



Department  
for Education

# **Accounting officer**

**Accountability system statement for  
education and children's services**

**January 2015**

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# The Department's Accountability Statement

## Overview

1. Accounting officers in government departments are accountable to Parliament for the proper stewardship of the resources allocated to the department. Details of the requirements to ensure regularity, propriety and value for money are set out in HM Treasury's Managing Public Money.
2. In September 2011, Sir Bob Kerslake, the Permanent Secretary of the Department for Communities and Local Government, published his report *Accountability: Adapting to decentralisation*, proposing that departmental accounting officers should publish accountability system statements explaining how they achieve accountability for the funds they distribute to local bodies. The aim was to allow accounting officers to demonstrate that appropriate accountability mechanisms had been put in place in response to the decentralisation of power to local communities.
3. This document sets out the accountability system for education and children's services. It has been agreed by Chris Wormald as Permanent Secretary and Accounting Officer of the Department for Education, and updates the previous publication in September 2012. The statement is available on Gov.UK, at [www.gov.uk/dfe](http://www.gov.uk/dfe).

## Introduction

4. As Permanent Secretary for the Department for Education (DfE), I am responsible for delivering the Government's policy intent for education and children's services. The Government has been clear that education standards are not high enough and that the educational system needed urgent improvement.
5. The Government's ambition is for a more autonomous system in which choice and competition play a stronger role in improving service quality and children's chances in life. This means more autonomy for professionals to take decisions about what is best for children (within a framework of accountability and transparency), with an increased emphasis on school-led improvement and using parental choice as a stimulus for competition.
6. It is within this context that mechanisms for the delivery of public services have changed significantly over the last few years; where it has been possible and sensible to do so, there has been greater delegation of powers and responsibility to the front line, coupled with clear, but proportionate, accountability.

7. As Accounting Officer for the DfE, I am accountable to Parliament for the proper stewardship of the resources allocated to my Department. The key requirements, as set out by HM Treasury<sup>1</sup>, are to ensure regularity, propriety and value for money.

8. Funding allocated to my Department is primarily channelled to and through Academy Trusts (ATs), colleges, local authorities (LAs) for maintained schools and other providers. Free Schools fall within the same legal definition and accountability framework as academies and all references to academies within this document should be taken to include:

- academies;
- free schools;
- university technical colleges;
- studio schools, and
- special academies.

9. As accounting officer I must ensure that there is an adequate framework in place to provide assurance that all resources are managed in an effective and proper manner.

10. I am directly accountable for ensuring regularity, feasibility, propriety and value for money in the work undertaken by DfE and its agencies, these being:

- The Education Funding Agency (EFA);
- The National College for Teaching and Leadership (NCTL);
- The Standards and Testing Agency (STA);
- The Office of the Children's Commissioner, OCC), and
- ATs, which are classed as arms' length bodies.

11. This Statement outlines my responsibilities with regard to education and children's services. It sets out my Department's approach to accountability and value for money and explains how and why this varies across sectors.

12. Detail contained within the annexes includes:

- **Annex A:** Comparison of the accountability regimes, ATs and maintained schools.
- **Annex B:** sets out the roles and responsibilities in:
  - ensuring financial accountability and propriety;
  - ensuring value for money;
  - ensuring good performance, and

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<sup>1</sup> HMT's Managing Public Money - <https://www.gov.uk/government/publications/managing-public-money>

- addressing poor performance.

## **The Department's approach to accountability**

13. The Department's system of accountability used to rely on the well-established accountability systems of local government. This remains the case for maintained schools, early years and other children's services where we rely on accountability through LAs, underpinned by local democracy, with intervention from central government used in extremis. These systems of accountability through LAs and elected members have long been used to drive regularity, propriety and value for money. It is right that we continue to place reliance on the work of local government and local democratic accountability, where services are coordinated and funded through this route, including children's services.

14. The rapid growth of the academies and free schools programmes has changed the landscape of the schools system. As at 1 January 2015, there were 4,404 open academies. Of this total, 1,311 were sponsored academies and 3,093 were converter academies. We also have 252 Free Schools, 37 Studio Schools and 30 University Technical Colleges (UTCs). Well over half of all secondary schools in England are now open as academies.

15. As my accountability Statement of September 2012 explained, we developed stronger accountability mechanisms for academies and created a clear chain of accountability between each Academy Trust and the Department. This system reflects the greater autonomy academies have, underpinned by greater financial freedoms and responsibilities, and academies' direct contractual and funding relationship with the Department.

16. The framework of accountability for ATs is more rigorous than for LA maintained schools, proportionate to their increased autonomy, including a requirement for externally audited accounts. We strengthened the system from academic year 2011/12 by introducing enhanced assurances from the accounting officer of each AT that they are managing their resources appropriately and increased the level of independent scrutiny by establishing an annual 'regularity audit' of each AT based on these accounting officer assurances. From 2013-14, we tightened up the arrangements for related-party transactions, which are again more restrictive than for maintained schools.

17. AT accounting officers are also required to review how they have achieved value for money and to publish a statement on the trust's website evidencing what they have done. Annex A compares the key financial requirements for academies and LA maintained schools.

18. The Department also supports the Secretary of State in her role as Principal Regulator for exempt charities, which includes foundation and voluntary schools, ATs

and sixth form college corporations and their relevant associated charities. As Principal Regulator, she has a duty to promote these charities' compliance with charity law.

19. In my September 2012 statement, I said that I was conducting a review of the Department that would consider how Ministers' priorities could be delivered more efficiently and effectively. The review, which reported in late 2012, considered the size, shape and role of central government in education and children's services. It looked at what work the Department will be doing, how it should prioritise resources and how it should be organised to conduct its business in the most efficient and effective way.

20. The role of central government in education and children's services will be more focused, but we will maintain the capacity and capability to deliver our agenda. This focus reflects the introduction of a more intense emphasis on ministerial priorities and ceasing work that does not sufficiently contribute to those priorities or overlaps with other departments' responsibilities. Priorities and the resources allocated to them are regularly reviewed with Ministers. We have implemented greater flexibility in resourcing work; people in the Department now move and change projects as required. Accordingly, the number of people in standing teams has reduced. These approaches, combined with a greater focus on continuous improvement, ensure that the Department is more efficient in delivering its agenda.

21. The Review also triggered further work to ensure that the department has efficient administrative processes and sufficient capacity and capability to oversee the rapid growth of the Academy programme. The significant internal change and organisational restructuring of the last few years has been accompanied by a shift of resources from other areas to the delivery and oversight of academies. From September 2014, eight new Regional Schools Commissioners (RSCs) were appointed as directors of the department to take decisions in the Secretary of State's name on the operation of the academies regime. RSCs, with the help of elected Head Teacher Boards, will approve applications for new academies and free schools, approve and monitor sponsor capacity. They will also take intervention action where either performance is poor, working alongside the EFA (which continues to monitor the financial conduct of academy trusts) or where governance is poor, again working with EFA.

22. The Department works to make sure, as far as possible, that children and young people are protected from extremist views and radicalisation in school and out of school hours activities. I am increasing the capacity and capability we have for this work, to reflect its growing importance and in the light of recommendations from Peter Clarke's report on Birmingham. We published a report, on 16 January, on whether this department (or predecessor departments) had received warnings relating to extremism in Birmingham schools, and how any such warnings had been dealt with. My report found that the Department has in the past lacked inquisitiveness on this issue, and that procedures could have been tighter than they were. I am therefore taking further measures to strengthen our ability to respond to concerns about extremism. The work of

the Due Diligence and Counter Extremism Group (DDCEG) will have five key objectives, to:

- improve the resilience of the system, ensuring it has the knowledge, ability and confidence to act;
- enable safeguarding – in schools and more widely - to operate effectively in protecting vulnerable individuals from extremist influences;
- strengthen our intelligence on the threat of extremism and systems in the education sector;
- continue to pursue action in Birmingham in response to the Clarke report; and
- undertake casework where extremism concerns arise, being increasingly proactive, rather than reacting to events.

23. It does this by working to:

- equip the department to recognise extremism risks and take action to mitigate them, whether directly or via stakeholders;
- enable the department to play its part in overall government action to prevent terrorism and extremism; and
- delivering specific actions by DDCEG, including conducting due diligence checks.

24. We seek to ensure that fundamental British values are protected and promoted in the school system and have therefore strengthened a requirement for all schools of whatever type to actively promote fundamental British values. The Independent School Standards (ISS) have been amended to require independent schools, including academies and free schools, to “actively promote” principles which encourage students to respect fundamental British values. We also issued parallel guidance for maintained schools which Ofsted has reflected in strengthening the inspection framework for publicly funded schools. Parliament is considering proposals for a new statutory duty on various bodies, including educational ones, to have due regard to prevent individuals being drawn into terrorism. This would put on a statutory basis what many effective nurseries, schools and colleges already do to safeguard children and young people in their care from radicalisation and extremism, taking age-appropriate steps, based on an understanding of the local risk.

## **Ensuring good value for money**

25. The Government’s focus on improving education is driven by an awareness of the individual and societal benefits arising from better education and the economic costs of educational failure.

26. Evidence suggests that the economic benefits of an individual achieving a good quality education are significant: for example individuals with 5 good GCSEs earn 9-11 per cent more and are around 3 percentage points more likely to be in work, compared to otherwise similar people who do not hold 5 good GCSEs<sup>2</sup>. So there is potentially very significant economic value to be gained from improving the education system and reducing the lost economic potential of thousands of individuals who are failing to achieve this level each year.

27. In addition evidence suggests that the total benefits of education expand beyond those experienced by individuals through driving long-term economic growth by, for example, increasing the innovative capacity of the economy through new ideas and technologies. Analysis suggests that raising the attainment of UK pupils to the level of the best performing country could add almost 1 percentage point to the UK's annual growth rate<sup>3</sup>.

28. A growing body of evidence suggests that good early years provision and better educational achievement is likely to have wider impacts on, for example, reducing crime and improving health in adulthood, as well as playing a vital role in increasing social mobility. Pupils leaving school with no qualifications are less likely to be participating in education and training between the ages of 16 to 18. Educational failure is very costly for the individual, the Exchequer and society more generally and analysis suggests that a period spent as NEET (Not in Education, Employment or Training) leads to increased periods of unemployment and lower wages in later life. The economic cost of educational underachievement, underemployment and wider social costs has been estimated at around £104,000 per young person who spends time as NEET<sup>4</sup>.

29. Assessing the full long term economic and social impact of our investments will take time. Alongside our reform programme, we will want to develop our understanding of how improved education leads to better labour market success for young people and how it affects wider social outcomes.

## Value for money framework

30. Given this context the Department assesses value for money as the educational and wider societal outcomes achieved in return for the taxpayer resources used to fund the system.

31. This approach underpins the Department's assessment of value for money at the system level and helps ensure that individual policies and reforms promote value for

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<sup>2</sup> Greenwood, C. Jenkins, A. and Vignoles, A (2007): The Returns to Qualifications in England: Updating the Evidence Base on Level 2 and Level 3 Vocational Qualifications  
<http://cee.lse.ac.uk/ceedps/ceedp89.pdf>

<sup>3</sup> Hanushek, E. and Woessmann, L. (2012): The cost of low educational achievement in the European Union, European Expert Network on Economics of Education Analytical Report No.7

<sup>4</sup> Coles, B; Godfrey, C; Keung A; Parrott, S and Bradshaw, J (2010) "*Estimating the life-time cost of NEET: 16-18 year olds not in Education, Employment or Training*", University of York, York".

money. Whilst we do not attempt to micro-manage spending decisions, in an increasingly devolved system we do expect providers to use their autonomy and increasing responsibility to ensure value for money is being delivered locally. This requires them to decide *how* best to achieve the desired outcomes; they are held to account for their spending through increased transparency, user choice and competition.

32. To assess and improve value for money we need to consider the fundamental building blocks of inputs, outputs and outcomes:

- **Inputs** – Understanding what funding and other resources the Department puts into the system and how our reforms to the main funding systems are driving better allocation of resources across the education system over time. How we are minimising the costs both of implementing system change and maintaining the system in steady state following reform. In addition, how the Department encourages and enables providers to secure better value for money across all of their spending.
- **Outputs** – Understanding whether the reforms, coupled with providers' use of operational freedoms, have improved the efficiency of service delivery for a given level of inputs and resources and the quality of service being delivered.
- **Educational and other outcomes** – Assessing how effectively the policy reform in question is improving short term educational outcomes or other key outcomes such as improvements in safeguarding or a successful placement for a looked after child – and the consequential economic and social outcomes that occur over the longer term. This includes, where feasible, particular consideration of how these outcomes are improving over and above what we might have expected without the reform. This will include monitoring whether our performance in international pupil tests is improving.

33. Overall value for money can then be assessed by considering:

- the increase in educational standards and other outcomes achieved given the taxpayer resources used to fund the system;
- whether the value of all of the relevant outcomes (both those directly related to education and children's services and the wider economic and social outcomes) outweighs the costs of delivering them; and
- whether the adopted approach is the most cost-effective way of achieving our objectives.

