion was made to draw out information from central government and other sectors, to understand best practices and different approaches taken to improve timeliness.
15. Sarah Sheen accepted the points raised, however, confirmed that some current issues are so fundamental that standard practice needs to be revisited for improvements to be made.
16. A member queried whether the problem sits with the local audit or with accounts preparation. It was confirmed that both aspects are causing the delays, therefore it is not a simple issue to resolve.

Item 4: WGA update

17. HMT provided an update on the current stage of the 2020-21 WGA, confirming that it is on track to meet the timetable presented to the PAC (pre-summer recess).

18. HMT also confirmed that the 2021-22 WGA process has already begun, in order to improve the timetable. The Group learnt that 44% of cycle 1 returns had been received to date, with 77% of the main departments having submitted them.

Item 5: Usefulness of the WGA

19. The Group received an update from David Heald on the usefulness of the WGA, covering the balance sheet, WGA liabilities v Public Sector Net Debt (PSND), audit qualifications and what has been achieved by the WGA to date.
20. David highlighted that the areas of concern are
 - a. timeliness, which is not solely to do with the pandemic,
 - b. the durability of audit qualifications,
 - c. fiscal sustainability and
 - d. that there are few users outside of the community of preparers, auditors and parliamentary staff.
21. A member confirmed that work on the WGA is noted by the Treasury Select Committee and that a large number of members do have a keen interest in it.
22. A member raised a piece of work published in 2003 on information brokers and questioned what the barriers are for intermediaries focusing on the data, aside from timeliness. It was also stated that financial reporting is less internationally comparable than fiscal statistics.
23. A member stated that the key recommendations are to continue to try and encourage the importance of the WGA and ensure efforts are made to reduce the existing problem of timeliness.
24. Lynn Bradley commented that there is potential for the WGA to be used in forecasting scenarios, because of the addition of data. It was highlighted that there could be an opportunity to model good practice and use the WGA as an experimental place to test out new financial reporting.
25. A member discussed his experience working on the WGA and confirmed that the document managed to be published in 12 months on one occasion. A point was raised on whether the WGA should be paused until the local government landscape has been fixed.
26. David confirmed that the purpose of his report is to show that the WGA is a useful document, and shared the view that if it was paused, it is unlikely that it would start again. The Chair agreed.

Item 6: Sustainability reporting update

27. HMT talked the group through the presentation that had been circulated before the meeting on sustainability reporting. The update covered TCFD reporting in central government and the wider public sector, including the scope, timetable and planned implementation. Standard setter and international developments were also discussed.
28. A member was pleased to hear that materiality is being considered, as currently auditors expect full compliance, even within smaller ALBs. It was stated that any further engagement with the auditors would be welcomed.

29. A member expressed strong endorsement from the Treasury Select Committee for the introduction of the new requirements, as it will build transparency on whether entities are making progress on the net zero by 2050 commitment.
30. A member questioned whether the GGCs will become the TCFD 'Metrics and Targets'. HMT confirmed that this is still to be determined, especially around target setting.
31. A member asked HMT about early adoption of the TCFD recommendations. HMT emphasised that disclosure would be in the performance report, which while subject to consistency checks, is not currently subject to full assurance procedures.
32. HMT added further detail emphasising the importance of usability and noting that in the private sector disclosure had added significantly to the length of reports. However, climate change is a fundamental and systemic risk that government and government bodies must address. This may be an opportunity to consider the focus and breadth of performance reporting requirements in other areas.
33. If the UK public sector makes the decision to follow the ISSB's sustainability standards, other sustainability-related risks would likely be considered as they are developed. The focus of TCFD is climate, which is a material risk, this may not be the same for other future sustainability standards in whichever framework is followed. ARAs need to focus on what is important. Furthermore, considerations need to be made as to cost or capacity (which have been incorporated more into ISSB's recent discussions).

Item 7: Terms of Reference

34. HMT sought the Group's views on whether any changes need to be made to the Terms of Reference, specifically in relation to the frequency of meetings, format (virtual or in-person) and membership balance.
35. A member raised a point on whether it would be useful to have a requirement on the number of users present at a meeting and setting a minimum that both a preparer and user should present an update. The Chair agreed to consult with HM Treasury on the suggestion made by the member.
36. The member also asked for the commitments HMT made in the Government Financial Reporting Review to be revisited, for example, manifesto commitments. The Chair agreed to consult with HM Treasury on this.
37. The Chair observed that the Group will meet 2 times per year and can have extraordinary meetings where necessary. It was also confirmed that the Group were in favour of hybrid meetings.

Item 8: AOB

38. Alex MacNeil informed the Group that he was leaving the central government preparer community, and asked HMT and the Chair to consider whether he should remain part of the Group in the capacity of a User.
39. The Chair thanked the Group for their participation and looks forward to seeing them again at the next meeting.