

Public Accounts Committee

Oral evidence: Excess Votes, HC 954

Wednesday 1 February 2017

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Members present: Meg Hillier (Chair); Mr Richard Bacon; Philip Boswell; Caroline Flint; Nigel Mills; Anne Marie Morris; Bridget Phillipson; Mrs Anne-Marie Trevelyan.

Sir Amyas Morse, Comptroller and Auditor General, Nick Bateson, Director of Financial Audit, National Audit Office, Elaine Lewis, Director of Financial Audit, National Audit Office, and Marius Gallaher, Alternate Treasury Officer of Accounts, Her Majesty's Treasury, were in attendance.

Questions 1-104

Witnesses

I: Jonathan Slater, Permanent Secretary, Department for Education, Peter Lauener, Chief Executive, Education Funding Agency, Howard Orme, Director General, Strategy and Resources, Department for Education, and Charles Roxburgh, Second Permanent Secretary, Her Majesty's Treasury.

Examination of witnesses

Jonathan Slater, Peter Lauener, Howard Orme and Charles Roxburgh.

Chair: Welcome to the second half of our session this afternoon at the Public Accounts Committee on Wednesday 1 February 2017. We are here to discuss the excess vote.

I should give some background to people who may not be aware of the process. Every year, Government Departments that are about to exceed their expenditure limit come and request an excess vote from Parliament to have money granted to them. It is this Committee's role to raise objection—or no objection, if it has none—to that. This has been very much a rubber-stamping role, but we felt that after last year it was not acceptable that that was the case and we felt, Mr Slater, that it was important that permanent secretaries came and justified why they were coming and asking for an excess vote.

At the end of this, the outcome will be that either we have no objection to the excess vote, or, if we do have an objection, we can ask Parliament to have a debate on that and a vote on the matter. We may also make other recommendations because of the particular subject matter of this one.

The reason we have Mr Slater and the Department for Education in front of us—I will introduce witnesses in a moment—is, in simple terms, the Department for Education has to consolidate the accounts of all education bodies. This includes academies, and academies have a financial year that runs along the school year, whereas the Department runs in normal financial year terms from April to March.

I will introduce our witnesses and then ask Richard Bacon to lead off for us. We have, from my left to right: Charles Roxburgh, the second permanent secretary from the Treasury; Jonathan Slater, a frequent flyer—it is only a week since we last saw you at the Committee—who is the permanent secretary at the Department for Education; Howard Orme, director general, strategy and resources at the Department for Education, so one of the money men there; and Peter Lauener, again a regular visitor to the Committee, who is the chief executive of the Education Funding Agency, which deals directly with this part of the budget.

Q1 **Mr Bacon:** I was going to start with Mr Slater, but I think I will start with you, Mr Orme, because you have got this grand title of director general, strategy and resources, DFE, which, to be honest, sounds like it was invented by a management consultant. Does that include your being in effect finance director of the Department for Education?

Howard Orme: It does, yes.

Q2 **Mr Bacon:** It does. So you don't have somebody else—you are it?

Howard Orme: I am responsible for this, yes.

Q3 **Mr Bacon:** Is there a reason you do not have “finance” in your job title?

Howard Orme: I have inherited my title. I cover a large number of functions, so—

Q4 **Mr Bacon:** You have other functions as well?

Howard Orme: Yes, I do. So to pick out finance in particular—

Q5 **Mr Bacon:** Well, most of the large companies in the world have a main board member who is responsible for finance and has the word “finance” in their title. It is not a completely idle point, because one of the problems here is that you do not seem to be able to stay within the money voted to you by Parliament. Perhaps part of the problem is that there is not enough emphasis placed on good financial management. Mr Slater, can you tell us why the Department for Education has consistently been unable to stay within the resources voted for it and provided to it by Parliament?

Jonathan Slater: The fact that I am the only permanent secretary in front of you at this hearing and that I have got to explain five excess votes over two financial years demonstrates the scale of the challenge that the Department has found in the task of consolidating the accounts of the best part of 3,000 academy trusts, 5,500 academy schools, and in particular locking down the valuation of their land and buildings in a satisfactory way. That is the fundamental issue.

You can see that the Department is not yet completely on top of that task, and this is one—to be honest, it is not the only one—sign of the nature of that challenge. I am very happy to talk you through where we’ve got to as well. Also, if it would be helpful, you could hear a bit more from Howard, who has just arrived, about his previous experience in the public and private sector at producing unqualified sets of accounts, including through consolidating large numbers of trusts. I certainly look to Howard to help me.

Q6 **Mr Bacon:** We may come on to that; it’s an interesting invitation. But first of all, can you tell us what specific steps you’ve taken to improve the situation you face?

Jonathan Slater: When I looked at the situation that I found myself faced with as the accounting officer, and indeed when I brought Howard in to help me with it, and talked to Amyas and his team, who have obviously been on the journey—

Q7 **Chair:** Can I just be clear that that is the Comptroller and Auditor General, just so people know who you’re talking about?

Jonathan Slater: Sorry. They have been on the journey with us for the last few years. It seemed to me that we had some very hard-working, capable people, who have been on a hell of a journey, learning a lot as they’ve gone along, with a number of scars on their backs, but that was not enough.



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One needed to complement that team of people with some additional resources, given the scale of the challenge that we still face, including some very experienced senior people—like Howard, but not just Howard—who have done this sort of thing before. I don't say that as any criticism of the people who've been working on the project to date, but it seemed to the two of us that we needed more resources, particularly people who have got a track record of success. Equally, we can learn from what has been done and make sure that we don't do that stuff again.

- Q8 **Mr Bacon:** It all sounds rather general, to be honest. I will come back to you, Mr Slater, but Mr Slater very kindly keeps on mentioning you, Mr Orme. Your CV says that you were deputy finance director general at the Department for Work and Pensions. Can you remind us when the last time was that the DWP had an unqualified audit opinion on its accounts?

Howard Orme: It doesn't, because it has a very intractable fraud and error qualification. But when—

- Q9 **Mr Bacon:** I'm sorry; that wasn't my question. When was the last time it had an unqualified audit opinion on its accounts?

Howard Orme: It would be going back 20 years—

- Q10 **Mr Bacon:** It was 1988, actually, so it's more than 20 years; it's nearly 30 years. You were there, but you didn't manage to sort that out.