34. Our general approach to assessing and driving value for money at the system level should also provide a general framework for individual service providers to assess how they themselves are securing value for money.

35. However, value for money is a 'lagged' indicator as we can only make a proper judgement about whether it has been achieved at the end of a child's education. We rely

therefore on a rigorous system based on other, more immediate, sources of information to provide assurance that our policies are providing value for money.

36. Annex B sets out, for each sector, who is responsible for the different aspects of value for money, examples of how value for money is being driven across the system and our main mechanisms for measuring it.

## **Overview of the accountability systems in education and children's services**

37. The Department has an accountability system for each sector based on non-bureaucratic and proportionate assurance mechanisms. This section provides an overview of those accountability systems, with further detail in Annex B.

### **Academies**

38. There is a clear chain of accountability from each Academy Trust, which has its own accounting officer, through the EFA to me as the accounting officer for the Department. I have appointed the EFA Chief Executive as an additional accounting officer for EFA spending, its leadership and its day to day management. His responsibilities also include:

- securing the capacity and capability required to deliver the funding arrangements for the education and training of pupils and learners aged 3 to 19 years efficiently and effectively;
- ensuring that the EFA has the financial and accounting systems that allow it to make payments accurately, efficiently and on time and secure proportionate assurance about the regularity, propriety and value for money of its programme spend;
- developing operational policies and practices that support improved outcomes for children and young people and that deliver ministerial targets for the EFA;
- advising the Secretary of State and the department's director general of the Infrastructure and Funding Directorate of the impact of policy proposals and decisions on the delivery of policy and of ministers' objectives;
- reporting regularly on delivery performance, expenditure, risk management and forward planning, and
- from November 2014, acting as Chief Executive of the Skills Funding Agency (SFA) in addition to his role as the Chief Executive of the Education Funding Agency.

39. Each Academy Trust has a direct funding agreement with the Secretary of State which sets out the conditions on which the trust receives funding, its responsibilities, and the Secretary of State's intervention powers. ATs are responsible for achieving good outcomes for their pupils, for the effective governance of schools within the trust and for managing their financial affairs to ensure regularity, propriety and value for money. Each AT must manage its finances within the financial accountability system established by the Department and set out within the Academies Financial Handbook and each Trust's Funding Agreement. The accounting officer of each AT has personal responsibility for ensuring regularity, propriety and value for money, on behalf of the trust.

40. Academy Trusts have a higher level of financial scrutiny and oversight than comparable LA schools. A Trust may be responsible for a single, stand-alone academy, in which case the trust equates to the governing body in a maintained school. A Trust may also be responsible for several academies in a multi-academy trust (MAT), in which case the trust is accountable for all schools, but may delegate day-to-day responsibility to a local governing body within an individual school. The MAT remains accountable for these functions, even if delegated to a local governing body.

41. If the AT has a sponsor, either to drive performance or to safeguard the religious ethos of a school, that sponsor has the right to appoint members of the Trust.

42. The responsibilities of ATs include:

- ensuring the quality of educational provision;
- challenging and monitoring the performance of the school;
- holding senior leadership to account;
- overseeing the management of the AT's finances and property;
- overseeing the management of the staff;
- ensuring that the AT complies with charity and company law, and
- as public sector bodies, operating in accordance with the Funding Agreement and Academies Financial Handbook, including ensuring that their accounts are reviewed by external auditors to provide an audit opinion and conclusion on their regularity.

43. The current version of the model academies' funding agreement provides the Secretary of State with the power to direct ATs to remove members and trustees which we find to be unsuitable. Unsuitable behaviour can include:

- being convicted of an offence;

- being given a caution in respect of an offence;
- being subject to a relevant finding in respect of an offence, or
- having engaged in relevant conduct.

44. The definition of relevant conduct includes:

- undermining the fundamental British values of democracy, the rule of law, individual liberty and mutual respect and tolerance of those with different faiths and beliefs;
- being found in breach of professional standards by a professional body, or
- behaviour so inappropriate that, in the opinion of the Secretary of State, it makes that trustee or member unsuitable to take part in the management of the Academy.

45. The AT's accounting officer must advise the Board of Trustees if they appear to be failing to act in accordance with the terms of their Funding Agreement. If, after discussion, the Trustees continue to propose actions that breach their Agreement, the accounting officer of the trust must inform the EFA's accounting officer. A revised edition of the Academies Financial Handbook sets out the full financial accountability framework for ATs and highlights changes since previous versions; it was published in August 2014 at <https://www.gov.uk/government/publications/academies-financial-handbook>.

46. The EFA, on behalf of the Secretary of State, holds ATs to account for compliance with the terms of their Funding Agreement and the Academies Financial Handbook, including ensuring financial propriety. This relationship is set out and reinforced in letters from the EFA's accounting officer to the accounting officer of each academy trust.

47. The financial requirements for academies include annual external audit of their accounts, which provides a stronger system of accountability for academies than that in place for maintained schools and reflects the increased autonomy enjoyed by ATs. The audited accounts of each AT are published to ensure transparency in the use of resources.

48. The financial accountability system for academies has been strengthened in a number of areas. Each AT's accounting officer is required to include a signed statement within their audited annual report and accounts, confirming whether they have complied with all aspects of the accountability system as set out in their Funding Agreement and the Handbook. The auditors are required to use the statement as the basis for the delivery of an enhanced 'regularity audit' and their conclusion is addressed jointly to the AT and to the Secretary of State through the EFA. ATs' accounting officers also prepare a value for money statement which they then publish on their website; the production of

this statement is currently under review to see if it remains the most effective way for accounting officers to report their use of resources.

49. The Department, through EFA, is directly accountable for ATs' budgets and outturns. All 2,823 ATs open by 31 March 2013 were required in late summer 2013 to prepare and submit to the EFA a budget forecast for academic years 2011/12 and 2012/13. The EFA consolidates these budget forecasts and the consolidated figures become the basis of the Department's supplementary estimate of Parliamentary supply.

50. Accounts returns for academic year 2012/13 were submitted to the EFA by academy trusts open by 31 August 2013, and EFA used them when preparing their consolidated accounts for financial year 2013-14. The consolidated accounts have provided an overview of ATs' assets (particularly their tangible fixed assets of land and buildings) and their liabilities (in particular their net pension scheme deficits) not previously available.

51. The EFA provides advice to support good financial management and takes a risk based approach to monitoring the financial health of ATs. Where an AT is governed well and in accordance with the accountability framework established through the funding agreement and the Academies Financial Handbook, then the EFA's interaction with them will be limited. Otherwise it may intervene. It requires new ATs to complete self-assessments of their financial management and governance and it visits academies, whether new or established, where arrangements are seen as being weak.

52. The EFA reviews the budget forecasts and financial statements from ATs, focusing in particular on those returns that contain unusual financial information or that have been submitted by academies with known financial weaknesses. In addition, the EFA looks for other evidence of unsatisfactory financial management. The EFA engages with any academies about which it has concerns, agreeing the most appropriate form of remedial action (such as a financial and/or governance action plan).

53. The EFA can issue a Financial Notice to Improve to an AT where it has such concerns, which formally sets out actions that the AT must take in order to comply with its funding agreement. Trusts under a Financial Notice to Improve may have the financial freedoms in the Academies Financial Handbook withdrawn until the Notice is lifted. This can include the withdrawal of delegated authority to write-off debts, make severance payments and dispose of fixed assets. The EFA also conducts 'funding audits' at a sample of ATs to validate the learner numbers upon which their funding is based.

54. The accounting officer of the EFA provides me with an annual assessment of the financial accountability system for ATs, including the level of assurance that this system provides. I use this assurance when completing my own assessment of the accountability arrangements for the wider education system and children's services.

55. The Department monitors academies' educational performance and works with underperforming ATs to raise standards, and its capacity to do this has been boosted by the introduction of Regional Schools Commissioners. Intervention typically involves, risk assessment, formal discussion, improvement notices and, where they do not improve quickly enough, further action, which may include instigating changes to the leadership and management of the academy. The Secretary of State's powers of intervention have been strengthened in the most recent Funding Agreements; more detail is included in Annex B.

56. In addition to the accountability measures in place at the AT level and directly through to the Secretary of State, we have additional checks, balances and safeguards to help ensure that performance, governance and financial issues are identified and tackled swiftly. Many of these, such as external inspection and performance standards, apply across the whole schools sector. Those specifically applicable to academies include:

- a differentiated approach to establishing academies, so that the weakest are supported by experienced schools or chains;
- support and challenge from academy sponsors who may be in charge of one or more MATs, and
- intelligence gathered through officials' contact with ATs, sponsors, dioceses and LAs.

57. An annual report on the academies programme<sup>5</sup> has been published to inform Parliament about developments and to provide information about the expansion and impact of the academies programme.

58. I recognise that as the number of academies grows, my Department must ensure it has efficient administrative processes and sufficient capacity and capability to oversee the programme. Academies are a key priority for the Department and we both structure and staff these functions accordingly to ensure appropriate capacity. For example, on 1 April 2014 the EFA formed a new Risk Analysis Division (RAD) to oversee the financial management of the sector. This introduced more efficient ways of working, including small core teams to manage framework development, assurance, intervention and planning, plus a larger flexible pool of specialists.

59. RAD has a strong mix of professionals qualified as either accountants or auditors, and is now also employing other specialists such as data analysts. RAD, together with the wider department, encourages staff to take professional qualifications and other training relevant to their role, using both the department's internally recruited bursary scheme and the externally recruited Financial Management Development Scheme.

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<sup>5</sup> Academies Annual Report 2012/13, which can be found at:

<https://www.gov.uk/government/publications/academies-annual-report-academic-year-2012-to-2013>

60. In addition, DfE has recently appointed eight Regional Schools Commissioners (RSCs) to build our capacity to take decisions about academies and free schools. RSCs operate on behalf of the Secretary of State and are responsible for tackling academy and free school underperformance, approving new academy conversions, managing the sponsor market in their region and approving changes to open academies where approval is currently needed by ministers (for example changes to multi academy trust structure). They have roles in relation to Free Schools; advising (and in time, deciding) on free school approvals, which projects go through to the pre-opening stage and which will move to a funding agreement with the Secretary of State).

61. The RSCs are supported and challenged by eight regional head teacher boards (HTBs), the majority of whom are elected by other academy heads in the region. The boards bring additional sector expertise and local knowledge to the academy system and will help ensure that local intelligence is fed into decision making about academies and free schools.

62. RSCs will work closely with EFA, as well as with Ofsted and LAs, to ensure that any concerns about the governance of a school are shared and followed up.

63. Our delivery and monitoring arrangements are also kept under review to ensure that they remain effective and efficient. Within the EFA an enquiry service has been set up to manage routine contacts from academies, and a 'self-service' approach is being developed so that academies can find information and submit applications efficiently. Within its Risk Analysis Division, the EFA is making more use of 'triage' and automated checking and will be introducing 'analytics' to gain a more rounded view of academies. Although the academies programme within the EFA has received a higher level of protection from reductions in budget and staffing, I expect there to be improved efficiency in order to manage the growth in demand.

## **Local authority maintained schools**

64. For maintained schools, primary responsibility for performance and financial management similarly lies at school level. Local Authorities delegate budgets to individual schools and their governing bodies are legally accountable for all their school's major decisions. They are expected to hold the senior leadership team to account and ensure that the delegated budget is managed effectively and value for money secured. Maintained schools are accountable to their LAs, who are in turn subject to the accountability system for local government.

65. LAs are responsible for setting and monitoring a local financial framework for their schools and providing support to help their schools offer an effective service to the local community. Maintained schools must work within this financial framework which includes maintaining effective financial management arrangements, securing value for money and providing financial information as required by their authority (Annex A provides further information). The section 151 officer of each LA is statutorily responsible for ensuring

that schools act in accordance with their financial framework, and that the authority has adequate oversight of distributed funds. Like the accounting officers of several other Departments, I rely on the professionalism and integrity of LAs' section 151 officers to obtain assurance for funds given to local government.

66. In addition, LAs' responsibilities for ensuring that their schools have effective financial management and are securing good value for money are embedded in the local government system of local democracy. The Department has asked local authorities to confirm on an annual basis, as part of their assurance return, that all eligible schools within their remit have completed the Schools Financial Value Standard (SFVS). The SFVS is designed to feed into the local authority assurance processes and the Department will continue to monitor the effectiveness of the SFVS on a rolling basis. The Department challenges any LAs whose schools have failed to complete an SFVS return without an acceptable reason. The SFVS asks governing bodies six questions designed to confirm whether their school is acting in ways that should help them secure value for money.

67. LAs are responsible for addressing poor performance in their schools (including schools with sixth forms and providers of free early education for three and four year olds). LAs monitor schools on a wide range of information, including performance indicators and Ofsted reports. They should take an active interest in the quality of school governance and have appropriate monitoring arrangements in place to spot early signs of failure in relation to performance standards, finance, or pupil safety. LAs address poor performance by intervening with schools that are causing concerns and, in the case of a maintained school's poor Ofsted report, by working with the school on an improvement action plan.

