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# Good practice in annual reports 2016-17

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Examples of good practice from the  
Building Public Trust Awards



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# Good practice in annual reports 2016-17

## Introduction

### The NAO and the Building Public Trust Awards

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The National Audit Office continues to co-sponsor the 'Excellence in reporting' award in the public sector at the Building Public Trust Awards. This award is jointly sponsored with PwC to recognise trust and transparency in corporate reporting. In 2017, this award was won for a second year by Network Rail. The Ministry of Justice and Highways England were highly commended for their reports.

The Building Public Trust Awards extend beyond the public sector and include categories covering both the private sector and charities. Although such organisations prepare their annual reports for different stakeholders, much of the content is the same and there are valuable lessons to be learned from looking at how other sectors prepare their annual reports.

We have reviewed annual reports shortlisted for other categories at the Building Public Trust Awards and have included examples of good practice from other sectors in this guide, in addition to examples from the public sector. These demonstrate how public sector organisations might do things differently and continue to innovate to improve their own annual reports.

We continue to see improvements in the quality of annual reports. The key aspects of HM Treasury's Streamlining Project continue to be embedded and organisations are increasingly using graphics to illustrate points and provide detailed analysis of their strategies.

We are also pleased to see some departments referencing their single departmental plans and demonstrating what progress has been made against commitments made within these. Accountability and transparency continue to be at the heart of the annual report and it is important that where organisations make public commitments they report progress against these.

Organisations should continue to think about how they integrate the key aspects of the annual report into a coherent structure. Strategic objectives should be measured against relevant, quantifiable key performance indicators and organisations should provide a balanced assessment of the risks they face in achieving these objectives. Audited figures in the financial statements offer stakeholders a wealth of information and organisations should think about how they use the financial performance section to complement this and offer relevant insights.

We were particularly impressed with how accessible many of the annual reports were to users who may not have prior knowledge of the organisation or particular financial expertise. Ensuring annual reports are accessible and understandable is vital because no matter how high quality annual reports are, stakeholders will not be able to use them to effectively hold organisations to account if they do not understand the content within.

Members of Parliament, as well as the general public, have a real appetite for an accessible and balanced assessment of the performance of public sector organisations and their financial position. We challenge those organisations to be innovative in how they present information in their annual reports to ensure they remain a valuable source of information to stakeholders.

We hope that you will find these examples a useful source of inspiration to engage your readers as you begin to write this year's Annual Reports and Accounts. We look forward to continuing to work with the bodies we audit, Parliament and our wider stakeholders, to promote continued progress in the years ahead.

If you would like further information about the guide, or any aspect of annual report and accounts production and audit, please contact your usual NAO team, or get in touch via [enquiries@nao.gsi.gov.uk](mailto:enquiries@nao.gsi.gov.uk).

### Kate Mathers

Executive Leader, Financial Audit  
National Audit Office, January 2018

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## What are the Building Public Trust Awards?



The Building Public Trust Awards recognise trust and transparency in corporate reporting. They are sponsored by PwC



18 awards presented



Established in 2002



The NAO co-sponsors the award for excellence in public sector reporting

## Excellence in Public Sector Reporting



In 2017, the award for Excellence in Public Sector Reporting was won by Network Rail



50 public sector annual reports and accounts were reviewed by teams from the NAO and PwC



Judges assessed each annual report in nine areas. The following slides summarise the judging criteria and highlight areas of best practice



The NAO's involvement with the Building Public Trust Awards is part of our wider commitment to helping raise the standards of reporting by public bodies

## Judging areas



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## Accountability



- 'Telling the story' of the organisation in a fair and balanced way;
- Compliance with the relevant reporting requirements; and
- Clear action points to take forward.

## Transparency



- Frank and honest analysis;
- Consideration of the challenges an organisation is facing;
- Appropriate use of data; and
- Quantification of risks and performance measures.

## Accessibility



- Highlights key trends in the financial statements;
- Concise summaries of key points; and
- Consideration of how the organisation engages with key stakeholders and meets their needs.

## Understandable



Use of:

- Plain English to explain difficult concepts;
- Infographics and diagrams to communicate important messages; and
- Clearly integrated structure to help users navigate it effectively.



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## What did we look for?

- Clarity around purpose, strategic objectives and key programmes/projects.
- Balanced view of progress against objectives.
- Details of future plans to implement priorities.
- Strategy clearly linked to performance measures and risks.

①

Clear vision linked to objectives

②

Clear objectives with sub-objectives

③

Clear demonstration of whether  
objectives have been achieved

④

Balanced analysis of strategic aims

⑤

Vision, Strategy and Key Performance  
Indicators clearly interlinked

⑥

Clearly explained strategy integrated  
into the rest of the annual report

⑦

Clarity around key programmes

⑧

Clear future plans

⑨

Case studies demonstrating  
achievement of priorities

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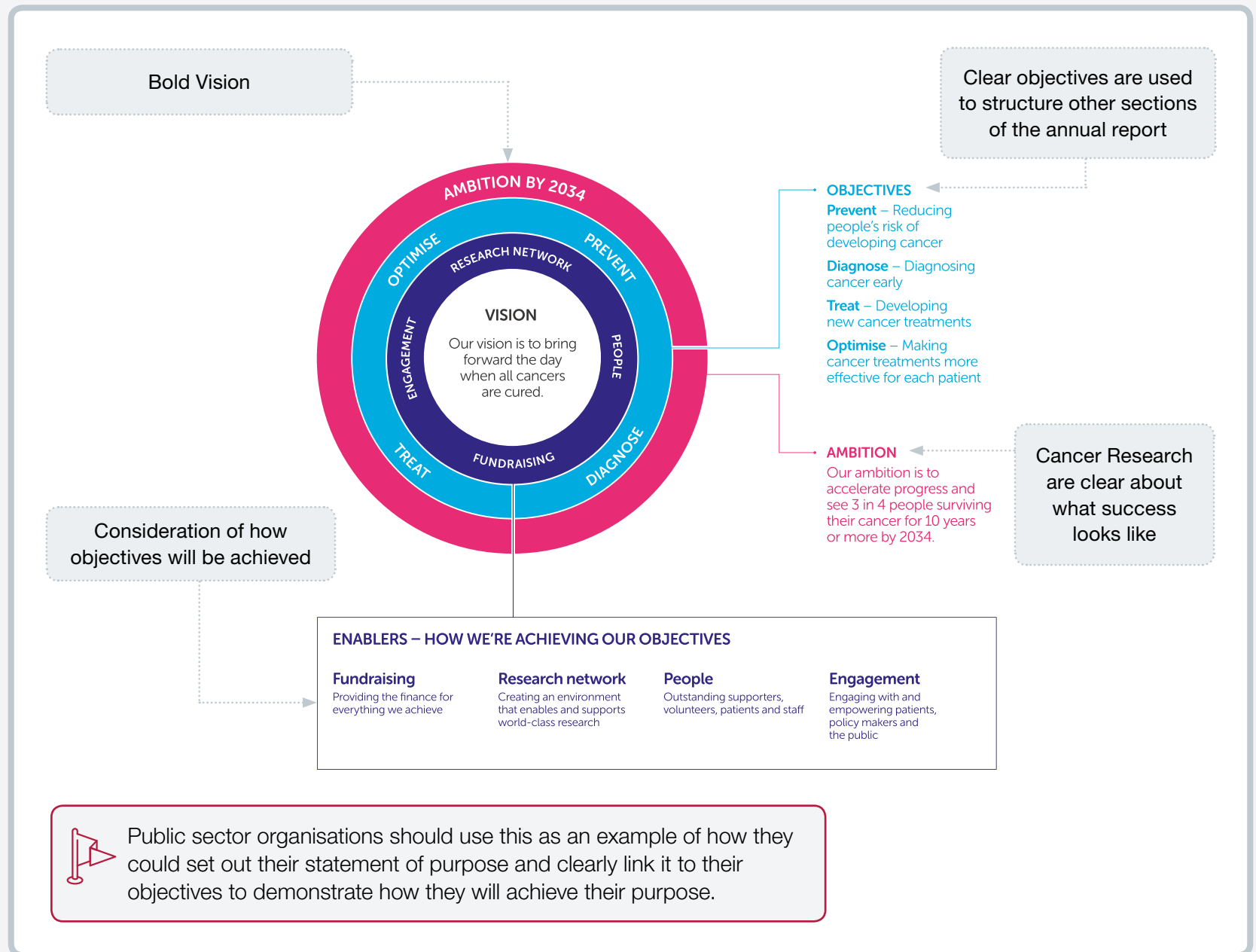
People

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## Clear vision linked to objectives

[Cancer Research 2016-17, page 11](#)



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## Clear objectives with sub-objectives

[Department for Transport 2016-17, page 9](#)



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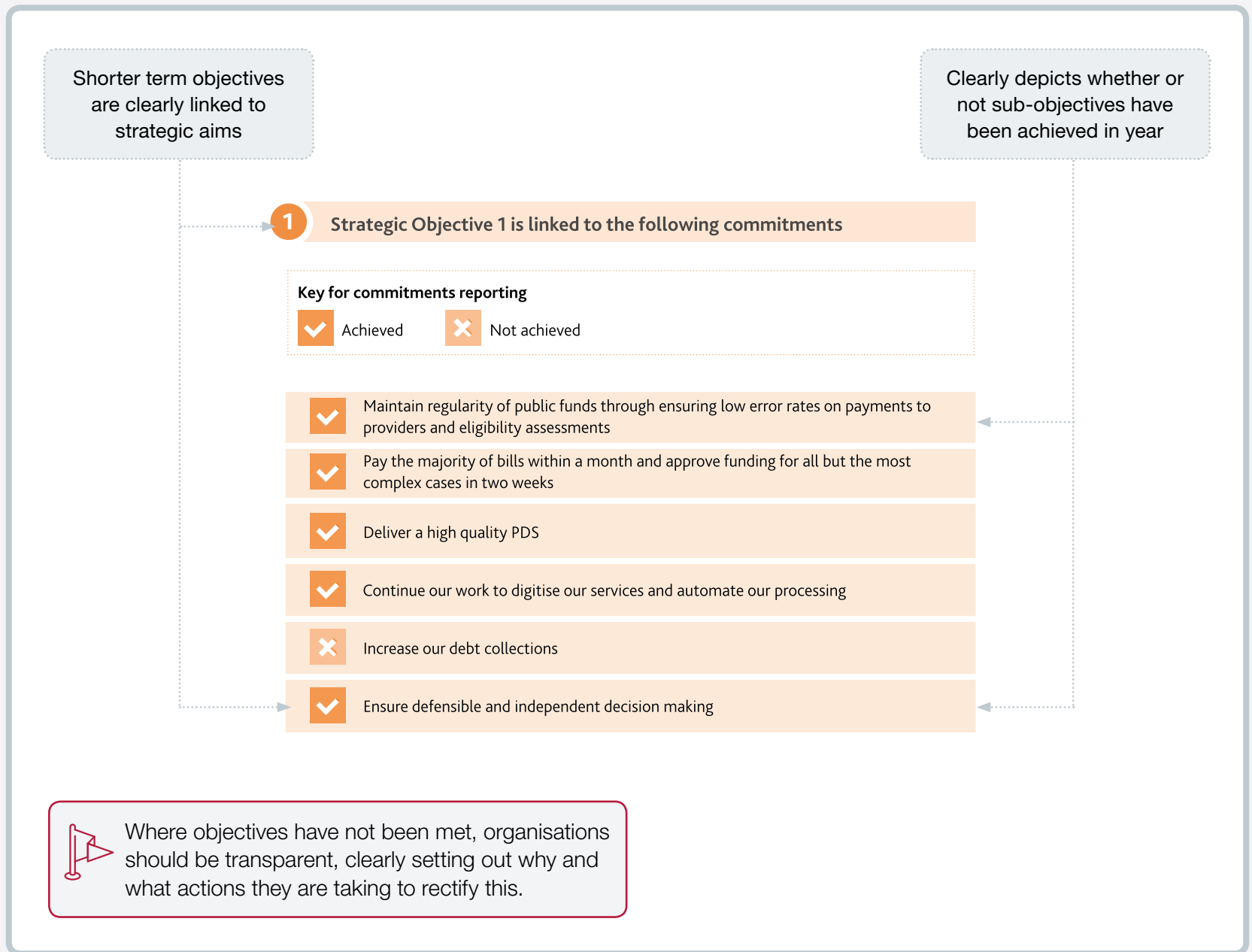
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External drivers

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## Clear demonstration of whether objectives have been achieved

[Legal Aid Agency 2016-17, page 13](#)



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## Balanced analysis of strategic aims

[John Lewis Partnership 2017, page 18](#)

John Lewis considered which factors might stop them achieving their aims and how they intend to mitigate this

### What could stop us from achieving our aims?

External factors such as rising input costs and slow wage growth in relation to inflation could put pressure on our aspiration to increase the pay of our best performing Partners. Going forward, we need to focus on higher value activity and better jobs which will require us to make decisions about the pace at which we adopt technological solutions.

Our ambition to create a financially sustainable Partnership will require us to make some difficult decisions, not least the need to reduce the number of roles in the Partnership. Several changes have been announced with a number of our Partners already under consultation and we acknowledge the impact of this on those affected. We are committed to making every effort, with the support of our democratic engagement, to ensure Partners impacted get a resolution that is right for them. Registry's Partner support function is available to provide confidential, independent and emotional support for all working Partners. We expect to see an increased take up of this service over 2017/18 as Partners navigate through this period of change.



Organisations should ensure they provide a balanced view about the achievement of strategic priorities and set out clear action points as to how they intend to make progress.

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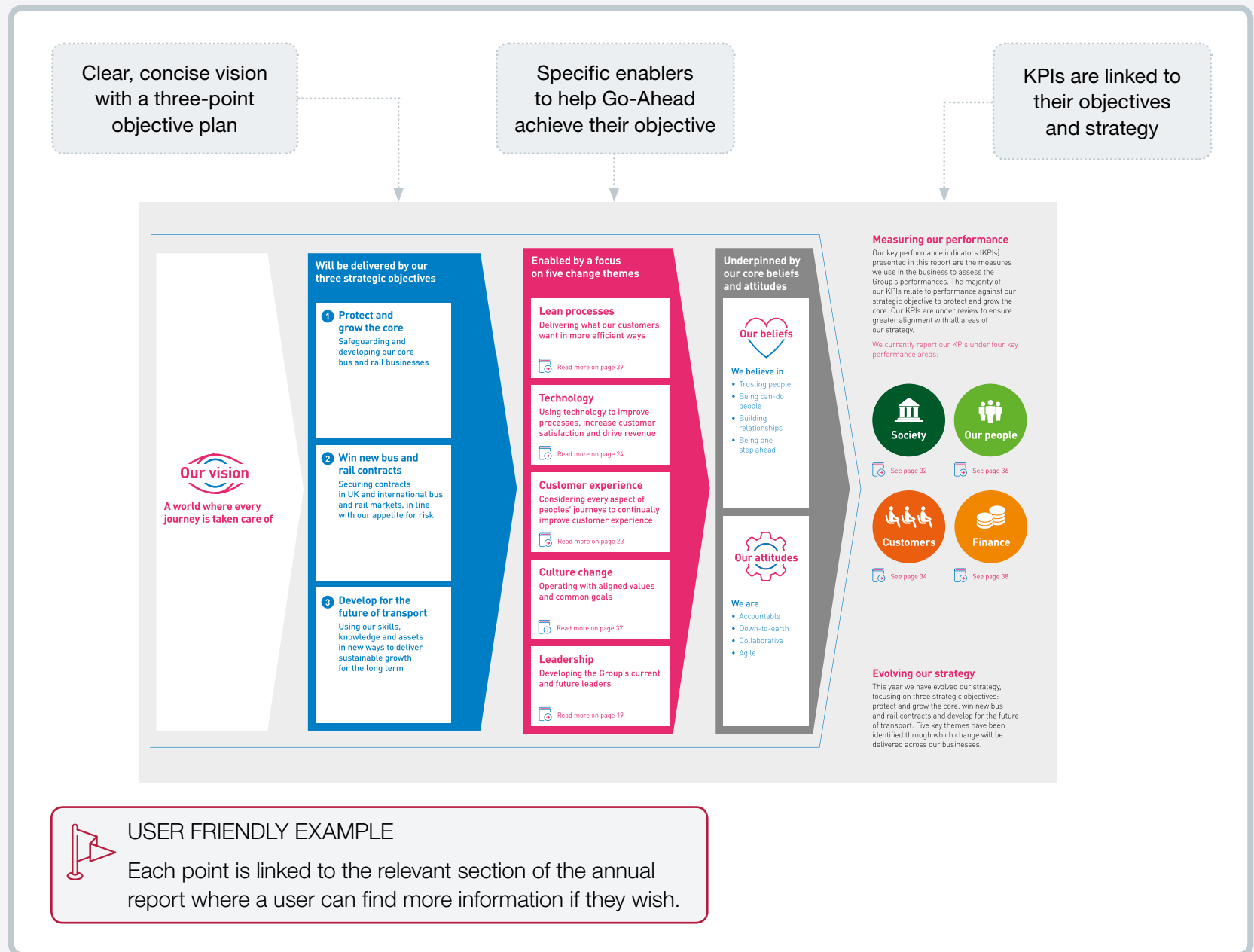
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## Vision, Strategy and Key Performance Indicators clearly interlinked

[Go-Ahead 2017, page 14-15](#)