Howard Orme: The team and I managed to sort out three of the four qualifications that were around at the time, and we managed to reduce the fraud and error qualification to means-tested benefits, rather than the whole piece, which was an improvement. But I do say, yes, we didn't manage to completely—

- Q11 **Mr Bacon:** Has Mr Slater brought you in? It says on your CV that you joined the Department for Education in October 2016. This is a question to Mr Orme: has Mr Slater brought you in because he thinks you're going to sort this out, and he has placed a higher priority on this than perhaps was done in the past? Is that a fair assessment?

Howard Orme: I have seen, throughout my contact with both Jonathan and the Secretary of State, a determination to sort this issue.

- Q12 **Mr Bacon:** Mr Slater, is that right? Did you hire in Mr Orme as a big gun to sort things out?

Jonathan Slater: The challenge of getting on top of the excess votes issue goes beyond the name and the background of any one individual. I am very happy to talk in very specific terms about individual excess votes, as you wish, but what I said earlier was that I saw a need to increase the resources that were being applied and to bring in people with a strong track record of senior leadership. I was referring in particular to other aspects of what's being done as well as what is described here. Some of these things, though, are intractable, and however good Howard is or I am—

- Q13 **Mr Bacon:** Really? That's very interesting. If they are intractable, how is



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it that most of the world's major companies quoted on the London Stock Exchange and elsewhere manage routinely to do it and produce accounts that have an unqualified opinion once they've been audited?

Jonathan Slater: I'm certainly aiming for the day on which I don't sit in front of you on my own, as the only permanent secretary of a Department whose accounts have got excess votes. The fact that the rest of the permanent secretaries have managed to do it gives me some hope.

I'm trying to be straightforward with you about the nature of the challenge that we face—I am not overclaiming. It seems to me that there is something very particular about being at what seems to me clearly the extreme end of complexity of consolidating literally thousands of charitable companies, operating to a different timeframe, and operating to a different reporting and accounting mechanism. It is just what it is.

The second-most complex task, in respect of consolidating local bodies into a national set of accounts in Government, is the Department of Health, which has significantly fewer bodies to consolidate. The good news is that all of those bodies that have been consolidated are working to the same financial reporting regime as the Department, so you have to add them up. I am operating with 2,910 charitable companies with a completely different accounting regime.

- Q14 **Mr Bacon:** This is surely something that could have been thought about, worked out, understood and known at the time the policy was being designed. As you know, the National Audit Office is statutorily prohibited from questioning the merits of policy, so we do not do that either. We look simply at effectiveness, economy and efficiency. If you as a Department have designed a system that is not effective and efficient or that produces mind-blowing complexity, where it sounds like it is almost impossible to do what you are required to do as part of your job as accounting officer, then—

Jonathan Slater: So—

Mr Bacon: Hang on. I haven't finished my question. Then surely your job as accounting officer is to turn round to Ministers and say, "In the form in which you are suggesting it, I cannot account to Parliament for how money is spent, so if you want me to do it in this way, please issue me with a letter of direction requiring me to do that." Has that been done?

Jonathan Slater: No, it hasn't. What has been done is—

- Q15 **Mr Bacon:** Why not?

Jonathan Slater: I will explain. Based on the experience of the last four years—the first set of consolidation back in 2012-13 didn't work, and it didn't work in 2013-14 or in 2014-15—it was agreed in the end with Parliament's Liaison Committee in January 2016 that we would stop trying to do the same thing, and that we would produce a sector account, separate from the departmental accounts, working to an academic year.



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In other words, people learned—before my arrival—that they had tried as hard as they possibly could, because there were definitely benefits in carrying on with something consistent with the whole of Government accounts, but they could not make it work. They agreed to do something else, which we did a dry run of last year and are doing for real this year, and which will mean that none of the four of the five excess votes associated with the land and buildings valuation issue will be excess votes next year.

I do not mean that we will not have a problem. We will have problems. I suppose all I am saying is that people have learned from trying as hard as possible and I am now being asked to do something different in the future, which is easier, but will still, frankly, cause some problems.

Q16 **Mr Bacon:** Okay. Mr Orme, is it correct that you as a Department know how much public money is given to each academy?

Howard Orme: Yes.

Q17 **Mr Bacon:** Is it correct that there are large numbers of property companies around the world, including property investment management companies, that have very large portfolios of properties, sometimes running into the thousands?

Howard Orme: Yes.

Q18 **Mr Bacon:** So this has been done before?

Howard Orme: Yes.

Q19 **Mr Bacon:** And you know how much money you hand over. Given that, why didn't your forecasting enable you to identify the potential overspends in time?

Jonathan Slater: The only way to get into this is to take some specifics and then build out from them. You can discuss whichever excess vote you want, obviously, but the first excess vote chronologically arises from the fact that, when the Department was valuing the land and buildings of the academy trusts in 2014-15, it did not take account of the extent to which the Department was building academy schools more cost-effectively than—

Q20 **Mr Bacon:** The Department did not take account?

Jonathan Slater: We, the Department, did not take sufficient account of the fact that we were building schools more cost-effectively than previously.

Q21 **Mr Bacon:** Why not? I know that, especially under Building Schools for the Future, where the average salary was £111,000—God knows how they managed to be that inept when they were paying people so much—they were not spending a lot of money effectively and efficiently on schools. The cost of building a high school went from £30 million to £13 million or £14 million. I know that, and I am not a specialist in the sector. Why couldn't and didn't the Department take account of that?



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Jonathan Slater: I have looked very carefully at the five excess votes with my colleagues, and this seems to be one—actually it doubles up to two, for reasons that I will come to in a moment—in which, hands up, it should have been possible for us to correct for the reduction in the cost of school building early enough to avoid the excess vote in 2014-15.

- Q22 **Mr Bacon:** Mr Orme said in answer to my earlier question that he does know how much money is handed to each academy. That presumably includes not just revenue costs for employing people and all the rest of it but capital costs as well. Does it?

Jonathan Slater: Yes.

- Q23 **Mr Bacon:** So you know how much money you are handing over. Why would you be handing that much money over if it turned out it wasn't actually necessary, because costs were going down?

Jonathan Slater: We are not talking about actual money. I am not seeking to diminish it. I am just distinguishing between two things. None of this makes any difference to actual cash going between the Department and schools or the cost of buildings—none of that. It is all to do with the important question of how one accounts for the valuation of the building, which comes down to, in accordance with financial regulations that we operate within, how much it will cost to rebuild a school if it burns down.

