

Institution: University of Glasgow (UofG)		
Unit of Assessment: UoA17 Business and Management Studies		
Title of case study: Transforming the transparency of the financial management of the public domain		
Period when the underpinning research was undertaken: 2015–2020		
Details of staff conducting the underpinning research from the submitting unit:		
Name(s): (1) David Heald	Role(s) (e.g. job title): (1) Professor of Public Sector Accounting	Period(s) employed by submitting HEI: (1) 2015–present
Period when the claimed impact occurred: 2015–2020		
Is this case study continued from a case study submitted in 2014? No		
<p>1. Summary of the impact</p> <p>Non-transparent public finances threaten the sustainability of public services. Heald's research and engagement have influenced parliamentary debate and effected changes to policy and practice in the Scottish and Welsh Governments and Parliaments, the UK Parliament and Treasury, and internationally through the IMF and the OECD. His contributions have improved fiscal transparency through reforms to public sector accounting and international harmonisation and have provided evidence for policy actors seeking to reduce potential harm by contesting techniques that hide government obligations and damage public trust. His research has also formed the basis for impact on contemporary issues such as fiscal devolution, Brexit and the fiscal response to COVID. As a result of his work, Parliaments, citizens and civic society have access to improved financial information on the performance of the fiscal state.</p>		
<p>2. Underpinning research</p> <p>Public sector accounting has acquired enhanced macroeconomic significance since the global financial crisis of the late 2000s. Following successful implementation of accruals accounting (and sometimes budgeting) in vanguard countries such as the UK, attention has shifted to securing improved financial management of the public domain and to addressing weaknesses in public accountability through enhancement of fiscal transparency. Heald identified gaps in the evidence base as the foundation for a programme of research which was designed to ensure that the extensive reforms to government accounting in the 1990s and early 2000s would bring enhanced fiscal transparency and more accountable and trustworthy government in the UK and elsewhere.</p> <p>Heald conceptualised fiscal transparency and assessed practice by UK and overseas governments by identifying and analysing four modes of government accounting (financial reporting, statistical accounting, budgeting and fiscal sustainability projections) within the Miller-Power economisation framework (territorialising, mediating, adjudicating and subjectivising). The analysis included the enhancement of fiscal transparency and therefore the legitimacy of public finances by emphasising: (i) assets and liabilities as well as revenue and expenditure; (ii) the realisation of the benefits of technical accounting change for the policy-making and scrutiny functions of national and devolved parliaments; and (iii) the clarification of realistic goals for public audit institutions, which allow them to realise the benefits of insider access yet maintain their operational autonomy from both the Executive and Legislature.</p> <p>The principal findings and insights from this research:</p> <p>A. Surmounting intrinsic and constructed obstacles to fiscal transparency is more difficult than moving to accruals accounting and budgeting, especially in the context of fiscal austerity. The vulnerabilities of financial reporting can be effectively addressed through attention to other modes of government accounting, particularly alignment with national accounts and fiscal sustainability projections [3.2, 3.4, 3.6].</p> <p>B. Arbitrage between financial reporting and national accounts standards allows the use of government guarantees and Public-Private Partnerships (PPPs) as mechanisms of off-balance sheet financing of infrastructure projects and this creates risks to fiscal transparency, value-for-money and fiscal sustainability [3.2]. Applying the economisation framework to a contemporary policy issue, namely the calculation of the UK's financial settlement on leaving the European Union, shows how different modes of accounting</p>		

attach to different conceptualisations of EU membership and lead to different settlement calculations [3.4].

- C. Remedies for constitutional and behavioural weaknesses of UK parliamentary financial procedures can draw on international experience and on practices in the UK devolved legislatures. The main obstacle to substantive financial reform is that present arrangements benefit the Executive and appeal to parties expecting to hold Executive powers [3.1]. Weaknesses in the 1998 devolution settlement stemmed from limited fiscal transparency and inadequate taxation powers [3.5].
- D. Rigorous theorisation of public audit emphasises its role in constructing fiscal transparency, with trust generation as consequential and not an objective, thereby delineating what public auditors should do and how they should avoid usurping Executive functions [3.3].

Generating impact is intrinsic to this research programme and is enacted through a cyclical model: policy and practice stimulate research whose results influence policy processes that in turn feed back into the research. Impacts derive as much from draft articles and memoranda presented to professional and policy audiences, as from usually later academic publication. Moreover, participant-observer status in parliamentary and government settings enables research findings to be fed directly into the policy process.