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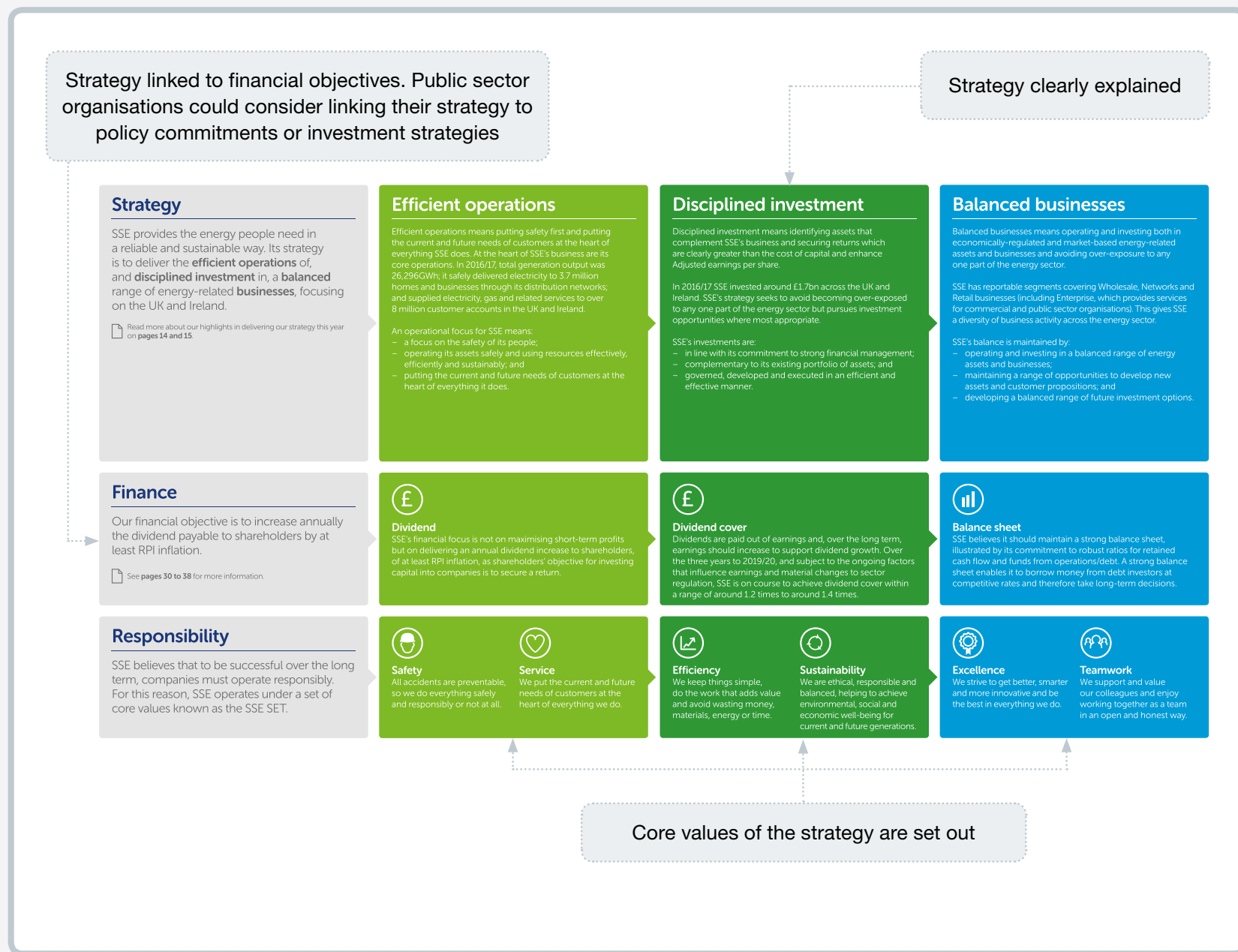
### External drivers



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## Clearly explained strategy integrated into the rest of the annual report

SSE 2017, page 12-13



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## Clarity around key programmes

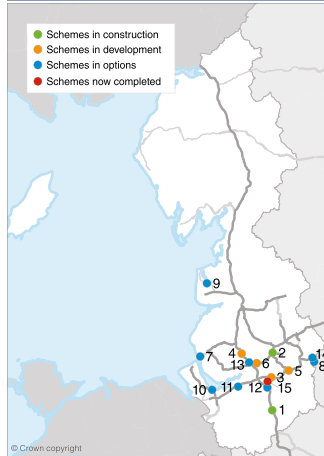
[Highways England 2016-17, page 40](#)

Details of projects under way including stage of completion

### North West

Schemes contained within the Road Investment Strategy

- Schemes in construction
- Schemes in development
- Schemes in options
- Schemes now completed



#### Schemes in construction

- M6 junctions 16-19
- M60 junction 8 to M62 junction 20: Smart motorway

#### Schemes in development

- M56 junctions 6-8
- M6 junctions 21a-26
- M60 junctions 24-27 and junctions 1-4
- M62 junctions 10-12

#### Schemes in options

- A5036 Princess Way – access to Port of Liverpool
- A57 (T) to A57 link road
- A585 Windy Harbour to Skippool
- M53 junctions 5-11
- M56 new junction 11a
- M6 junction 19 improvements
- M6 junction 22 upgrade
- Mottram Moor link road

#### Schemes now completed

- A556 Knutsford to Bowdon

### A556 Knutsford to Bowdon

Improving strategic links between Manchester and Birmingham by creating a modern dual carriageway road.

The A556 Knutsford to Bowdon scheme constructed four miles of new road, connecting the M6 junction 19 in Tabley with the M56 junction 7 at Bowdon. It was opened to traffic in March 2017 at a cost of £192m and was the first project in the North West to be delivered within the current Road Investment Strategy, on time and on budget.

The scheme also included a unique Green Bridge – providing connectivity over the new road for farm animals, wild mammals, birds and other animals. The bridge is one of seven bridges provided, to either carry key local roads, such as the A50, over the new road or provide a link to the new dual carriageway for local residents.

The scheme has already won a number of environmental and considerate constructor awards.

Case studies highlighting the impact of specific programmes



Organisations should ensure that they set out key projects and programmes in the reporting period as well as progress against those announced in prior years.



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## Clear future plans

[BEIS 2016-17, page 30](#)

### Looking ahead



#### Delivering an ambitious industrial strategy

We aim to improve living standards and economic growth by increasing productivity and making sure that growth is spread across the whole country.

To do this, we will:

- continue our development of a modern industrial strategy, including by responding to our green paper;
- put investment in our science and research base at the heart of our industrial strategy, including the creation of UK Research and Innovation in 2018 and investment of £4.7 billion in R&D funding, for the period 2017-18 to 2020-21; and
- provide support to businesses across a range of sectors to ensure the UK economy can grow and is best placed to benefit from the challenges of globalisation



#### Maximising investment opportunities and bolstering UK interests

We aim to ensure that we deliver the best results for the UK and promote UK interests through the process of EU exit and through our wider international engagement.

To do this, we will:

- secure the best possible access for businesses to trade with and operate in the European market;
- engage with businesses and consumers to ensure that their views are represented in EU exit negotiations;
- establish new partnerships with leading non-EU scientific nations to maximise opportunities in global innovation;
- promote UK research and innovation internationally to drive investment and export opportunities; and
- provide £2 billion of funding through the International Climate Fund between 2016 and 2021, to help developing countries tackle climate change and to promote clean growth.

BEIS has set out specific actions as to how it intends to meet its strategic aims in the future

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## Case studies demonstrating achievement of priorities

[Health Education England 2016-17, page 12](#)

### Case Study:

#### Considering the whole person in Yorkshire and the Humber

Patients suffering from serious mental health conditions have more physical health problems and a greater morbidity and mortality rate than the general population.

To focus attention on this issue in psychiatric settings, the local team in Yorkshire and the Humber has been supporting the innovative multi-disciplinary course RAMPPS (Recognising and Assessing Medical Problems in Psychiatric Settings). Aimed at teams working and training together, it focuses on recognising the deteriorating patient and understanding the human factors important to delivering good care in these circumstances. RAMPPS is explicitly multidisciplinary, focusing on medical, nursing and support staff as well as other professional groups. RAMPPS uses simulation around real life incidents to encourage teams to consider the ways that a mental health problem can complicate recognition of a physical problem. The RAMPPS approach also aims to increase the confidence of individuals and teams in communicating clearly around these issues.

In total over 350 multi-professional staff have been trained so far. Analysis from pre and post course questionnaires show significant improvement in: confidence in dealing with medical emergencies; care and compassion; organisational aspects of care; medicine management; and effective team work.

#### You can find out more about RAMPPS here:

<https://www.youtube.com/watch?v=OWQDyzep9RU>

Detailed example of the work Health Education England are doing to meet their strategic priorities



#### USER FRIENDLY EXAMPLE

Heath Education England have linked to a YouTube video, so a user can find out more about the case study if they wish to do so

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## What did we look for?

- Clear articulation of the organisation's structure.
- Linkage between risks, strategic objectives and the annual report narrative.
- Quantified risks.
- Discussion about how the dynamic of the risk profile has changed over time including developments in relation to specific risks disclosed.

①

Risk management process

②

Approach to risk management

③

Risk appetite statement

④

Clear insight into the  
dynamics of the risk profile

⑤

Detailed risks with mitigations

⑥

Strong links between risks  
and strategic objectives

⑦

Demonstration of changing  
risk profile over time

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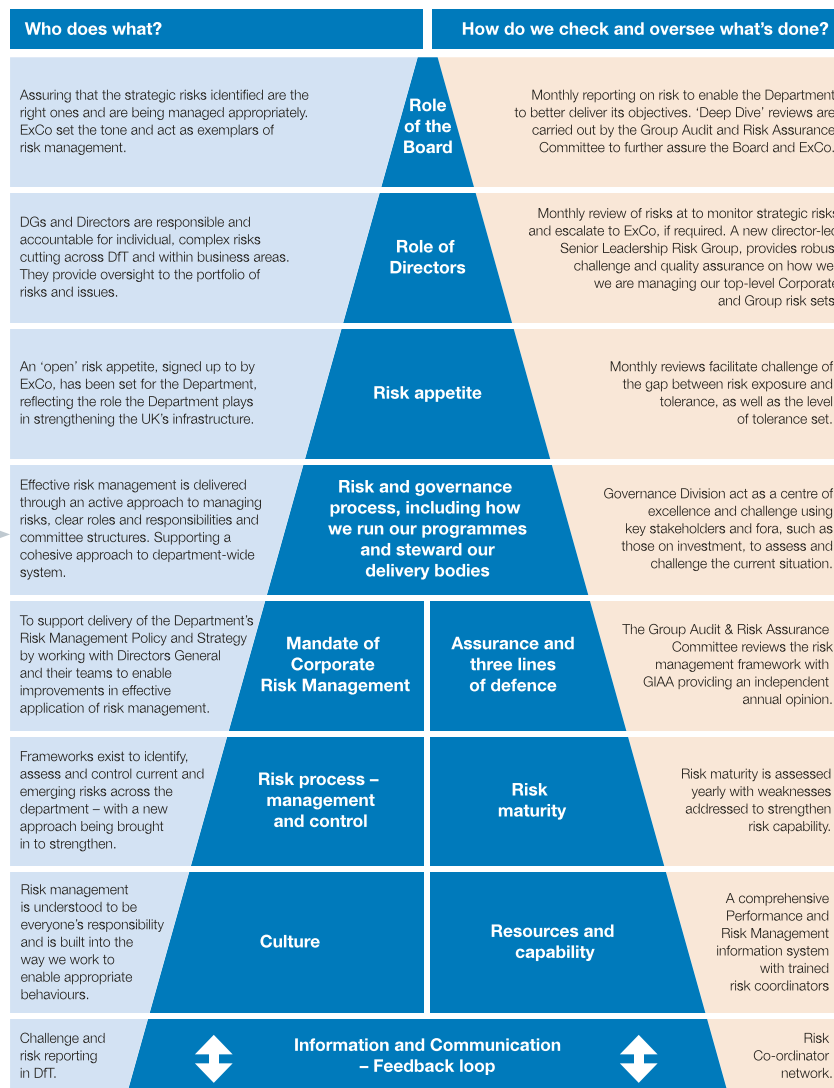
## Understandable

## Risk management process

Department for Transport 2016-17, page 56

Pyramid illustration shows how risk affects the whole business and can be managed at all levels

Figure 9: Overview of DfT's risk processes



Strong focus on accountability throughout each stage of the risk management process

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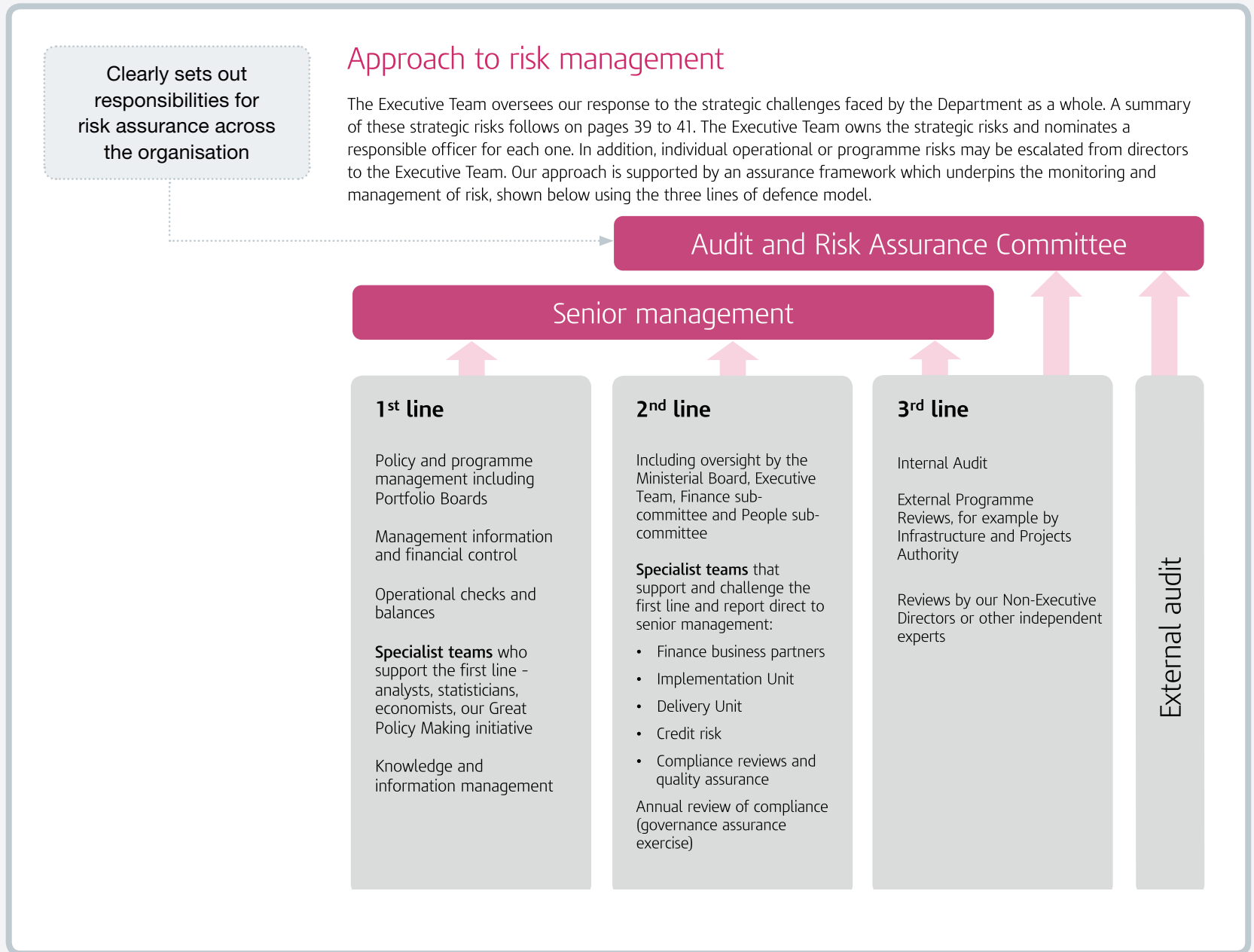
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## Clear approach to risk management

Department of Communities and Local Government 2016-17 page 38 (Ministry of Housing, Communities & Local Government as of January 2018)



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## Risk appetite statement

[Network Rail 2017, page 39](#)

**Network Rail has defined its risk appetite as follows:**

*Network Rail has no appetite for safety risk exposure that could result in injury or loss of life to public, passengers and workforce. Safety drives all major decisions in the organisation. All safety targets are met and improved year on year.*

*In the pursuit of its objectives, Network Rail is willing to accept, in some circumstances, risks that may result in some financial loss or exposure including a small chance of breach of the loan limit. It will not pursue additional income generating or cost saving initiatives unless returns are probable (85 % CI for income and 60 % CI for cost reductions where potential returns are high).*

*The company will only tolerate low to moderate gross exposure to delivery of operational performance targets including network reliability and capacity and asset condition, disaster recovery and succession planning, breakdown in information systems or information integrity.*

*The company wants to be seen as best in class and respected across industry. It will only tolerate low to moderate exposure that may result in short term negative impact on reputation and stakeholder relationships and is easily recoverable, i.e. minimal negative local or industry media coverage, and/or minor employee experience and political impact. This will continue to be balanced by regular positive media coverage at national and local level.*

Strong, clear statement of the  
entity's risk appetite

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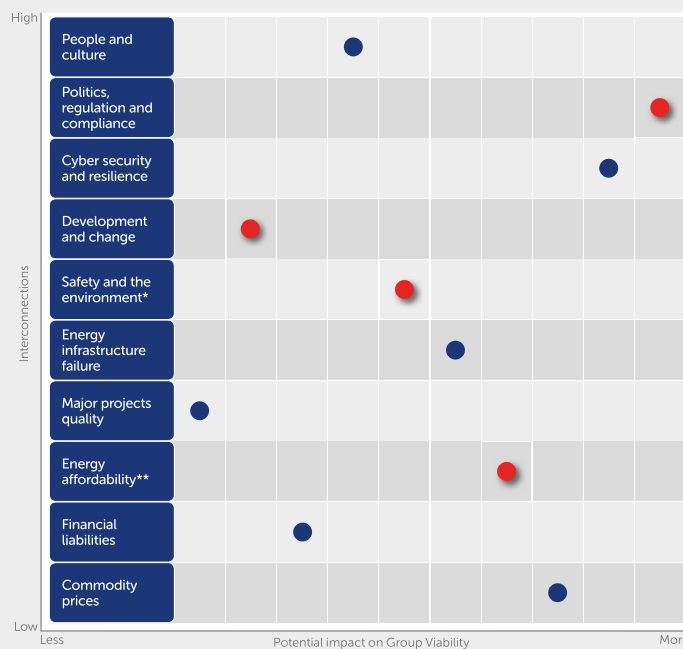
## Clear insight into the dynamics of the risk profile

SSE 2017, page 27

Risks are ranked by how likely they are to occur and potential impact

Risks are coloured to demonstrate changes in risk profile

### Group Principal Risks



SSE operates in fast moving markets that are subject to a high degree of political, regulatory and legislative intervention. It is therefore essential that SSE's Risk Management Framework is dynamic and flexible, allowing decision makers to focus on material risk information that may have an impact, whether positive or negative, on core objectives.

The Board and Executive Committee look to assess the Principal Risks that face the Group from a number of different perspectives, including both individually and collectively. This graphic illustrates SSE's ten Group Principal Risks positioned on a relative basis against two important metrics – **interconnectivity** (a highly interconnected risk has more ways to manifest than a less interconnected risk), and **potential impact on Group viability** based on selected critical risk scenarios developed in conjunction with business experts.

In addition, the Principal Risks that were considered by their oversight Committees to have increased in materiality during the year are shown in **red**, with those whose materiality has not significantly changed are shown in **blue**. No Principal Risk was deemed to have decreased in materiality.

\* Safety is SSE's most important value, and management of this risk remains SSE's highest priority.

\*\* It should be noted that **Energy Affordability** is particularly closely linked to – and therefore impacted by – **Politics, Regulation and Compliance** and **Commodity Prices**.



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## Detailed risks with mitigations

Go-Ahead 2017, page 43

### External risks

A 1

#### Economic environment and society

Lower economic growth or reduction in economic activity.