As you and I know, it costs less to rebuild schools that burn down than it used to because of the success of people who work for Peter Lauener, the chief executive of the EFA, in bringing down those costs. The people who have succeeded in bringing down the cost from 2013-14 onwards and the people constructing the accounts should have been talking to each other, obviously, in 2013-14 and 2014-15, and if they had, this would not have happened. There it is. I am not seeking to deny it. It was not deliberate. It should have been possible. They didn't do it. It won't happen again because they have learned. There it is.

- Q24 **Mr Bacon:** How are you ensuring that the academies are now co-operating?

Jonathan Slater: None of this is to do with an absence of co-operation from academy trusts.

- Q25 **Mr Bacon:** So what is the fundamental thing that it is to do with?

Jonathan Slater: I would say it is to do with the fact that the Department is consolidating thousands of academy trusts that operate a different system of accounting from Government. Your typical consolidation would involve subsidiary organisations operating the same system as the holding company. Here, because they are charities and we are not, they value their assets on a different basis than we do, to a different timeframe than we do. We need to put that right. We need their help. The problem is not that we are not getting their help. The problem has been that we are learning as we go. I mentioned an issue that we should have got right first. I could give you another example of something where there is no



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way we could have spotted it in advance—it's just what it is. It is a combination of the two. I am just trying to be straightforward.

- Q26 **Mr Bacon:** Back to my earlier question about these things being knowable, if the architecture and design of the policy makes it impossible for you to do your job as an accounting officer, the obvious thing to do is ask Ministers to give you a letter of direction. That was not done, and I asked you why not. I don't really feel I have had a clear answer to why that wasn't done.

Jonathan Slater: What I am saying is that the task of consolidating our accounts can be done. Certainly at the time that they started on this journey in 2012-13, with the active engagement of the Treasury and the National Audit Office, there was an expectation that more progress could be made more quickly than has proved to be the case. At the point at which all parties recognised that there needed to be a change, a change has been made.

- Q27 **Mr Bacon:** Mr Roxburgh, what is the Treasury doing to support the Department in getting this right?

Charles Roxburgh: We have been working very closely with our colleagues in DFE. There has been a lot of work together on coming up with the new reporting framework: the sector annual report and accounts.

- Q28 **Mr Bacon:** This is the academy sector annual report?

Charles Roxburgh: Yes. That is being led by the DFE, but colleagues in the Treasury are working very closely with that. We think that will be a very helpful step forward that will give Parliament better information, more assurance and more timely reporting of what is going in the academy sector. Through general dialogue, we are very supportive of the changes that Mr Slater's team has made. They have been able to bring together their accounting and policy team, so there is better internal communication. We are also supportive of the work they are doing to look at building a register for all the individual academy areas. My colleagues on the spending team have been working very closely with our opposite numbers. At all levels in the Treasury, we see this as an area where DFE is clearly in the lead to solve it, but we are supportive of them and pleased at the progress they are making.

- Q29 **Mr Bacon:** Just to be clear, the idea of the academy sector annual report is to take all the academies' accounts and consolidate them into one entity separately, so that you can point at it and say, "There they all are." That's basically it, isn't it?

Charles Roxburgh: On their natural reporting cycle built around an academic year.

- Q30 **Mr Bacon:** How does that solve any of the problems about the valuation of land and buildings?



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Charles Roxburgh: It is a more consistent and timely basis for looking at those accounts, so we think it should be a more reliable and timely one. Howard, do you want to—

Q31 **Mr Bacon:** More consistent?

Howard Orme: There are two issues. First, we found it impossible to comply with IFRS 10, which is the year-end issue. The SARA addresses that, so we will be able to look at the numbers on time. We still have to solve the issue of getting the recognition and the valuation of land and buildings. We are making progress, but there is still some way to go.

Q32 **Mr Bacon:** You will still not know what assets you are responsible for, will you?

Chair: Before we go to the assets, Caroline Flint will come in on the other point.

Q33 **Caroline Flint:** As far as I understand it, the academies do their finances from September to August, whereas of course Government do it differently. Why could you not just be on the same calendar? What is so special about giving the academies the September to August model, rather than just following the Government's timetable? Would it not make life a lot easier rather than, as it sounds from Mr Roxburgh, adding on even more ways to resolve this problem?

Jonathan Slater: To be clear, it is not the September to August thing that is giving us these problems; it is other things that are giving these problems, which I have discussed and wish to discuss further. But it is also true, as Charles says, that the difference between the academic and the financial years creates additional problems—not these ones, but other ones.

Q34 **Caroline Flint:** Why give yourselves more problems?

Jonathan Slater: So, the origins of the policy: 2002, the first academy trusts were established, about eight years before Clear Line of Sight, with no expectation at all that the consequence of establishing academy trusts was going to lead to any change in departmental accounting at all. There was no expectation that anything would be consolidated at the time at which academies were invented. Roll forward to 2010: we have a couple of hundred of them, still pre-Clear Line of Sight, with no expectation that even if we did consolidate it—

Q35 **Chair:** We know what Clear Line of Sight is, but—

Jonathan Slater: No expectation that they will be consolidated into the departmental account.

Q36 **Mr Bacon:** The academies were, from the start, being funded directly by the Department, rather than through an LEA, were they not?

Jonathan Slater: Yes, but the issue that we are discussing is the challenge of consolidating. It is not about the money going between the two of us—that is fine, no problems. This is about how the departmental



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account is affected by the consolidation. All I am saying is that at the point at which academies were established as charities they were given the freedom to operate on an academic year basis—which is one of the freedoms that academy trusts love. In answer to Caroline Flint's question, they could for the first time give in a budget for the next year in March, have six months before it goes live and operate their finances along with their operations. Trust me, headteachers say that they like that benefit, and if we were to take it away from them 15 years later because of a problem that we have with consolidating their accounts, you can see why there is a wish to avoid that. That is how it happened.

- Q37 Caroline Flint:** I just seem to recall at the last session you were at, Mr Slater, we were talking about financing and this came up then, about the different ways in which the academic year model as opposed to the departmental model affected things such as working out how the budgets work overall, but also per pupil funding. Clearly reasons were given, because of the charitable status, to give this freedom, but are the arguments for that as strong today as they were then? Would it not be easier, as one of the considerations of this, just to put them on the same accounting calendar as a Department, since they are fundamentally paid for by the Department?

Jonathan Slater: If the Liaison Committee had not agreed in January 2016 to enable us to set up a sector account on an academic year basis, I would be saying to Ministers, "Look, we tried and we tried to reconcile between academic and financial years. We can't succeed. We are going to have to take away the power." That would have been our advice, but Parliament—sorry, the Liaison Committee—did agree to do the sector account on an academic year basis, so that particular problem has now gone away and is not a problem for me. I have plenty of others but I do not have that problem anymore, so it is not my focus.

