HM TREASURY

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15 December 2021

Meg Hillier MP
Chair of the Committee of Public Accounts
House of Commons
London SW1A 0AA

Dear Dame Meg,

Follow up from the Public Accounts Committee meeting on 17 November 2021

During the November 2021 hearing on Net Zero and the COVID-19 cost tracker, the Treasury agreed to respond to the Chair on certain queries with further details, including:

Q109 of the Net Zero hearing: Responding to the Chair, Cat Little said she would double check the timescale for ratifying the new accounting standard that came out of COP

1. In November 2020, the UK Government and regulators published a joint statement welcoming the IFRS Foundation's plan to set up a sister Board to the International Accounting Standards Board (IASB) to produce International Sustainability Disclosure Standards (ISDS). The International Sustainability Standards Board (ISSB) was formally announced during COP26. A prototype of a climate-related standard has been published on the IFRS Foundation's website; and an Exposure Draft of the first standard is expected to be issued in early 2022. The ISSB framework is likely to draw on key principles and pillars from the Taskforce on Climate-Related Financial Disclosures (TCFD) framework, created by the Financial Stability Board.
2. The UK government announced its commitment to mandating use of ISDS by UK companies in Greening Finance: A Roadmap to Sustainable Investing. As part of HMT's Sustainable Finance Bill, BEIS is seeking powers for the SoS to be able to

adopt ISDS for use in the UK. With a successful Bill passage, these should be in place in 2023.

3. BEIS is publishing a consultation in early 2022 seeking views on proposals for the endorsement and adoption of ISDS for use by UK registered companies. The consultation will also seek views on the scope of companies required to report on a mandatory basis. The provisions for the ISDS adoption and reporting framework will be introduced via secondary legislation with a proposed timeline of coming into force in 2024.
4. In central government Sustainability Reporting Guidance (SRG) directs departments and other central government entities on what to report in their annual reports and accounts in respect of sustainability. Its reporting metrics and requirements are linked to the Greening Government Commitments (GGCs). DEFRA recently announced the GGCs for 2021-25 which set out the actions that government departments and their agencies will take to reduce their impacts on the environment. In November 2021, the Treasury published the SRG for 2021-22[1] to incorporate the updated GGCs. The SRG for 2021-22 set out the mandatory reporting requirements as well as further voluntary guidance for central government bodies (e.g. on aligning reporting with the TCFD recommendations).
5. The Financial Reporting Advisory Board (FRAB) advises public sector financial reporting standard setters (including the Treasury in respect of central government) on accounting and reporting standards. The FRAB has recently established a subcommittee to consider the public sector implications of sustainability reporting developments (e.g. ISDSs). The subcommittee has held their first meeting and will publish its work plan and terms of reference.
6. The development of the FRAB subcommittee will provide a valuable source of advice to the Treasury in evaluating developments in UK sustainability reporting and the matters to be considered in the public sector context. The Treasury will update the Committee, once the ISSB approved standards have been issued and considered by the FRAB and subcommittee.

Q46-8 of the COVID-19 cost tracker hearing: Cat Little undertook to consider the Chair's request for HMT to share any outputs from HMT's new contingent liability group charged with looking at "crosscutting themes and issues across the whole of Government"

7. The Contingent Liability Central Capability (CLCC) is a new analytical and advisory unit formed within UK Government Investments (UKGI), to strengthen contingent liability expertise across government.
8. The CLCC began providing support to government in April 2021. The role of the CLCC is to support HM Treasury and other departments in assessing the value and structure of new proposed contingent liabilities, reviewing the government's existing portfolio of contingent liabilities, and sharing best practice guidance across government.

[1] The Treasury published the SRG for 2021-22 which is based DEFRA announcement on GGCs for 2021-25

9. The CLCC now has 75% of employees in place, with an expectation to be fully resourced by March 2022. Work is underway on pilot projects with the first departments and 34 new contingent liability cases have already been received from departments and reviewed.

10. Importantly, the unit has also developed a long-term plan. This includes setting out targets for data gathering and analysis, and the development of training materials for the first half of the current spending review period. A full public report on the government's stock of contingent liabilities is planned for the second half of the current spending review period. The Treasury will notify the Committee when this is available.

11. In the longer term, the CLCC is mandated to produce public reports which analyse government's overall contingent liability portfolio, enabling better understanding of underlying risks. The Treasury will notify the Committee when the first of these public reports is available.

Yours sincerely

Catherine Little