#### Potential impact

Reduced revenue as:

- Customers make fewer journeys
- Customers buy lower priced tickets
- Customers switch mode (to walking, cycling, private car etc)

#### Mitigating actions

- Continue to focus our operations in more resilient geographical areas
- Local management constantly assesses the needs of local markets and direct services and products accordingly
- Provide attractive services and products
- Focus on driving volumes through innovative and targeted marketing
- Generate customer loyalty through initiatives such as smart ticketing
- Proactive cost control
- Make public transport easier to access and use

#### Opportunity

- Maximise geographic and product diversification opportunities
- One rail contract will be re-bid over the next two years allowing for a rebasing of target revenue
- There are variances between geographical areas in the rate of recovery

#### Change in risk in the year

Increase in risk during the year, as UK growth rates remain volatile, and at risk from political instability.

Following the result of the EU referendum, economic growth rates have been resilient, but remain volatile (e.g. UK gross domestic product (GDP) was estimated to have increased by 0.3% in Quarter 2 (April to June 2017), while Quarter 4 (October to December 2016) GDP growth had been 0.7%)\*

\* Statistics provided by Office for National Statistics.

#### Key to risk changes

- 1 Increase in risk in the year
- = No change in risk in the year

B 1

#### Political and regulatory framework

Changes to the legal and regulatory framework, particularly the Bus Services Act 2017, and the impact of the UK leaving the EU.

#### Potential impact

- If bus services are franchised, the Group could lose revenue in some areas
- Adverse change to the rail franchising model
- Reduced funding for public transport
- A reduction in European immigration to the United Kingdom could have an impact on the availability and cost of employees

#### Mitigating actions

- Limited exposure to local authority funding. Our operations are largely commercial
- Actively participate in key industry, trade and government steering and policy development groups
- Collaboration and partnership working with local authorities
- Devise strategy for bus franchising
- Demonstrate the value delivered by the private sector through investment in services, responding quickly and flexibly to passenger needs

#### Opportunity

- The political and regulatory framework provides us with the opportunity to influence decisions through close dialogue with the Government, local authorities and other key parties
- The Bus Services Act could provide business opportunities in new markets, and facilitate the consolidation of existing relationships

#### Change in risk in the year

- Increase in risk during the year, as the UK's political landscape has become increasingly uncertain.
- The 2017 General Election resulted in a hung parliament, and this has increased political and economic uncertainty
- Labour's 2017 manifesto pledge to bring private rail companies back into public ownership as their franchises expire
- Bus Services Act received Royal Assent on 27 April 2017, and includes devolved powers to regulate bus services in local areas, subject to certain criteria being met
- The Queen's speech of 21 June 2017 included 27 bills, of which eight are dedicated entirely to measures around the UK leaving the EU
- Proposed rise in corporation tax under a potential Labour government to 26%

### Strategic risks

C 1

#### Sustainability of rail profits or loss of franchise

Failure to retain key franchises on acceptable terms and failure to stabilise GTR's business performance.

#### Potential impact

- Rail profitability and cash flow could fall over the next three years

#### Mitigating actions

- Flexible and experienced management team which responds quickly and expertly to changing circumstances
- Shared risk through the Govia joint venture, which is 65% owned by Go-Ahead and 35% by Keolis
- Invest in performance improvements
- Work constructively with industry partners, such as Network Rail, to deliver long term economic and infrastructure benefits
- Significant resource and financial investment in bidding for new franchises
- Regular Board review of rail performance, and Board approval of overall rail bidding strategy
- Compliance with franchise conditions closely monitored
- Recovery plan for GTR
- Reduce head office costs across the Group

#### Opportunity

- Growing portfolio of German rail contracts
- Growth opportunities within the Nordic region

#### Change in risk in the year

- Increase in risk during the year, as the issues concerning the GTR franchise have intensified and the Group's joint venture Govia was unsuccessful in its bid to win the new West Midland rail franchise.
- The GTR franchise has seen a difficult year as a result of the impact of major infrastructure projects and ongoing industrial action
- Organic international expansion, including the recently awarded 13 year rail contract by Transport Ministry of Baden Württemberg in Germany
- Shortlisted by the Department for Transport to bid for the South Eastern franchise

Clear mitigating actions set out

Explanation of how the risk profile has changed in the year

### Go-Ahead's risk appetite statement

**Safety and Security:** The Group has no tolerance for safety risk exposure, including an incident such as a major passenger accident or an act of terrorism.

#### 1 Protect and grow the core

The Group will only tolerate low risk with regard to the management of its core activities.

#### 2 Win new rail and bus contracts

The Group is willing to accept moderate risk within stable and regulated markets as it bids for new rail and bus contracts.

#### 3 Develop the future of transport

In pursuit of its objective to develop the future of transport, the Group recognises that innovation and striving to be one step ahead of our competitors comes with some inherent risk. Moderate risks, in some circumstances, will be accepted in pursuit of these objectives.



### USER FRIENDLY EXAMPLE

Go Ahead have developed a key to clearly link the risks they have identified to their strategic goals.



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## Strong links between risks and strategic objectives

Department for Business, Energy and Industrial Strategy 2016-17, pages 26–29

Key: Icons in the table map the risks to our objectives

	<b>Delivering an ambitious industrial strategy</b>
	<b>Maximising investment opportunities and bolstering UK interests</b>
	<b>Promoting competitive markets and responsible business practices</b>
	<b>Ensuring the UK has a reliable, low-cost and clean energy system</b>
	<b>Building a new, high-performing department of state</b>

Relative severity

High

Medium

Low

Change during the year

Increasing risk

Decreasing risk

Stable

Risk

Mitigating activities

Direction of risk trend at year end

Risks internal to the department



### Industrial strategy

The industrial strategy fails to deliver its objective to improve productivity and growth across the UK.

- Engaging closely across Whitehall to ensure the development of wide-ranging and ambitious proposals.
- Working with Government to define ambitions and to ensure resources are available for their implementation.



The industrial strategy is a Departmental priority.



### Hinkley Point C (HPC)

EDF fails to deliver HPC on time and to budget, resulting in 3.2GW of electricity generation not coming online in 2025.

- Finalising the investment contract.
- Setting up cross-governance arrangements to provide sufficient oversight of HPC.
- Putting Government initiatives with industry in place to address to potential skills gaps and supply chain issues.
- Providing safeguards against unapproved stake ownership by foreign investors.



The current status of the risk is improving but will be closely monitored.



### USER FRIENDLY EXAMPLE

BEIS have used images to link the risks they have identified to their strategic objectives.



Risk analysis should be clearly integrated with the other sections of the annual report.

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## Demonstration of changing risk profile over time

[John Lewis Partnership 2017, page 34](#)

John Lewis updates the reader on whether there has been a change in the way they assess risk, for example by combining risk areas

### What's changed since last year?

Our principal risks evolve over time. As we progress our strategy and Business Plan, new risks emerge and we adjust our mitigation activities. The following changes in our risk profile have been approved by the Partnership Board:

#### Increased risk profile

**+3** Three principal risks have increased over the year

2 Operating model strain

5 Change delivery

6 Economic environment

#### What are we doing about these risks?

Several programmes are underway to drive efficiencies across the Partnership and enable more flexibility across our operating model to better serve our customers. A review of our implementation of pay policy has been prompted after remediation of a technical underpayment. Redesigned organisational change governance is being implemented to support and challenge the effective delivery of programmes. The Board continues to closely monitor and respond to changes in the economic environment, including the impact of Brexit, consumer confidence and changing customer needs. We monitor progress regularly through the governance structure.

#### Combined risk profile

**-1** Two risks have been combined

Efficiency

Change delivery

#### Why have these been combined?

The 'Efficiency' risk has been incorporated into the 'Change delivery' risk due to the interdependencies between the two risks and mitigating actions; and to align reporting across the Partnership. Our plans continue to address the combined risk.

Clear statement of whether the risk has changed over the last year and in which areas the change has happened to enable accountability

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## What did we look for?

- Discussion of the different delivery models, the reasons for using these models and how they achieved value for money.
- Narrative around how business operations support wider parliamentary objectives.
- For significant contracted-out services: discussion of how these contracts are awarded and how the entity manages the on-going contract.
- Consideration of capital investment and how it achieves value for money.

①

Clear operating model

④

Contract management

②

Creative illustration of operating  
models in practice

⑤

Efficiency

③

Capital projects

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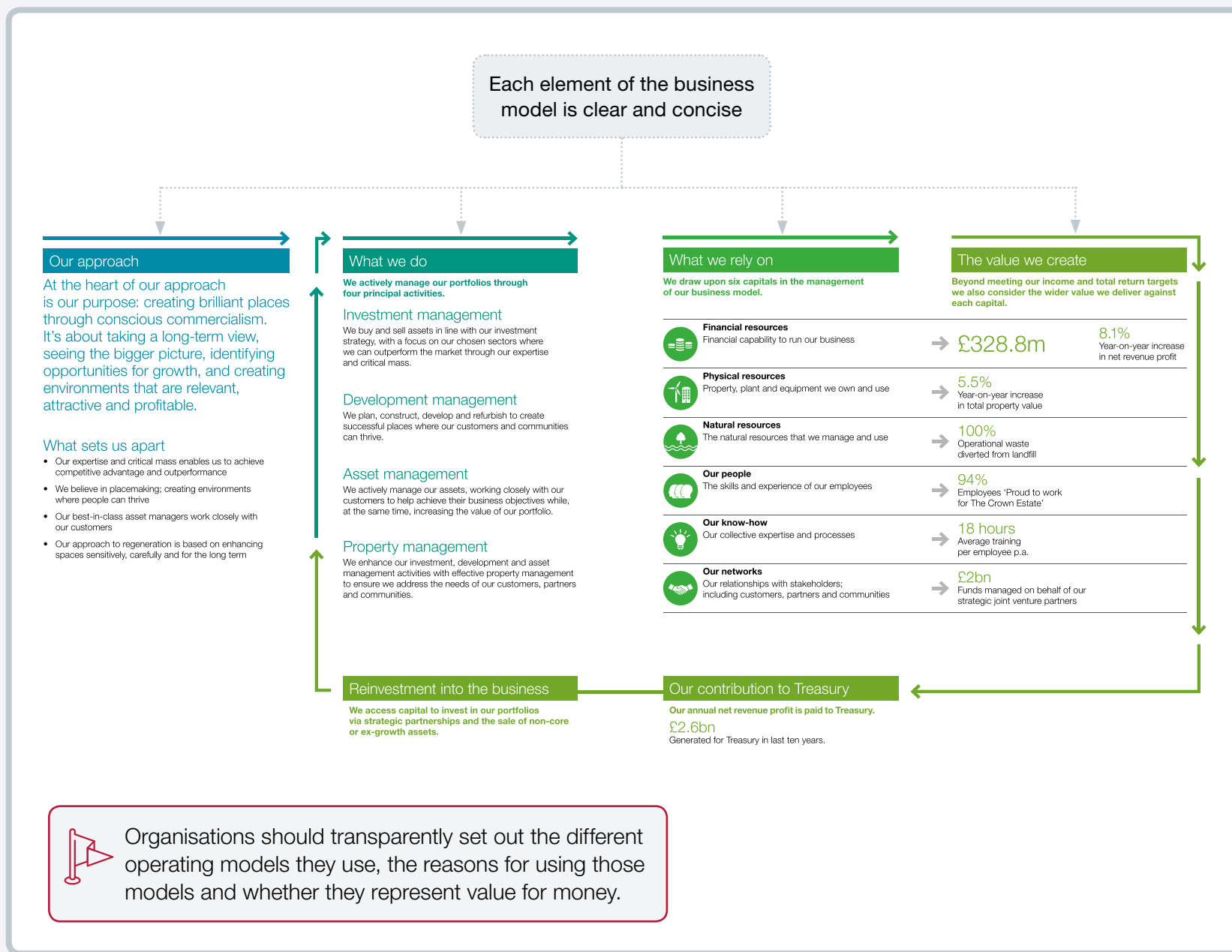
## People

## External drivers

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## Clear operating model

The Crown Estate 2016-17, page 10-11



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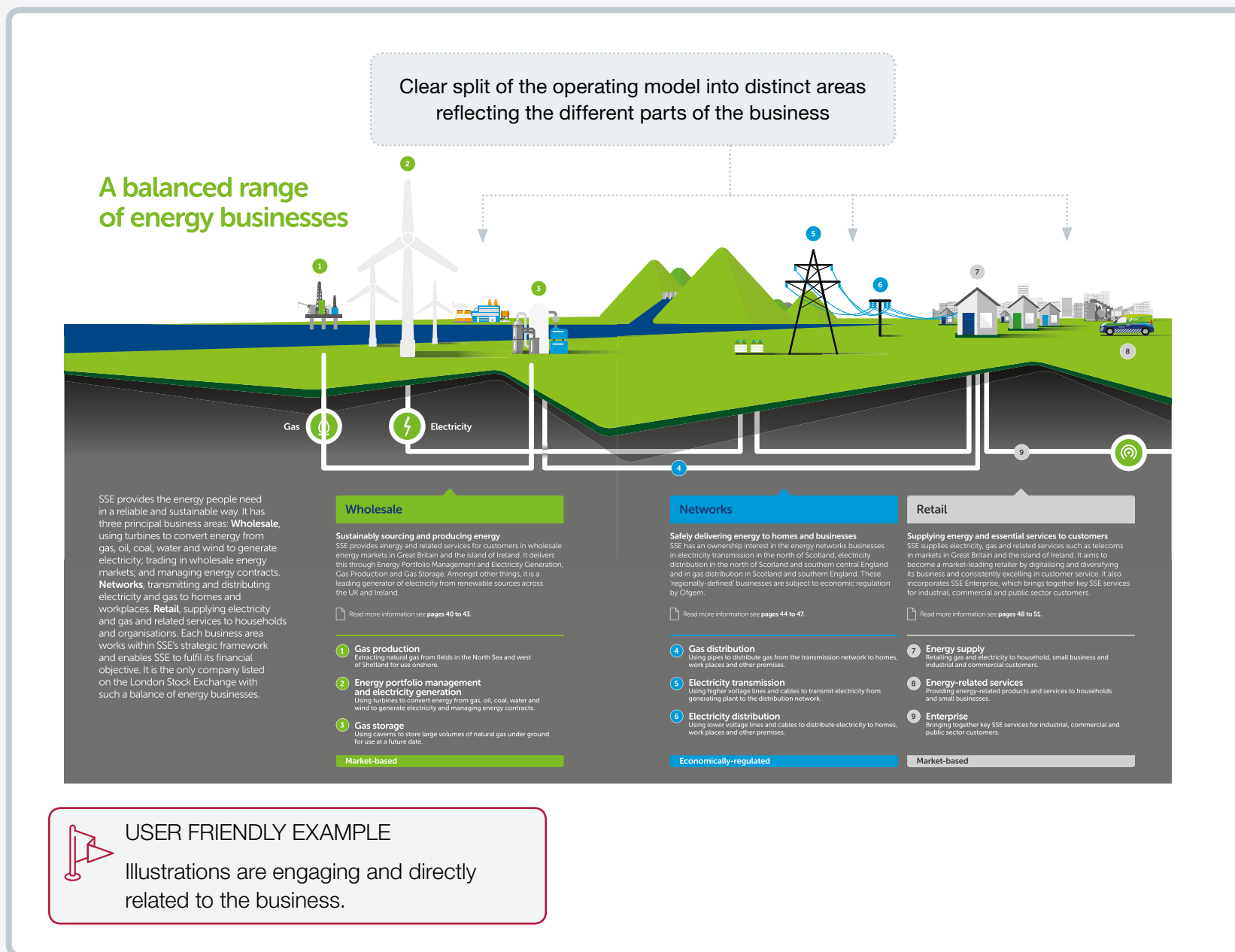
## People

## External drivers

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## Creative illustration of operating models in practice

SSE 2017, page 4-5



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## Capital Projects

[Highways England 2016-17, page 33](#)

# Delivering the Road Investment Strategy

## 1 Our major improvement schemes

### Our commitment and objectives

We are continuing to deliver our programme of major enhancement works included in this first Road Investment Strategy period. Around £7.7bn of our total capital budget is invested into major schemes, many of which will continue into the next period of investment from 2020.

This significant investment in the country's infrastructure improves road safety, increases capacity and reduces congestion – all of which support the UK economy.

**Target:** We need to make capital expenditure savings of at least **£1.212bn** by 2019-20.



We identified **£169m of efficiency savings** against our 2016-17 milestone of £139m.

### What this means for us

Delivering the Road Investment Strategy is one of our company objectives. We will deliver the investment programme to provide tangible benefits to our customers and the economy, while minimising our environmental impact. We also need to consider the short-term impact on our customers, such as journey times through major roadworks as well as maintaining the safety of our customers and road workers.

Delivering the programme on time and to budget is a priority for us and the Government. We are also focused on providing value for money for the taxpayer and achieving £1.2bn of efficiency savings over this five-year period.

In addition, our progress is monitored against a number of performance indicators and requirements designed to measure our achievements in supporting economic growth.

These include:

- procuring 25% of our goods and services from small and medium-sized enterprises (SMEs)
- responding in a timely fashion to planning applications
- work to support the Government's five Construction 2025 goals

Objectives of capital investment set out against progress made

Progress is measured against KPIs and clearly linked to Highways England's strategic objectives



Organisations should provide a balanced assessment of progress made on capital projects, enabling accountability. Where objectives have not been met, actions to rectify the situation should be set out.

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## Contract management

[Ministry of Justice 2016-17, page 48](#)

Clear actions as to how contract management is being improved

### Contract Management

The Department is committed to delivering consistently high-quality contract management and has embedded improvements in processes and controls to support this.

A new framework was established in February 2017 to manage third party contracts, to support effective commissioning and subsequent contract management. We are revising the Department's Sourcing and Contract Management Guidance and developing strategic supplier relationship management guidance and tools. To understand and improve the Department's relationship with third party suppliers we will conduct a 'State of the Supplier' survey, an internal stakeholder survey and a supplier segmentation exercise.

Contracts (in excess of 3,000 LAA and 1,000 MoJ) have been uploaded onto the 'Bravo' system. This system captures critical contract information, acts as a central repository for documents and serves as an auditable record of activity. The aim is for all MoJ Group contracts to be held on the system by December 2017. HMPPS contracts are currently being transferred over to Bravo.

Progress on improvements in contract management is regularly reported to the Audit and Risk Committee. The most recent review by internal audit concluded that the Committee were happy with the progress made to date but recognised that there was still scope for improvement.



Where an entity has significant contracted-out services it should set out transparently how these contracts are awarded and the continued governance arrangements in place to ensure that contracts are delivered sustainably.