- Q38 Mr Bacon:** What do you think are the main capacity and skill gaps that are still unfilled? You have obviously not had the wherewithal to do that properly yet, or you would have done it.

Jonathan Slater: From what I see, I have people with sufficient skill. We have been recruiting some people, not all of whom are yet in place, but who have been recruited.

- Q39 Mr Bacon:** You are recruiting now?

Jonathan Slater: We have been recruiting. Ian, the director who will lead day-to-day under Howard, arrives on 1 March.

- Q40 Mr Bacon:** Ian? Can you use full names for the record? When people are reading it later they want to know that it is not Ian from down the road.

Jonathan Slater: Sorry, Ian King: I have to stop doing this. There is a very experienced guy who is doing the task at the moment, and Ian King replaces him at the beginning of March. From what I can see, we have—

- Q41 Mr Bacon:** I am sorry—just to be clear: when you said "him" in that sentence, are you saying Ian King is the very experienced guy who is

being replaced?

Jonathan Slater: No, he starts at the beginning of March.

Mr Bacon: He is replacing the present person.

Q42 **Chair:** Ian King is the new person?

Jonathan Slater: That's right.

Q43 **Mr Bacon:** Who is the person who is doing it hitherto who is being replaced?

Jonathan Slater: Simon Parkes, who has been doing an excellent job.

Q44 **Mr Bacon:** But he is going off to do something else?

Jonathan Slater: Yes. The team is being strengthened by additional resources, some of whom have arrived and some of whom are arriving. From what I have seen, the challenges we now face are not on numbers of skilled people but on the innate complexity of the task. We will not have some of the excess votes we have had any more; we won't have any of them because of the SARA. In terms of the underlying issues, as opposed to how matters are accounted for, some of those have gone away and some of those are still with us.

The particular thing that is still with us is pinning down precisely which assets we should consolidate and which we shouldn't. The approach we have taken is to consolidate them all, but the National Audit Office has perfectly reasonably made the point that we can't prove that we control them all, in the technical accounting sense.

Q45 **Mr Bacon:** This is not like Heisenberg's uncertainty principle, where every time you look at it, it moves. These are knowable things. You could create a schedule on spreadsheets with columns in them and be able to define— It is not like this is new. The Church got into the schools business in the 18th or 19th century and owns land and buildings as a consequence of that. We all know that. We all know that taxpayers pay for schools through voluntary-controlled and voluntary-aided schools, and that there are different systems going on in different places, including cathedral foundations.

It is a very complex picture and we understand that, but you make it sound like it is so complex that there is nothing you can do. It is now nearly 48 years since we got a man to the moon, in July 1969. That was complex, too, but we did it—unless you believe my grandfather, who thinks it was a hoax by the CIA; personally, I think he was wrong.

Jonathan Slater: Yes, indeed, and we will do this, too. I am being straightforward with you about what we have. On the specific issue, we have been struck by the data we have. All of academy trusts are audited, and it would appear that two faith schools with different auditors seem, on the basis of the information we have, to be in the same situation—namely, that the relevant Church has the ability to take away our licence to operate in that school with a minimum of a two-year notice.



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As you say, there is nothing new about that. In one case, it appears that the auditor of that academy trust defines the controlling influence of that school as being with the Church, because they could control it in just over two years. Another auditor for another school, which appears to us to be in the same set of circumstances, defines the control as being with us, because we have it for at least two years. It may be that there is something incredibly detailed that is different between school A and school B.

Mr Bacon: Or it may be just a question of interpretation.

Jonathan Slater: It may be a question of interpretation.

Q46 **Mr Bacon:** Presumably there is clear auditing guidance that you could put out?

Chair: I think I will bring the auditors in at this point.

Jonathan Slater: We agreed to take a sample of 50 such schools—about 260 buildings—and see, on the basis of that sample, whether the issue is interpretation or fact.

Q47 **Mr Bacon:** And, of course, in different cases it may be different answers.

Jonathan Slater: So you start with a sample of 50 and you build from that, because that is what you've got to do if you are consolidating this task. We will have the results of that very shortly, and we will report back to this Committee—

Q48 **Chair:** For the lay viewer, what will be the benefit of your knowing what is on your asset sheets in terms of borrowing against it?

Jonathan Slater: From a real-world point of view, none of this makes any difference to anything, in the sense that what is critical is that we know what actual condition our estate is in, so that we can take appropriate preventive maintenance steps.

Q49 **Mr Bacon:** So actually, your previous sentence was wrong. In the real world, it will make a—

Jonathan Slater: As to whether a two-year licence means that we are the controller or the Church is the controller, it does not make any difference to the maintenance of the building, for which one needs a condition survey, which we do, and which we are doing more thoroughly over time. But it is quite independent from the question about whether the controller is us or the Church. That is the distinction I am making.

Q50 **Mr Bacon:** I know the CAG wants to come in, but may I just observe that it tends to be the case in all organisations that you do not have very good management without very good financial management. The idea that it does not make any practical difference in the real world does not sound particularly credible, honestly.

Sir Amyas Morse: I wanted to put in a small plea that having sector accounts does make a difference to the whole of Government accounts—



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Jonathan Slater: Absolutely.

Sir Amyas Morse: —which matter a great deal to this Committee and to people interested in the whole business of Government, as opposed to bits of it. It solves a problem for you, but not for—

Jonathan Slater: I completely agree. As I said earlier, an additional new challenge is created as a consequence of the establishment of the sector accounts. We have got to switch back from the sector account to the whole of Government account; that is the basis on which the Treasury agreed that we could do this, and we are coming up with a plan to do it. I was seeking simply to address the question of what practical difference it made to—

Sir Amyas Morse: No, I wasn't criticising what you said; I am just making sure people understand. As far as the significance of it is concerned, oddly, we have discovered that it is quite significant to understand what the assets and viability of Government actually are in aggregated form. They are not available in very many places, so it matters quite a lot, particularly in these more troubled times, to understand what they are.

Jonathan Slater: Absolutely; I see that. I just meant from the point of view of the education system. I am not suggesting that accounting is not important; I was seeking to address the question about the impact day to day.

Chair: In response to our question. Mr Phil Boswell.

Q51 **Philip Boswell:** Of course this isn't a problem in Scotland, although I am not denying that we have our own problems in terms of education. The history of setting up and increasing utilisation of academies is well known. I am not making a political point, but the thing about them is that although all are state schools, they do not fall under local authority control, which of course includes financial reporting and budgeting, and critically from a timeous collective budget reporting and management perspective.

