



HM Treasury

Performance reporting thematic review update

Government Financial Reporting team

Oct 2023

Executive summary:

Purpose, scope, methodology and key findings of review

Purpose and Scope

The purpose of thematic reviews is to promote continuous improvement of government financial reporting for both the reader and preparer of the reports.

Topic as recommended by UPAG	Scope of review defined by HMT
A more specific thematic review of the Financial review section within Performance Analysis to consider how well departments are conveying their financial performance in terms which the lay reader can understand.	A review of the application of guidance in FReM (paragraphs 5.4.4-5.4.6). The review would consider if the guidance is fit for purpose, general compliance with the guidance and how FReM guidance fits in with our best practise examples.
A review of how well government departments are doing in telling their story in easily understandable terms to the lay reader in the Performance sections (overview and analysis).	A review of the application of guidance in FReM (paragraphs 5.3-5.4) and related PES paper providing guidance on preparation of ARAs. The review would consider if the guidance is fit for purpose, general compliance with the guidance and how FReM guidance fits in with our best practise examples.

Methodology of defining deliverables and key actions

All deliverables were defined using the same methodology. The findings of a compliance review ([Annex A](#)) were presented to various stakeholder groups and feedback was given as to why the stakeholders felt compliance issues existed. These issues that were highlighted were then consolidated into areas of improvement and deliverables for HMT. All actions have been taken in consultation with stakeholders.

Deliverable	Key actions
Zero based review of FReM in the context of its relevance to key documents	Streamline FReM and improve reporting by remove any irrelevant reporting requirements.
Improve communication between users and preparers	
GFR outreach to Performance Report preparers	Better communicate to performance report preparers (non-accountants) by producing alternative training material and reviewing FReM language and presentation.
Review the PES Guidance on preparing ARAs	Streamline reporting requirements by removing any irrelevant or repeating requirements.

Deliverable: Zero based review of FReM in the context of its relevance to key documents

Key and relevant documents

Documents that FReM bases its principles and purpose on are;

- PACAC's 'Accounting for democracy',
- Simplifying and streamlining, and
- Government financial reporting review.

FReM review - investigate if each paragraph's continued inclusion is appropriate

Each FReM paragraph was analysed to consider if it was serving a principle or purpose that was laid out in one of the relevant documents.

- The paragraphs deemed to not be serving a purpose in the 2021-22 FReM (e.g. paras 5.4.9-5.4.10) had already been removed for 2022-23 FReM.
- Para. 5.4.5(a) was noted to be relating to the disclosure of the public sector budgeting framework, which will remain static over time. Instead of each ARA repeating the same information about the public sector budgeting framework, ARAs could instead sign post to a gov.uk webpage containing the static information, to streamline ARAs. HMT has committed to publishing a version of the public sector budgeting framework on gov.uk to this aim.

Borderline paragraphs

The following paragraphs couldn't be discretely linked to a relevant, key document but HMT felt it would be appropriate to continue to include them. Does UPAG agree?

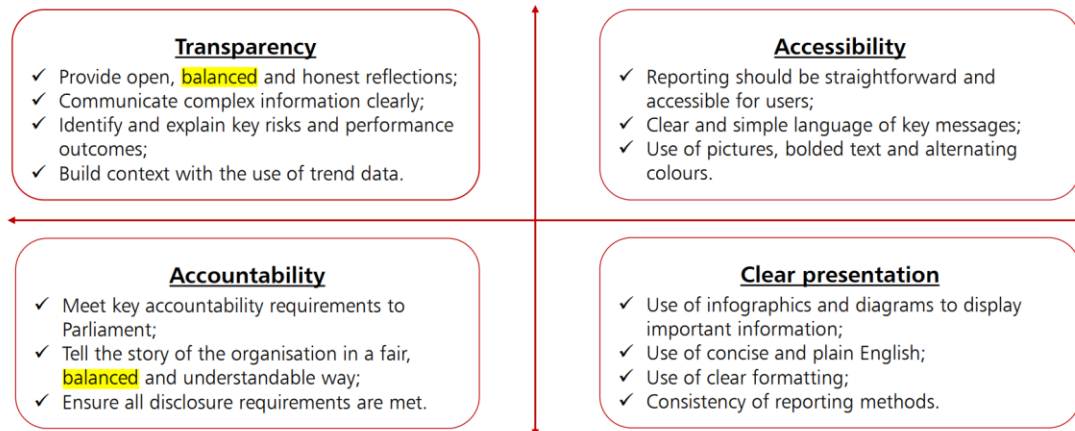
- 5.4.4(d)
- 5.4.6(b)a.i-5.4.6(c)iii - *to note, preparer feedback flagged that a more concise list of best practise examples may encourage compliance.*