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## Efficiency

[HMRC 2016-17, page 43](#)

### Efficiency

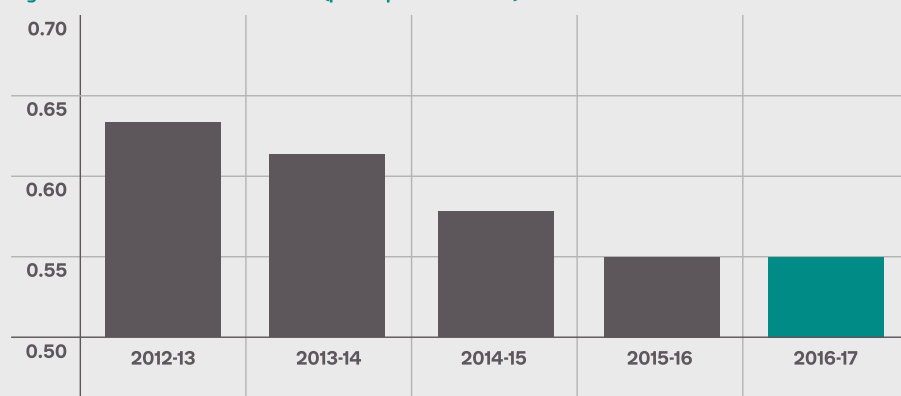
Last year we achieved cost savings of £254 million from changes to contracts and transformational savings from IT and exploiting the digitisation of services that were previously paper based. Other cost savings have been generated by amending our processes so that customers need to contact us less, and encouraging customers to take up online services, including online tax accounts, webchat and i-forms, where they would otherwise have contacted us by phone or letter.

We are committed to reducing our operating costs for the remainder of the Spending Review 2015 period, reaching £717 million of sustainable cost savings a year by the end of 2019-20. £181 million of last year's savings are sustainable and count towards this target.

The efficiencies we have delivered, together with increasing revenues, mean that the cost of collecting taxes in the UK is less than a penny for every pound collected – from 0.63 pence in the pound in 2012-13 to 0.55 pence in 2016-17 (ie every £100 we collect costs £0.55).

HMRC calculated how much every pound costs them to collect

Figure 15: Overall cost of collection (pence per £ collected)



Organisations should include a discussion, where appropriate, on what they are doing to meet the challenge of reducing the cost of operations and to improve efficiency and productivity in delivery of their public service outputs.



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## What did we look for?

- Narrative which clearly demonstrates the governance structure and tone at the top.
- Transparent information about how the Board works effectively to govern the organisation.

①

Clear governance structure

②

Wider networks

③

Board attendance and composition

④

Detailed board evaluation process

⑤

Use of case studies to illustrate  
decision making process

⑥

Engagement with stakeholders

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## Clear governance structure

[Department for Communities and Local Government 2016-17, page 33 \(Ministry of Housing, Communities & Local Government as of January 2018\)](#)

### Board committees:

#### Audit and Risk Assurance Committee

Delegated responsibility for financial management, propriety and risk.  
Chaired by Non-Executive

#### Departmental Board

Focus on delivery performance.  
Chaired by Secretary of State

#### Non-Ministerial Board

Scrutinises delivery performance and corporate management.  
Chaired by Lead Non-Executive

### Executive committees:

#### Executive Team

Responsibility for strategic leadership and management of the Department.  
Chaired by Accounting Officer

#### Senior Pay and Talent Committee

Responsibility for SCS performance, talent, succession planning and pay

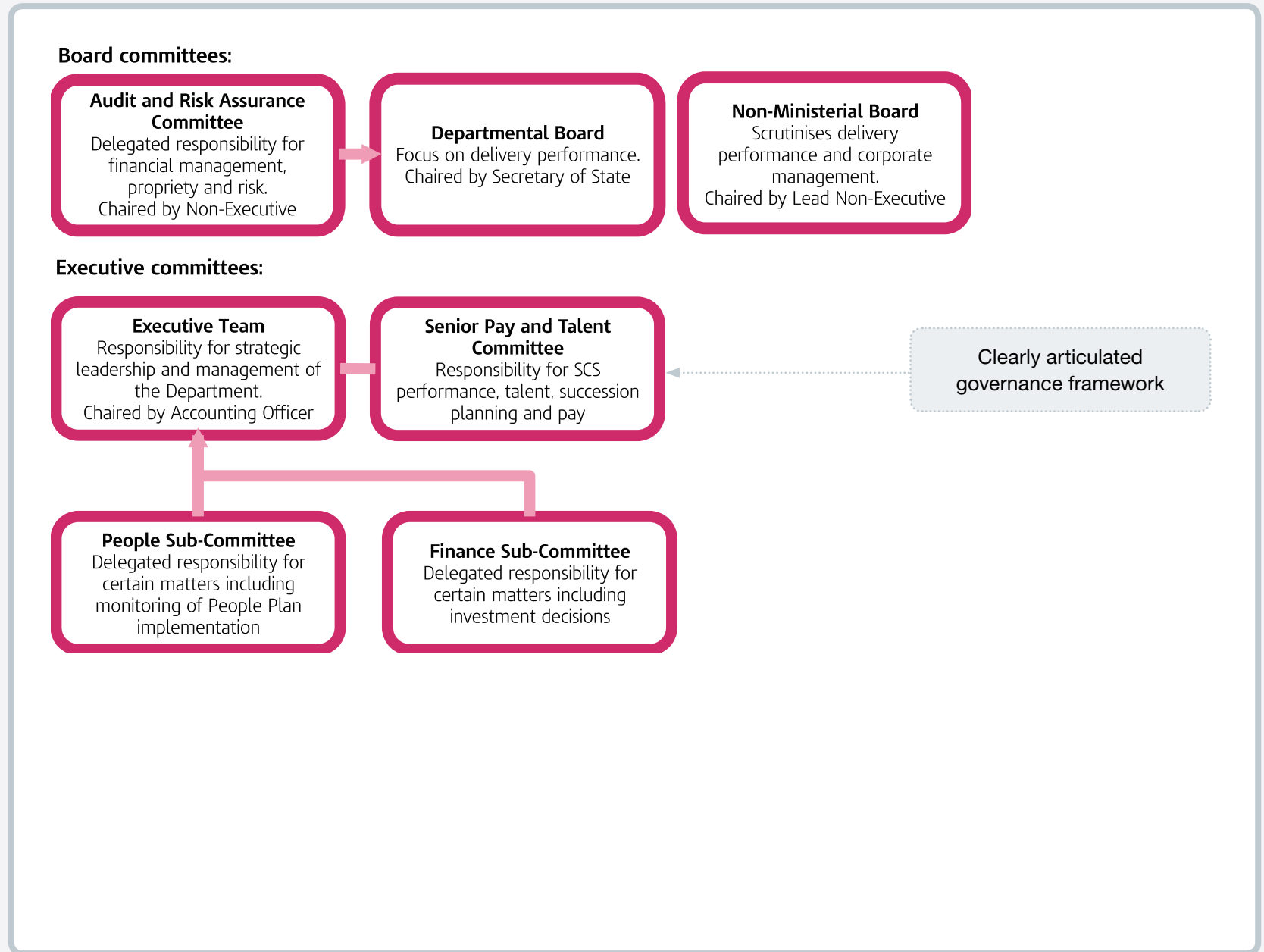
Clearly articulated governance framework

#### People Sub-Committee

Delegated responsibility for certain matters including monitoring of People Plan implementation

#### Finance Sub-Committee

Delegated responsibility for certain matters including investment decisions



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## Wider networks

[Network Rail 2017, page 53](#)

### Network Rail's relationship with the DfT and ORR

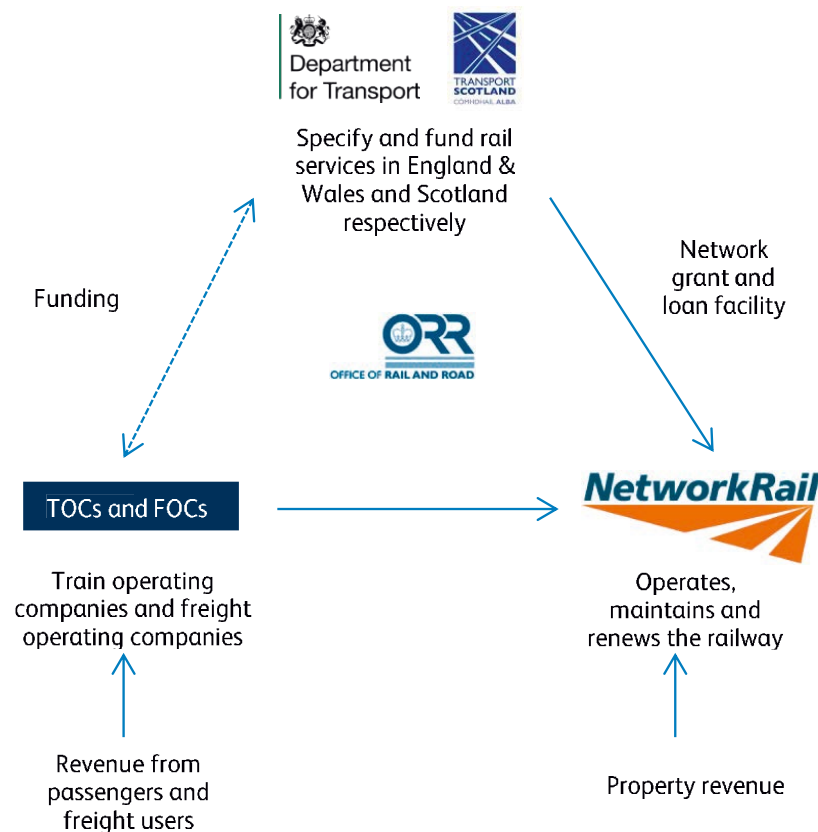


Diagram showing how Network Rail works with other parts of the public sector

Organisations should think about how their work fits into the broader picture and communicate that in the annual report.

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## Board attendance and composition

[Go-Ahead 2017, page 48](#)

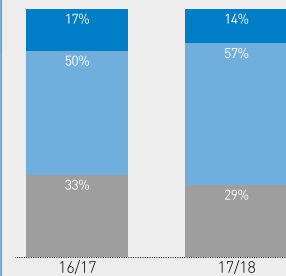
Board composition and attendance  
shown in a clear and concise manner



The above are highlights only and for the full list of Board objectives, with what we have done in 2016/17 and Board focus for the forthcoming year, please see pages 57 and 58

### Board composition

■ Chairman  
■ Independent non-executive directors  
■ Executive directors



The above charts show Board composition as at the year ended 1 July 2017 and what it will be for the forthcoming year following the appointment of two new non-executive directors on 23 October 2017 and the retirement of Nick Horler at the 2017 Annual General Meeting on 2 November 2017.

### Attendance

Directors' attendance at scheduled and unscheduled meetings they were eligible to attend:

Board attendance	Board		Audit committee		Remuneration committee		Nomination committee	
	Scheduled	Unscheduled	Scheduled	Unscheduled	Scheduled	Unscheduled	Scheduled	Unscheduled
Total meetings	9	5	4	–	5	2	2	–
Andrew Allner	9/9	5/5	–	–	5/5	2/2	2/2	–
David Brown <sup>1</sup>	9/9	5/5	–	–	–	–	–	–
Patrick Butcher <sup>1</sup>	9/9	5/5	–	–	–	–	–	–
Katherine Innes Ker <sup>2</sup>	9/9	4/4	4/4	–	5/5	2/2	2/2	–
Nick Horler <sup>2,3</sup>	8/9	4/4	4/4	–	4/5	2/2	2/2	–
Adrian Ewer <sup>4</sup>	9/9	3/5	4/4	–	5/5	2/2	2/2	–

- Members of the executive team attended committee meetings by invitation as appropriate which are not included in the above attendance.
- A sub-committee meeting comprising the Chairman, Audit Committee Chair and executive directors was held on 8 September 2016. Katherine Innes Ker and Nick Horler were therefore eligible to attend four unscheduled Board meetings.
- Nick Horler was unable to attend one scheduled Board and remuneration committee meeting on 7 June 2017 due to a long standing prior commitment. Nick was sent all papers in advance, with the opportunity to provide input before and after the meeting via the Group Company Secretary.
- Adrian Ewer was unable to attend two unscheduled Board meetings, one of which was due to illness and the other due to a long standing prior commitment. Adrian was sent all papers in advance, with the opportunity to provide input before and after the meeting via the Group Company Secretary.



Organisations should also set out how the board works as a team including aspects such as diversity and balance of skills.

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## Detailed board evaluation process

[SSE 2017, page 64-65](#)

The process the board uses to evaluate itself is clearly explained

### Board and Committee evaluation process

#### Step 1

##### Review, plan and design

The Chairman and Company Secretary reviewed the actions which had been agreed following the external evaluation in 2015/16, in consideration of which, a comprehensive questionnaire was designed.

#### Step 4

##### Report and agree

The Chairman and Company Secretary prepared a report on the findings, which was presented to the Board along with a number of proposed actions for consideration and approval as appropriate.



#### Step 2

##### Issue questionnaire

The questionnaire was issued to each of the Directors for comment and feedback.

#### Step 3

##### Compile and analyse

The individual responses were compiled by the Company Secretary and an in-depth analysis of the comments provided was carried out.

Action points for the board and progress made against these are clearly laid out and enable accountability

### Board evaluation findings

Actions for 2016/17	Progress made	Actions for 2017/18
<b>Enhancing Board engagement</b> Monitor the agenda setting process to ensure continued linkage to strategy.  Review the allocation of time for site visits including the process for reporting back to the Board.  Consider increasing the number of meetings of the non-Executive Directors in the Board calendar.	A dedicated annual strategy session was again held, which received positive feedback surrounding year on year improvement. The time allocated to strategic discussions throughout the year has also increased.  The number of site visits has increased during the year, and each meeting of the Board now includes 'site visit feedback' as a standing item.  In addition to the normal diarised non-Executive meetings, the non-Executive Directors met over dinner as part of the strategy session.	Continue to assess the opportunities to enhance strategic discussion and debate throughout the year.  Identify any areas of the business which have not yet been visited by the Board and consider increasing the number of visits centred on safety.  Continue to build both dedicated non-Executive and Board engagement time into the formal meeting calendar.



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## Use of case studies to illustrate decision making process

[SSE 2017, page 63](#)

### Governance case study

#### Decision to sell a 16.7% equity stake in Scotia Gas Networks Limited (SGN)

SSE's acquisition of a 50% share in SGN in 2005 took the total net Regulated Asset Value (RAV) of its economically-regulated businesses to just over £4bn. By 2015, that had increased to almost £7.5bn, with much of that increase attributable to Electricity Transmission, in which a major – and continuing – programme of investment started in 2009, transforming its scale and scope.

Against this background of a transformed portfolio of economically-regulated networks businesses, in May 2016, SSE announced its intention to consider options to crystallise some value for shareholders from its long term investment in SGN. This case study sets out the related governance and process.

September 2015

The Board supported the potential sale of a stake in SGN and authorised initial discussions with SSE's Joint Venture partners. It was acknowledged that while Networks remain core to SSE's strategy of maintaining a balanced range of businesses, disposal of a stake would potentially provide an opportunity to demonstrate value creation and refresh and re-balance SGN's ownership facilitating more development opportunities.

Consideration was also given to:

- the possible uses of proceeds, including the potential for a share buy back programme and for investment in value creating projects; and
- the potentially positive impact of such a sale on SGN's strategic opportunities.

February 2016

The Board delegated authority to the Executive team to progress options to sell a stake in SGN at or above an agreed premium to RAV.

May 2016

The sales process, was outlined to and agreed by the Board. The following narrative was included in the 2015/16 Preliminary Results Statement.

'SSE considers disposal of up to one third of its 50% equity stake in Scotia Gas Networks Limited, with any proceeds being used to return or create value for shareholders. Should a sale be completed, SSE would expect to use the proceeds to return value to its shareholders or to invest to create value for shareholders should there be the right opportunity, in a way that would be determined at the time.'

June 2016

Shareholder feedback, post results, was presented to the Board confirming that, SSE considering to sell a stake in SGN was generally well received, as was the intention to return value to shareholders.

July 2016

The 2016 AGM Notice of Meeting included the following wording within the explanatory notes for proposed Resolution 18, Authority to purchase own shares:

This resolution renews the authority that was given at last year's AGM, authorising the Company to purchase its own ordinary shares in the market. In its preliminary financial results statement published on 18 May 2016 SSE stated it has decided to consider the disposal of up to one third of its 50% equity stake in SGN Limited, with any proceeds being used to return capital to, or create value for, shareholders. Should such a disposal take place in the year ended 31 March 2017 one option to return capital to shareholders would be to use this authority, if approved, to purchase SSE's own shares. Such purchases will only be made if the Directors believe that to do so would result in an increase in the Group's earnings per share and would be in the best interests of shareholders generally. In this particular instance this method of returning capital to shareholders could have the advantage of offsetting the EPS reduction resulting from the potential disposal and reducing the total dividend outflow in future years.

This Resolution was approved by shareholders at the AGM with 99.04% of votes cast in favour.

September 2016

The Board were provided with an update on the SGN sale process and confirmed delegated authorities for the potential transaction.

October 2016

The agreement to dispose of a 16.7% stake in SGN to wholly owned subsidiaries of the Abu Dhabi Investment Authority (ADIA) was announced on 17 October 2016, with a headline consideration of £621m. The sale was completed on 26 October 2016.

November 2016

The Board approved delegated authority to the Finance Director to return around £500m of the proceeds to shareholders by way of an on-market share buy-back, expected to complete by December 2017.

The Board approved that the remaining £100m be directed to support the investment in the Stronelairg onshore windfarm development. The Board noted that both uses of proceeds would mitigate the impact of the sale on SSE's Earnings per Share.

The Board approved the announcement of the intended use of proceeds in the Interim Results Statement.

Effective use of case studies to demonstrate the process through which decisions are taken

Organisations should ensure the governance statement sets out the actual activities of the board and its committees in addition to listing out their responsibilities.