Caroline Flint already picked up on my first question, but to take it a little further, Mr Slater, you said that the problem has gone away due to a decision in January 2016 by the Liaison Committee. Since then, there has been a significant step towards creating more and more academies, and it seems to be growing. For example, when you are back here next year facing the same problem, when will we know there is a problem that must be addressed, and when will you have to start thinking about whether or not this Department should step in and address the date of reporting?

Jonathan Slater: The financial year or academic year does not make any difference to the excess votes, but it makes a difference to other aspects of our accounts. Our accounts have been qualified because of our inability to make the financial year reconciliation work. We did a dry run of what the new arrangement would look like last year. We are now doing the first



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live sector account, and I would not be at all surprised if you wanted to have a discussion with me when we published that about how it has gone. That would be later this year.

- Q52 **Philip Boswell:** There are many ways to cover this, including contingency, or over-egging forecasts when you are looking at resources. That is another risk that we face: if it is not addressed one way, it will be covered by another. It is certainly one for consideration. The big issue in Scotland, of course, is the Barnett consequential. Not only do academies set their own curriculums, they are also not constrained by the agreed teacher qualification requirements and pay scales, so an academy can spend less money on less qualified teachers, and instead invest in new computers and facilities or not. I understand that there is a real problem with teacher retention in England. Is the fact that some academies are not spending adequate funds on properly training fully qualified teachers a contributing factor to the lack of accuracy in accounting?

Jonathan Slater: I have no evidence of that.

- Q53 **Philip Boswell:** This may be a bit tangential, but the impact upon this is very significant. Obviously, if there is less spending on staff in England, Scotland's consequential goes down—we effectively get less pocket money to run our education system. Is this a back-door method to privatisation? Does the freedom that the academies get allow them to determine their budgets, and will it allow further privatisation? Do you see that being a big problem for you and your Department?

Jonathan Slater: No.

- Q54 **Mr Bacon:** I have got one for Mr Lauener, if that is all right—only because it seems unfair to bring him all this way. He has come so often in the past and has a long track record.

Peter Lauener: I can't wait.

- Q55 **Mr Bacon:** Can you say what changes you are making at the level of detail needed to allow these revaluations to take place and to be accurately recorded and reflected in the accounts?

Peter Lauener: As Jonathan described earlier, the key thing is to get hold of the land and buildings issue and the recognition issue. The work that started with the pilot study should enable us to get much more on top of that than we have been. By and large, it won't affect the use of the assets, because they are being used in the education system at the moment. One of the advantages we have had with the system of consolidation is that it has given much more visibility to the total size of the school estate, which has never been on DFE balance sheet before the programme of consolidation and academisation. It would have been in the whole of Government accounts through the consolidation with the local authorities, but it is just much more visible in the DFE accounts. That will change, in that it will be in the sector accounts in the future. I think that visibility is really important so there can be an informed debate about the size of the estate, the investment in the estate—



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Mr Bacon: And the management of the assets.

Peter Lauener: And the management of the assets. The National Audit Office is working towards the finalisation of a value for money study on the capital programme, which I am looking forward to seeing. I am sure this Committee is looking forward to discussing it. The issues about the management of the estate are fundamental, and the new arrangements will help.

Q56 **Mr Bacon:** When did this pilot start?

Peter Lauener: We have just got the initial results of the pilot—

Jonathan Slater: It started in the autumn.

Q57 **Mr Bacon:** It started in autumn 2016. When was Building Schools for the Future?

Peter Lauener: Building Schools for the Future started in about 2000-01.

Q58 **Mr Bacon:** When was Building Colleges for the Future?

Peter Lauener: This feels a bit like “Mastermind”. It ran from about 2004 to 2008.

Q59 **Mr Bacon:** Just to remind the Committee and the public, that was the one where they handed out the money without counting it, so they handed it out more times than they had got money for.

Peter Lauener: There were certainly some very critical reports about the way that Building Colleges for the Future was managed. I think those criticisms were fair, when I look back at what happened. As Jonathan said earlier, I think it is one of the significant gains from the last Parliament that the centralised procurement for school building that we introduced under the Priority School Building programme has achieved savings of about a third, so we are actually building three schools for the cost of two.

Q60 **Mr Bacon:** That doesn’t surprise me at all. The headteachers in my constituency have been telling me for 15 years that they can do it better than the—

Peter Lauener: These are good schools, and we are very happy with the results.

Q61 **Mr Bacon:** Just to be clear, if Building Schools for the Future started in the early 2000s and Building Colleges was from ‘04 to ‘08—we are talking at least eight or nine years ago, and in some cases more—why did your pilot only start in autumn 2016?

Peter Lauener: That was a pilot looking at the control issue for assets. It wasn’t about building schools.

Q62 **Mr Bacon:** No. I’m making a broader point, really. The issue of land and buildings and the management of the estate has been knocking around and has been the subject of considerable criticism, for both maintenance and redevelopment, for a very long time. This was stuff that was



knowable a long time ago. That is my point.

Jonathan Slater: The distinction I was seeking to make a little while ago was between the data you need to manage an estate effectively day to day and coming up with cost-effective ways of rebuilding the estate, on which Peter Lauener's people have been working for a number of years. He can talk you through that if you would like. The specific issue of recognition that has led to a qualification in the accounts was an issue that was identified in the 2014-15 accounts, which were signed off in January '16 as being qualified and leading to excess votes. It was on the back of that—how we were going to get to a consistent recognition from the point of view of consolidating schools into our accounts, where we identified the problem with the NAO in January '16—that we decided later on in the year to pilot a possible solution, which we are hopeful will succeed.

Peter Lauener: Would it be helpful if I said what we are doing on the other issues to better manage the estate? We have run one condition survey and we have started a second condition survey of the school estate. It is really important that we have that hard-edged information. With the second survey, we will be able to say, "Is the quality of the school estate getting better or not?" Again, I am sure the Committee will take a great interest in those data when we have them. The issue of recognition only came to the fore when we started the process of consolidation. That is how it came up, and the National Audit Office perfectly reasonably said, "You've National Audit Office added up all these figures, but you've not demonstrated that there's control of the assets." We are trying now to put that right and get to the heart of quantifying the issue, and that will take us into guidance to academies and their auditors.

Q63 **Mr Bacon:** Mr Roxburgh, you have this thing called Aggregator Vehicle plc. Can you explain how the budgetary treatment for Aggregator Vehicle plc improves transparency?