3. References to the research

- 3.1 '[Reforming Supply](#)', written evidence to the House of Commons Procedure Committee's Inquiry on Scrutiny of the Government's Supply Estimates, 2016. Published memorandum to a House of Commons Committee [available on request from HEI].
- 3.2 'Accounting for government guarantees: perspectives on fiscal transparency from four modes of accounting' (with Ron Hodges, Birmingham), *Accounting and Business Research*, Vol. 48(7), 2018, pp. 782-804. [DOI: 10.1080/00014788.2018.1428525](https://doi.org/10.1080/00014788.2018.1428525).
- 3.3 'Transparency-generated trust: the problematic theorization of public audit', *Financial Accountability & Management*, Vol. 34(4), 2018, pp. 317-335. [DOI: 10.1111/faam.12175](https://doi.org/10.1111/faam.12175).
- 3.4 'The United Kingdom's exit charge from the European Union: Insights from Modes of Accounting' (with Iain Wright, Glasgow), *Abacus*, Vol. 55(3), pp. 557-581, 2019. [DOI: 10.1111/abac.12166](https://doi.org/10.1111/abac.12166).
- 3.5 '[Memorandum](#)' to the Westminster Parliament's Public Accounts Committee Inquiry on 'Funding for Scotland, Wales and Northern Ireland', 2019. Published memorandum to a House of Commons Committee [available on request from HEI].
- 3.6 'The accounting, budgeting and fiscal impact of COVID-19 on the United Kingdom' (with Ron Hodges, Birmingham), *Journal of Public Budgeting, Accounting and Financial Management*, Vol. 32(5), 2020, pp. 785-795. [DOI: 10.1108/JPBAFM-07-2020-0121](https://doi.org/10.1108/JPBAFM-07-2020-0121).

Quality of the research: Outputs [3.2], [3.3], [3.4] and [3.6] are published in international double-blind peer-reviewed accounting journals. Output [3.1] is published written evidence on weak *ex ante* financial scrutiny, and Output [3.5] is published written evidence on inadequate transparency about the funding arrangements for Scotland, Wales and Northern Ireland. Both [3.1] and [3.5] were extensively cited in the Committees' reports as a basis for conclusions.

4. Details of the impact

Lack of transparency erodes legitimacy, encourages waste and corruption, and threatens the services available to citizens. Heald's research on transparency has been, "*important in raising the profile of fiscal transparency and improved public sector financial reporting among policy-makers, practitioners and civil society groups... [and contributed] to managing risks to fiscal sustainability and public services, and... to the development and dissemination of good practice.*" (statement from the Auditor General for Scotland, 2012-20 [5A]).

From 2015-20, Heald has continued his career-long strategy of contributing to the international and domestic public financial management community, providing not only relevant research but also findings translated into formats that meet the needs of international organisations, national

and devolved governments, UK and devolved parliaments, and public audit institutions. The Auditor General for Scotland wrote, *“I have seen the impact of his [Heald’s] work internationally through organisations such as the IMF and the OECD, and directly in Scotland as the Scottish Parliament has taken on major new fiscal powers over the last five years.”* [5A].

4.1. At international level

Heald’s research [3.1, 3.2, 3.3] has underpinned briefings on fiscal transparency to international policy actors including the IMF’s Fiscal Affairs Department, the OECD, the South Korean Ministry of Economy and Finance, and the World Bank Governance Division (confirmed by collated evidence [5B]).

In response to a request from the then UK Prime Minister, David Cameron, an IMF technical assistance mission carried out a Fiscal Transparency Evaluation of the UK in 2016. The team was familiar with Heald’s research and met him as part of their fieldwork (confirmed by statement from the former head of the IMF Public Financial Management Division [5C]). The resultant IMF report, *“concurred with Heald’s commendation of the technical achievements of the UK Treasury”*, but also (a) *“his identification of the severe fiscal risks from PPPs [Public-Private Partnerships] and other off-balance sheet techniques such as government guarantees”* and (b) *“his criticisms of the lack of timeliness of Estimates”*. As a result of the report, better documentation is now provided on fiscal risk, but progress on timeliness is less likely because the UK Government asserted its prerogatives over Parliament during the conflict over Brexit (confirmed by official reports [5D]).

While proponents argue that PPPs offer a more efficient use of public funds and more streamlined processes than publicly funded vehicles, current public sector accounting rules and public finance statistics allow PPPs to be used to hide public debt and often suffer from a lack of transparency and limited public scrutiny. Heald’s research has been reported in the *Economist*, and by the BBC [5L]. His contributions to the OECD’s Senior Budget Officials Network (2016-2020) in *“the areas of PPPs and government guarantees, particularly in relation to neutrality in project appraisal and financial reporting...have strongly influenced International Transport Forum/OECD positions”* (statement from the ITF/OECD Procurement and Private Investment in Infrastructure Lead [5E]).

