Public Administration and Constitutional Affairs Committee

Inquiry into Government Accounts

I welcome the opportunity to submit evidence to the Public Administration and Constitutional Affairs Committee’s inquiry on government accounts.

Information provided in the Annual Reports and Accounts

The departmental annual reports and accounts provide a wealth of information, and rate well from a technical perspective. As Professor David Heald argues in his written evidence to this Inquiry,\(^1\) that the Treasury has moved to accruals accounting on an International Financial Reporting Standards basis and publishes audited Whole of Government Accounts will inevitably and necessarily result in complex and lengthy documents.

Although complexity may be unavoidable, the lack of a consistent presentation and format across departments poses unnecessary additional barriers for users. Although the potential universe of users is likely to be relatively small, the discrepancies between departmental reports is not likely to encourage greater use of the accounts by MPs and their staff, academics, policy analysts and members of the public.

While there have been clear improvements in the documentation, including the Clear Line of Sight project, the accessibility and usefulness of the documents could be improved further, perhaps including the suggestions below.

Linkages between the Supply Estimates & the Annual Reports and Accounts

Although useful connections are made in many departments between the supply estimates and outturn data at the subhead level, there is perhaps scope for clearer and user-friendly linkages between supply and outturn for all departments over a number of years, at least for the current spending review period.

Transparent and clear connections at the programme and subhead level are particularly important after departmental reorganisations. It is frequently challenging for users to identify continuity in spending when functions of a former Whitehall department have been merged into another.

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1 Ed Gareth Poole, Wales Governance Centre, Cardiff University, Canolfan Llywodraethiant Cymru, Prifysgol Caerdydd

2 Written evidence from Professor David Heald to the Public Administration and Constitutional Affairs Committee's Inquiry into government accounts: http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/public-administration-and-constitutional-affairs-committee/inquiry-into-government-accounts/written/33399.html
Although some departments provide good linkages between policy and annual spending, and although the accountability and financial statements are integral to the departmental accounts, from the perspective of likely users it may be useful to include more programme- or policy-related expenditure data.

**User Consultation over Format**

Given its central role in public expenditure management in the UK, it is appropriate for the Treasury to play the leading role in controlling the format of departmental accounts and Whole of Government Accounts. But this would not exclude the opportunity for users to provide input on the format of the estimates, budget documentation and the annual departmental reports, particularly when changes are proposed by the Treasury.

In the absence of a legislative budget office as in the United States, Australia and Canada, uniformity, transparency and consistency in presentation over a number of years are essential for members of Parliament (and members of the public) to participate in the budget and public expenditure scrutiny process. Greater user input from Parliament or the public could also guide ministerial departments on which features of the annual reports and accounts are most used, and where there may be opportunities to reduce the quantity of information given the significant time and resource cost to ministerial departments.

**User-Friendly Platforms**

There has been much improvement by the UK and devolved governments in enhancing accessibility to online government information via online dashboard tools or other user-friendly web-based platforms. Civil society organisations, such as WhatDoTheyKnow.com in facilitating Freedom of Information requests from government bodies, have also contributed to this progress.

Given the inevitability of complex and lengthy documents resulting from accruals based reporting and WGA accounts, it may be appropriate for departments (or a central depository site) to draw the most essential information out of the current PDF documents and into an online dashboard tool or other user-friendly, web-based platform. The most important data to draw into such online dashboards could be informed by consultation with users. This would facilitate a more straightforward identification of consistencies and deviations between the initial estimates and the outturn data, and how these vary over time.

For example, although the following illustration of a searchable “dashboard” relates to budget information rather than outturn data, the Pennsylvania budget office provides an online tool which allows users to see overall budget information at a glance and quickly link through to revenue and spending data for all state agencies and programmes, depending on their area of search interest.
The Government might also consider creating a central depository of departmental expenditure information from the annual reports and accounts in a uniform, searchable format that could be easily compared and assessed. This would assist users searching expenditure information both across departments and within the same department over a number of years.

**Annual reconciliation statement between in-year funding commitments and the Annual Report and Accounts**

During the course of the year and frequently outside the commitments made by the Chancellor in the annual budget or Autumn Statement, ministers make a number of commitments on investments over the course of the year. Such pledges could be made via a statement to the House, assurances given to a Committee, or via a departmental announcement.

Although such spending pledges are routinely and appropriately made by all governments, the annual reports and accounts occasionally fail to connect such funding announcements made by ministers with a year-end reconciliation of how (and whether) these specific spending commitments were implemented.
For example, if the Home Secretary were to announce additional in-year funds for domestic violence prevention, users would not be able to confirm in the annual reports where (and whether) such funds were programmed.

In a recent example of this, following a major flood event caused by Storm Desmond in December 2015, the Secretary of State for Communities and Local Government announced in written statement a £10.5 million payment to county councils in Cumbria, Lancashire, Northumberland, North Yorkshire and Herefordshire from the Community and Business Recovery scheme. Although grant payments to charities in the affected area were clearly specified in the accounts, the departmental report does not indicate whether this £10.5 million commitment to the five local authorities was made in full or in part before the end of the financial year.

Annual reports could include a ministerial statement reconciliation statement, giving the date, description and spending commitment pledged by the minister, and whether and where these funds were spent during the reporting year. Along with a link-up between the estimates and outturn data, the accounts (or ideally, a web-based form) would include a reconciliation of these additional in-year ministerial spending commitments.

Such a reconciliation ‘cross-check’ statement could be further extended to ministerial or departmental commitments made at the Spending Review or Autumn Statement.

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3 HC Deb 17 Dec 2015 vol 603 93WS HCWS442
http://www.publications.parliament.uk/pa/cm201516/cmhansrd/cm151217/wmstext/151217m0001.htm
4 Department for Communities and Local Government Annual Report and Accounts 2015-16