Charles Roxburgh: There were some surprises when it was initially set up, in that we did not initially spot the ONS treatment of it, but the aim—

Q64 **Mr Bacon:** Could you say that again?

Charles Roxburgh: Let me step back and explain the thinking behind the initial idea of the aggregator. At the time, the funding markets were not conducive to having smaller units raise money efficiently, so it was decided that we would have a single entity—the aggregator—raise money in one go and then give it to the relevant groupings of schools for the purposes of this private finance. If you remember, the financial markets in 2012 were not in good shape, so it made sense to try to do that once to get more efficient funding. We thought initially that that would be off balance sheet, but then it turned out, because of an ONS classification, that it would be on balance sheet, so we have this issue that we have to recognise it twice in budgets. When we have the money from the aggregator loaned to the special purpose vehicle, that scores once against PSND—against the debt—and then when the special purpose vehicle gives the money to the schools for building, that shows up again as PSNB, or the



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deficit, and PSND. This was not expected, so we had to create extra headroom for DFE.

- Q65 **Mr Bacon:** Why did it come as a surprise? I have a confession to make. When I worked in an investment bank many years ago, one of my jobs was to organise a whole string of annual general meetings for special purpose vehicles, and I remember sitting in City law firms with very bright and probably highly paid lawyers discussing what was the way to go about things, what was right and what was not. Presumably, advice could be taken about the view that the ONS would take of this. Why wasn't the Treasury consulted earlier?

Charles Roxburgh: We are not pointing fingers here. We were involved in that. And on these classification issues, they are very technical, and we now absolutely do work closely to ensure that before we go down one of these paths, we have really checked against the Eurostat definitions. They also move and evolve—it is never a single, set-in-stone set of definitions and Eurostat update them. You have to go through and check, line by line, whether a certain structure would be classified one way or the other. In this case—

- Q66 **Mr Bacon:** All that should have been done but wasn't?

Charles Roxburgh: In this case, ONS made a judgment which was not the one that we collectively expected at the time.

- Q67 **Mr Bacon:** Surely you go and have early offline conversations with ONS and say, "If X and Y, is it A and B or P and Q?" Isn't that how it is done?

Charles Roxburgh: We do try to ensure that we look in detail at the classification issues, and one of the lessons learned is that, with a novel and innovative structure you have to really double-check those. One of the lessons learned is that you need to avoid getting these sorts of surprises—absolutely. One of the things we do now is really go through to ensure that we are thinking ahead to classification problems, making sure that we check and do not get these surprises. That said, it can never be completely guaranteed, because ONS is independent.

- Q68 **Mr Bacon:** Did you go and speak to ONS beforehand?

Charles Roxburgh: In this particular case, I just do not know. I was not around at the time. We would normally have a dialogue—

- Q69 **Mr Bacon:** Mr Slater? Does anybody know?

Jonathan Slater: My understanding is that, for these 46 schools that are being built on a design-build-maintenance contract, had the private finance that the builders had to secure been done 46 times, scheme by scheme, each of them would have set up their own special purpose vehicle to borrow the money to build a school. My understanding is that, if that had been done 46 times rather than aggregated in the way Charles Roxburgh just said, the issue would not have arisen.

- Q70 **Mr Bacon:** Right. So surely you go along and say to the ONS, "Look, instead of doing it separately 46 times, in which case we understand that



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the treatment would be X, we are going to aggregate it, in which case we think the treatment will still be X. Is that correct?" Did that conversation take place?

Jonathan Slater: I don't think it did.

Peter Lauener: I think there were discussions but there were not definitive discussions because the ONS, perfectly reasonably, would reserve its position until the final schedule was drawn up. And its views would also be affected by Eurostat's views. It is not like there is a definitive position that you can take at one time—it is continually recalibrated. But we did work on this very closely with Treasury. I cannot give you a very precise "There were discussions with ONS here, here and here". It was seen as a possibility, but there were very real benefits in drawing up the value for money case for the aggregator.

The overall cost of capital that we secured with the aggregator was about 35 base points lower, because we were accessing the bond markets. In fact, the European Investment Bank also put some of the finance into the aggregator. It was certainly a cheaper way of securing finance. Of course, the value for money case that was considered for the aggregator, and that way of doing it, is not something that took account of balance sheet issues.

Q71 **Mr Bacon:** I would like to ask each of the three of you—we can start with Mr Lauener, if you like—how confident you are that you will be able to deliver both the departmental accounts and the new academy sector annual report pre-recess.

Peter Lauener: Well, we are looking at the timescales at the moment. We want to give priority to the departmental and agency accounts, which include the agencies I am responsible for, to get those on the pre-recess timescale. We are still at an early stage with the planning for the sector accounts. We are pulling in the information now from the academies. We need to assess that timetable—I think that one might take a little longer, but we need to make that assessment. The big mistake would be to rush that and get it wrong. We are talking to the National Audit Office and Treasury about the timetable.

Q72 **Chair:** To answer the question, how confident are you on a scale from one to 10?

Peter Lauener: I defer to Howard on that.

Mr Bacon: We are talking about both the departmental accounts and the academy sector annual report.

Howard Orme: For the group accounts, I think we have a robust timetable which will bring it in pre-recess.

Q73 **Chair:** You are talking about the summer recess, just to be clear.

Howard Orme: Yes, sorry, pre-summer recess, in line with what we are expected to do. At this stage, we are due to be brought back in at the end



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of February, when we are a bit further into the academy collection process, but also the work on land and buildings. That is the time when we will see whether we can fix the timetable. Personally, I would set an expectation that it would be later in the year.

Q74 **Chair:** Later?

Howard Orme: Yes. I think if we follow the NAO—

Jonathan Slater: What we said to the Education Select Committee—I am very happy to say it again here, following discussions with the NAO—was that we were confident in the departmental timetable. Because we are doing the sector account for real for the first time, it was too early to be confident that we could get that done by the summer recess. It was more important to get it right than to guarantee, prematurely, that we could do it on a particular date. And the date on which we can be confident, by the way, is the end of February, because the end of February is the moment at which we will have the data back from the schools, so we are not in a position to say today that we are confident that the sector account will be submitted by recess. It's February. In February we will update you.

Sir Amyas Morse: We had a good discussion about this, and I don't think it's right to encourage the Department to move faster than they reasonably can. It is a new account and quite tricky to put together. I would rather it was successful than see them get past a deadline, which after all is not a statutory deadline. I think it is better to take the time, do it properly and get it right first time.