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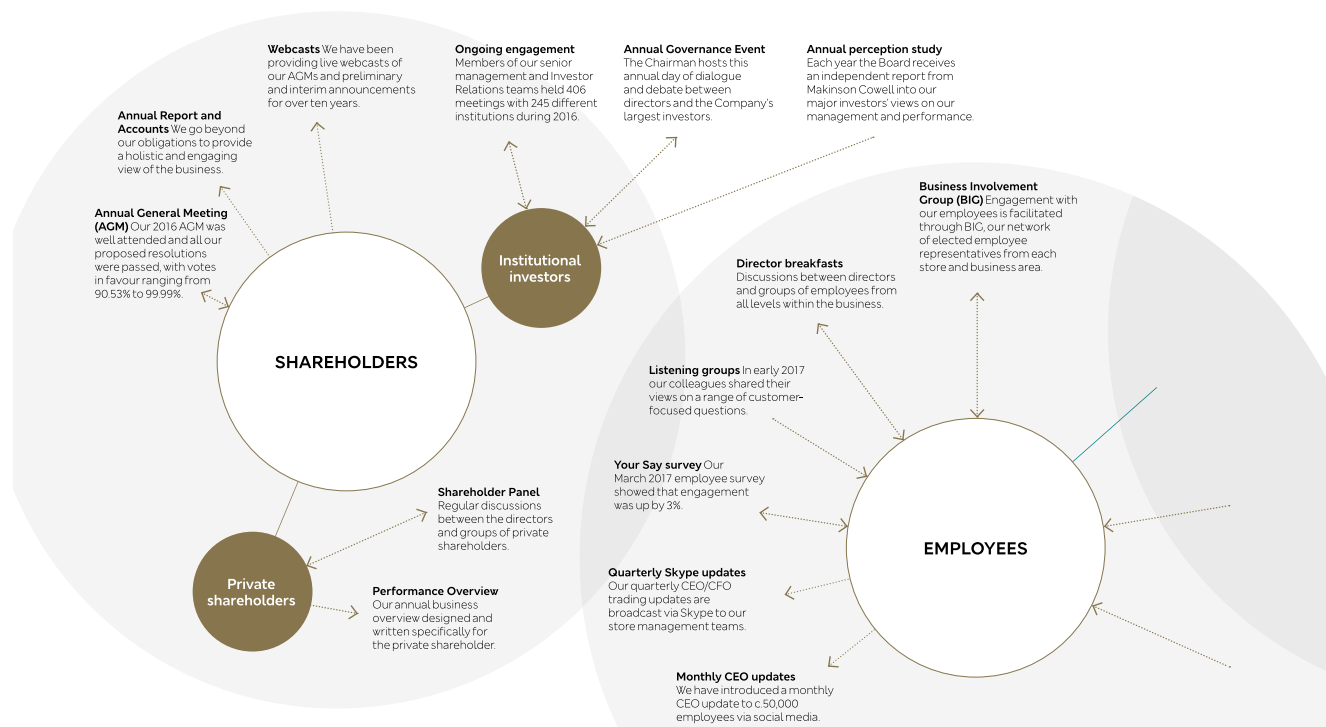
## Engagement with stakeholders

Marks and Spencer 2017, page 44

# OUR STAKEHOLDERS: HOW WE LISTEN & ENGAGE

Our rich network of **stakeholder relationships** upholds the values on which M&S was founded. These remain vital to building a sustainable business.

Clear demonstration of how the organisation engages with its stakeholders



Public sector organisations should consider how best to demonstrate how they are engaging with their stakeholders.

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## What did we look for?

- Quantified KPIs aligned to strategic objectives.
- Balanced assessment of goals achieved and performance against targets.

①

Clear targets set

④

Honesty in reporting of KPIs

②

Strong links to strategic objectives

⑤

Single Departmental Plans

③

Quantification of non-financial objectives



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## Clear targets set

[Liverpool Victoria 2016, page 14](#)

### Britain's best loved insurer

#### To be Britain's best loved insurer

##### Explanation of measure

We use a combination of surveys to assess our performance against our vision to be Britain's best loved insurer.

##### 2016 Target

To be one of the best loved insurers by continuing to rank in the top five for relevant opinion surveys and delivering excellent customer service levels whilst consistently treating the customer fairly.

##### Performance

**1<sup>st</sup>** UK best loved

2015: 1<sup>st</sup> 2014: 2<sup>nd</sup>

UK customer satisfaction index of insurance companies: **1<sup>st</sup>**  
2015: 2<sup>nd</sup>  
2014: 1<sup>st</sup>

YouGov: Most recommended insurer



General insurance customers very/extremely satisfied

##### Commentary

In an independent survey by Research Now of 1,796 customers in the insurance industry, LV= was voted best loved by more of our customers than other brands surveyed.

As well as the results of opinion surveys our best loved vision is demonstrated through the many awards LV= has won during the year including the Moneywise 'most trusted insurer' and The Claims Excellence awards for Customer Care.

##### 2017 Target

Our aim is to differentiate ourselves in the market against competitors based on customer and member satisfaction measured against relevant opinion surveys.

#### Staff engagement

##### Explanation of measure

Our people are a major differentiator for LV= and are crucial to delivering our best loved vision so it is important they are engaged with the work we do.

##### 2016 Target

Focus on retaining engagement scores at or above the UK high performing organisations norm of 83% as defined by Willis Towers Watson, a global HR consultancy.

##### Performance

**83%** engagement

LV= engagement 2016: 83%

UK high performing organisations norm 2016: 83%

LV= engagement 2015: 86%

UK high performing organisations norm 2015: 81%

LV= engagement 2014: 85%

UK high performing organisations norm 2014: 78%

##### Commentary

Despite a marginal drop since 2015, LV= has continued to demonstrate strong levels of staff engagement, matching those of high performing organisations, and exceeding those of UK financial services organisations norm by 7%.

##### 2017 Target

Focus on retaining 'sustainable engagement' scores at or above the UK high performing organisations benchmark as defined by Willis Towers Watson.

Achieved target   
Progressing towards target   
Missed target

Targets set are clear and there is an explanation of how they are measured

Targets are set in advance of the next financial year, aiding accountability



Organisations should ensure that they report on progress made against targets set in previous annual reports, to enable users to easily monitor developments and hold the organisation accountable.



### USER FRIENDLY EXAMPLE

The key helps users to determine whether a target has been achieved or not.

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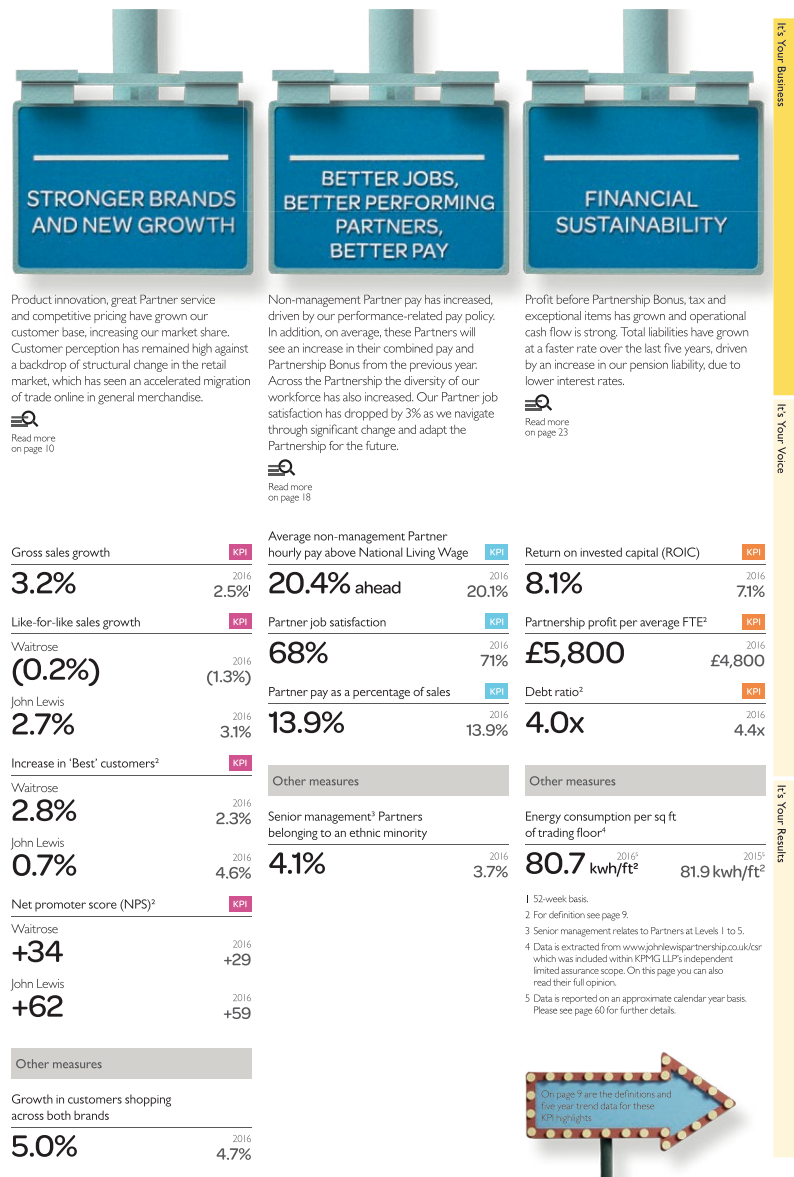
## People

## External drivers

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## Strong links to strategic objectives

John Lewis Partnership 2017, page 5



KPIs are quantified and clearly linked to strategic objectives

Financial and operational KPIs should be appropriately balanced across strategic objectives according to priority.

**USER FRIENDLY EXAMPLE**

John Lewis clearly signpost where a user can find more information if they wish.

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## Quantification of non-financial objectives

Marks and Spencer 2017, page 19

KEY TO RESOURCES & RELATIONSHIPS AFFECTED

Financial Our Products & Channels Our Intellectual Capital Our People Our Stakeholders Natural Resources Linked to remuneration

Read more in the glossary of alternative performance measures on p133-134

NON-FINANCIAL OBJECTIVES				
OBJECTIVE	KPI	2016/17 PERFORMANCE		
Engage, serve and retain our customers	<b>FOOD</b> Total number of UK Food customers per year and average number of shops per customer resulting in a purchase across all UK shopping channels.	TOTAL CUSTOMERS <b>20.5m</b> +0.4m	AVERAGE NUMBER OF SHOPS PER YEAR <b>22.5</b> Level	Our convenient, special and different food and our continued Simply Food store opening programme continue to draw customers in.
	<b>CLOTHING &amp; HOME</b> Total number of UK Clothing & Home customers per year and average number of shops per customer resulting in a purchase across all UK shopping channels.	TOTAL CUSTOMERS <b>24.6m</b> -0.1m	AVERAGE NUMBER OF SHOPS PER YEAR <b>7.2</b> -5.3%	We are still in the recovery phase of our plan for Clothing & Home. We grew the number of customers shopping through M&S.com but this was more than offset by a decline in customers in our stores.
Foster a skilled, motivated and engaged team	<b>EMPLOYEE ENGAGEMENT</b> Engagement is a key driver of performance. Our Your Say survey looks at the key drivers of employee engagement such as pride in M&S and our products, feelings about M&S as an employer and the role of line managers.	<b>81%</b> +3%		The annual survey was completed by 80% of employees. Employee engagement results were positive and up on last year.
Source products with integrity	<b>PRODUCTS WITH A PLAN A QUALITY</b> This is a quality or feature regarded as a characteristic or inherent part of a product which has a demonstrable positive or significantly lower environmental and/or social impact during its sourcing, production, supply, use and/or disposal.	<b>79%</b> +6%	 M&S products 2019/16 73% 2020 target 100%	This represents an improvement of 6%. Our target is to have at least one Plan A quality in all M&S products by 2020.
Efficient and responsible operations	<b>GROSS GREENHOUSE GAS EMISSIONS</b> Total gross CO <sub>2</sub> e emissions resulting from M&S operated activities worldwide.	<b>526,000 CO<sub>2</sub>e</b> -7%		We achieved a 7% reduction, mainly through lower carbon UK grid electricity. We also maintained our position of carbon neutrality (zero net emissions) by sourcing renewable energy and carbon offsets.
	<b>GROSS GREENHOUSE GAS EMISSIONS PER 1,000 SQ FT</b> Total gross CO <sub>2</sub> e emissions per 1,000 sq ft resulting from M&S operated activities worldwide.	<b>26 tCO<sub>2</sub>e/1,000sq ft</b> -10%		We achieved a 10% per sq ft improvement, mainly through lower carbon UK grid electricity. This has contributed towards the 7% reduction in total gross emissions.

Non-financial KPIs are quantified and the movement against the prior year is clearly stated to enable a reader to track progress

### USER FRIENDLY EXAMPLE

Icons are used to link KPIs to key resources and relationships.

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## Honesty in reporting of KPIs

Go-Ahead 2017, page 32

### Society

#### Running our companies in a safe, socially and environmentally responsible manner

##### What are our key performance indicators (KPIs)?

Our society KPIs relate to the safety of our colleagues, our customers and other road users, as well monitoring the detrimental impact of carbon emissions from our operations on the environment.

We measure the number of railway signals passed at danger (SPADs), which is similar to driving through a red light. While every SPAD is treated as a serious incident, most occur have little or no potential to cause harm and are the result of minor misjudgements of braking distance. The number of bus accidents which result in a notification to a claims handler is closely monitored, including cases where we are not at fault. The reporting of both SPADs and bus accidents is weighted to every million miles we operate. Measuring and reporting RIDDOR accidents is a statutory requirement for all companies relating to work place incidents. The safety of our people is very important to us, making this one of our society KPIs. As the metric relates to the safety of our colleagues, it is weighted to every 100 employees.

While Go-Ahead's activities help to reduce the number of cars on the road, we aim to improve the detrimental impact our operations have on the environment. We monitor all the energy used within our operations and calculate CO<sub>2</sub> emissions resulting from this use. To establish the impact of each journey taken, we weight this metric by passenger journeys.

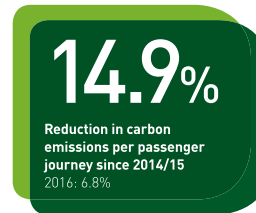
##### Why is it important?

Our safety indicators help us measure performance against our commitment to provide a safe and positive travel experience for our bus and rail passengers, a safe working environment for our colleagues and to minimise risk to the general public. Good performance in these areas can also reduce cost through lower insurance claim charges.

Through our environmental metric we monitor our performance against our commitment to improve energy efficiency, contribute to government and local authority carbon reduction targets and provide a greener way for our passengers to travel. Good performance in this area also reduces cost through fuel efficiency.

##### What are the risks?

Poor performance against our three safety KPIs would impact our objectives to run our companies in a safe manner. Failing to provide a safe working environment for our people goes against our goal to be an employer of choice. Key risks associated with poor performance in these areas include impact on operational performance, reputational risk, higher insurance claim costs and employee relations issues, including low satisfaction and productivity. Risks associated with poor performance against our environmental KPI include failure to meet government targets to tackle climate change, reputational risk and higher fuel costs; all impairing our ability to meet the objective to run our companies in an environmentally responsible manner.



##### How did we perform?

We saw a mixed performance against our society KPIs with improvements in two of the four measures. Performance improved for RIDDOR accidents per 100 employees and carbon emissions per passenger journey, but declined slightly in SPADs and bus accidents per million miles.

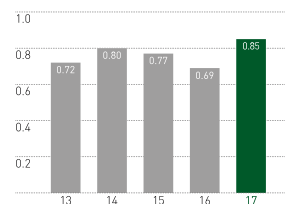
While our services contribute to improving air quality offering a less environmentally harmful alternative to car travel.

We take our responsibility for the safety of our customers and our people very seriously.

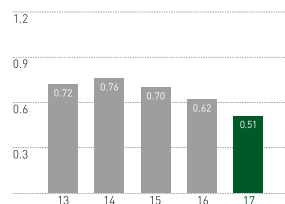
We ensure our employees have the necessary equipment and training to do their jobs properly and safely. We investigate every accident and encourage accurate and timely reporting of all incidents. Driving behaviour is monitored and initiatives are undertaken to improve standards of driving to minimise the likelihood of bus accidents and improve fuel efficiency.

#### Honesty around KPIs that have not been met

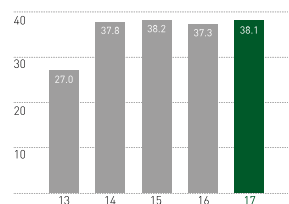
SPADs per million miles



RIDDOR accidents per 100 employees



Bus accidents per million miles



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## Single Departmental Plans

HMRC 2016-17, page 49

- Commitment on track or complete
- Some risk to delivery
- Commitment not on track

Status Single Departmental Plan commitment

### Maximise revenues due and bear down on avoidance and evasion

- We will raise an additional £5 billion a year by 2019-20 by tackling tax avoidance and aggressive tax planning, evasion and compliance, and by addressing imbalances in the tax system.  
We need additional people to deliver this commitment and we are recruiting compliance staff. Delivery is reliant on the timely take up and training of these new recruits to being fully productive. It is also dependent on OBR economic forecasts.
- We will ensure global companies pay their fair share in tax by supporting the government's leading role in the reform of international tax rules.
- We will review the international country-by-country tax reporting rules and consider the case for making this information publicly available on a multilateral basis.
- We will support the government in making it a crime when companies fail to put in place measures to stop tax evasion in their organisation, making sure that penalties are large enough to punish and deter.
- We will ensure developing countries have full access to global automatic tax information exchange systems and continue to build the capacity of tax authorities in developing countries.
- We will deliver additional compliance revenues through our compliance and enforcement activity of £27 billion in 2016-17.
- We will increase the number of criminal investigations that HMRC can undertake into serious and complex tax crime, focusing particularly on wealthy individuals and corporates, with the aim of increasing prosecutions in this area to 100 a year by the end of the Parliament.  
We need additional senior tax professionals to deliver this commitment. Delivery is reliant on the timely take up and criminal justice training of these recruits to being fully productive.
- We will continue to identify and prevent losses in the tax credits system so that error and fraud is no more than 5% in 2015-16 and 2016-17 as we support the transition to Universal Credit  
The loss of additional capacity from Concentrix means we forecast we will not deliver the 5% error and fraud target for 2016-17. Looking forward, we have made a number of changes to our processes for our 2017 compliance campaigns that are designed to improve the customer journey.

HMRC used a traffic light system to demonstrate progress against commitments



Demonstration of progress against commitments made in a department's Single Departmental Plan is important for accountability. Other public sector organisations could consider reporting against wider commitments which are relevant to them.

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## What did we look for?

- An understandable and fair reflection of financial performance which is consistent with the underlying financial statements.
- Discussion of actual performance against expected/budgeted performance.