Heald’s transparency research has also impacted on the development of harmonised public sector accounting and greater alignment between government financial reporting and statistical accounting (i.e. national accounts). He contributed to the Eurostat project to develop European Public Sector Accounting Standards (EPSAS), and presented his research findings at the European Court of Auditors [5F]. The EPSAS Project Lead confirmed, *“[Heald] reminded us through his research that improving fiscal transparency is a continuous process that must be nurtured and protected [and] made an important contribution to the work of statisticians, through the clear linkage in his work between statistical accounting and public financial management.”* (statement from the Head of the EPSAS Project, Eurostat [5F]).

4.2. At UK level

Heald also translated his transparency research into a wide range of briefings for UK policy actors on fiscal transparency, including Ministry of Housing, Communities & Local Government, National Infrastructure Commission and the Study of Parliament Group (confirmed by collated evidence [5B]).

Heald demonstrated to the Public Administration and Constitutional Affairs Committee of the House of Commons that the UK’s impressive accounting reforms, regarded as among the most sophisticated in the world, have not been matched by transparency advances in accessibility and use. He was extensively cited in the Committee’s report on *Accounting for democracy: making sure Parliament, the people and ministers know how and why public money is spent* (April 2017) (confirmed by official report [5A]). Following a Treasury review of enhancements to the clarity and usefulness of financial reporting, Heald was appointed by the Treasury to its newly-established User Preparer Advisory Group [5D], where at the first meeting on 23 January 2020 he secured agreement that associated documents and minutes would become publicly available after the subsequent meeting, thus enhancing transparency.

To improve quality and scrutiny in the UK, Heald argued for a Spending and Tax Committee that

would look explicitly and continuously at the relationship between expenditure and revenue. He highlighted problems with the current *ex ante* system, which is Executive-dominated and legislated four months into the financial year. Heald's research-based proposals [3.1] were extensively cited in the Procedure Committee's 2017 report on Supply and taken forward in the 2017-19 Parliament through its Budget Committee inquiry, to which Heald provided further written and oral evidence cited in the basis for conclusions. They *"clearly helped to shape the Procedure Committee's subsequent proposals for a Budget Committee and the Committee's understanding of the need for separation between the functions of the new Committee and the audit-related roles of the National Audit Office and Committee of Public Accounts... Professor Heald's involvement and advice has helped the Committee to frame recommendations which reflect an understanding of the concerns and priorities of the Treasury and the National Audit Office and which are thus likely to have an enduring impact on how Parliament undertakes its financial scrutiny role in the future."* (statement from the Managing Director, Select Committees Team, House of Commons [5D]).

Using his research [3.6], Heald contributed to the parliamentary analysis of the UK fiscal response to the COVID-19 pandemic, submitting written evidence (August 2020) to the Treasury Committee's Inquiry into Taxation after Coronavirus [5D].

4.3. At the level of devolved government within the UK

Heald's impact has been to increase the transparency and accountability of Scottish public finances, including support for government statisticians' improvements in data quality (confirmed by statement [5G] from the Regulatory Services Office for Statistics Regulation, UK Statistics Authority). Heald gave research-based oral evidence in sessions with Scottish Parliament Committees and in a private meeting with the Budget Process Review Group, commissioned by the Scottish Parliament and Scottish Government to review the budgetary process and reinforce the principles of transparency and accountability (confirmed by official reports [5H]). *"His work on the theorisation of public audit has helped Audit Scotland and other public audit agencies to clarify their purpose, recognising public trust as an important side effect of effective public audit, achieved through increasing fiscal transparency rather than as an end in itself."* (statement from the Auditor General for Scotland, 2012-20 [5A]).

The Fiscal Framework agreement between the Scottish and UK Governments determines how Scotland is funded and underpins the powers set out in the *Scotland Act 2016*. Heald advised on the choice of the block grant adjustment mechanism within the 2016 Scottish Fiscal Framework after tax devolution was extended, and is now contributing to Scottish preparations for the 2021 renegotiation with the aim of enhancing the accountability of Scotland's public finances (confirmed in a statement from the Chief Economic Adviser to the Scottish Government [5I]).

The impact of his research on the 10-year journey to Welsh fiscal devolution has been acknowledged by Mark Drakeford AM, then Cabinet Secretary for Finance, and Simon Thomas AM, then Chair of the National Assembly for Wales Finance Committee, who described Heald as, *"one of the people who played a part in helping successive Welsh Governments and National Assemblies on this fiscal devolution journey."* [5J].

Heald's research [3.5] was extensively cited by the UK Parliament's Public Accounts Committee in its 2019 report [5J] criticising the operation of the funding arrangements for Scotland, Wales and Northern Ireland, continuing the pressure for greater transparency to which the Treasury has slowly responded.

