



Association of Accounting Technicians response to Country and Regional Public Sector Finances Consultation Document

Association of Accounting Technicians response to: Country and Regional Public Sector Finances Consultation Document

1. Introduction

- 1.1. The Association of Accounting Technicians (AAT) is pleased to have the opportunity to respond to the Country and Regional Public Sector Finances Consultation Document, released on 15 February, 2016.
- 1.2. AAT is submitting this response on behalf of our membership and for the wider public benefit.
- 1.3. AAT has answered the questions posed in the consultation document within Section 3.
- 1.4. AAT has focussed on the operational elements of the proposals and has provided opinion on the practicalities in implementing the measures outlined.

2. Executive summary

- 2.1. The consultation document refers to proposals to provide additional financial reporting of public sector revenues and expenditure at a country-wide and regional (sub UK) level.
- 2.2. AAT considers that this level of financial reporting can add value to the body of publications that provide greater transparency and explains to users, many of whom may be AAT members, where tax revenues are spent, and the value and benefits that spending brings to taxpayers.

3. AAT response to the Country and Regional Public Sector Finances Consultation Document

- 3.1. The following paragraphs outline AAT's response to the questions outlined in the consultation. AAT has specified where it has no comment to make.

Question 1a: Would it be useful to have a country and regional publication that presents public sector finances, on a comparable basis, at the NUTS1¹ level? What benefits would you find in such a publication? Please be as specific as possible.

- 3.2. AAT confirms that it would be useful for a number of reasons (e.g. to identify regional issues) to have country and regional publication, as set out in question 1a.
- 3.3. AAT considers that there is a need for improved financial reporting regarding public finances, in relation to both revenues raised and expenditure, and that this should be:
 - Transparent
 - Robust
 - Consistent
 - Understandable
 - User friendly.
- 3.4. There are increasing demands for quality information to support increasingly complex decisions impacting the UK population at differing levels at a national and sub regional level on very diverse, but essential, public priorities. As such AAT believes it appropriate

¹ See Annex 1

for such country and regional (sub UK) financial information to be professionally produced.

- 3.5. The provision of such data may improve the decision making on priorities to raise revenues from the general public, and expenditures that will benefit UK public citizens. In addition such data may prove of value to our many AAT members in the course of their work.

Question 1b: If you have answered yes to Question 1a, how would you use this data?

- 3.6. As the Consultation document makes clear (para 1, page 2, consultation document), the trend in local government, supported and incentivised by central government, is towards building stronger city regions with the aim of devolving powers and services to local areas in order to facilitate greater integration between public services. The planning, monitoring and evaluation of these new forms of working are highly dependent upon the availability of robust and objective data. AAT strongly supports moves by ONS to provide more granular analysis to improve the evidence-base for policy and decision-making.
- 3.7. AAT members may find many ways to use the data to inform and improve the quality of decisions made on the raising of revenues and expenditure that benefits the general public.
- 3.8. AAT supports any use of the data that ensures the public better understand the implications and impacts of sums raised through revenues, and how that public sector expenditure is utilised.

Question 2: If published, the intention is to produce an annual Country and Regional Public Sector Finances publication on a financial year basis. Would this be sufficient to meet the needs you highlighted in questions 1a and 1b?

- 3.9. AAT's view is that an annual publication should be sufficient to satisfy the needs identified in 1a and 1b.

Question 3a: Should the 'who pays' and 'who benefits' principles, described above, be used for estimating revenue and expenditure? Are you aware of other methods or principles that would be better to use?

AAT supports the methodology that allows such financial reporting to be kept simple to apply, straightforward to understand and that supports consistent reporting for both revenues raised and expenditure made. Therefore, AAT supports the application of the 'who pays' and 'who benefits' principles as these should be able to deliver these criteria. AAT is not aware of any other method or principles that would be better to use.

Question 3b: If you agree that the 'who benefits' principle should be used for expenditure, should the 'in' or 'for' approach be used?

- 3.10. AAT does not wish to express a preference. In essence, as commented in 3.3 (above), it is essential that whatever principle is used it should be clear, transparent and deliver robust financial reporting

Question 3c: Information on the apportionment methods used by the CRA, GERS, NINFBR and Disaggregation of Tax Receipts publications is available in the scoping study. In your view, are there any significant limitations or issues with any of these apportionment methods?

- 3.11. Any apportionment method used relies on judgement, so provided that the basis is selected in an objective and consistent manner, and that there has been an appropriate usage of the "matching principle", which requires that expenses be reported in the same

period as the revenue generated by those expenses, then the apportionment method used will provide an acceptable rationale that supports the financial reports.

4a: Table 2 lists a number of specific presentations of data that we would like further input on. For each breakdown listed, please state your preferences as to whether the breakdown should be included within a Country and Regional Public Sector Finances publication.

Table 2: Preferences for presentation of data within a Regional Public Sector Finances publication (see Question 4b)

	Should not be included	No preference	Should be included	Please indicate how you would use this breakdown and provide any other relevant comments
Presentation of public sector revenue:				
ESA ¹ Breakdown (as presented in the PSF Supplementary Table ² and table 32 in mock publication)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	No further comment to that indicated above
Tax revenue items listed separately (as in Disaggregation of Tax Receipts, GERS or NINFBR and Table 10 in mock publication)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Presentation of public sector expenditure:				
ESA Breakdown (as presented in the PSF Supplementary Table and Table 44 in mock publication)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	No further comment to that indicated above
COFOG ³ breakdown (as in CRA)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Presentation of Public Sector data:				
Sub-sector breakdown (as in Table C in mock publication)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Presentation of key aggregates:				
As a percentage of regional GDP ⁴ (as in Table B in the mock publication)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
As a percentage of regional GVA ⁵ (as in Table B in the mock publication)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
In real terms ⁶ (as in Table B in the mock publication)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
On a per head basis ⁷ (as in Table B in the mock publication)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	

4b: Are there any presentations of data you would like to see that are not listed above? Please provide details below

3.12. No.

4c: We are also considering the inclusion of an additional table within the monthly UK Public Sector Finances bulletin that would show each devolved administration's current and capital expenditure for year-to-date and previous financial years. This table would use public sector finances data reported by devolved administrations and would not be based on the 'who benefits' concept. Would this additional presentation be beneficial to you? If so, how would you use it?

3.13. AAT supports any additional table that ensures the public better understand the implications and impacts of sums raised through revenues, and how that public sector expenditure is utilised.

3.14. **If you have any other comments or suggestions to make, please note them here**

3.15. AAT has no other comments

4. Conclusion

In conclusion, AAT supports the need for improved financial reporting regarding public finances, regarding both revenues raised and expenditure, providing that reporting is transparent, robust, consistent, and understandable and user friendly.

5. About AAT

5.1. AAT is a professional accountancy body with over 49,800 full and fellow members² and 80,900 student and affiliate members worldwide. Of the full and fellow members, there are over 4,200 members in practice who provide accountancy and taxation services to individuals, not-for-profit organisations and the full range of business types.

5.2. AAT is a registered charity whose objectives are to advance public education and promote the study of the practice, theory and techniques of accountancy and the prevention of crime and promotion of the sound administration of the law.

6. Further information

If you have any questions or would like to discuss any of the points in more detail then please contact AAT at:

email: consultation@aat.org.uk and aat@taxpolicyadvice.co.uk

telephone: 020 7397 3088

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² Figures correct as at 31 March 2016