①

Where the organisation spent its money

④

Analysis of the financial statements

②

Comprehensive overview of expenditure

⑤

Understandable trend analysis

③

Explanation of budgets

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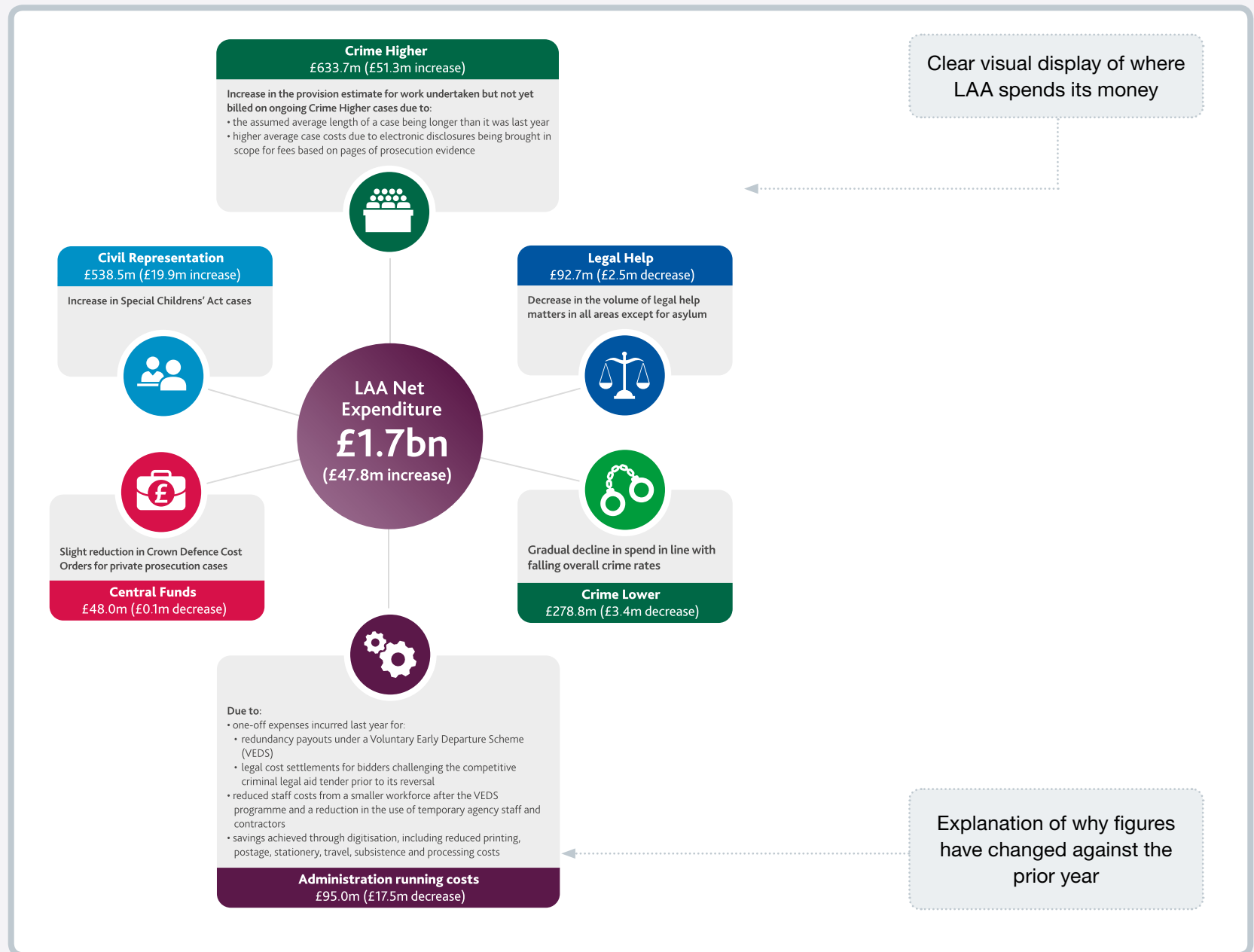
## People

## External drivers

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## Where the organisation spent its money

Legal Aid Agency 2016-17, page 18





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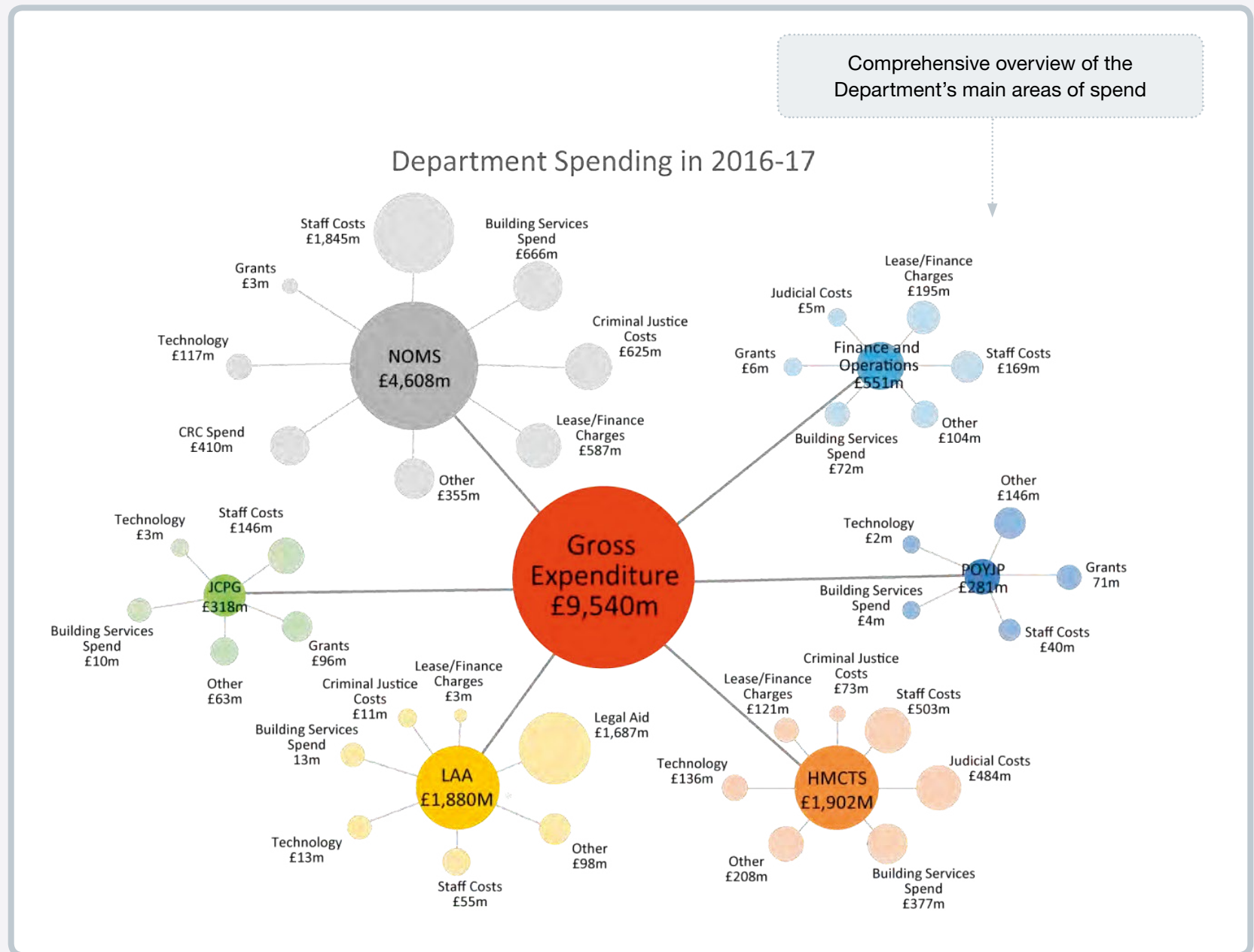
## People

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## Comprehensive overview of expenditure

Ministry of Justice 2016-17, page 9





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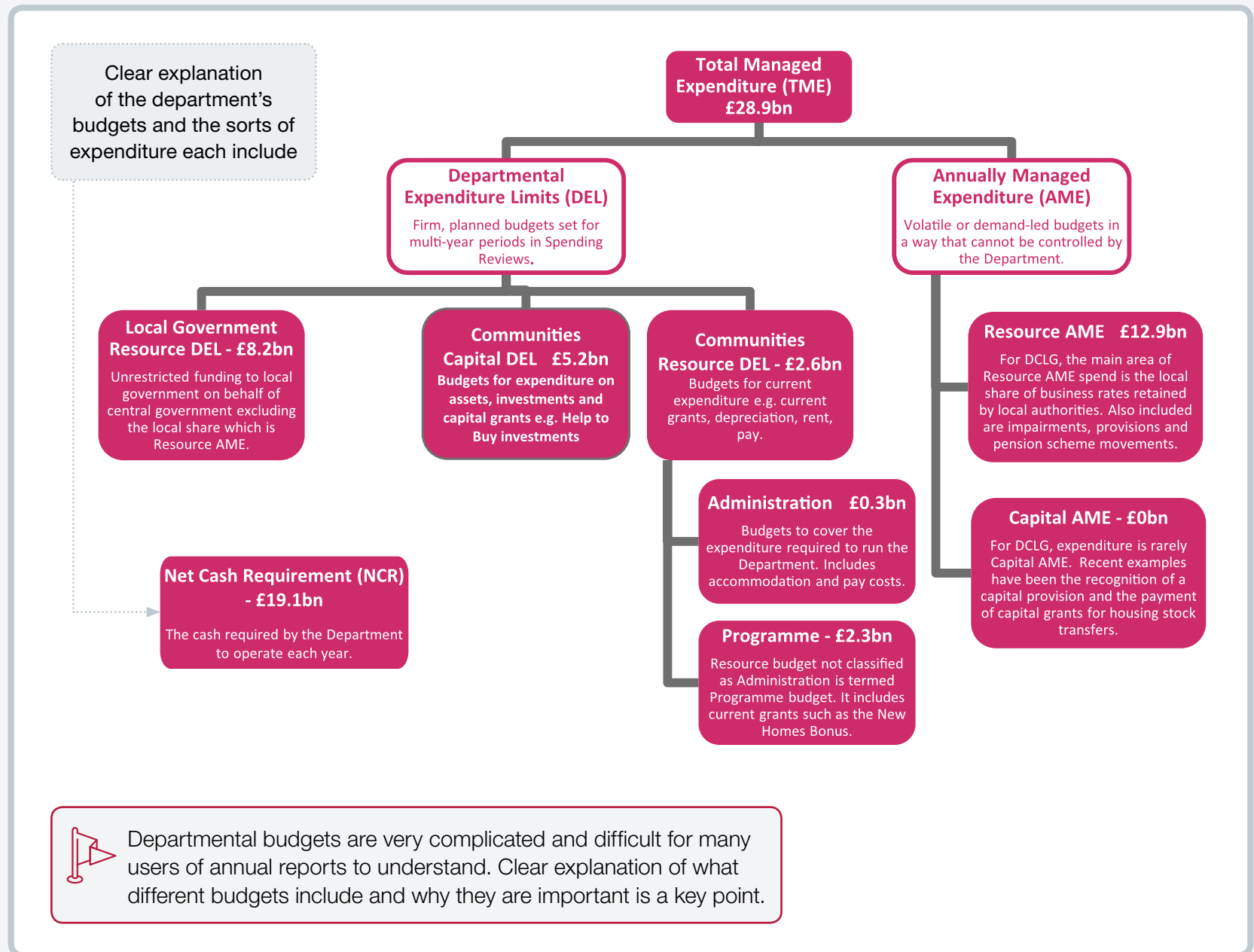
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## Explanation of budgets

Department for Communities and Local Government 2016-17, page 61 (Ministry of Housing, Communities & Local Government as of January 2018)



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## Analysis of the financial statements

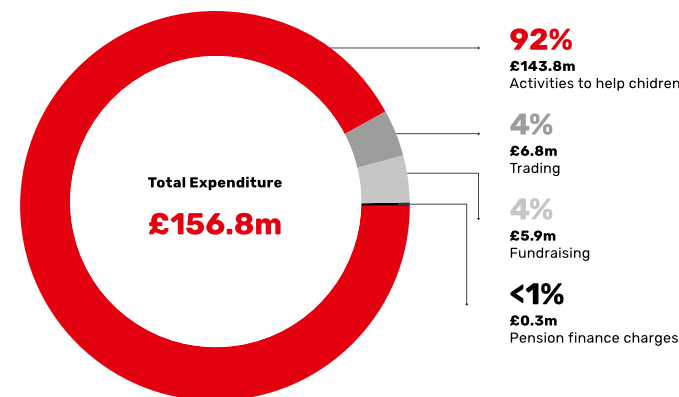
Action for Children 2016-17, pages 28-29

### Summary 2016/17 results

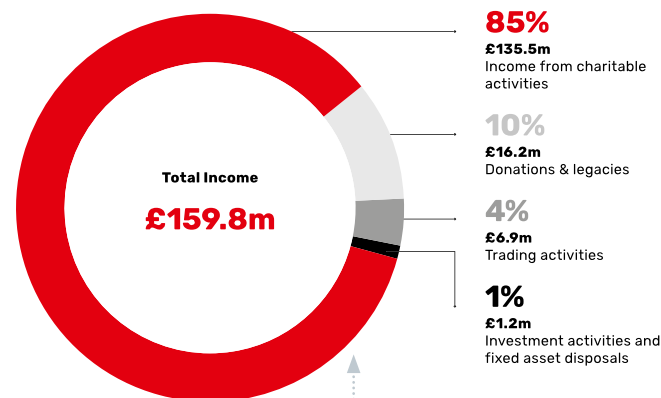
	2016/17	2015/16
	£m	£m
Income from donations and legacies	16.2	18.1
Income from trading	6.9	-
Investment income + fixed assets disposal	1.2	1.4
Income from charitable activities	135.5	141.3
<b>Total income</b>	<b>159.8</b>	<b>160.8</b>
Expenditure on raising voluntary income	(5.9)	(6.9)
Expenditure on trading	(6.8)	-
Expenditure on charitable activities	(143.8)	(148.8)
Pension finance charge	(0.3)	(1.4)
<b>Total expenditure</b>	<b>(156.8)</b>	<b>(157.1)</b>
<b>Net income for the year</b>	<b>3.0</b>	<b>3.7</b>
Gain/(loss) on investment valuation **	6.4	(0.4)
Actuarial on pension liability	(10.0)	29.0
<b>Net movements in funds</b>	<b>(0.6)</b>	<b>32.3</b>

Notes: \*\* In the SOFA included in net income

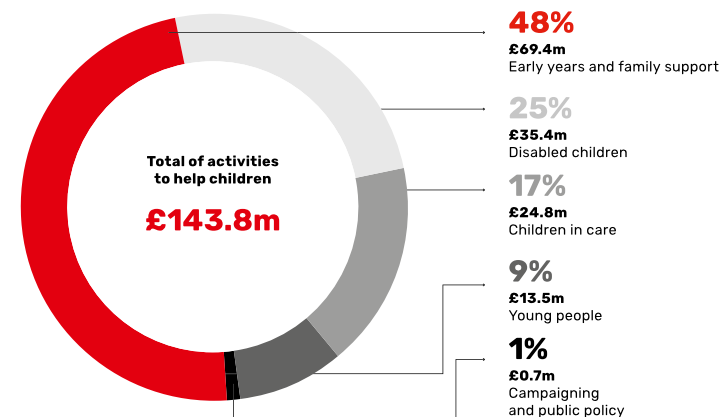
### Our expenditure breakdown in 2016/17



### Our income breakdown 2016/17



### Breakdown of expenditure on activities to help children in 2016/17



Financial analysis links back to the financial statements

Clear breakdown of income and expenditure by type



The financial performance section of the annual report should complement the financial statements by providing a strong, visual analysis of the financial performance of the organisation.

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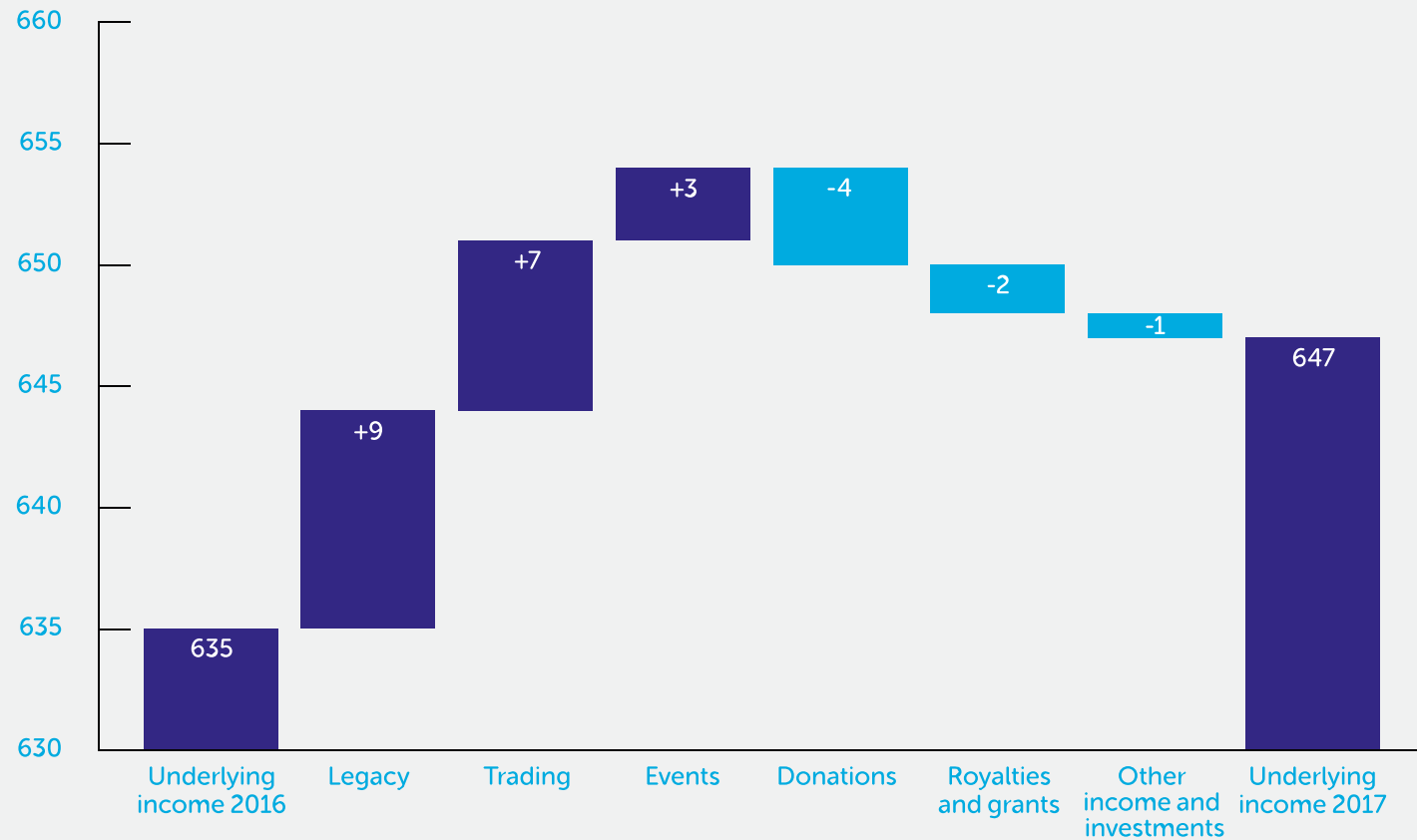


Understandable

## Understandable trend analysis

[Cancer Research 2016-17, page 30](#)

### UNDERLYING INCOME GROWTH (£M)



Clear demonstration of changes in income compared to the prior financial year, demonstrating the drivers of change.