68. When intervening, LAs must have regard to the Schools Causing Concern statutory guidance - most recently updated in January 2015 (see Annex B). The guidance makes clear that LAs are not accountable for the conduct or performance of academies and should raise any concerns about academy performance, including governance, with the department (and since September 2014, with their Regional School Commissioner). The guidance also reminds LAs that their responsibilities for Special Educational Needs and Safeguarding of pupils continue to apply in all schools – maintained schools and academies.

69. In addition to the accountability measures in place at school level and directly through to LAs, we have additional checks, balances and safeguards in the system (for both maintained schools and academies) to ensure that performance and financial issues are identified and tackled. These include:

- improving the use of independent performance assessments and reporting by Ofsted;
- working with partner organisations to promote strong school governance;

- greater transparency of financial and performance data;
- establishing a clear complaints policy, and
- whistle blowing arrangements.

70. Employees can have an important role in flagging wrong-doing within an organisation. Many organisations will already have written procedures for employees to take concerns forward. This might be by raising the issue with senior officials within the organisation or referring it to an oversight body – such as the local authority in the case of a maintained school.

71. If there are serious issues, employees might consider becoming a 'whistle blower'. The DfE's whistle blowing guidance follows the approach set out by the Public Interest Disclosure Act 1998; under which employees are given protection from dismissal or adverse treatment. For a disclosure to be protected it must usually be made to the appropriate 'prescribed person' listed in the regulations. The prescribed person will depend on the nature of the concern and where the individual works. We are also taking action to ensure that concerns that are related specifically to extremism are identified and handled promptly.

72. To ensure concerns are raised in the best way and after consulting the local policy, employees can ask for free, confidential advice from the independent whistleblowing charity, Public Concern at Work on their Advice Line on 020 7404 6609 or through their website at [www.pcaw.co.uk](http://www.pcaw.co.uk). This organisation can help individuals to decide whether to raise a concern about potential malpractice or wrongdoing and give guidance on the way to do it.

73. Additional guidance on reporting routes for employees in educational bodies is also available on the GOV.UK website.

## **16-19 education system**

74. Within the 16-19 education system, responsibility for performance and financial management is at provider level, with direct accountability to either the EFA or the Skills Funding Agency (SFA, an arms' length body of the Department for Business, Innovation and Skills) depending on how providers receive their funding.

75. The EFA is responsible for obtaining sufficient financial assurance on sixth form colleges (SFCs) and operates a well-established and understood process for monitoring their financial health. Much of this assurance is gained by placing reliance on the work that SFCs are required to commission from their own appointed independent auditors.

76. The SFA<sup>6</sup> operates a similar, well-established and understood process for further education (FE) colleges, including those that deliver 16-18 Apprenticeships. Maintained schools with sixth forms are included within the scope of their LA's overall accountability requirements; Academies with sixth forms are required to comply with the same EFA assurance arrangements as academies which do not have sixth forms.

77. The SFA and EFA monitor performance and intervene if necessary in poorly performing FE colleges and SFCs respectively. Where a college provider is performing poorly and triggers intervention, it may be subject to an FE or SFC Commissioner's assessment to determine its capacity and capability to self-improve. If it is deemed able to self-improve, it is given a Notice to Improve and a time-bound period within which to demonstrate improvement.

78. If it is not able to self-improve, then the Commissioner would make a series of recommendations to Ministers that would bring about swift improvement. We are working towards a sharper performance accountability system by setting minimum standards that we expect all providers to meet and refocusing inspection on weaker providers who fail to achieve the standards.

79. As with maintained schools, checks, balances and safeguards are in place to ensure that performance and financial issues are identified and tackled. Detail is provided in Annex B but the measures include:

- independent inspection by Ofsted;
- greater transparency of information about providers, and
- complaints procedures.

80. My Department is also responsible for funding education and training provision for young people aged 19-24 with learning difficulties and who are subject to a Learning Difficulty Assessment (LDA), as well as for young people aged 16-19 with high needs. From August 2013 LAs have also had a funding role for those aged 16-24 with the highest needs, as part of funding changes to establish a consistent way of funding provision for children and young people with high needs from aged 0-25. From September 2014 LDAs are being replaced by Education, Health and Care plans, under wider SEN changes introduced by the Children and Families Act 2014.

81. Accountability for 16-24 high needs provision is similar to that for 16-19 mainstream provision. Responsibility for performance and financial management is focused at provider level, with direct accountability to either the EFA or the SFA (depending on their funding route and contractual arrangements), and to LAs for the

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<sup>6</sup> From 1 November 2014, the position of Chief Executive of the Skills Funding Agency was filled by Peter Lauener, the Chief Executive of the Education Funding Agency. From that point, Mr Lauener has worked with two lines of accountability, one for the SFA within BIS and one for the EFA within DfE.

funding they supply. Learning is often delivered through FE colleges and providers known previously as independent specialist providers (ISPs) or colleges (ISCs) and, since the 2014 Act changes, as special post-16 institutions (SPIs). SPIs are subject to financial assurance checks (in common with FE Colleges and other commercial and charitable providers). ISPs, ISCs and SPIs are subject to inspection by Ofsted and a number are also subject to review by the Care Quality Commission. Failure to perform satisfactorily results in funding restrictions and, ultimately, termination of funding agreements.

## Early years education system

82. Within the early years education system, the accountability system is based on the role of the LA. LAs have the duty to secure free early education for three and four year olds and are funded by my Department for this purpose through the Dedicated Schools Grant (DSG). This duty was extended in September 2013 to cover two year olds from the 20% lowest income households; from September 2014, the duty was extended to 40%.

83. From 2013-14, funding for two year old early education was passed to LAs through the DSG. LAs must satisfy themselves of providers' financial propriety through their arrangements with maintained schools, or through contractual arrangements with private and other providers.

84. LAs fund providers through the early years single funding formula, which delivers transparency and efficiency to early education funding. Further reforms have increased the effectiveness and impact of this funding, such as publishing (and regularly updating) benchmarking data which enables LAs to compare funding to other LAs, as well as encouraging LAs to focus funding on driving impact.

85. Accountability for performance rests at the local level. My Department is supporting local communities in exercising this accountability by publishing data covering local performance and financial spend<sup>7</sup>. This transparency of data will help support local communities and parents to hold LAs to account for their performance. In addition Ofsted has a statutory duty to assess the quality of providers. LAs are empowered to suspend the provider as a free entitlement provider.

86. To ensure effective value for money, LAs should only fund early learning for two year olds in 'satisfactory/requires improvement' provision where there is not sufficient 'good' or 'outstanding' provision. For two, three and four year olds receiving Government funded early education in 'inadequate' provision, LAs should secure alternative provision and withdraw funding as soon as is practicable.

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<sup>7</sup> This is available at:

<http://www.education.gov.uk/childrenandyoungpeople/earlylearningandchildcare/delivery/b00211546/foundation-years-benchmarking-tool>

## **Children and young people with special educational needs or who are disabled**

87. Part 3 of The Children and Families Act 2014 – implementation of which began on 1 September and will be completed by April 2018 – reaffirms and strengthens LAs' key duties in respect of children and young people with SEN or who are disabled across the 0-25 age range and regardless of where they are educated.

88. This includes duties to identify children and young people with SEN; to keep provision for them under review; to commission services for them jointly with the health services; and to consult on and publish a local offer of services. It also includes specific duties to assess the needs of children and young people with higher level needs and where necessary to prepare and maintain an Education, Health and Care (EHC) Plan setting out the support they need. EHC Plans replace statements and learning difficulty assessments.

89. The Act also places duties on a range of institutions, including early years providers, maintained schools, Academies, some independent schools, and post-16 providers including duties to co-operate with the local authority; to use their best endeavours to meet the needs of children and young people with special educational needs; and to have regard to the statutory guidance set out in the 0-25 Code of Practice.

## **Other children's services**

90. Within other children's services (including child protection, children in care and adoption, disabled children and young people, Sure Start Children's Centres, early intervention, youth services and LA leadership of the system), responsibility for delivery lies with LAs. Funding is provided through the Formula Grant system, operated by the Department for Communities and Local Government (DCLG).

91. LAs are responsible for ensuring that funding for children's services is spent with regularity and propriety, and for ensuring value for money is achieved. They are accountable both for services delivered directly by local government officers and for those services commissioned from external providers. An authority's section 151 officer is statutorily responsible for this as part of their wider assurance role. Through an annual, publicly available report to Government (the section 251 return), LAs set out the totality of their expenditure on children and families, regardless of the funding source for that expenditure. This data transparency is in addition to the established local audit arrangements. DCLG is responsible for dealing with concerns about the overall financial management of an authority and would handle such concerns under their own arrangements (further information on these arrangements can be found in the DCLG Accountability System Statement).

92. However, my Department carries out some specific roles in relation to LAs, which are as follows:

- statutory duties in relation to children’s services (excluding school related duties);
- a requirement for LAs to appoint a “Director of Children’s Services” and a “Lead Member for Children’s Services” with accountability for local delivery of children’s services;
- increased transparency to support benchmarking and local public accountability;
- inspection by Ofsted (for safeguarding services, services for looked after children and Sure Start Children’s Centres); and
- intervention by the Department where a LA is failing to deliver its services to an acceptable standard.

## **The role of inspection**

93. Independent inspection plays an important regulatory role and underpins our accountability systems for education and children’s services. Ofsted is independent and impartial and reports directly to Parliament. Ofsted aims to promote improvement in the services it inspects and regulates and it carries out thousands of inspections and regulatory visits throughout England and publishes the results on its website. Through its inspections Ofsted gathers valuable and unique data and evidence in all areas of education and care.

## **Equality and fairness**

94. The Department is committed to developing policies that raise attainment for all children and close the gap between those facing disadvantage and their peers. Policies across education and children’s services are developed to ensure fairness and equality and this is embedded within our accountability systems. For example, our reforms to education funding are specifically intended to better target resources according to pupil needs and to ensure that the disadvantaged and those with higher needs receive greater funding. Also, we are building on the positive impact early education can have on child development and social mobility so that by September 2014, the 40 per cent least advantaged two year olds (around 260,000 children) will have an entitlement to a free early education place.

95. We are also extending the successful school-age Pupil Premium into the early years. The Early Years Pupil Premium will give providers more resources to support disadvantaged children in the early years. In addition, it will create an incentive for good providers to expand into area of disadvantage. It will be introduced in April 2015 and be worth £50m. In addition, we are reforming the system for young people with special educational needs and disabled children to improve their outcomes and to improve their and their families’ experience of the system.

96. The Department's published equality objectives set out how, in delivering our overall aims for educational reform over the next four years, we also intend to consider the impact of our reforms upon particular children and families. As required by the Equality Act 2010, we publish evidence annually to show the progress which we are making towards tackling discrimination, fostering good relations and promoting equality. This transparency enables us to be held to account publicly and by the Equality and Human Rights Commission (EHRC). Schools similarly publish equality objectives and associated evidence, usually integrating these with existing documentation so that action and accountability are embedded within wider mechanisms. These publications also enable them to be held to account locally and, if necessary, by the EHRC.

97. Inspection by Ofsted also plays an important role in delivering fairness and equality. Through its inspection programmes Ofsted directly observes what services are like for all children and students, listening to their experiences and those of parents and schools. Inspection helps people and communities hold their services to account, and ensure those providing services are clear about where improvements are necessary, for example, in tackling gaps in provision for different groups.

## **Conclusion**

98. This Statement will be updated regularly as we continue to strengthen the accountability system for education and children's services whilst ensuring a proportionate approach to maintaining autonomy and avoiding bureaucracy.

## Annex A – Accountability Requirements for Academies and maintained schools

1. The accountability requirements for maintained schools are set out in LA financial schemes. The Department provides guidance, but if LAs have the agreement of their Schools Forum, they can depart from it.
2. The requirements for academies are set out in their Funding Agreements, the Academies' Financial Handbook (the Handbook) and charity and company law.
3. The table below summarises and compares the main requirements on maintained schools and academy trusts in each area.

	Academy Trusts (ATs)	LA Maintained Schools
<b>1. Government oversight</b>		
Framework	<p>Each AT has a funding agreement (FA) with the Secretary of State, setting out conditions for receiving grant.</p> <p>The EFA publishes an Academies Financial Handbook (AFH) that must be complied with as a condition of the FA.</p>	Each LA is required to maintain a scheme for financing its schools. The scheme must include procedures for maintaining effective financial management in its schools, securing value for money and providing financial information to the LA.
Delegated authority	The AFH provides wide freedoms for ATs to manage their budget and deal with routine transactions. Significant transactions (eg disposal of land, large severance payments, borrowing etc) require EFA approval.	LA schools have a delegated budget, but the LA can suspend this where scheme requirements are not complied with and/or there is financial mismanagement. Delegated financial limits set by LA.
Financial intervention	<p>Interaction with EFA is minimal unless the AT breaches the framework. EFA applies 'ladders' of intervention and may:</p> <ul style="list-style-type: none"> <li>• require recovery plans;</li> <li>• issue financial notices to improve;</li> <li>• withdraw freedoms;</li> <li>• conduct investigations and publish reports.</li> </ul> <p>In extremis the DFE may terminate the AT's funding agreement.</p>	LA may suspend school's right to a delegated budget.