Q75 **Chair:** There you go: you have licence from the Comptroller and Auditor General in the Public Accounts Committee. What more could you ask for? I'm sure your cup is running over.

Mr Roxburgh, anyone watching this who is not an expert in Government accounting will say, "Why is it all so complicated?", so I will ask you that: why is it all so complicated? Is there anything that the Treasury could do to make some of these systems simpler, both for Departments to follow and, frankly, for the public to follow the tax pound as it goes through the system? We talked about line of sight earlier. I think it is still quite complicated now.

Charles Roxburgh: Why is it so complicated? I think the simplest and most honest answer is that government is enormously complicated. We are doing this across the whole range of all the activities of Government. It is an enormous part of the economy. It is covering a whole range of different and diverse activities. It is inherently complicated. Our challenge through the Treasury, working with our colleagues across Government, particularly in the finance profession, is to find ways to simplify that in such a way that it is simple, but also reliable, fair and accurate. That is an inherent tension, because you don't want to be over-simple and inaccurate. That is the inevitable tension.

But on your question of what we can do, there is a long programme of improvement, including in terms of building capability in the finance



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profession across Government. My colleague Julian Kelly is the leader of that finance profession and working very closely with colleagues in the financial management function, like Howard Orme and his colleagues, and equivalents in each Department. Building capabilities in financial management is part of the answer.

Working very closely with the National Audit Office is another part of the answer, so that when the numbers are reported, collectively everyone can have confidence in them. Their challenge and the high standards that they apply are very important.

Then there is this challenge. Yes, Government needs to innovate and do things that are new and different and find better ways to deliver public services at lower cost. That innovation brings a cost of complexity, as we saw here, so the challenge for us, and one of the lessons learned, is that when we do innovate, we should really think not just one step but two or three steps ahead to make sure that that innovation is not going to have an unintended consequence of more complexity and confusion and loss of transparency. We should continue to innovate, because that is important, but we should do it in a way to make sure that we think through the consequences and don't create unhelpful complexity.

Q76 Chair: I am going to come back to lack of transparency in a moment, but while you are answering questions, I just want to ask what sanctions the Treasury applies to Departments that come back, asking for an excess vote.

Charles Roxburgh: Well, first of all, I think that this Committee's additional new focus on excess votes is a helpful new area of focus by the Committee.

Chair: Mr Slater might not agree. But I'm glad that one bit of Government is happy.

Mr Bacon: You're applying for a transfer to the Foreign Office, are you?

Charles Roxburgh: What are we doing? We have a system that escalates. Day to day, our spending teams work closely with their opposite numbers in the Departments and appropriately challenge. Then we escalate it up, if we get concerned, to a more senior level of interaction between the Treasury and the relevant Department. Julian Kelly is the head of the finance profession now, under the new arrangements. People like Howard Orme have a dotted-line relationship to Julian Kelly, so there is that additional line of managerial influence. If we get more concerned, we can have perm-sec-to-perm-sec discussions. Of course, the Chief Secretary and the Chancellor can and do intervene either orally informally or more formally in writing to the Department. Ultimately, the permanent secretary to the Treasury appoints the accounting officers, so there is the accounting officer chain, too. So we have an escalating system. We obviously hope we can solve issues through the lower levels of more informal interactions that we can escalate.

Q77 Chair: Last year there were four Departments in the dock, but it was all



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very fast so we did not have the chance to call them in. This time we recognise that there are quite interesting structural issues that were not of this particular team's making, but a consequence of subsequent Government policy changes under different Governments. Last year you will recall there was one case, from memory, where there was some confusion between what was resource and what was capital, which seemed to us quite a basic error. Are there a range of sanctions that you apply, depending on how basic the error is and whether it is a complicated structural problem? Something that is a real basic error should surely be dealt with very firmly.

Charles Roxburgh: Yes, and we would certainly hope that a straight overspend or spending outside the ambit that has been set would see a very serious intervention. We would want to make sure we intervened long before that happened. That is why we have monthly forecasting and try to spot problems before they arise. More technical issues that are due to complex accounting issues are still serious and need to be looked at and examined, but they are on a scale of concern. They are a source of concern, but less so than a Department that was spending without control or not keeping within their ambit. There would be a higher escalation for things that we felt were really outside the acceptable range, but complicated accounting ones can happen.

Q78 **Chair:** What ultimate sanction have you got if spending is outside control? It is important as we try and throw light on this in Parliament. What does the Treasury do if a permanent secretary overspends because they cannot manage their budget well?

Charles Roxburgh: If we saw that happening or we thought they were on track for that happening, both at the official level and then subsequently at the Chief Secretary or the Chancellor level, we would be intervening in-year to say, "It looks to us like you are at risk of overspending and therefore you need to manage within your levels. You need to adjust your spending to hit the target."

Q79 **Chair:** So there is no personal sanction for an individual responsible for a Department that is doing that?

Charles Roxburgh: The ultimate sanction is that they can lose their accounting officer status, which renders them ineffective as a permanent secretary. That is the nuclear option.

Q80 **Chair:** I just want to be clear, because taxpayers want to know there is that option.

Charles Roxburgh: In terms of the performance evaluation for permanent secretaries who are departmental heads, their ability to manage the financial side of their job is very important. That is part of their evaluation.

Q81 **Chair:** Absolutely. It is obviously a key thing that we raise with people here. We have previously looked at the asset register in this Committee, but it has been a long while since we have seen one. When is the next asset register for the whole of Government assets—not just for the



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Department for Education—going to be published?

Charles Roxburgh: I will need to come back to you on that.

Q82 **Chair:** Is it planned to be regularly updated?

Charles Roxburgh: I am not aware of that. I will check with Julian Kelly, the Director General of Public Spending and Finance for that.

Chair: I am going to bring in Phil Boswell briefly and then I will have a couple more quick questions.

Q83 **Philip Boswell:** It has been some time since there has been an asset register, so it would be nice if you could write to us with a response.

Charles Roxburgh: I will come back to you on that.

Philip Boswell: Whether to rubber-stamp excess votes—just to chair and vice-chair on this—sounds terrible. It sounds like “The X Factor” or something like that. “It’s a yes from me.” I am not comfortable that simply removing the academy trust financial results from the Department’s group financial statements resolves all issues, especially if we get excess votes again. There is another concern that budgets might be adjusted up to cover additional contingency for budgets so as not to incur excess votes. It might be worth looking at it—I would suggest someone much better qualified than I am does it—to find if there is indeed a sensible and proportionate method. Probably your solution is the correct and proportionate one, but I think it would be incumbent upon us to review it.