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## What did we look for?

- Discussion and quantitative analysis of people factors in the organisation.
- Details of equal opportunities and diversity in the organisation.

①

Staff numbers

②

Staff sickness

③

Employee engagement

④

Equality, diversity and inclusion

⑤

Health and safety

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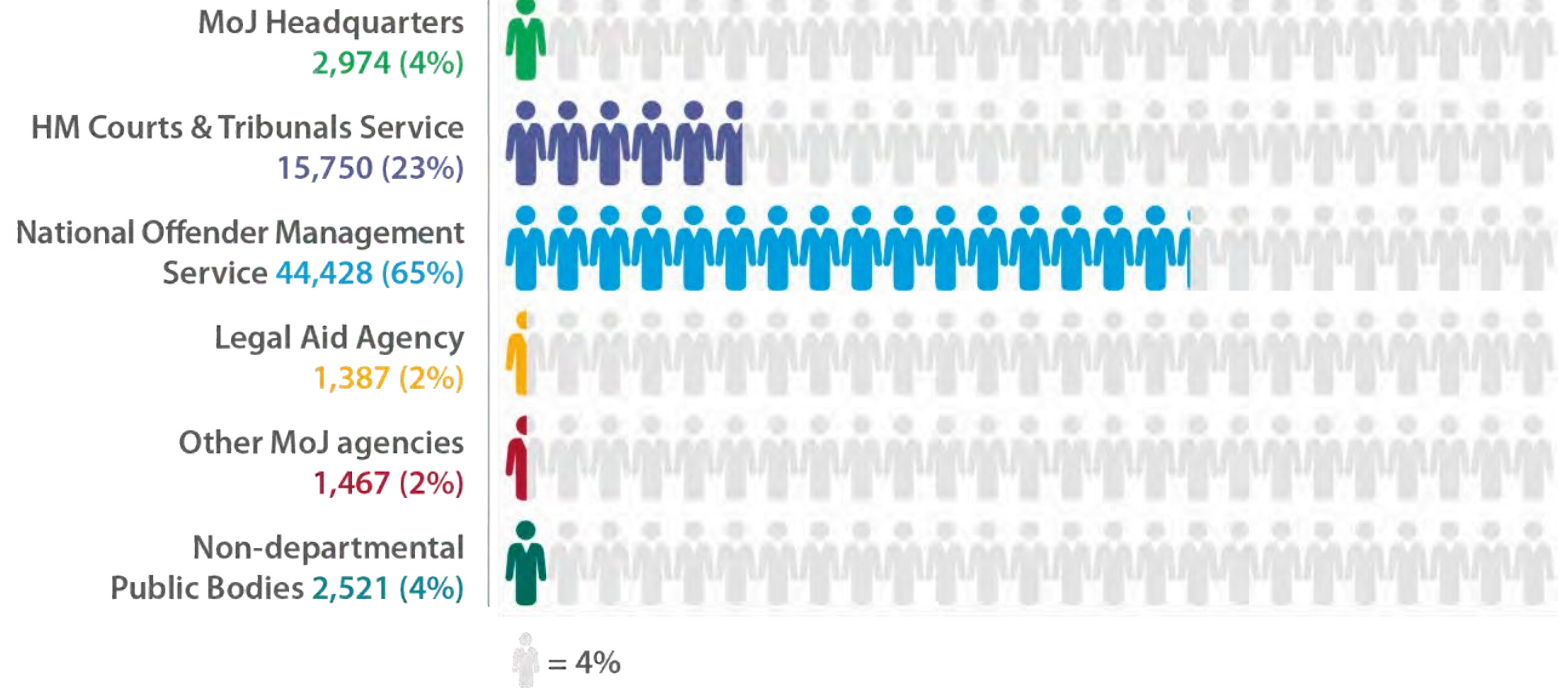
## External drivers

## Understandable

## Staff numbers

[Ministry of Justice 2016-17, page 66](#)

## Average number of staff employed



### USER FRIENDLY EXAMPLE

Creative way of illustrating the percentage of staff employed in each of the components of the Ministry of Justice group.

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## Staff sickness

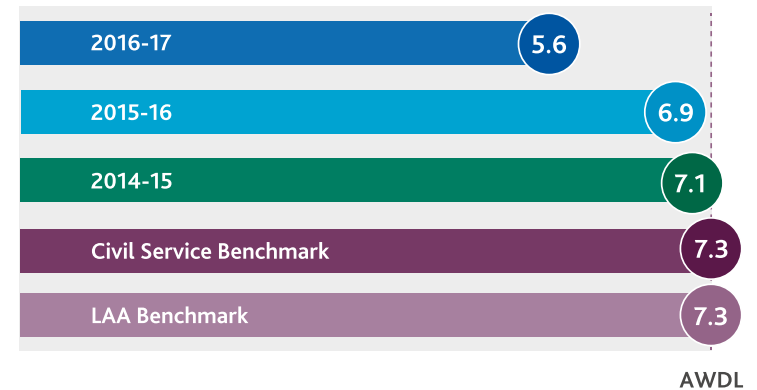
[Legal Aid Agency 2016-17, page 54](#)

### Sickness absence data

Average working days lost (AWDL) is regularly monitored and reported monthly to the Board. We have continued to improve our AWDL and have made significant improvements compared to last year and against targets.

Comparison to Civil Service Benchmark

Clear demonstration of performance against target





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## Employee engagement

Go-Ahead 2017, page 36

## Our people

### Striving to be a leading employer

Go-Ahead links their people to strategy, key performance indicators and risk

The importance of staff is clearly set out

Key data sets over a five year period presented as graphics to support the wording above

### What are our key performance indicators (KPIs)?

Our people KPIs measure how engaged our people are through annual independent employee surveys conducted across our businesses. We also measure employee absence by the percentage of scheduled hours not worked due to unplanned absence from work and monitor employee turnover, which is measured by the percentage of employees who leave the business in the year.

### Why is it important?

Go-Ahead strives to be a good, respected employer and we appreciate the experience and opinions of our people as well as insights we gain from their feedback. Whenever possible, we make changes based on feedback, to build trust and foster an environment where employee opinion is valued. In addition to making Go-Ahead an attractive place to work, we believe high levels of employee engagement contribute to the success of the Group.

High levels of absenteeism and turnover could be reflective of low levels of staff satisfaction and engagement. By monitoring levels of absence, we can identify areas of the business with potential employee relations issues or employee shortages. Monitoring this also helps us with our resource planning and allocation.

### What are the risks?

Low levels of employee engagement could result in reduced productivity and higher levels of absence or employee turnover, all of which would have an adverse impact on resource planning across the business.

Employee shortages could impact our ability to deliver our services at the frequency, level of punctuality and standard we aim to achieve. It potentially puts additional pressure on colleagues in the workplace and impacts employee morale, engagement and stress levels. There is a significant cost to the business of absenteeism; the national estimated average cost of an absent employee is £522 per year (CIPD 2016 survey).

### How did we perform?

We've seen strong performance across our people KPIs with improvements against every metric.

Employee engagement scores increased in both bus and rail divisions, and absenteeism and employee turnover decreased slightly.

Absenteeism improved despite unprecedented levels of absence at GTR in the year, which we believe to be connected with the industrial dispute.

We have achieved higher employee engagement scores across bus and rail. All our bus businesses delivered improvements, with increases in engagement as great as 18ppts in some businesses, demonstrating the value in our culture change programme.

Both our employee absenteeism and turnover went down this year which reflects the higher levels of employee engagement across the Group.

### What are we targeting?

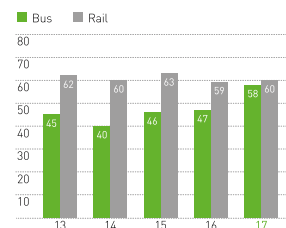
All our bus and rail companies set their own challenging targets to increase levels of employee engagement. Overall, our aim is to improve our levels of engagement each year, remaining above the average for large businesses.

We aim to achieve low levels of absenteeism, below the national average whilst maintaining consistently low levels of employee turnover.

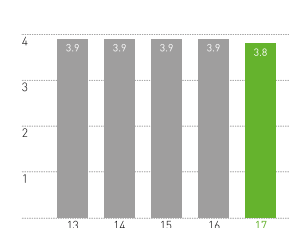
# 29,000

Total employees  
2016: 27,500

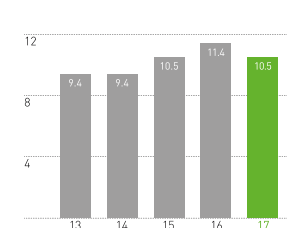
Employee engagement index (%)



Absenteeism (% of working hours)



Employee turnover (%)



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## Equality, diversity and inclusion

[Highways England 2016-17, pages 54 and 56](#)

### Clear demonstration of actions taken for workforce

For our own workforce, we have:

- used the early talent (graduate and apprenticeship) programmes to fill critical resource gaps sustainably and reached under-represented groups to improve our diversity in the process
- delivered performance management training to managers, which included a session on building an inclusive culture
- expanded our staff networks. In addition to our national leading women's network, regional forums have formed. Our access for all disability group now consists of seven regional groups and measures are in place to develop a Lesbian, Gay, Bisexual and Trans (LGBT) group
- continued to support our inclusion agenda through a number of initiatives, such as Time to Talk Day, Black History Month, and LGBT History Month
- introduced a new accessibility policy for our buildings and have improved the reasonable adjustments policy
- signed up to the Government's disability confident scheme. We were also awarded a 'disability confident committed' status in recognition of how we strive to recruit and retain disabled people
- undertaken an independent review of our recruitment process to identify changes that can be made to enhance equality

### Consideration of equality and diversity from a customer perspective

#### Equality, diversity and inclusion

Increasing diversity and inclusion to promote equality is important to us. We have made progress in delivering actions in support of our public sector equality duty and our related objectives focusing on customers and communities, the supply chain and employment.

Over this year, we have worked with our supply chain and the wider industry to:

- identify best practice and to develop a toolkit to help those involved in scheme delivery to consider disability and accessibility. These workshops are a precursor to piloting the material during 2017 on selected schemes
- use our strategic alignment review tool (StART) in the pre-qualification process for certain high-value contracts and have assessed a number of our core suppliers on how they consider the diverse needs of customers and communities when making decisions, as well as how they attract a diverse workforce and create inclusive working cultures
- introduce our new collaborative performance framework to monitor how suppliers working on our projects are meeting contractual requirements, including evidencing good diversity practice



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## Health and safety

[Department for Communities and Local Government 2016-17, page 56](#)

### Health and Safety and Attendance Management

The Department's safety performance has remained strong during 2016-17. No accidents were reported to the Health and Safety Executive under Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (RIDDOR) in 2016-17 (none in 2015-16). The Reportable Accident Rate was calculated as 0 per 100,000 employees. A total of three accidents were reported by employees in 2016-17, against 10 in 2015-2016.

The Department's sickness absence has improved in 2016.

Disclosure of health and safety  
statistics increases transparency



Organisations should ensure they have a clear statement  
on compliance with health and safety procedures.

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## What did we look for?

- Consideration of the external drivers that influence and impact on current objectives and performance.

①

Demonstrating the impact  
of external drivers

②

How external circumstances  
are mitigated

③

How organisations can  
influence external factors

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## Demonstrating the impact of external drivers

SSE 2017, page 39

## Managing the impact of the weather on SSE

The operational performance of SSE's businesses is affected by the weather. It impacts the production of renewable energy (Wholesale), the operation of the transmission and distribution lines (Networks) and the amount of gas and electricity used by consumers (Retail).



+0.7°C

temperatures were above the 1981-2010 mean temperature for the UK



-13%

reduction in average rainfall in the North of Scotland, compared to the 1981-2010 average



-0.3m/s

wind speeds in 2016/17 were below the long-term average

Overall 2016/17 was warmer than the previous year, however winds speeds and rainfall in the North of Scotland were below long-term averages. This has implications for customer demand, renewable energy output and hydro-electric output.

Whilst the weather is not a principal risk to SSE in itself, it is of course an important contributor to business performance that is strongly interconnected to identified Principal Risks such as Energy Affordability and Commodity Prices. Given its impacts, SSE closely monitors short and long term weather conditions so that it is able to manage and respond to conditions in an appropriate manner for the benefit of customers and to support the fulfilment of its business objectives. This includes:

- predicting how forecast temperatures may affect customers' demand for gas and electricity, and whether daily fluctuations in temperature require a response from SSE's generation assets;
- forecasting the temperature to inform how SSE's energy portfolio managers buy power and gas in advance, thereby improving SSE's procurement;
- determining short-, medium- and long-term wind forecasts and the electricity generation output from renewable generation assets;
- assessing how rainfall patterns could impact SSE's hydro-electric generation output and storage capabilities; and
- preparing for how extreme weather, such as high winds or excess rainfall, could impact the resilience of the transmission and distribution assets that SSE's customers rely on.

Concise explanation of how specific types of weather affect the business and its operations

### Rainfall



Rainfall directly affects hydroelectric generation in the north and west of Scotland.

A total of 1503.4mm of rain fell in the North of Scotland during the year which is 87% of the 1981-2010 average. Over the period October to March rainfall was below average in North of Scotland for 5 of the 6 months. As a result, SSE's hydro-electric assets saw their output decrease to 3,101GWh compared to 4,074GWh in the previous year.

### Wind



Wind speeds drive renewable generation but excess can limit capacity and damage networks.

While GB wind speeds in 2015/16 were very close to the long-term average (over 1981-2010), they were 0.3m/s below the average in 2016/17. Wind speeds were down compared with the previous year due to a change in the positions of the high and low weather pressure systems. These less windy conditions resulted in a decrease in output of electricity from SSE's wind farms.

### Temperature



Temperatures can significantly impact total demand for energy.

2016/17 was warmer than the previous year with average temperatures 0.7°C above the 1981-2010 average. The mean temperature in the UK over the year was 9.5°C, which is higher than the 9.2°C in the previous year. Whilst overall it was warmer there were several months in which the temperature was significantly colder. This impacts the trends in household energy demand.

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## How external circumstances are mitigated

[Bakkavor 2016, pages 26 and 27](#)

High level overview of the main external factors which may affect future operations

## KEY RISKS

The successful management of eight key risks is vital to the day-to-day running of our business and our ability to meet our strategic goals.

The risk environment around our businesses is under constant review, particularly in response to external factors. In the UK, for example, the decision to leave the European Union could have impacts in a number of areas, including input pricing, labour costs and sourcing, economic activity and consumer confidence.

We will look to mitigate possible future impacts by: developing initiatives to reassure and inform our workforce; investing to enhance capacity and automation; working transparently with our strategic customers; and introducing new recruitment models.

In addition an important mitigating strategy is to continue to run our operations in accordance with our values, which are the foundation upon which our business is built. We ensure we do so with a robust governance framework, clear accountabilities, and rigorous audit processes.

### RISK DESCRIPTION AND IMPACT

### HOW WE MITIGATE OUR RISKS

### DEVELOPMENTS DURING 2016

A feature in the risk register shows a strong level of awareness with steps on how they plan to mitigate the impact

#### Input cost and wage inflation ↑

The Group's cost base and margin can be affected by changes in the cost of labour, raw materials, packaging and energy. Increases in raw material prices and labour costs adversely affect individual product margins. An inability to pass on these cost increases within a reasonable timeframe impacts the Group's profit and future investments.

- Central procurement team focuses on achieving balance between price, quality, availability and service levels.
- Forward purchasing agreed and price variations passed on where possible.
- Continued focus on cost reduction and productivity enhancements.

- Introduced more transparent pricing with our strategic customers.
- Finalised our exit from lower-margin businesses.
- Ongoing investment in automation and plant equipment to enhance efficiency.
- Introduction of National Living Wage in UK puts additional pressure on labour costs.

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## How organisations can influence external factors

Action for Children 2016-17, pages 10-11

Action for Children demonstrated how their work improves the lives of children they have worked with

**In a world where one thing often leads to something worse, we prove how it can lead to something much, much better**



**By helping children in the UK from before they are born until they are young adults.**

**71%**

of children experience a better family life because structure and routines are established including mealtimes, bedtime and getting to school

**71%**

of children and young people improved their mental health

**By insisting that every five year old gets a fair chance at school.**

**81%**

of five year olds have improved their ability to achieve at school

**By helping parents and keeping families together.**

**94%**

of children at risk of going into custody or care continue to live at home with our Multisystemic Therapy (MST) programme

**By providing short breaks and care for children and families.**

**79%**

of disabled children were more able to manage their own behaviour

**By acting to stop neglect.**

**By giving children caught up in domestic violence a way out.**

**71%**

of children have been protected from domestic violence

**70%**

of children have warmer and more supportive relationships with parents and carers

**74%**

of children feel more secure by parents or carers setting more effective boundaries

**By providing loving fostering and adoptive homes.**

**97%**

of children and young people say that living with our foster carers has helped to improve their lives

**By making life better for disabled children.**

**87%**

of disabled children develop stronger practical life skills

**By helping young people out of trouble and into education and jobs.**

**73%**

of young people go onto further employment, education or training

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## What did we look for?

- Use of plain English, graphics and appropriate layout to enable the user to understand and gauge the importance of the information presented.
- Clear structure to help users navigate the annual report.
- Concise summaries with links to further information as required.
- Use of different mediums to provide information.