<b>2. Internal oversight</b>		
Governance	<p>ATs are established as companies and as charitable trusts so have two layers of governance:</p> <ul style="list-style-type: none"> <li>• they have members with power to affect governance structure, including the appointment of trustees; and</li> <li>• they have trustees, who are also the company's directors with statutory duties of care under the Companies Act 2006.</li> </ul> <p>The trustees are responsible for strategic direction, holding the principal to account for educational performance and overseeing the financial performance of the school. They also ensure compliance with charity and company law and the AT's funding agreement.</p> <p>In a multi-academy trust (MAT) the trustees may delegate functions to local governing bodies but ultimate accountability rests with the board of governors.</p>	<p>LA schools have a governing body that is collectively accountable in law and practice for all their school's major decisions. They are expected to hold the senior leadership team to account and ensure that the delegated budget is managed effectively and value for money secured.</p>
Accounting Officer (AO)	<p>ATs must appoint a named individual as accounting officer (AO). This is usually the Chief Executive or Principal. The AO is responsible for regularity, propriety, feasibility and value for money. The AO Must report breach of framework to trustees and EFA.</p>	<p>No requirement for an AO. Responsibilities rest with governing body, with day to day delegation to head teacher. But LA systems of accountability still based on regularity, propriety and value for money.</p>
Internal audit	<p>Have an audit committee (larger trusts) or assign equivalent functions to other committee (smaller trusts) to oversee internal scrutiny. The AFH gives ATs discretion over how to deliver this internal scrutiny, eg through an internal audit, trustee review, peer review or other options.</p>	<p>No requirement within school but LA internal audit teams may make checks.</p>
Financial management assessments	<p>New ATs complete a financial management and governance self-assessment in year one.</p>	<p>LA schools complete an annual self-assessment questionnaire: the Schools Financial Value Standard.</p>

	<p>Audit committee, or equivalent, provides on-going review.</p> <p>External auditor conducts annual regularity review and may provide feedback on financial management in annual 'management letter' to trustees.</p>	
<b>3. Conflicts of interest</b>		
Register of interests	<p>ATs must maintain a register of relevant business and pecuniary interests of members, trustees, local governors and senior employees. This includes information about where they serve on other school governing bodies or academy trust boards</p> <p>The interests of members and trustees must be published on the AT's website</p>	Maintain for governors and head teacher.
Related party transactions	<p>ATs' trustees have a statutory duty as company directors to avoid conflicts of interest, as codified in the Companies Act 2006.</p> <p>AT's members, trustees, local governors and employees must not use their connections to the trust for personal gain.</p> <p>ATs must disclose related party transactions in their annual accounts.</p> <p>ATs must only procure goods and services from connected parties (members, trustees, sponsors and other parties defined in the AFH) 'at cost' (ie with no profit).</p> <p>ATs must seek the EFA's prior approval for transactions with related parties that are novel and/or contentious.</p> <p>ATs that breach the policy on related party transactions may be issued with a Financial Notice to Improve by the EFA. This may require them to obtain the EFA's approval for future related party transactions.</p>	<p>Have an up-to-date register which lists for each member of the governing body and the head teacher, any business interests they or any member of their immediate family have, and to make the register available for inspection by governors, staff and parents, and their LA.</p> <p>'At cost' policy does not apply.</p>

<b>4. Financial management</b>		
Budget planning	<p>Must prepare an annual balanced budget to be approved by trustees and submitted to EFA.</p> <p>Funding Agreements require ATs to avoid setting a cumulative deficit budget. Where this is not possible (for example, due to inherited overstaffing) they must prepare and submit a recovery plan to the EFA with agreed timescales. The EFA will monitor the AT's progress closely.</p>	<p>Submit annual budget to LA.</p> <p>Agree any deficit in advance with their LA as a planned deficit. The school must plan to return to a balanced budget usually within 3 years and is likely to be more closely scrutinised by their LA whilst in deficit.</p>
Budget monitoring	<p>Trustees to monitor budget. Generally through a finance committee (optional but best practice).</p> <p>No requirement to submit in-year returns to EFA unless subject to intervention.</p>	<p>Submit returns as determined by LA, usually quarterly. Governors scrutinise, and this may be through a finance committee.</p>
Annual accounts and external audit	<p>ATs must prepare audited annual accounts in accordance with charity reporting requirements (the Charity Commission's Statement of Recommended Practice (SORP)).</p> <p>The accounts must also comply with the EFA's Academies Accounts Direction, including additional compliance in some areas, to reflect EFA and DfE policy and reporting requirements.</p> <p>AT accounting officers must include a signed statement in their annual accounts, confirming whether they have complied with all aspects of the accountability system. The auditors use the statement as the basis for the delivery of a 'regularity audit' opinion. This provides the EFA with formal assurance about the regularity of academies' expenditure.</p> <p>Must publish their accounts on their website, and send a copy to the EFA who will also publish them in their website.</p> <p>This framework ensures transparency and rigour that goes beyond that of the LA systems in place for maintained schools, reflecting the</p>	<p>No requirement for individual company accounts for each school. Schools' results are subsumed within LA accounts which are externally audited.</p> <p>Must co-operate with the audit regime determined by their LA. And driven by their LA's internal audit function and external audit regime. It is likely to rely mainly on internal audit by the LA.</p> <p>Provide audit certificates to their LA in respect of voluntary and private funds they hold and of the accounts of any trading organisations they control. Certificates should be produced by an independent person who is not associated with the funds in any other way.</p>

	increased autonomy that comes with being an academy.	
Ensuring value for money	The accounting officer has a personal responsibility to secure value for money in the use of public funds. ATs must publish an annual VFM statement showing how they have achieved VFM, signed off by AO. A copy is supplied to the EFA.	Must seek to achieve efficiencies and value for money, optimise the use of their resources and invest in teaching and learning, taking into account their LA's purchasing, tendering and contracting requirements.  Complete annual Schools Financial Value Standard, to be considered by governors. Copy to LA.
Carry forward of funds	Carry forward of general annual grant determined by terms of individual ATs' funding agreement. Most can carry forward at year end without limit, but excessive balances may be challenged.	LA responsible for challenging excessive balances held without good reason.
<b>5. Controls</b>		
Financial controls	ATs' funding agreements require them to apply sound financial management and controls. Also implicit in statutory duties of trustees/directors.	Apply financial controls that meet the LA's requirements (may vary in detail).
Record keeping and provision of information	ATs must keep adequate accounting records, as required by the Companies Act 2006.  Under the funding agreement ATs must also provide the Secretary of State with access to records and supply information as required. This is normally used in cases of financial weakness or for sample assurance visits. It could include monthly management accounts to monitor an AT's recovery from financial failure, auditors' reports to gain additional assurance over financial systems and controls, and other records.	Must supply all financial information which might reasonably be required to enable their LA to satisfy itself as to the school's management of its delegated budget share and accurately record the income and expenditure of schools maintained by the LA in its central finance system.
Protection against fraud	Each AT's accounting officer is required to secure propriety and regularity in the use of public funds. They must bring to the attention of the EFA any instances of fraud or theft above £5,000 and any unusual or systemic fraud regardless of value.	Have a robust system of controls to safeguard themselves against fraudulent or improper use of public money and assets. School is expected to report any instances of fraud or theft to their LA.
Assets	Safeguard assets and maintain an asset register. Disposal of land and buildings is subject to the approval of the Secretary of State.	Maintain an inventory of its moveable non-capital assets, in a form to be determined by their LA, including setting out the basic authorisation procedures for disposal of assets.

# Annex B – Roles and responsibilities in ensuring accountability and value for money

## Introduction

1. This Annex includes detailed information about ATs, LA maintained schools, 16-19 education, early years provision and children's services, including child protection, children in care and adoption, Sure Start Children's Centres, early intervention, youth services and LA leadership of the system. It includes information about roles and responsibilities, how the financial accountability system works, mechanisms for addressing financial failure, how value for money is ensured, how performance is ensured and poor performance addressed, and additional checks, balances and safeguards in the system. It is structured as follows:

- **Section 1:** Accountability for academies (including financial accountability and ensuring performance)
- **Section 2:** Accountability for LA maintained schools (including financial accountability and ensuring performance)
- **Section 3:** Ensuring value for money in academies and maintained schools
- **Section 4:** Checks, balances and safeguards in the schools' accountability system
- **Section 5:** Accountability for 16-19 education and for learning for young people aged 19-24 with learning difficulties and/or disabilities (including financial accountability, ensuring performance, ensuring value for money and checks, balances and safeguards in the system)
- **Section 6:** Accountability for early years education (including financial accountability, ensuring performance, ensuring value for money and checks, balances and safeguards in the system)
- **Section 7:** Accountability for other children's services (including financial accountability, ensuring performance, ensuring value for money and checks, balances and safeguards in the system)

## Section 1: Accountability for Academy Trusts (ATs)

### Roles and responsibilities

2. There is a clear chain of accountability from each AT, through the EFA, to the accounting officer for the Department for Education.

3. **ATs** are responsible for achieving educational outcomes and ensuring regularity, propriety and value for money. Free Schools, Studio Schools and University Technical Colleges (UTCs) are legally 'academies' and are set up with the same underpinning operating and legal frameworks. Therefore, for the purposes of this document, 'academies' should be taken to refer to all types of academy, including those that have converted from LA maintained schools; those that opened with the support of a sponsor; Free Schools; Studio Schools, UTCs and Special Academies.

4. ATs, as companies, enter into a legal contract known as a Funding Agreement with the Secretary of State. The Funding Agreement regulates their operation by imposing educational and other obligations in return for funding (including educational, financial and accounting requirements). The Funding Agreement includes a requirement to comply with the Academies Financial Handbook produced by the EFA. The AT is therefore responsible for ensuring that its funds are used only in accordance with the governing body's powers under the Funding Agreement, the Financial Handbook and any other conditions that the Secretary of State may impose.

5. The trustees of an AT are the board of governors and are held to account by the Secretary of State. In MATs, the AT may establish local governing bodies in its constituent academies and delegate functions to these. However, even if functions are delegated to a local governing body, the trustees at the MAT level will be held to account by the Secretary of State. Many MATs have sponsors who are approved by the Department to support the improvement of schools in their trust. Sponsors have a key role in appointing members to the AT, who in turn will appoint the majority of academy trustees. They are held to account by the Department for the performance of schools in their trust through their control of the governance of the trust.

6. Each sponsor is given a grade based on this information and a capacity figure for any agreed growth. The framework and the criteria for each grade have been informed by our research on what makes a good sponsor. Grades and capacity figures are routinely reassessed to take into account the most recent exam results, Ofsted inspections of individual academies and batched inspections of sponsors, and financial returns.

7. Where we have serious concerns about a sponsor's performance we will formally 'pause' them and in some cases transfer their academies to other sponsors. The Articles of Association for the AT (which are linked to the Funding Agreement) set out the responsibilities of the trustees and the principal. The accounting officer should take

personal responsibility, which must not be delegated, to assure the trustees that there is compliance with the Financial Handbook, the Funding Agreement and all terms, conditions and requirements referred to above.

8. ATs are, by virtue of section 12(4) of the Academies Act 2010, exempt charities and academy governors are therefore subject to the duties and responsibilities of charitable trustees. The Charity Commission has produced specific guidance for academies in [Academy Schools: guidance on their regulation as charities](#). The Charity Commission has also produced two guidance notes which are relevant for academy governors. These guidance notes are [CC3: The Essential Trustee - What You Need to Know](#), and [CC8 - Internal Financial Controls For Charities](#).

9. As ATs are legally companies limited by guarantee, their internal governance must reflect the requirements of the Companies Act and the company's memorandum and articles of association. The articles set out how the Directors of the company, who are also its trustees, are to be appointed. The Directors are bound by the legal duties of a company director (set out in the Companies Act) which include the duties to:

- act within their powers;
- promote the company's success;
- exercise independent judgement;
- exercise reasonable care, skill and diligence;
- avoid conflicts of interest;
- not accept benefits from third parties; and
- declare interests in proposed transactions or arrangements.

10. **The Secretary of State** is responsible for holding ATs to account for meeting the terms of their Funding Agreements (including compliance with the Financial Handbook), for performance outcomes and for academies' use of public money. If an AT fails to comply with the terms of its Funding Agreement, officials would engage with the AT to try to bring about compliance. If that was unsuccessful, the Secretary of State could issue a Financial Notice to Improve. Ultimately, the Secretary of State could invoke termination powers which are set out in the Funding Agreement, where a key element of the agreement is breached. In addition, if an AT fails to comply with the terms of its Funding Agreement, the Secretary of State could ultimately seek an order ensuring compliance with the requirements of the contract through the Courts.

11. **The Secretary of State** also has intervention powers when an AT is failing, and these have been strengthened in the most recent model Funding Agreement. In previous versions, the Secretary of State had the ability to appoint sufficient members of the governing body to take control. In the current version, there are more direct powers to terminate the Funding Agreement. These powers can be used in response to situations

such as being judged by Ofsted as having 'serious weaknesses' or requiring 'special measures', financial mismanagement, and health and safety concerns.