Deliverable: Improve communication between users and preparers

One off engagement with Select Committees

- Reporting in ARAs against Outcome Delivery Plans
- A desire to focus on balanced reporting – in order to make sure ARAs do not disproportionately focus on positive outcomes.
 - This is a key focus for HMT in their best practise examples and will continue to be highlighted in view of Parliament’s response.
 - [HMT Best Practise Reporting 2021-22](#) highlights to importance of balanced reporting and will be a key area of our Best Practise in Performance Reporting

Best practice criteria



Future, regular, engagement with Select Committees

- Creative ideas
 - complementary reporting outside scope of audit – akin in principle to [Estimates memoranda](#)
 - departments submitting skeleton performance report for feedback before ARA publication

Deliverable: GFR outreach to Performance Report preparers

Providing video presentation on Performance Reporting for preparers new to the task

A training video, in the form of a narrated PowerPoint presentation that has been converted to a .mp4 file, has been created and will be published on OneFinance. The 13 minute video aims to summarise the purpose of and approach to writing a Performance Report, which should increase the usability and accessibility of FRoM content by providing the content via a different medium.

Screenshots from the video:

Principles underpinning good Performance Reporting

- True and fair - honest and transparent
- Balanced
- Understandable – plain English, concise and signposting
- Reflect on performance using the structure and activity of the entity that management might use
- Trend data – provide context

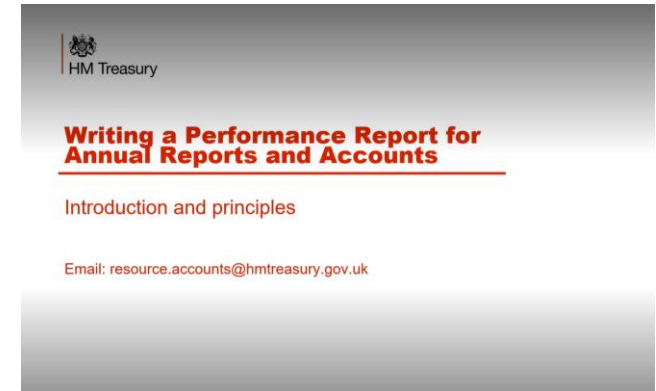
What is the purpose of a Performance Report?

- To allow Parliament and the public to hold the government to account
- To assist with Parliament's decision making



How do you achieve that?

- Help the reader understand the purpose of your entity.
- Tell the reader how the entity has performed against key indicators and matching priority outcomes as agreed at Spending Review.
- Tell the reader how spend been allocated across the priority outcomes.
- Discuss risks and how they are changing over time.



Deliverable: GFR outreach to Performance Report preparers contd.

Reviewing FReM language

Outreach was performed via networks such as FRAB, RASIG and RAWG to invite comment on FReM language used. The catalogue of previous suggestions received in the [2019 zero based FReM consultation](#), about FReM paragraphs in scope of this review, was also considered. Feedback received and actioned included;

- Concern between the distinction of summarising and repeating information in the context of trying to be concise – this has been further explained in the video presentation created.
- An advocacy for the usefulness of the summary SOPS 2 requirement (FReM 21 -22 para 5.4.4(d)) that receives minimal engagement with preparers.
- The inclusion of an overview of the ARA, laying out the elements in a diagram.
- Summarise bullet pointed information in a diagram where possible.