①

Annual report on a page

②

Innovative use of media

③

Clear and consistent key to help navigate the annual report

④

Concise summaries

⑤

Frequently asked questions

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# Good practice in annual reports 2016-17

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### The NAO and the Building Public Trust Awards

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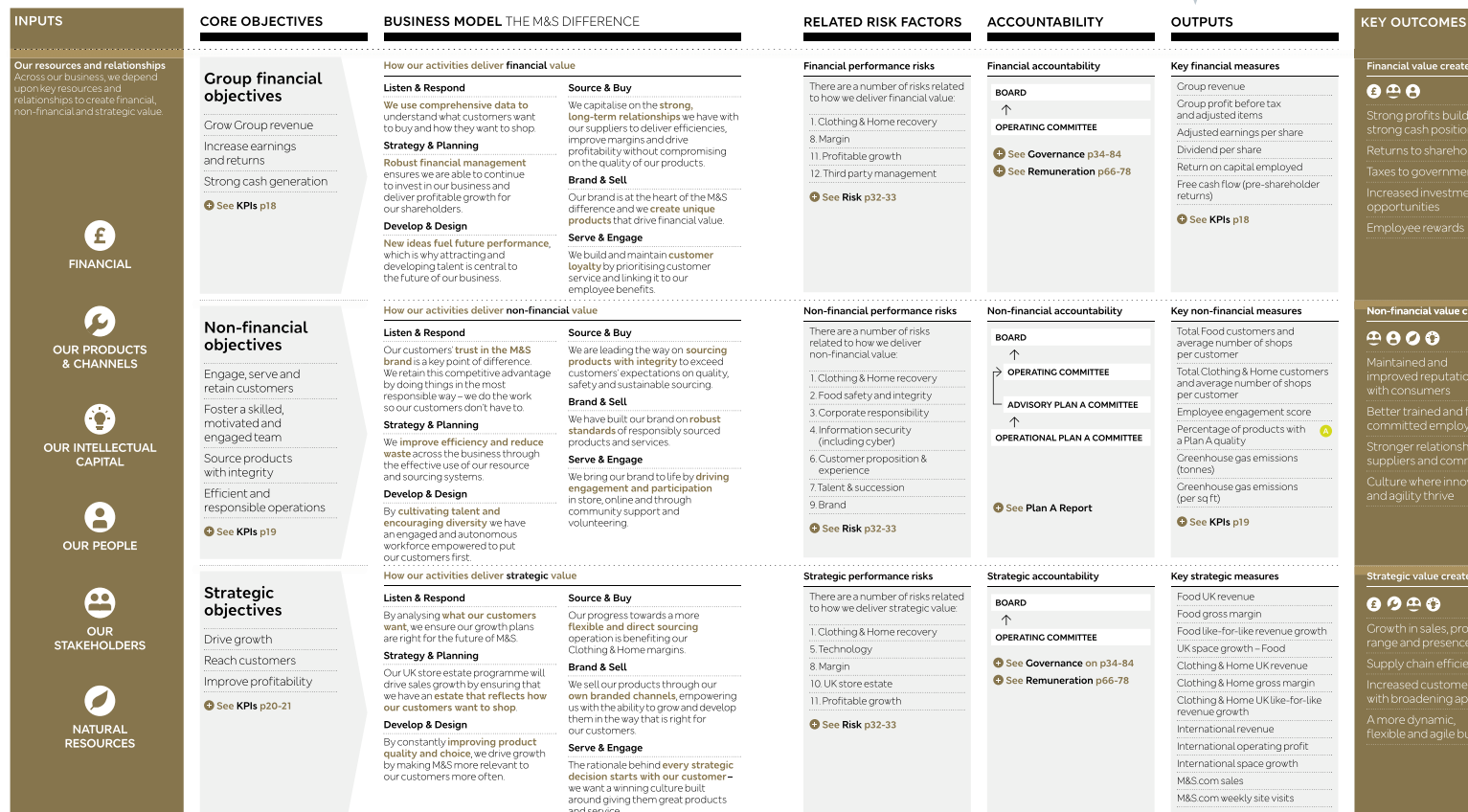


Understandable

## Annual report on a page

Marks and Spencer 2017, pages 14-15

Marks and Spencer summarised the key  
aspects of the annual report on a page



Summarising the annual report on a page can be a useful way of demonstrating what an organisation's objectives are, how these are measured and what its main risks are. It is also a good way for the user to navigate the annual report, as if they want more information they can just follow the links.

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## Innovative use of media

### John Lewis Partnership 2017

## Investing in Home Design

Holly Turnbull is a Home Design Stylist at John Lewis Newcastle. Holly's role involves consulting with customers by appointment, developing bespoke interior design schemes for their homes. John Lewis has been working to strengthen its home offer, with a number of key developments in 2016/17. Holly explains: "In Home, this year we've launched our new Design Project range: a collection of beautifully designed pieces from our in-house team. As well as our own brand collections, we've expanded our partnership with brands such as Loaf and West Elm." In addition, our exclusive collaboration on tableware with LEON went into shops in September.

At Newcastle, the "Home Design service plays a big role in strengthening the John Lewis brand," says Holly. "As designers we're able to offer one-to-one advice and inspire customers and that's what I find really satisfying about this job. It's a unique setting: you can come in and speak with your customer, you can show them fabrics and go into a lot of detail in your appointment. It is very much an experience and you build a relationship with them."

In 2016, Holly got the opportunity to complete a course with British Interior Design, developing her design skills further: "That was really fun and exciting to be a part of," she says.

See Holly talk about her own experience via the interactive Annual Report and Accounts [www.johnlewispartnership.co.uk/financials/financial-reports/annual-reports.html](http://www.johnlewispartnership.co.uk/financials/financial-reports/annual-reports.html)



John Lewis published an interactive version of their annual report, including video links explaining more about their business



Using video can be a powerful way of explaining how a business works. Many public sector organisations already have YouTube channels. Adding a link to a video can be a quick and easy way to communicate in a different way and really add value to users.



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## Clear and consistent key to help navigate the annual report

[Marks and Spencer 2017, inside front cover](#)

### ABOUT OUR REPORTING

#### NAVIGATING THE REPORT

Throughout this document a series of icons demonstrate how we've integrated information about our business model with details of our strategy and risk.



PLAN A



RISK



STRATEGY – REMUNERATION LINK



READ MORE

#### REPORTING PERIOD

This year we are reporting on the 52-weeks to 1st April 2017 compared to last year when we reported on a 53-week basis, as every six years an additional week is included to ensure that the year-end date stays in line with the end of March. To provide a meaningful comparison with this year, all financial movements are reported on a 52-week basis, and excluding the 53rd week last year, unless otherwise noted.

**Details of the 53-week comparisons can be found in the Financial Review p26.**

#### ALTERNATIVE PERFORMANCE MEASURES

This report provides alternative performance measures (APMs) which are not defined or specified under the requirements of International Financial Reporting Standards. We believe these APMs provide readers with important additional information on our business. New for this year, we have included a glossary on page 133 which provides a comprehensive list of the APMs that we use, including an explanation of how they are calculated, why we use them and how they can be reconciled to a statutory measure where relevant.

#### PLAN A

Plan A is integrated throughout this report, demonstrating how it is embedded in every part of our business. This makes it easier for shareholders to see how our sustainability programme is creating value in our different divisions. More detailed information is available in our online 2017 Plan A Report at [marksandspencer.com/plana2017](https://marksandspencer.com/plana2017).

#### ONLINE INFORMATION

We have comprehensive financial and company information on our website. To register for notifications, go to [marksandspencer.com/investors](https://marksandspencer.com/investors) and follow the **Electronic Shareholder Communication link**.

Clear key throughout the report showing how the business model links to strategy and risk

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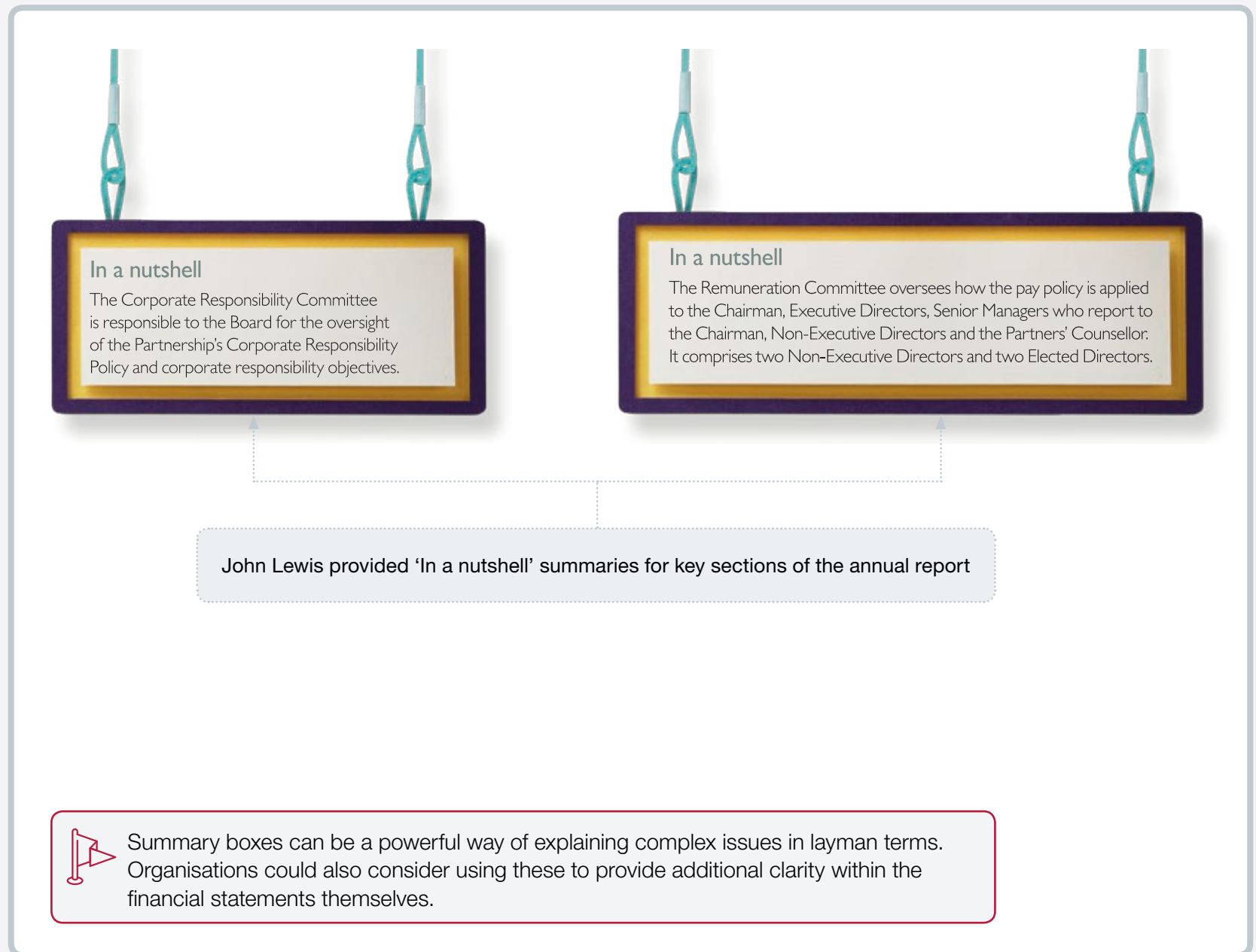
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## Concise summaries

[John Lewis Partnership 2017, throughout](#)





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## Frequently asked questions

[SSE 2017, page 51](#)

## Key questions and answers about SSE's Retail business

FAQ section for each  
part of the business  
setting out the key  
areas a reader may  
be interested in

### How would you describe the performance of the Retail business in 2016/17?

We have to acknowledge that operating profit fell and that we experienced a decline in household energy customer numbers. We are, however, pleased with the positive aspects of performance this year. We have continued to expand our customer propositions, whilst maintaining our good record in customer service. The net loss of customer accounts was the lowest we've seen for a number of years and we showed we can compete successfully for new customers, while also working hard to retain customers in greater numbers. Good progress is being made in our investments in digital, customer-facing systems and in diversifying our products and services. We took the difficult decision to increase standard electricity prices for household customers in GB from April 2017, although were able to hold gas prices. The business faces two prevailing headwinds: regulatory and political scrutiny of energy costs, to which we need to respond as constructively as we can, and the increasingly competitive market.

### Customer account numbers have fallen, so how are you responding to that?

The energy retail market is the most competitive it has ever been and this year switching levels were at their highest rate since Energy UK began its records. There are over 50 suppliers and a range of products and services are available to customers. We don't have a specific target for customer numbers – the market is too complex and fast moving to allow for that. Nevertheless, winning and retaining customers in a fiercely competitive market is central to this business. That's why our focus is on ensuring we are doing the right things to treat customers fairly and to give them what they are looking for in products, service and value.

### Consumer habits and expectations are changing and competition is fierce. How is the Retail business adapting to this?

It's true that the market is changing. Smart metering, faster switching and the increasing connectivity of customers' homes will have a transformative effect. This also presents us with an opportunity to enhance service levels,

drive further engagement and reduce costs. We are digitalising our business to meet the changing expectations that people have about how they want to engage with products such as energy and essential services. Importantly we also have to get the basics right, listening to, and engaging with, our customers; so providing excellent customer service is critical. Our track record in this, notably complaint handling, remains strong and we want to maintain our leadership position in this area.

### What are the growth areas for SSE's Retail business?

We see two prominent areas for growth. Firstly, we want to expand our I&C customer base and build upon the progress we've made in recent years. Secondly, our business is increasingly focused on diversifying into new markets; that's why we're particularly pleased that our Home Services business now has a national presence, and we've now grown to nearly 500k non-energy customers across broadband, telephone and home services. We are targeting further growth in this area as we continue with our strategy of becoming more than a retailer of gas and electricity.

### The price of energy has again risen up the political agenda, with potential government interventions, how is the business managing this risk?

Energy is an essential service and customers, and the affordability of energy, are at the heart of every decision we make. We regret having to take the difficult decision to increase electricity tariffs, but without this increase SSE would have been supplying electricity at a financial loss. At the same time, we also have outlined major plans to engage customers with the products, services and rewards we offer, we continue to take costs out of the business and we work closely with the regulator and our stakeholders on issues affecting customers. Governments should be mindful of the progress the market has made in any interventions they make.

### What does SSE's Retail business do to help vulnerable customers?

As an essential service provider, looking after our vulnerable customers is central to how we operate. That's why we became the first energy supplier in Great Britain to commit publicly to achieving the British Standard for Inclusive Service Provision. This represents the gold standard in recognising and catering for vulnerability. In addition to this, we have a wide range of practical services to help people who are struggling with their energy bills. The key point for any customer who is vulnerable at any time is: if you have any worries or concerns about paying for your energy, get in touch with us. There are many ways in which we can help. One of the initiatives we are particularly proud of is our advisers referring customers for Benefit Entitlements Checks. The outcome of these checks can transform people's lives for the better.

### What are Retail's principal strategic priorities for the year ahead?

We are focused on doing the right things to give customers what they are looking for in terms of products, service and value. The net loss of customer accounts in 2016/17 was lower than in previous years, and our service, programmes of engagement, products and investment in digitalising front-end, customer-facing systems will continue. We also need to fulfil our existing regulatory obligations and work with the regulator on the CMA remedies and other reforms from government to ensure the competitive market works in a way that benefits all customers and, critically, make sure we are well positioned to compete successfully for customers in the future market.

For the full analysis of SSE's Retail business in 2016/17, see the Full-Year Results Statement (2016/17) available on [sse.com](#).

The responses are  
frank enabling a  
user to grasp the  
challenges the  
business is facing



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Network Rail 2017, page 8

A glossary of key terms  
makes complex parts  
of the annual more  
accessible to report users

### Definitions and commentary

#### Safety

**Lost Time Injury Frequency Rate (LTIFR):** The number of injuries among staff and contractors leading to absence from work, per 100,000 hours worked. Although there was a slight reduction in the actual number of injuries (680 in 2016/17, compared to 684 the year before), we narrowly missed our target of 0.447 per 100,000 hours worked.

**Close Calls:** A close call is defined as anything that has the potential to cause harm or damage. We consider a higher number of close calls reported to be a positive indication that staff take their safety responsibilities seriously. 205,555 close calls were reported, significantly exceeding our target of 120,000.

Once a close call is reported, it is assigned to a 'responsible manager' to rectify and close down. 77.2 per cent of calls were closed within 90 days, narrowly missing our target of 80 per cent.

**Passenger safety:** This measures progress against a set of actions to reduce train accident risk. We completed 78.7 per cent of these actions, narrowly missing our target of 80 per cent.

**Level Crossing Risk Reduction:** This measures progress on our top ten milestones to reduce level crossing risk. We achieved six of our top ten milestones, missing our target of 8/10.

#### Train Performance

*N.B. Train performance measures are agreed locally with train and freight operating companies (TOCs and FOCs); the national scorecard reflects the aggregate results for these measures.*

**Public Performance Measure (PPM):** The percentage of all passenger train journeys that arrive on time (within ten minutes of the scheduled arrival time for long distance services, or within five minutes of the scheduled arrival time for commuter services). Only seven of the 24 TOCs achieved the target PPM, resulting in a national score of 19.5 per cent against a target of 50 per cent. Performance varied from route to route, with the LNW route performing best (four of their six TOCs achieved their PPM target).

**Cancellation and Significantly Late:** This measures the number of trains that are cancelled or that are more than 29 minutes late at their terminating station. We missed our national target for CaSL, with only four of our 18 sub-measures met. Again performance varied from route to route, with LNE&EM the best performing against this measure.

**Right Time Arrivals:** This measure looks at whether a specific set of passenger services arrive on time at specific stations. Only one of our 14 sub-measures were met, meaning we missed our national target.

**Freight Delivery Metric (FDM):** This measures how many freight services arrive at their destination on time. We exceeded our national target, with seven of the eight routes achieving their target.

**Others:** Any other performance measure that is not consistent across all routes is included in this category. Scotland met their Right Time Departure measure and Wales met their 'seasonal preparations' measure, but LNE&EM missed their Right Time Departures target for Virgin Trains East Coast and the South East route missed their target on reducing delay minutes.

**All delivery plan enhancement milestones:** This measures progress on all of our enhancement projects at two key points in the project lifecycle - option selection and commissioning. We achieved 73 per cent of our enhancement milestones, missing our target of 80 per cent.

#### Asset Management

**Composite Reliability Index (CRI):** This is a measure of the short-term condition and performance of our assets including track, signalling, points, electrification, telecoms, buildings, structures and earthworks. We achieved 15.8 per cent, exceeding our target of 15 per cent.

**Renewals (seven key volumes):** This measures delivery against budget for seven key types of renewals: plain line track, switches and crossings, signalling, underbridges, earthworks, conductor rail renewal and wire runs. We achieved 94.6 per cent, narrowly missing our target of 95 per cent. Performance varied between different types of renewals, with underbridges and earthworks performing well, while plain line volumes faced a number of challenges.

#### Locally Driven Measures

**People Measure:** Based on the results of our 2015 staff survey, all managers were tasked with creating action plans for their teams. This measure tracks completion of these actions. We achieved our national target, with all eight geographical routes achieving their target for the year.

**Passenger Satisfaction:** This is measured through the National Rail Passenger Survey, commissioned by Transport Focus. The survey runs twice a year, and we then average the result of the two surveys. We failed to meet our national target, with only one route (Western) achieving their satisfaction target.

**Reduction in railway worker complaints:** Each route had a target for the number of complaints we receive from members of the public about our work on the railway. To achieve the target, a route would need to have reduced the number of complaints compared to 2015/16. Only three routes – LNW, Wales and Western – achieved their target, meaning we missed our national target. Complaints about noise were the most common, followed by worker behaviour.

**Other:** This category contains all other measures agreed at a local level, and vary from route to route. 56 per cent of these were met, meaning we met our target of 50 per cent.

#### Glossary of other measures referred to in route scorecards:

##### Reduction in service affecting failures

Percentage reduction in the number of incidents that cause delays that were caused by track, signalling or electrification issues.

##### SPADs

Signals Passed at Danger – when a train passes a stop signal without authority to do so.

##### Right time departures

The percentage of trains departing their station of origin on time or early.

##### Freight track access income

Total revenue from charges paid by freight companies to run trains on the rail network.

##### Customer satisfaction

Measured through quarterly customer 'pulse check'.