12. The recently-appointed RSCs, who are responsible for tackling academy and free school underperformance, approving new academy conversions, managing the sponsor market in their region and approving changes to open academies, are also helping to build our capacity to take decisions about academies and free schools.

13. The Secretary of State is also the designated Principal Regulator of ATs as Charitable Companies. The EFA carries out this role on behalf of the Secretary of State who, as Principal Regulator, is under a duty to promote ATs' compliance with charity law. One of the Principal Regulator's main duties is to ensure information about the exempt charity is readily available to the public. This includes its governing documents, its latest statement of accounts, and information about its activities and how they relate to its objectives.

14. **The Education Funding Agency (EFA)** acts as an agent of the Secretary of State within the scope of the powers and discretions formally delegated to it. The Chief Executive of the EFA has been designated as its accounting officer and is responsible and accountable to Parliament for how the EFA uses its funds. The EFA's accounting officer is also responsible for the regularity and propriety of expenditure and for getting good value for money from it. The EFA directly funds ATs and, in turn, the EFA's accounting officer must be satisfied that ATs have appropriate arrangements for:

- sound governance;
- financial management;
- securing value for money;
- accounting, and
- that ATs' use of public funds is consistent with the purposes for which the funds have been given.

15. The accounting officer of the EFA will provide the accounting officer of the Department with an annual assessment of the financial accountability system for ATs, including the level of assurance that this system provides.

16. The funding system for ATs is based on the terms of their Funding Agreements with the Secretary of State. ATs' running costs are covered by [the General Annual Grant (GAG) paid by the EFA by way of Formula Funding and] the Education Services Grant (ESG). The ESG replaced the LA Central Spend Equivalent Grant (LACSEG) from September 2013 and represents an AT's share of the central funding that its host LA would otherwise retain and spend on behalf of its schools. As with maintained schools, academies can also receive Pupil Premium funding, paid directly to them by the EFA.

17. The academies programme is a key priority for the Department, and is staffed accordingly. The Department recognises that as the number of ATs grows, it must ensure it has efficient administrative processes and sufficient capacity and capability to oversee the programme. The EFA has increased staffing on academies accordingly to ensure appropriate capacity. It has also kept delivery and monitoring arrangements under review to ensure that they are effective and efficient.

18. As part of that work, the EFA has increased the ease with which ATs can submit returns to it through the on-line returns site, using web-enabled forms. Increased use of automated checks has made validation of ATs' returns more efficient. The use of webinars and on-line training has also helped ATs to understand how the financial returns should be completed. The EFA collaborates closely with working groups of sector representatives, including AT Finance Directors and auditors, to develop the accountability framework and to ensure that its requirements are clearly set out.

### **Ensuring financial accountability and propriety**

19. The Secretary of State, via the EFA, holds ATs to account in respect of compliance with the terms of their Funding Agreement, including ensuring financial propriety and value for money. Funding Agreements stipulate that ATs must abide by the requirements of the Academies Financial Handbook, published by the EFA. This Handbook contains information on the duties and obligations of ATs arising from the Funding Agreement and sets out the financial management and audit requirements for academies. In addition, the model Funding Agreement states clearly that the AT must apply 'financial and other controls which conform to the requirements both of propriety and of good financial management'. The following requirements are in place to ensure strong financial management and propriety:

- All ATs must designate a named individual as their accounting officer – usually the Principal in a single AT or the Chief Executive of an MAT. ATs must comply with the requirements of their Funding Agreement and the Academies Financial Handbook. The role of accounting officer includes personal responsibility for the propriety and regularity of the public finances for which they are answerable; for the keeping of proper accounts; for effective internal controls; for prudent and economical administration; for the avoidance of waste and extravagance; for achieving value for money; and for the efficient and effective use of all the resources in their charge. These responsibilities are set out and reinforced in letters from the EFA's accounting officer to each academy trust;
- Accounting Officers must advise the trustees if any action or policy under consideration is incompatible with the terms of their Funding Agreement, or if they appear to be failing to act as required by the terms and conditions of their Funding Agreement. If, after discussion with the trustees, the Accounting Officer still considers that the action proposed is in breach of the Handbook or Funding Agreement, they must inform the EFA's accounting officer;

- ATs are required to produce and submit externally audited accounts to the EFA. The accounts must be prepared in compliance with the Charity Commission's Statement of Recommended Practice, Accounting and Reporting by Charities (the Charities' SORP). The EFA relies on the professional opinion of ATs' external auditors, to establish that the accounts are true and fair. The EFA takes follow-up action on any qualified accounts to ensure that the reasons for qualifications are being appropriately addressed by the academy trust. In addition, each AT's accounting officer must include within their annual accounts a signed statement confirming whether they have complied with all aspects of the accountability system as set out in their Funding Agreement and the Financial Handbook. The EFA has strengthened its relationship with ATs' external auditors to ensure that robust assurance is provided that each trust has a sound system of internal control and that public funds have been used for the intended purposes. This takes the form of a 'regularity audit' performed by the external auditors, using the accounting officer's statement as a basis. This opinion is addressed jointly to the trust and to the Secretary of State through the EFA.
- The EFA asks ATs to complete an annual accounts return, which is also reviewed by the AT's auditors, that includes its accounts, results and other information the EFA needs to make full disclosure in its own consolidated accounts. The return also gathers the financial benchmarking detail which the Department publishes and ATs' Whole of Government Accounts information. The EFA validates these returns extensively, largely through the use of inbuilt automated checks. The EFA will speak to ATs about any validation 'failures' to ensure the accuracy of the returns.
- The proposed budget for each academic year (September to August), including income from all sources, must be approved by the trustees and submitted to the Secretary of State, either by 31 July or within six weeks of receiving the final funding letter. As with the accounts returns, inbuilt automated checks support validation of the budgets.
- Each AT's accounting officer is required to prepare a statement explaining how the trust has achieved value for money in their use of resources, and publish it on their website;
- The Academies Financial Handbook requires ATs to bring any instances of fraud or theft over £5,000, and all instances that appear systematic, to the Secretary of State's attention. The strengthening of the EFA relationship with academy auditors ensures that the potential for fraud is given greater emphasis. In cases where the EFA receives information relating to such matters and an investigation is judged appropriate, this will be conducted under the terms of the audit access rights contained in the Funding Agreement;
- Whilst ATs can carry out most routine financial transactions without needing approval from the Secretary of State or HM Treasury, ATs do require the approval

of the Secretary of State for potentially significant financial transactions, for example:

- the acquisition and disposal of land and buildings;
  - any borrowing;
  - transactions above a certain proportion of their budget;
  - transactions above a specific cash level for special staff severance payments,
  - novel and contentious transactions.
- The EFA obtains assurance that academy funding (based on pupil numbers) is appropriate by undertaking an annual programme of funding audits at a sample of academies;
  - The EFA uses a risk-based approach to monitoring the financial health of ATs to ensure a proportionate and value for money approach. This draws on a range of indicators including:
    - financial statements received (focusing in particular on those statements that contain unusual financial information or that have been submitted by academies with known financial weaknesses);
    - the cumulative financial position (surplus or deficit);
    - the staffing costs to income ratio;
    - any requests for additional funding or advances;
    - deficit funding received, and
    - timely receipt of financial returns.
  - The EFA will respond to concerns raised by external auditors, its own staff and whistle blowers about financial management weaknesses in academies and will then speak with any ATs about which they have concerns. They will then agree the most appropriate form of remedial action (such as a financial action plan). Where sufficient improvement is not made, the EFA may issue a Financial Notice to Improve.

20. The EFA is supporting academies to undertake effective financial management through a range of mechanisms. It has:

- published a revised Financial Handbook (in August 2014) to strengthen key messages around good governance and the avoidance of conflicts of interest;
- written to each academy trust's accounting officer about their financial responsibilities and standards of governance and accountability;

- produced updated guidance in an Accounts Direction, to help academies prepare their 2013/14 annual report and accounts, and for their independent auditors to audit them; and
- delivered webinars for academies and auditors, setting out requirements and providing feedback of previous years' audit work.

21. The EFA works closely with academy staff and representative bodies on an on-going basis to develop its main financial products and ensure good practice is shared. For example it has established a steering group and working groups of academy representatives to help develop the revised Academies Financial Handbook, Accounts Direction, regularity audit guidance, accounts return template and budget forecast template.

22. The EFA is improving its framework for financial forecasting and is working with ATs to ensure compliance. It is developing monitoring and reporting processes that will meet the requirements to produce consolidated accounts across government but that will minimise additional bureaucracy for ATs.

23. The EFA has developed its approach to monitoring ATs' financial health and ensuring that ATs are dealing with deficits effectively. The budget return that ATs complete includes an early view of the projected outturn for the current year together with a forecast for the forthcoming year. The aim is to enable ATs and the EFA to better identify financial health problems in advance and take early corrective action. Where ATs are financially weak, they are supported to develop and deliver robust recovery plans and monitor progress. Any AT in significant financial deficit is required to prepare and submit a recovery plan with agreed timescales; their progress against the plans will be monitored and they will be held to account for delivery.

24. The EFA's intervention policy is based on 'ladders of intervention' that ensures that the most appropriate action is taken to support ATs in financial difficulties. In some circumstances this can include the issuing of a Financial Notice to Improve to an academy.

## **Ensuring performance and addressing poor performance**

25. The academies programme seeks to raise performance through providing autonomy and freedom to innovate and Academies continue to improve faster than the national average.

26. The Department monitors ATs' performance and intervenes in cases of poor performance. To raise standards, the Department is working with ATs that:

- are below the floor standards;
- are identified as needing improvement by Ofsted, or

- whose results have fallen, or appear in danger of falling, below the floor standards.

27. Underperforming ATs are monitored through meetings with the academy trust and with the sponsor where they have control of the governance of the trust through their nominated members and trustees. The Department also undertakes visits to the academy with an Education Adviser to assess the impact of the actions being taken. Each AT is then risk-assessed according to its results, our assessment of the capacity of the sponsor to bring about rapid improvement and our assessment of the effectiveness of the improvement plan. Where ATs do not improve at the pace expected, the Department takes further action. The Department has increased its capacity to act in this area through the recent appointment of Regional Schools Commissioners.

28. Since January 2012, the Secretary of State's intervention powers have been utilised on a number of occasions. The Department has issued 84 Pre-Warning Notices and 9 Warning Notices to those causing concern.<sup>8</sup>

29. LAs do not have formal responsibility for the performance of ATs but may inform the Department or the Regional Schools Commissioner if they have any concerns relating to those in their area.

30. The academies programme has been developed in such a way as to promote a self-sustaining system of school-to-school improvement. The Department expects all schools that are performing well and applying for AT status to partner a weaker school. Currently, 320 converter academies are approved sponsors and are either sponsoring or working in partnership with over 900 named schools. Another 49 have been approved to sponsor weaker schools<sup>9</sup>. Schools that are not high performing but wish to benefit from AT freedoms are only able to do so if they work in formal partnership with a high performing school or a proven academy sponsor.

31. Wider mechanisms supporting the identification of poor performance are explained in section 4 and include inspection, whistleblowing and greater transparency to parents and the public. The Department has also taken additional powers and steps to ensure we can take action in relation to collective and individual failure in the effective governance of ATs. All ATs are now required to provide details of the current serving members and trustees in their annual governance statement. The Secretary of State has also taken powers in the latest version of the funding agreement to direct ATs to remove members and trustees who are unsuitable.

32. To ensure that new academies have effective governance, they are required to conduct a review of their governance arrangements in their first year of operation and set out, in their first annual governance statements, the action they have taken to reflect their new responsibilities as an academy. Trusts which have been identified with weak

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<sup>8</sup> Statistics in this paragraph are accurate as 19 January 2015.

<sup>9</sup> Departmental figures at 19 January 2015.

governance can also be required to have an independent review of their governance arrangement.

33. To address the risk of extremism within the sector, ATs' are also now required, along with maintained schools, to "actively promote" principles which encourage students to demonstrate fundamental British values. This is built into their Funding Agreement as a contractual requirement; non-statutory departmental advice, setting out expectations on all schools, was published in November 2014. A series of measures have been introduced, including:

- incorporating checks of changes in governance into first term visits to new free schools;
- communicating expectations that academies will inform the EFA of changes in governance;
- recording changes in governance roles via the annual reporting process, and
- developing additional periodic checks of academy standing data for key governance roles.

34. The process for assessing applications for academy status, and potential sponsors, has since been made even more robust. Additional due diligence checks are carried out, using a risk-based approach, on people who wish to be members or directors of a school converting to become an academy. Regional Schools Commissioners now take decisions on convertor applications and, with the help of their Head teacher Boards, can bring to bear more local intelligence on capacity and suitability.