Q84 **Chair:** We are certainly watching this very closely. I have the last couple of questions. We talked about line of sight. You have picked up some concerns in this Committee and elsewhere about the accountability of parts of the academy sector, because they are directly responsible to you. There is not the same local oversight even with the new school commissioners. How will the Department maintain control over the academy sector if direct accountability is removed from the group financial statements because of the new structure that is being set up? Will you have lost sight of that?

Jonathan Slater: No. If anything, we will have clearer sight in a sense. The NAO was clear that, in the departmental accounts, it did not see any material inaccuracy in individual academy trusts’ statements. What it rightly saw was a material inaccuracy in adding them all up because of the difference between financial and academic years.

Now that we have put that issue to bed—that creates a different issue for the whole of Government accounts—we will be better placed than ever before to have a comprehensive transparent assessment of academy spend from September to August. I am looking forward to all sorts of great conversations between this Committee, the Select Committee on Education and this team on the basis of those reports, including the performance half, in future. We will not be discussing my inability to consolidate them but the actual facts underneath.



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Q85 **Chair:** They are not on a statutory footing, so I want to be clear about Parliament being able to oversee them.

Jonathan Slater: We will lay them before Parliament and they will be scrutinised by you in whatever way you want.

Sir Amyas Morse: Can I just clarify something in your excellent summing up, Mr Slater, before we pass on? The NAO, of course, does not look at the individual academy accounts at all. They are audited accounts by various auditors around the country. What we look at is the consolidation into the Department accounts.

Q86 **Chair:** Charles Roxburgh, this is a whole new body set up, completely different from any other Department. Is it appropriate that a whole different approach has been set up? If you look at the Department of Health as a corollary, you have all the trust accounts directly consolidated. There is that direct accountability and the fit is there. Is this just a bad fix, really, that has taken place in the Department for Education?

Charles Roxburgh: As Jonathan Slater explained, the Department of Health is on the same accounting standard on the same accounting year.

Q87 **Chair:** I guess I am pushing you to say whether it would be easier if academies were on the same?

Charles Roxburgh: It would be easier if schools did not operate from September to August but it would be very strange to impose on the academic world a change in how they run schools simply for accounting reasons. That would not be right—that would be the accounting tail wagging the academic dog.

Q88 **Chair:** Can you be absolutely clear for people out there as well as for us? Given that it would be a lot easier all round, for accounting purposes anyway, if they were the same financial years, what is lost as a result of doing it with a special body to consolidate the academy accounts? From the point of view of the Treasury, is there any loss to your oversight and to the accountability to taxpayers and Parliament of spend on schools?

Charles Roxburgh: We think this is a good step forward and addresses the first set of problems that we had about consolidating for the year end. It creates an issue about how we consolidate that into the Whole of Government accounts, which we are working through and hope to solve but have not yet solved.

If we can solve that problem, I think we have a good solution that works for the academies, so that they can have the benefit of running their finances in a way that matches their natural cycle of the academic year. We also have a way to consolidate information for the Department of Health and for the Department for Education into the Whole of Government accounts. We are not quite there yet. We need to work through but, if we can make that work, we at the Treasury think that is a good solution to this problem.



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Q89 **Chair:** It is a good solution but would you prefer to have it all on the same financial year?

Charles Roxburgh: If the cost of that is to move year ends and disrupt schools' ability to concentrate on teaching pupils, no.

Q90 **Philip Boswell:** The accountants would be concentrating on reporting and not on teaching. Since the accounting tail wags pretty much every other dog in the kennel, why should education be different?

Charles Roxburgh: The argument from the financial side would be that headteachers have to think about how they plan their business cycle over the course of the academic year. You hire teachers for the academic year and you have programmes of work for the academic year. It is a natural cycle for the education system to operate to. It makes sense that these academies and institutions run their businesses over that timeframe. If we can make this new reporting system work, it is a good solution that allows schools to get on with their primary function, which is education. **Chair:** We will possibly come back to this again in future, Mr Slater. It is our intention that we focus time every year—it sounds like with the Treasury's blessing—on the excess votes and that parliamentary procedure. There is other work afoot in Parliament to ensure that we have debates on estimates and excess votes in a more meaningful manner than Parliament has managed before. Before I wind up, Mr Bacon has the last question.

Q91 **Mr Bacon:** You said you liked innovation, Mr Roxburgh. Are you aware why the school academic year is the way that it is?

Chair: Harvests. It was harvests.

Charles Roxburgh: No, but I look forward to being educated on that.

Q92 **Mr Bacon:** It was to keep the kids free to do the harvest in the summer, when most people worked on the land. Well, in Northumberland of course that is still true, and possibly in many parts of Norfolk. In terms of innovation, do you think that is a strong reason to keep the calendar the way it is?

Chair: I think perhaps Mr Roxburgh—

Mr Bacon: Mr Slater? Perhaps it is more your bailiwick.

Jonathan Slater: What a fascinating question, which I am going to have to reflect on.

Mr Bacon: A lot of farming going on in the DFE, is there?

Q93 **Chair:** Let's put it this way, Mr Slater. If the school year were to change and there were no longer a six-week summer break for harvest and instead we were to have an even spread of holidays throughout the year, which some schools are experimenting with, would it then make sense to have an academic year financial year?

Jonathan Slater: This is getting hypothetical upon hypothetical.



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Mr Bacon: It's not, because some schools are experimenting with it now, as the Chair said.

- Q94 **Chair:** I think possibly Mr Slater is weary at the thought of having to once again turn the system round to a new system. We will let you off the hook on that one for the moment, Mr Slater.

Jonathan Slater: Can I just apologise, Chair? I did say something that was inaccurate earlier. In explaining why we hadn't started the pilot until autumn '16, I said that the '14-'15 accounts, in which we had identified the problem, had been handed in in January '16. I wish it were so. That is when they should have been handed in. They were handed in in April '16.

- Q95 **Chair:** Thank you very much. We appreciate the correction—it saves a lot of paperwork. I thank you very much for coming. We will have to make a decision about whether we refer this for a parliamentary vote or not. We appreciate your candour. We recognise that both you and Howard Orme have come into the Department inheriting a challenging issue, but I think, for a lot of people out there, what is happening to their schools and why we have got into this pickle is probably confusing. It demonstrates that when the Government—any Government—make a decision, they have to think about the ramifications down the line.

Thank you very much. The transcript will be up on the website in the next couple of days and you will of course get a copy. We will be producing a brief report in the next week or so.