Heald's research [3.4] has also impacted on the policy analysis of how Brexit will affect Scottish public finances and public services. His ESRC-funded series of seminars was attended by government officials, business leaders and EU diplomats as well as academics [5K]. He submitted evidence to the Scottish Parliament's Finance and Constitution Committee on 27 September 2017 regarding the impact of Brexit on the Scottish budget, and was involved in the planning by Audit Scotland on the direct implications of Brexit for Scottish public finances and public services (2018) (confirmed by collated evidence [5K]).

Recently Heald chaired a committee of the Royal Society of Edinburgh (RSE) which in October 2020 submitted an Advice Paper [5J] to the Scottish Government consultation on the COVID-affected Scottish Budget 2021-22, then represented the RSE in the stakeholder consultation on

5 November 2020 chaired by Kate Forbes MSP, Cabinet Secretary for Finance **[5J]**.

Thus, through a deliberate cyclical engagement strategy of research stimulated by policy and practice, Heald's work has impacted on the protection and promotion of fiscal transparency in the Scottish Government and Parliament, the UK Parliament and Treasury, and internationally through the OECD and IMF.

5. Sources to corroborate the impact

[5A] (i) Extensive referencing to Heald's written evidence by the House of Commons Public Administration and Constitutional Affairs Committee in its report on [Accounting for democracy: making sure Parliament, the people and ministers know how and why public money is spent](#) (April 2017). This report led to a 2018 Treasury review of the presentation of government accounts and subsequent Treasury action and to the creation in October 2019 of the HM Treasury User Preparer Advisory Group, of which Heald is a member; (ii) Corroboration by the Auditor General for Scotland 2012-20 **[PDFs available]**.

[5B] Collated evidence of meetings with policy actors: (i) IMF's Fiscal Affairs Department; (ii) OECD; (iii) South Korean Ministry of Economy and Finance; (iv) World Bank Governance Division; (v) Ministry of Housing, Communities & Local Government; (vi) National Infrastructure Commission; (vii) Study of Parliament Group **[PDFs available]**.

[5C] Statement from former Head of IMF Public Financial Management Division (since October 2020 Chair of the UK Office for Budget Responsibility) **[PDF available]**.

[5D] Extensive referencing to Heald's written and oral evidence in the House of Commons Procedure Committee's reports on: (i) [Authorising Government expenditure: steps to more effective scrutiny](#) (April 2017); (ii) [Should there be a Commons Budget Committee?](#) (July 2019); (iii) written evidence to Treasury Committee [Inquiry on Taxation after Coronavirus](#); (iv) Appointment to membership of [HM Treasury User Preparer Advisory Group](#), membership list and minutes; (v) Corroboration by the Managing Director, Select Committee Team, House of Commons **[PDFs available]**.

[5E] Statement from ITF/OECD Procurement and Private Investment in Infrastructure Lead **[PDF available]**.

[5F] (i) Statement from the Head of the EPSAS Project, Eurostat Directorate-General of the European Commission; (ii) presentation at European Court of Auditors ([26/01/16](#)) **[PDFs available]**.

[5G] Statement from Team Leader, Regulatory Services Office for Statistics Regulation, UK Statistics Authority **[PDF available]**.

[5H] Collated evidence: (i) Scottish Parliament Culture, Tourism, Europe and External Relations Committee ([09/02/17](#)); (ii) Scottish Parliament Devolution (Further Powers) Committee ([14/01/16](#)); (iii) Scottish Parliament Finance and Constitution Committee ([27/09/17](#)); (iv) Budget Process Review Group (27/04/17, private meeting); (v) Fiscal Framework Working Group of the Scottish Parliament and Scottish Government (10/09/17, private meeting); (vi) Board meeting of Revenue Scotland (11/12/19, private meeting); (vii) Scottish Affairs Committee of the House of Commons ([13/01/16](#)) **[PDFs available]**.

[5I] Statement from the Chief Economic Adviser to the Scottish Government **[PDF available]**.

[5J] (i) Letter from Mark Drakeford and Simon Thomas; (ii) Public Accounts Committee report on [Funding for Scotland, Wales and Northern Ireland](#); (iii) [Royal Society of Edinburgh Advice Paper AP20-17](#), followed by Scottish Government Tax Division stakeholder consultation **[PDFs available]**.

[5K] The legacy of those 'Brexit and devolution' events, bringing together government, business, academics and civil society representatives is preserved at: <https://www.gla.ac.uk/research/az/brexit/>. Documentary evidence on: (i) stakeholder participation in ESRC-funded seminars on the fiscal implications of Brexit for the UK and Devolved Administrations; (ii) private meetings with Audit Scotland (14/03/18; 25/06/18) **[PDFs available]**

[5L] Media activity: (i) BBC News Channel on 18/01/18 with Reeta Chakrabarti; (ii) 'The pros and cons of PFI are more nuanced than Labour thinks', *The Economist*, 30/09/17 **[PDFs available]**.