## **Section 2: Accountability for maintained schools**

### **Roles and responsibilities**

35. **Individual maintained schools** have autonomy over the use of their budgets and their governing bodies are responsible and accountable in law and in practice for all of their schools' major decisions. Schools are responsible for managing their delegated budget effectively and optimising their use of resources to raise standards and attainment for all of their pupils whilst ensuring good value for money. Governing bodies' three core functions are:

- Ensuring clarity of vision, ethos and strategic direction;
- Holding the head teacher to account for the educational performance of the school and its pupils; and
- Overseeing the financial performance of the school and making sure its money is well spent.

36. **Governing bodies** should ensure that they have access to an appropriate level of financial expertise so that they can fulfil their responsibilities to:

- Approve the school budget and reviewing progress against the budget, plans and targets;
- Maintain effective financial management arrangements in the school including seeking to secure good value for money at all times and ensuring that the school has adequate arrangements to guard against fraud and theft; and
- Complete the Schools Financial Value Standard (SFVS) annual self-assessment return, including agreeing and implementing an action plan to address any identified areas of weakness.

37. **LAs** are responsible for holding maintained schools to account for their financial management and performance. This includes ensuring that they have adequate oversight of their schools' financial management. They are responsible for setting and monitoring a local financial framework for schools and providing support to help their schools provide an effective service to the local community. Maintained schools must work within this financial framework, including maintaining effective financial management arrangements and providing financial information as required by their LA. LAs are accountable through the democratic process to local communities.

38. **The Department** is accountable for the overall system through which funding for schools is provided to LAs including ensuring there are sufficient routes to provide assurance that the funding is being used with regularity, propriety and in ways that secure value for money.

39. **The DCLG accounting officer** is responsible for ensuring that LAs act with regularity, propriety and value for money in the use of all of their resources.

## **Ensuring financial accountability and propriety**

40. The funding system for maintained schools is based on the Dedicated Schools Grant (DSG) and Pupil Premium, which are channelled from the Department to LAs. The DSG pays for:

- education for 3 to 15 year olds including the revenue budgets for primary and secondary schools;
- early education for 3 and 4 year olds (see early years education section below);
- early education for 2 year olds from lower income households;
- young people with high cost special educational needs; and

- pupils in alternative provision.

41. LAs are permitted to retain a small proportion of their allocated DSG for centrally administered services and support services. They redistribute the bulk of it to their maintained schools using locally determined formulae which give weightings for factors such as relative deprivation, pupils with special education needs, or those who speak English as an additional language. In addition, the Pupil Premium, introduced in 2011-12, is channelled through LAs to schools. It is designed to target additional funding to pupils eligible, or previously eligible for free school meals, looked after children and service children.

42. LAs' key responsibilities include:

- maintaining a local financial scheme for schools under section 48 of the School Standards and Framework Act 1998;
- reviewing schools' budget plans as submitted;
- carrying out high level monitoring of school budgets;
- agreeing a deficit recovery programme with schools that fall into deficit;
- challenging excess surplus balances held without good reason;
- planning and carrying out an audit programme for their schools, taking into account schools' SFVS returns; and
- intervening in schools causing financial concern.

43. The Section 151 officer of each LA is statutorily responsible for ensuring that their authority acts in accordance with the authority's financial framework, and that the authority has adequate oversight of distributed funds to its maintained schools. The Department, like many other Departments, relies on the professionalism and integrity of LAs' section 151 officers in seeking assurance for funds given to local government. As well as statutory backing, the LA assurance role is subject to democratic oversight and external audit.

44. The Department requires authorities, based on their close oversight of their schools, to give sufficient and adequate assurance that distributed funds are being used with regularity and propriety and that value for money is being secured. Specifically, the Department requires LAs to provide assurances about how they have used the DSG and Pupil Premium funding and that it has been deployed with regard to regularity, propriety and value for money. Each LA's Chief Financial Officer (CFO) has a responsibility (through a condition of grant) to provide the DfE accounting officer with an annual statement of financial assurance that includes:

- Assurances that the authority has used DSG (which includes funding to support the free entitlement for 3 and 4 year olds) and Pupil Premium funding in line with the conditions of grant set out by the Department;
- confirmation that the authority has in place a system of school audits which gives the CFO adequate assurance over schools' standards of financial management and the propriety and regularity of their spending; and
- how many School Financial Value Statements (SFVS) returns they have received and an assurance that they are taking the contents of these into account in planning their future programme of school audit.

44. The authority's use of DSG and Pupil Premium is subjected to external audit as part of the authority's accounts.

45. In cases of weak financial management in schools, it is the responsibility of their LAs to intervene. Authorities have a range of early warning signs available to alert them to financial mismanagement including audit reports, school budget plans (which the authority reviews), the authority's monitoring of school spending, and schools' SFVS returns, as well as any alerts through whistleblowing. If an authority has a concern about the financial management of a school, they work with the school to agree a deficit reduction plan. However, where appropriate, LAs can also:

- claw back funds where the problem is an issue of excess surplus held by a school;
- agree a plan to recover a deficit within three years;
- issue a notice of financial concern under their local financial scheme; and
- withdraw a school's right to a delegated budget under Schedule 15 to the School Standards and Framework Act 1998.

46. The Department has a role in approaching an authority if it has evidence that it is not fulfilling its functions in relation to schools' financial management as well as they should. The Department accepted the National Audit Office's (NAO) and Public Accounts Committee's (PAC) recommendations that it needs to strengthen its arrangements for approaching authorities when the information it receives indicates there may be cause for concern and to better understand the reasons for persistent school deficits and surpluses. In summer 2012, the Department published new arrangements to use authorities' section 251 outturn returns and CFO assurance statements to identify where there may be problems with the authority's or its schools' financial management. On an annual basis, the Department will analyse this information against a set of pre-agreed criteria based on:

- substantial over or under-spends of the DSG;

- persistent, substantial school-level deficits or surpluses; and
- schools' completion of the SFVS.

47. Where this information indicates that there is reason for it to be concerned, the EFA will approach individual authorities to understand the issues better and seek appropriate additional assurances. For example, in 2012-13 the EFA challenged eight local authorities that had shown a significant under or over spend on the dedicated schools grant for that year. The EFA also wrote to six local authorities that had schools carrying significant balances (surpluses and deficits) over a number of years. All local authorities responded giving detailed explanations of remedial action. A similar exercise is about to be undertaken for 2013-14.

48. In addition to the role of the DfE, the Department for Communities and Local Government's (DCLG's) accounting officer is responsible for ensuring that a framework is in place to make sure that authorities act with regularity, propriety and value for money in the use of all of their resources. Thus concerns about the overall financial management of a LA would normally be handled by DCLG rather than directly by other government departments.

## **Ensuring performance and addressing poor performance**

49. LAs are responsible for addressing poor performance in maintained schools (including schools with sixth forms and providers of free early education for two to four year olds) and this sits within a system of accountability overseen at the national level by the Department.

50. When intervening, LAs must have regard to the Schools Causing Concern (SSC) statutory guidance, most recently updated in January 2015. The guidance makes clear that LAs are not accountable for the conduct or performance of academies and should raise any concerns about academy performance, including governance, with the department (and since September 2014, with their RSC). The guidance also reminds LAs that their responsibilities for Special Educational Needs and Safeguarding of pupils continue to apply in all schools, maintained and academies.

51. We have updated the most recent version of the Schools Causing Concern guidance to reflect the importance of LAs understanding and having confidence in the quality of governance in the schools they maintain. Only if LAs are confident in the quality of school governance can they be confident in their systems of oversight for delegated duties and budgets. They should therefore intervene early to strengthen weak governance before this leads to poor performance. We have also set out clearly local authorities' overarching duties under the Children Act 1989 in respect of the safeguarding of children, regardless of where those individual children are educated.

52. LAs monitor schools on a range of performance indicators including Ofsted reports, information from their governing body and head teacher and comments or concerns raised by parents or other members of the local community. LAs address poor performance by working with the school on an improvement action plan. If performance is or remains unacceptably low, the authority may issue a warning notice. Although authorities take the lead in addressing poor school performance, the Secretary of State can direct the authority to issue a warning notice if it is deemed necessary and they have not done so. If the school fails to comply satisfactorily with the warning notice or if Ofsted judges the school to be requiring 'significant improvement' or 'special measures', then it will become eligible for intervention.

53. Where further action is necessary, the LA intervenes. It can:

- require the governing body to enter into arrangements with a view to improving the performance of the school<sup>10</sup>;
- appoint additional governors;
- suspend the delegated authority for the school's budget;
- apply to the Secretary of State to appoint an Interim Executive Board;
- propose the closure of any type of maintained school.

54. A statutory process must be followed which requires:

- Consultation;
- the publication of closure proposals;
- a representation period in which to submit comments and objections;
- the decision itself, and
- where approved, implementation of the closure (decided under local decision making arrangements by the relevant LA).

55. Certain bodies have a right of appeal to the independent Schools Adjudicator if they do not agree with an LA's decision. The Schools Adjudicator would consider the case afresh and the eventual decision is final. Where, despite LA action, schools continue to fail, the Secretary of State has powers to intervene in individual schools

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<sup>10</sup> Further information is available on the Department's website:  
<http://www.education.gov.uk/aboutdfe/statutory/g00192418/scc/scc1>

under sections 67-69 of the Education and Inspections Act 2006. The Secretary of State may:

- appoint additional governors;
- appoint an Interim Executive Board;
- direct a LA to close any school requiring 'special measures';
- make an academy order, where a further range of statutory intervention powers are available for her to bring to bear not only on the academy Head Teacher, but also (where applicable) on sponsors; and
- require an LA to serve a warning notice on a school.

### **Section 3: Ensuring value for money in academies and maintained schools**

56. Many aspects of value for money apply to both academies and maintained schools. This section covers those applicable to all types of school, identifying which elements are specific to just one of the sectors.

57. As set out in paragraphs 16-21 of the main statement, value for money is assessed as the educational and societal outcomes achieved in return for the taxpayer resources used to fund the system. In particular:

- the increase in educational standards and other outcomes achieved given the taxpayer resources used to fund the system;
- whether the value of all of the relevant outcomes (both those directly related to education and children's services and the wider economic and social outcomes) outweighs the costs of delivering them; and
- whether the adopted approach is the most cost-effective way of achieving our objectives.

58. The Department makes regular assessments of the effectiveness of its activities and these include the oversight and intervention system. The academies programme is fundamentally changing the education system and the Department is continuously improving the efficiency with which the programme is being implemented. It is too early to assess its full impact both at school level and across the wider economy, but the Department is ensuring that the right information will be available to assess value for money over time. As part of the planned implementation of the academies value for money framework, published in late 2013, the Department plans to undertake a 'cost-benefit analysis' assessment of the value for money of the academies programme. Cost

benefit analysis of other specific interventions will be considered where it is possible to isolate their impact from other influences on school performance.

## Departmental Inputs

59. The Department is responsible for ensuring that, at a system level, the funding it provides to academies and maintained schools is allocated efficiently to drive value for money. In addition, it is responsible for ensuring that the costs of implementing and maintaining the new academies' system are minimised.

60. The current funding system is unfair, out of date and leads to inefficiencies in the allocation of resources across the schools sector. We are committed to introducing a national funding formula in the next parliament. A national funding formula will ensure that money is allocated on a fairer and more transparent basis.

61. As a significant step towards fairer funding, we will distribute in 2015-16 an additional £390m of school funding to the least fairly funded local authorities – while all other local authorities' budgets will be protected at the same cash level of spending in 2015-16 as in 2014-15. We are allocating the funding by setting minimum funding levels that a local authority should receive for each of its pupils and schools. Detail of this additional funding is on the Department for Education's website and annexes A and B of the document refer: <https://www.gov.uk/government/publications/fairer-schools-funding-arrangements-for-2015-to-2016>.

62. We have also simplified the school funding system at a local level, making a number of changes which took effect in April 2013. Following a review in early 2013 we announced further improvements which took effect from April 2014. Prior to April 2013, LAs were able to distribute funding using a wide range of formula factors. This resulted in many authorities having such complex formulae that it was virtually impossible for head teachers and governors to understand how their budgets had been derived. This was not efficient, fair or transparent.

63. Under the new arrangements, LAs will be limited to using a maximum of 13 factors in their formulae. These factors will relate to pupil characteristics and exceptional premises costs (such as rates or private finance initiatives) only. Having simpler and more consistent local formulae provides a good basis from which the Department can develop and implement a national funding formula in future years.

64. Since we introduced the simplified funding arrangements, we have already seen evidence that more money is being targeted at the needs of pupils, not the circumstances of schools. In 2012-13, LAs distributed, on average, 67% of their funding through their pupil-led factors. By 2013-14, this figure has increased substantially to an average distribution of 90% through these factors.

65. In order to provide head teachers and governors with more control over how money for schools is spent, LAs are also required to distribute more of the DSG to

schools in the first instance and maintained schools (and indeed academies) can then decide to give some funding back to LAs for the provision of central services.

66. As local authorities are now required to delegate the maximum amount of Schools Block DSG directly to maintained schools and academies, there is no longer a separate Schools Block LACSEG payment for academies. The former Schools Block LACSEG is now part of the school budget share for academies.

