EXPLANATORY MEMORANDUM TO

THE GOVERNMENT RESOURCES AND ACCOUNTS ACT 2000 (ALTERATION OF TIMETABLES FOR ACCOUNTS) ORDER 2016

2016 No. 89

1. Introduction

1.1 This explanatory memorandum has been prepared by Her Majesty's Treasury and is laid before Parliament by Command of Her Majesty.

1.2 This memorandum contains information for the Select Committee on Statutory Instruments.

2. Purpose of the instrument

2.1 This Order alters section 6(4) of the Government Resources and Accounts Act 2000 ("the Act") in relation to the resource accounts prepared by the Department for Education ("DfE") for the financial year ending on 31st March 2015 ("the Accounts").

2.2 As altered by the Order, section 6(4) of the Act will require the Treasury to lay the Accounts as certified by the Comptroller and Auditor General ("C&AG") and the C&AG's related report not later than 29th April 2016. Without alteration the date for laying under section 6(4) would be 31st January 2016 ("the statutory laying date").

3. Matters of special interest to Parliament

Matters of special interest to the Select Committee on Statutory Instruments

3.1 Following discussions in the week commencing 11th January with the C&AG and DfE's audit committee, DfE has confirmed to the Treasury that it will be unable to lay accounts of good quality by 31st January 2016.

3.2 DfE's intention had been to lay the Accounts by the statutory laying date, however further work is required to ensure good quality accounts can be laid. This further work reflects the challenge of consolidating the department's core group (the main department, its three executive agencies and one arms' length body) together with the accounts of 2,818 academy trusts (containing 4,900 individual schools). DfE expects to be able to lay the accounts by the new deadline of 29th April 2016.

3.3 The Treasury has been given assurances by DfE's Accounting Officer that the extension of time will result in better accounts being laid before Parliament. When consulted by the Treasury, this view was supported by the C&AG. The DfE will undertake a review of the causes of the delay in laying accounts and share the finding of this with the Treasury and C&AG to improve the process for the 2015-16 accounts.

3.4 The Treasury is, therefore, satisfied that with more time the accounts should be of better quality. The 21-day rule has unfortunately been breached on this occasion, due to the timing of DfE's advice to the Treasury that the department would be unable to provide accounts of good quality for laying by the statutory laying date.

Other matters of interest to the House of Commons

3.5 As this instrument is subject to negative resolution procedure and has not been prayed against, consideration as to whether there are other matters of interest to the House of Commons does not arise at this stage.

4. Legislative Context

4.1 Each financial year a government department is required to prepare resource accounts in accordance with section 5 of the Act. Once prepared the department is required to send its accounts to the C&AG not later than 30th November of the financial year following that to which the accounts relate (section 5(5) of the Act).

4.2 The C&AG is required to examine any resource accounts which he receives under section 5(5) of the Act with a view to satisfying himself - (a) that the accounts present a true and fair view, (b) that money provided by Parliament has been expended for the purposes intended by Parliament, (c) that resources authorised by Parliament to be used have been used for the purposes in relation to which the use was authorised, and (d) that financial transactions are in accordance with any relevant authority (section 6(1) of the Act).

4.3 Where the C&AG has conducted an examination of resource accounts, the C&AG must – (a) certify the accounts and issue a report, and (b) send the certified accounts and the report to the Treasury not later than 15th January of the financial year following that to which the accounts relate. If the C&AG is not satisfied of the matters set out in section 6(1)(a) to (d) of the Act he must report to the House of Commons (section 6(3) of the Act).

4.4 The Treasury is required to lay the certified accounts and the related report before the House of Commons not later than 31st January of the financial year following that to which the accounts relate (section 6(4) of the Act).

4.5 Section 22(1) of the Act enables the Treasury by order to substitute a new date for a date which for the time being is specified in section 5, 6 or 7 of the Act. An order under section 22(1) may specify a new date for all purposes or for specified purposes only and before making such an order the Treasury must consult the C&AG (section 22(2) and (3) of the Act).

5. Extent and Territorial Application

5.1 The extent of this instrument is the United Kingdom.

5.2 The territorial application of this instrument is the United Kingdom.

5.3 The instrument only applies in relation to the resource accounts prepared by DfE for the financial year ending on 31st March 2015.

6. European Convention on Human Rights

6.1 As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy background

What is being done and why

7.1 This is the third year in which DfE has had to produce a consolidated group account, encompassing academy trusts whose accounts are produced on both a different accounting basis and to a different year end, 31st August.

7.2 DfE's resource accounts for 2013-14 received an 'adverse' opinion when they were laid in January 2015. In his report on those accounts, the C&AG stated that the very complex and challenging methodology used to accomplish the consolidation was unsustainable in the long term.

7.3 Each year that the DfE performs the consolidation, the scale of the complexity grows. The C&AG has identified a number of concerns with the consolidation process and potential misstatements arising from those concerns. DfE has undertaken an analysis of the more material of the issues raised. This has concluded that additional work could enable DfE to produce better quality accounts. The C&AG will then consider the revised accounts.

7.4 It is hoped that this additional work will also allow the C&AG to confirm that the underlying departmental and individual academy trust accounts are of good quality and that the problems DfE has faced are the result of the methodology used for the Accounts. DfE will also review the methodology and root causes of the delay to ensure departmental resource accounts can be laid before the statutory laying date going forwards.

7.5 Parliament has a right to examine the accounts of public service organisations which handle public funds. The Treasury seeks to deliver these accounts in a timely fashion. Postponing publication of the Accounts should ensure that they offer better quality information for Parliament and also that they help inform the preparation of better quality resource accounts in future years.

7.6 The Treasury and DfE recognise the challenges of consolidating academy trust accounts into DfE's resource accounts. Treasury has been involved in contributing to and assessing the feasibility of a new approach, with the aim of implementation from 2016-17 to simplify and improve this process. The Alignment Review Committee has considered the new approach and endorsed it as the best way forward. DfE's Accounting Officer has written to the Education Select Committee (copying in the Public Accounts Committee) to keep them fully informed with progress on the new approach. The Chief Secretary to the Treasury has also written to the House of Commons Liaison Committee (on 3rd January 2016), with the proposals for their consideration.

Consolidation

7.7 Consolidation is not a relevant issue for this Order.

8. Consultation outcome

8.1 Before making the Order the Treasury consulted the C&AG in accordance with section 22(3) of the Act. The C&AG advised that with more time to prepare DfE should be able to lay better quality accounts.

9. Guidance

9.1 No guidance is required in relation to the operation of this Order.

10. Impact

10.1 There is no impact on business, charities or voluntary bodies.

10.2 The impact on the public sector is that the resource accounts prepared by DfE for the financial year ending on 31st March 2015 will be laid before the House of Commons not later than 29th April 2016.

10.3 An Impact Assessment has not been prepared for this instrument.

11. Regulating small business

11.1 The legislation does not apply to activities that are undertaken by small businesses.

12. Monitoring & review

12.1 DfE have undertaken to consider the lessons of 2014-15 and to reflect those in both next year's accounts (the last to be produced using the current methodology) and in the new approach from 2016-17, subject to agreement by the Liaison Committee, to make sure that future resource accounts are as robust as they can possibly be.

12.2 The Treasury has a close interest in the new approach and will provide any ongoing assistance required.

13. Contact

13.1 Vikki Lewis at Her Majesty's Treasury Tel: 020 7270 1713 or email: Vikki.lewis@hmtreasury.gsi.gov.uk can answer any queries regarding the instrument.