Amendments were focused on Chapter 2 and Chapter 5 of FReM.

HMT are proposing to produce a one-off best practise library focused on Performance Reporting as a result of this review. This will include the illustrative example on the next slide that uses Cabinet Office's data to help set a helpful precedent of what this disclosure is intended to look like.

SOPS 2 summary 5.4.4(d) – CO illustrative example

d) A summary budget to accounts reconciliation, to help users understand simply how the financial statements link to budget outturn. In some instances, it will be difficult to provide this, where the reconciliation is complex and difficult to summarise. Where this is the case, preparers can of course utilise the comply or explain nature of this requirement and explain why it has not been met with a link to SOPS 2. Please note, this disclosure is intended to summarise and make the information in SOPS 2 more relevant to lay users (for example by presenting it graphically), it is not intended to duplicate SOPS 2.

Cabinet Office 2021-22 SOPS 2 disclosure

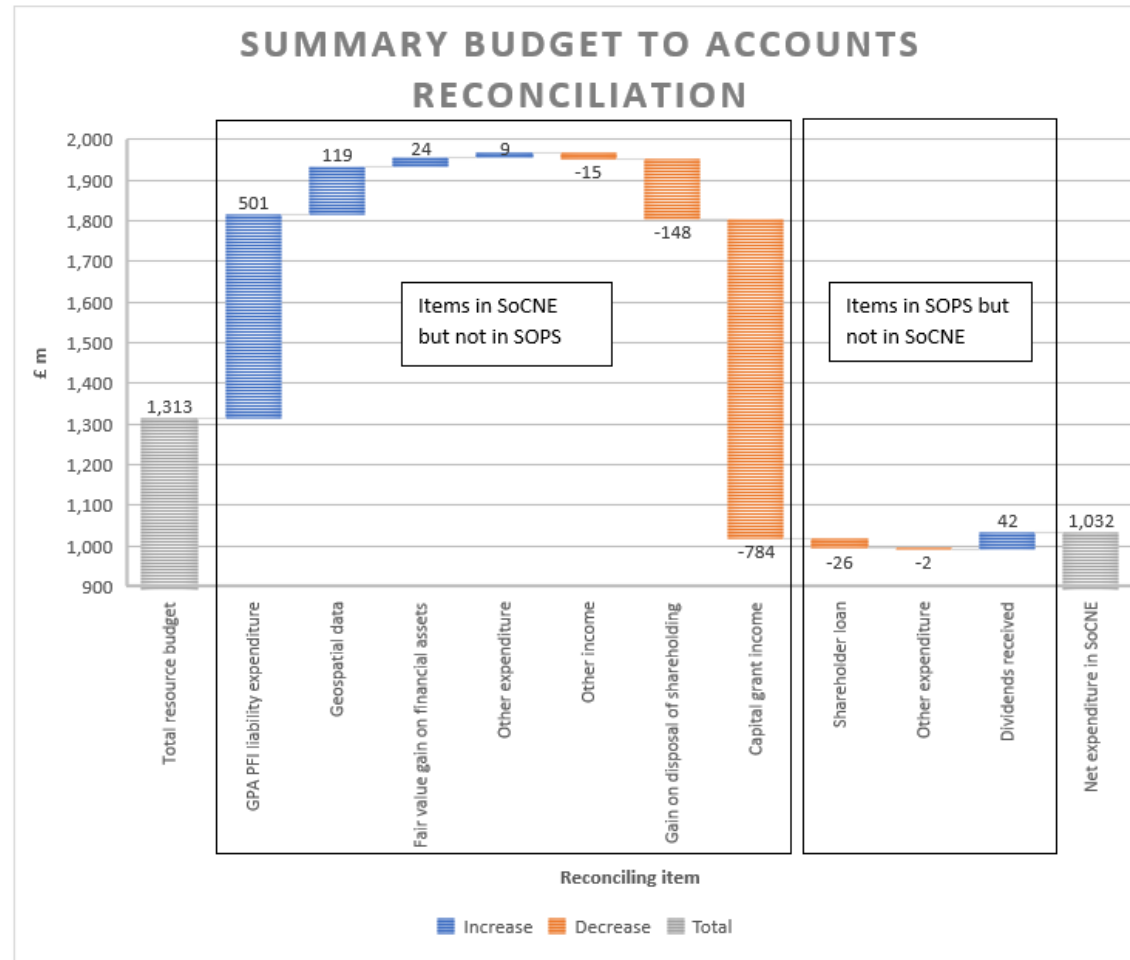
£000	Note	2021-22		2020-21
		Outturn	Estimate	restated ⁴⁹ Outturn
Budget		1,312,843	1,751,054	1,553,205
Non-budget ⁵⁰		-	-	(28,175)
Total resource outturn in SOPS	SOPS 1.1	1,312,843	1,751,054	1,525,030
Add items in CSocNE and not in SOPS:				
GPA non-budget PFI liability expenditure	21	500,757	-	-
Geospatial data (capital under ESA10 definition) ⁵¹	4	118,844	-	140,441
Fair value (gain) / loss on financial assets – associate put options (non-cash)	11.1, 11.2	24,104	-	42,591
Elimination adjustment ⁵²		4,889	-	(9,907)
Capital grants	4	3,851	-	135,773
Research and development (capital under ESA10 definition) ⁵¹	4	-	-	51,183
Interest income on shareholder loan	10	(184)	-	-
Income from minor disposals – payable to the Consolidated Fund	5, SOPS 4	(235)	-	-
GPA lease incentive receipt		(785)	-	(517)
Share of associates' profit	10	(7,230)	-	(18,597)
Interest income on deferred consideration	10	(7,258)	-	-
(Gain) / loss on disposal of shareholding in associate	4, 10	(148,405)	-	-
Capital grant income	5	(783,591)	-	(732,576)
Less items in SOPS and not in CSocNE:				
Shareholder loan	10	(25,970)	-	-
UK members of the European Parliament salaries and pension	SOPS 1.1	(2,161)	-	(2,232)
Dividends received from associates	10	42,372	-	14,935
Prior period adjustments	SOPS 1.1	-	-	28,175
Utilisation of provisions offset by receivable		-	-	506
Non-budget Consolidated Fund extra receipts		-	(256,749)	-
Port Infrastructure Authority budget transfer ⁵³		-	(100,000)	-
Net expenditure in the CSocNE	CSocNE	1,031,841	1,394,305	1,174,805