67. LA Block LACSEG for academies and the corresponding element of formula grant funding for local authorities for education functions was replaced in 2013-14 by a single national grant from the Department, the Education Services Grant (ESG). The ESG is paid to local authorities and academies on a transparent per-pupil basis according to the number of pupils for which they are responsible.

68. There are some responsibilities that LAs hold for all pupils and therefore do not transfer to academies. These services include prosecution of parents for non-attendance; tracking children missing from education; capital programme planning and functions relating to academy leases; and strategic planning of children's services. Local authorities receive funding to cover these duties as part of the Education Services Grant.

## **School-level Inputs**

69. Both academies and maintained schools have autonomy over their budgets and are responsible for how they spend the financial resources allocated to them to deliver education services. Each academy's accounting officer has primary responsibility for ensuring the academy secures value for money in its use of resources. The Department's role is not to dictate how schools should be spending, but it is responsible for empowering all schools to achieve value for money across all of their spending and ensuring they can easily access appropriate advice and support.

## **Both maintained schools and academies**

70. To support both maintained schools and academies, the Department:

- provides access to key tools and clear links to the wider range offered by other organisations (<http://tinyurl.com/m7wkk76>). The advice and tools cover topics including strategic financial management, workforce deployment and the effective employment and deployment of school business managers;
- promotes a range of procurement deals and web-based purchasing advice to help all schools get the best value for money, and will continue to improve the effectiveness of its support resources, working in partnership with key stakeholders and refining existing resources through user feedback; and

- encourages the take-up of training, provided by the National College for Teaching and Leadership's (NCTL) licencees, on effective financial management for head teachers and governors which includes the importance of achieving good value for money.

## Academies

71. For academies, this support includes:

- the EFA works with representative bodies to ensure good practice is shared;
- the Department has explored proposals to reduce academies' insurance costs for the long-term and has put arrangements in place for the academic year 2012/13;
- the Department has published an "Academies Procurement Resource" to help ensure that academies are equipped to follow good practice in procurement and achieve good value for money;
- the Department now publishes academies' financial data each year alongside attainment data. The publication is designed to support benchmarking between academies, helping them to consider how they could achieve better value for money. The Department plans to align academies' and maintained schools' finance data more closely over time to enable comparisons between the sectors;
- the National College for Teaching and Leadership has developed, in association with CIPFA, the Certificate in Financial Reporting for academies aimed at anyone that has, or plans to have, a key role in the management of academy finances; and
- the Department has introduced a template and guide for academy trusts to self-assess how they have achieved value for money so that each trust can publish a value for money statement on their website.

## Maintained schools

72. For maintained schools, the Department:

- has introduced the Schools Financial Value Standard which all maintained schools are required to complete annually. This self-assessment return is designed to assist schools in managing their finances, support them in securing value for money across all of their spending, and give assurance that they have secure financial management in place;
- publishes schools' spending data annually, beginning in January 2011 with 2009-10 data. The data is now published as part of Performance Tables and is grouped into key categories of income and expenditure with topline attainment indicators so

that schools, parents and the wider public can compare how schools spend their money with the outcomes they achieve. This supports improved local accountability by enabling local communities to compare schools and question how far they are achieving value for money in their spending; and

- encourages maintained schools and LAs to use the Schools Financial Benchmarking website, available at [www.education.gov.uk/sfb](http://www.education.gov.uk/sfb), to benchmark their schools' spending in detail against other similar schools, consider their comparative performance and think about how to improve their efficiency.

73. Schools are held to account for ensuring that they secure good value for money by the EFA (for academies) and by their LAs (for maintained schools). The annual statement that each academy trust's accounting officer must make from 2012/13, explaining how they have achieved value for money in their use of resources, recognises academies' greater autonomy, but also the importance of strong accountability mechanisms.

### **Local authority level inputs**

74. LAs have a statutory responsibility to ensure that the authority secures good value for money in the use of its resources. This includes the resources retained centrally for provision of services to schools and making sure that their schools are securing good value for money in their spending. This is specified in the DSG conditions of grant and is part of authorities' wider assurance role on schools' financial management.

75. To support schools to achieve good value for money, many authorities provide local guidance and resources for schools (which may be charged for) including individual advice, training and procurement frameworks.

### **Outputs**

76. The Department plans to introduce an indicator of overall school efficiency which will provide a simple way for schools to compare their overall efficiency against other schools. We are exploring options for developing an efficiency metric that meaningfully relates pupil attainment to the money spent on achieving it.

77. Ultimately, the quality of the education services that academies and maintained schools choose to deliver will be assessed through Ofsted inspections and performance data. The Department will continue to use these results to monitor and assess the quality of these services and how they change over time.

78. Case study evidence suggests that academies' increased freedoms and flexibilities can support greater efficiency at school level, enabling teachers to make more choices about how to use resources to deliver more. The first Academies Annual Report

(published on 26 June) gives examples of how these freedoms are being used. It also notes the benefits that sponsors bring to school operations.

## Outcomes

79. Academies and maintained schools are publicly accountable for the quality of education they provide and the resulting education outcomes they achieve, through a well-established framework of Ofsted reports and performance data. All schools will be judged against the extent to which they are able to deliver improvements in education outcomes.

80. Although performance data is available for the early sponsored academies, it will be some years before it will be possible for the Department to assess robustly the impact of the expanded academies programme on school performance. As educational outcomes are a 'lag' indicator we also rely on a rigorous system based on other, more immediate, sources of information to provide assurance that our policies are providing value for money.

81. The ultimate aim of the current education reforms is to create an efficient, self-improving and responsive system. Therefore, when the data is available to assess the education outcomes of the academies programme, the Department will also consider the wider impact that academies are having on the schools system, especially on maintained schools.

82. Performance data and evaluation studies have demonstrated that the early sponsored academies are driving more rapid improvement in schools' educational outcomes. For example, performance data for the 166 sponsored academies with results in 2010 and 2011 shows that the percentage of pupils achieving five or more GCSEs at A\*-C including English and Maths increased by 5.7 percentage points, nearly twice the level seen across maintained schools. External research also finds that these early academies have had a positive impact on their own performance and the performance of neighbouring schools<sup>11</sup>.

83. Once data becomes available on the educational outcomes achieved by the expanded academies programme, it will be possible to assess these outcomes in relation to the costs of achieving them, in order to examine overall value for money.

## Section 4: Checks, balances and safeguards in the schools accountability system

84. In addition to the accountability measures in place at school level and directly through to the Secretary of State (for ATs) and LAs (for maintained schools), the Department has additional checks, balances and safeguards to help ensure that

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<sup>11</sup> For example: Machin, S and Veroit, J (2011), *Changing School Autonomy: Academy Schools and their Introduction to England's Education*. Centre for the Economics of Education Discussion Paper no. 123.

performance and financial issues are identified and tackled appropriately. Many of these apply across the whole schools sector, whilst some are specific to the AT framework.

85. Mechanisms applicable to the **whole school sector** include school governance, fostering greater accountability to parents and local communities, greater transparency (including greater publication of performance and financial data), whistle blowing arrangements and inspection by Ofsted.

86. School governance is a critical first tier of accountability for all schools. Governing bodies at maintained schools and boards of Trustees at academy trusts set strategic direction and hold the head teacher and senior leadership team to account for raising standards and making good use of resources. The Department has clarified this in regulations for maintained schools and in the Governors' Handbook for all governors. We have doubled our investment in capacity building support for governors and clerks to governing bodies via the National College for Teaching and Leadership and continuing to fund The School Governors' One Stop Shop (SGOSS), the governor recruitment charity, to help schools recruit the highly skilled governors they need.

87. Ultimately all schools must ensure they are accountable to parents and communities as their customers. The programme of reform announced in the *Schools White Paper: the Importance of Teaching*, published in November 2010, included proposals to publish comprehensive information about each school and its performance. The Department is publishing more information than ever before to ensure that parents are able to compare schools.

88. The Department also requires maintained schools to publish specified information on a website. This makes it easier for parents, governors and the public to make comparative judgements on how well a school is serving its pupils and make informed choice decisions on their child's education. Funding Agreements ensure that new ATs publish the same information as maintained schools, including their Pupil Premium allocation, spend and impact on attainment.

89. Ofsted inspection reports now include a specific paragraph on the quality of the school's governance. In schools requiring improvement where governance is weak, inspectors will recommend an external review of governance arrangements and expect to see action taken as a result. It will be easier for parents to understand inspection reports and provide direct feedback to Ofsted via a new online feedback facility to gather parental views about their children's schools.

90. The Department has introduced a process (supported by internal standards) for people wishing to complain to the Secretary of State about a school or academy. Developed in conjunction with a range of external stakeholders, it sets out in plain English the steps that need to be taken before the Department will consider a complaint, for example highlighting the need for the local complaints system to be exhausted in the first instance. From early 2014, the Department will provide an annual report to the

Education Select Committee on the volume of complaints received and data relating to the type of outcomes.

91. The Department's drive to provide greater transparency on funding, spending and performance includes:

- reforms to the funding system to provide greater fairness and transparency and ultimately to ensure that funding is allocated to achieve better value.
- publication of performance outcomes for schools based on standard indicators to support benchmarking and public accountability. Research suggests that the publication of performance results, based on standardised testing, is linked to higher results<sup>12</sup>. In addition the Department is making more data available on school performance, funding and spending, supporting benchmarking, monitoring and local accountability. The spend per pupil tables in Performance Tables 2011 enable schools, parents and the wider public to compare maintained schools, consider their efficiency and identify areas where they could achieve greater value for money. The Department publishes ATs' financial data annually alongside attainment indicators and schools themselves are required to publish key information online, including the school's Pupil Premium allocation, its use and the impact on attainment.

92. As an additional safeguard in the system all schools, including ATs, are covered by the Public Interest Disclosure Act which among other things covers whistle blowing. ATs are expected to ensure that they have appropriate procedures for whistle blowing, including making sure that all staff are aware of who they can report concerns to. Maintained schools must base their whistle blowing policies on their LA's policy. The governing body should agree on one or more members of the school's staff to whom staff can report concerns, and also make known to staff the contact details of one or more individuals at the LA to whom concerns can be reported, should they feel a need to go outside the school.

93. Inspection by Ofsted provides independent assessment of the performance of schools. This information is used by the Department as part of monitoring educational standards and by schools themselves for benchmarking purposes. The recent changes to Ofsted inspections will improve their ability to identify and act quickly to bring about improvement in cases of poor performance. The further improvements proposed will make inspections more proportionate for good schools and introduce greater consistency across all education inspections.

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<sup>12</sup> The Bew Review (2011) found that external accountability of testing acted as a driver for school effectiveness. An earlier review (William, 2010) found that assessment systems with strong external accountability could result in an increase in learning of up to 20% and suggested that 'high stakes' accountability systems are probably the most cost-effective method for raising achievement yet developed.

94. In addition to the checks, balances and safeguards applicable to all schools, there is a range of mechanisms specific to ATs. Inherent in the academies programme is an in-built risk-based approach to ensuring that schools becoming academies do so under the most appropriate mechanism. Where a school's past performance suggests that stronger accountability is required, the Department creates a sponsored AT, and for schools with a weak history, the Department establishes chains or federations. Schools that have demonstrated that they can deliver are established as free standing converter academies with a requirement to support weaker schools. In addition:

- AT sponsors, chains and dioceses have an inbuilt incentive to hold their schools to account for performance and use of resources as they are publicly responsible for their outcomes. Many have created their own monitoring and assurance systems to ensure the accountability of the schools in their jurisdiction;
- the Department (mainly through the OSC and EFA) receives 'soft' intelligence about ATs through officials' regular contact with ATs themselves, their sponsors, dioceses and LAs. Education Advisers, working directly with ATs, also provide insight, and
- LAs continue to have general responsibilities for ensuring that sufficient education is available to meet the needs of the population in their area, as well as having specific responsibilities towards the education of looked after children for example. They can alert Ofsted and the Department to any concerns they have about the performance of academies or about financial propriety issues.

95. ATs are fully covered by statutory requirements for equalities and those which apply to children with special educational needs. Part 3 of the Children and Families Act – which reforms the legal framework for children and young people with SEN or who are disabled – is being implemented from 1 September 2014 and directly applies the same legal duties and responsibilities on Academies as on maintained schools. Prior to this, SEN responsibilities – also equivalent to those on maintained schools – had been imposed through academies' funding agreements.

## **Section 5: 16-19 education and learning for young people aged 19-24 with learning difficulties and/or disabilities**

### **Roles and responsibilities**

96. The majority of learning for 16-19 year olds is undertaken in full-time education at a further education (FE) college; a sixth form college (SFC); a school or academy sixth form; or a private/charitable provider. Learning for young people aged 19-24 with learning difficulties and/or disabilities is usually delivered through FE colleges and private/charitable providers known as Special Post-16 Institutions (SPIs).

97. **Providers** are directly responsible for performance and financial health and, depending on the provider type and how they are funded, they are directly accountable either to the EFA, SFA or LAs.