An illustrative summary and simplification of the disclosure

	202X-2X
£m	Outturn
Total resource budget	1,313
Add items in SoCNE and not in SOPS:	
GPA PFI liability expenditure	501
Geospatial data	119
Fair value gain on financial assets	24
Other expenditure	9
Other income	(15)
Gain on disposal of shareholding	(148)
Capital grant income	(784)
Less items in SOPS and not in SoCNE	
Shareholder loan	(26)
Other expenditure	(2)
Dividends received	42
Non-budget consolidated fund extra receipts	
Budget transfer	
Net expenditure in SoCNE	1,032

SOPS 2 summary 5.4.4(d) – CO illustrative example contd.

An illustrative waterfall graph using summarised and simplified SOPS 2 data.



In providing this illustration, it is hoped that more entities will comply with this 'comply or explain' requirement. This is important especially as Parliament has flagged that they would find it useful, as an ARA reader.

Deliverable: Review the PES Guidance on preparing ARAs

Identify the purpose of and then review each paragraph of the guidance

Each paragraph of the guidance was given an assigned purpose, either it was;

1. Helping in guiding the thinking of an ARA preparer
2. Repeating information available elsewhere
3. Highlighting topical issues of concern

Result

- Improved conciseness of the guidance - removal of 17% of the guidance's content.
 - *9 paragraphs of text out of a total of 52 that were repetitions of FReM or other areas of the PES guidance.*
- Improved usability of the guidance - the guidance is now more digestible for both preparers and auditors.



HM Treasury

Please direct questions to Resource Accounts team via:
Public.enquiries@hmtreasury.gov.uk

Annex A