98. **The EFA** funds maintained school sixth forms via LAs and FE colleges via the SFA; it funds other providers directly. Funding is based on a national funding formula for all providers of 16-24 learning. The EFA holds all providers that it funds directly to account for financial management and performance. LAs hold maintained schools to account for the performance of their sixth forms. Interim minimum standards for providers are in force and results are published so LAs have a clear steer on what is considered to be poor performance.

99. **Skills Funding Agency (SFA)**. Most FE providers and 16-19 apprenticeship places are funded by the EFA through the SFA. The SFA holds the providers it funds directly to account for financial management and performance.

100. **LAs** channel 16-19 funding to school sixth forms. Responsibility for performance lies at school level and governing bodies hold senior leadership to account. Maintained schools are accountable to the LAs, who are in turn accountable to the Government as described in the section on maintained schools.

101. **LAs** also have a role in funding all providers who have students with high level needs. Top-up funding is paid in respect of all such students where the costs of the additional support they need costs more than can be supported through the formula funding they receive. LAs hold all providers to account for the way in which this top-up funding is used to meet the needs of the individual students and achieve the outcomes specified in the funding agreement. For young people aged 19-24 with special educational needs, how their needs should be met and the expected outcomes will be specified in an Education Health and Care Plan.

## **Ensuring financial accountability and propriety**

102. Financial assurance is based on the principle of “one provider, one funding assurer”. Financial assurance is therefore overseen by the organisation from which the provider receives its funding.

- the EFA is responsible for obtaining sufficient financial assurance on SFCs and operates a well-established and understood process for monitoring their financial health. Much of this assurance is gained by reliance on the work that SFCs are required to commission from their own appointed independent auditors. This includes a regularity audit undertaken by SFCs’ own external auditors who also report on this directly to EFA;
- the SFA operates similar arrangements for FE colleges;

- schools with sixth forms are included within the scope of a LA's overall internal audit and regularity audit requirements and a 'use of funds' statement is required from each LA, covering all funding received from EFA and SFA; and
- ATs with sixth forms are included in the EFA assurance arrangements (see ATs section above).

103. SPIs delivering education for those aged 19-24 with learning difficulties and/or disabilities are subject to provider (the EFA) financial assurance checks in common with FE colleges and other commercial and charitable providers.

## **Ensuring value for money**

### **Departmental Inputs**

104. The Department's funding mechanisms are aimed at reducing the number of surplus places funded in the system, thereby achieving greater efficiency and value for money. The 16-19 funding is based on student numbers from the previous year (ie the "lagged" system), rather than requiring detailed planning and lengthy local negotiations about expected numbers of students each year. Allocations are based on straightforward data returns from providers in the autumn term, allowing institutions to decide their curriculum offer and mix of provision based on the needs of their young people. Using "lagged" student numbers in the funding formula is the best way of predicting future recruitment, as well as ensuring funding follows the student, which in turn ensures better value for money.

105. The Department is also working to develop the market to provide a broad range of high quality institutions to meet demand from students and their parents, with such increased choice and competition driving improvement, quality and innovation. Before any new 16-19 provision is agreed, however, there is an assessment of how that new provision fits with existing provision in the local area. In all cases, the Department expects LAs and the EFA to offer a view in considering and agreeing new 16-19 provision, which would include value for money considerations around quality, choice and demand.

106. The Department has reformed the funding formula for 16-19 participation to make it both more transparent and simpler, thus ensuring that the funding follows the student more closely. Funding has moved from a 'per qualification' basis to a 'per student' basis (based on funding equivalent to teaching time of around 600 hours per full-time student per year).

### **Outputs and outcomes**

107. The Department uses a range of data sources to determine performance over time and interim minimum standards are now in place for all providers.

108. The Department is planning to put more information into 16-18 performance tables so that there is greater public accountability. The government response to the 16-19 accountability consultation was published on 27 March 2014<sup>13</sup>. It set out changes to performance tables and minimum standards. This includes five headline measures to be included in tables from 2016; progress; attainment, progress in English and maths; retention and destinations. Education destinations were published for the first time as an Experimental Statistical First Release in July 2012. All destinations, including employment destinations, were published in 2013 and were updated in June 2014.

## **Accountability for performance outcomes and addressing poor performance**

109. In April 2013 the DfE and BS set out plans to update our skills system in a joint publication 'Rigour and Responsiveness in Skills'. The document made it clear that the SFA and EFA will monitor performance and intervene rapidly and decisively where inadequate performance is found in FE colleges and sixth form colleges respectively. Where a work-based learning provider performs poorly, the contract is normally terminated and new provision is sought.

110. *Rigour and Responsiveness in Skills* also announced the creation of the roles of FE and SFC Commissioner, who will review the position of underperforming FE and sixth form colleges respectively (within a target two week timeframe), holding discussions with the college governors, the principal, local stakeholders and the agencies, subsequently making recommendations to ministers as to the appropriate intervention action to be taken.

111. Poor performance is identified in three ways:

- through an inadequate rating from an Ofsted inspection;
- through a failure to meet minimum standards, and/or
- poor financial health or control.

112. The EFA and SFA maintain risk registers to help identify those providers at risk of failure, and these are reviewed regularly with the Department and BIS.

113. The Department currently applies interim minimum standards to colleges and school sixth forms. These standards provide for consistency and fair comparisons when judging the performance of schools and colleges delivering academic and vocational qualifications at level 3 to 16 to 18 year-olds. They are used to identify where schools and colleges are underperforming. In future years these interim measures will be developed further, to include progress measures and provision below level 3. The same triggers for intervention will apply across schools and colleges.

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<sup>13</sup> [16 to 19 accountability consultation - Consultations - GOV.UK](#)

114. Addressing poor performance in the provision of education for those aged 19-24 with learning difficulties and/or disabilities follows a similar framework to 16-19 provision; failure to perform satisfactorily leads to possible funding and/or other restrictions and in cases where improvements are not secured, to the termination of funding agreements with the EFA.

## **Checks balances and safeguards**

115. In addition to the accountability measures in place at the individual provider level and directly through to the Funding Agencies, as with the school sector, the Department has other mechanisms to ensure that performance and financial issues are identified and tackled. Inspection by Ofsted provides independent assessment of performance which is used by the funding agencies. The Department is also working towards a sharper accountability system through:

- increasing transparency – making information about providers more easily available, through an on-line website that includes performance and destination measures information. This will increase public accountability and inform parent and student choice;
- setting minimum, or floor, standards that all providers are expected to meet. Where providers fail to meet these standards, funding agencies or educational advisers intervene;
- creating the right environment for a market of providers to increase choice and ensure that only high quality provision is funded. This includes expansion of the academies programme, Free Schools and UTCs;
- refocusing inspection on weaker providers, with more attention paid to observing teaching and learning; and
- whistle blowing via the Departmental complaints procedure, which allows individuals or organisations to express their concerns. Details about the complaints procedures can be found at: <http://www.education.gov.uk/aboutdfe/complaintsprocedure>

116. SPIs delivering education for those aged 19-24 with learning difficulties and/or disabilities are, in common with other providers, subject to independent inspection by Ofsted. They may also be subject to review by the Care Quality Commission (CQC) if they offer residential provision.

## Section 6: Accountability for early years education

### Roles and responsibilities

117. **The Department** provides funding to LAs for the provision of free early years education. The Department provides funding for three and four year olds and some two year olds as part of the Dedicated Schools Grant (DSG). The Department requires LAs to complete section 251 returns setting out the totality of their expenditure on schools, children, young people and families, which is published annually, and this includes expenditure on early years education.

118. **LAs** are responsible for securing free early education in line with their statutory duties: they have a duty to deliver free early education for 3 and 4 year olds and from September 2014 to the 40% most disadvantaged two year olds (15 hours a week of early education, 38 weeks a year).

119. The responsibilities of LAs include:

- securing sufficient supply of free early education places through providers who deliver the Early Years Foundation Stage;
- funding providers for hours of free early education delivered;
- securing value for money and ensuring probity of spend.

120. These responsibilities are underpinned by primary and secondary legislation, as well as statutory guidance. LAs deliver their duty to secure free early years education through a wide range of providers. LAs are also required by legislation to improve the well-being of young children in their area and reduce inequalities between them, and free early education plays a major role in the delivery of this duty.

121. **Providers** are responsible for:

- delivering free early education in line with the Early Years Foundation Stage;
- accurately claiming funding from the relevant LAs, and
- meeting LA demands on probity of public funding.

122. In total, early education is delivered by nearly 30,000 providers consisting of maintained schools, ATs, private and voluntary nurseries, some independent schools and some child-minders. Providers are responsible for delivering free early education in line with the Early Years Foundation Stage, for accurately claiming funding from the relevant LAs, and for meeting LA demands on probity of public funding.

123. From September 2014, childminders (and other providers who operate from domestic premises) have been able to register with either Ofsted or a childminder agency

(CMA) and LAs are now able to route funding to a CMA registered provider, either directly to the provider or via the CMA.

## **Ensuring financial accountability and propriety**

124. LAs are responsible for satisfying themselves of providers' financial probity. For maintained schools, this is managed through the wider arrangements for school spend (as explained in the maintained schools section). For private, voluntary and independent providers, this is managed through contract arrangements and agreements between LAs and individual providers. Local LAs can terminate agreements with providers in cases of financial mismanagement (as well as cases of poor performance). In turn LAs are accountable to the Department for their expenditure on free early education, which they report through annual section 251 financial returns, which are published.

## **Ensuring value for money**

### **Departmental inputs**

125. Three and four year old funding is part of the DSG and is non-ringfenced. This allows LAs to make their own spending decisions, working with schools forums to ensure funding is used efficiently and where it is most needed. In 2013-14, funding for early education for two year olds in lower income households transferred to the DSG.

126. LAs fund providers through an early years single funding formula (EYSFF). The EYSFF was introduced nationally in April 2011 and is required through the School Finance Regulations. The EYSFF requires LAs to fund providers on a formula basis for actual hours of participation, hence improving efficiency, fairness and transparency. The EYSFF introduced greater value for money by stopping funding empty places in some settings, and is based on a system of financial supplements enabling LAs to target resources to secure key policy outcomes.

127. Authorities are required to operate a supplement to target funding to support disadvantaged children, and have regulatory freedom to operate other supplements if they choose, for example to use funding to incentivise providers to increase the quality of their provision. LAs fund providers of free early education for two year olds from lower income households through an EYSFF, modified to support LAs in building capacity to ensure successful delivery of the two year old entitlement.

### **Local authority level inputs**

128. It is the responsibility of LAs to achieve value for money by making sure that they efficiently and effectively manage the funding, through sensibly allocating funding to LAs. The financial benchmarking data we publish will support LAs in this task

## Outputs and outcomes

129. LAs are responsible for ensuring that value for money is secured in the outputs and outcomes achieved by early years' providers. LAs are expected to:

- evaluate local delivery against a number of inputs and outputs, including levels of spend, outcomes at age five, levels of participation in free early education, and quality of free early education provided locally;
- target resources on improving outcomes for children by focusing quality improvement activity on providers judged less than 'good' by Ofsted;
- maximise the take up of early education in high-quality providers by only funding early learning for two year olds in 'satisfactory/requires improvement' provision where there is not sufficient 'good' or 'outstanding' provision,
- secure alternative provision for two, three and four year olds in 'inadequate' provision then withdrawing funding as soon as is practicable; and
- encourage take up of free early education and conduct outreach activities to identify children who are not taking their entitlement and who would benefit from doing so.

130. The Department is supporting LAs to deliver this by publishing and regularly updating benchmarking data enabling LAs to benchmark their performance against other authorities (including outcomes at age 5, levels of take up of free early education, quality of provision as inspected by Ofsted and funding rates).

## Accountability for performance outcomes and addressing poor performance

131. Ofsted have statutory duties to assess the quality of providers, including their delivery against the Early Years Foundation Stage. This assessment is used to determine whether a provider is eligible to deliver government funded early education. So, to ensure effective value for money, LAs may only fund early learning for two year olds in 'satisfactory/requires improvement' provision where there is not sufficient 'good' or 'outstanding' provision. For two, three and four year olds receiving government funded early education in 'inadequate' provision, LAs should secure alternative provision and withdraw funding as soon as is practicable for 'inadequate' provision.

132. From September 2014, childminders (and other providers who operate from domestic premises) will be able to register with either Ofsted or a childminder agency. The basis for granting funding to a provider registered with a CMA will normally be the CMA's Ofsted inspection grading. However, where the CMA has signalled concerns about the quality of a CMA-registered childminder to the LA, they are not required to secure funded places with that childminder. This will mean that local authorities would not

be required to make funding arrangements for early education places through poorer quality childminders, whether they were agency or Ofsted registered.

## **Checks, balances and safeguards**

133. The Department has brought greater transparency to free entitlement spending through recent reforms such as the EYSFF and online publishing of benchmarking data on spending, as well as the details of every LA's EYSFF. The Department aims to bring similar transparency to funding for two year olds and the move to using an EYSFF for the free entitlement for two year olds is supporting this.

134. LAs are also accountable to parents and communities for effective delivery of services. The Department recognises that this needs to be supported by the provision of suitable and easily understandable data to enable parents and communities to effectively hold LAs to account. We have published a wide range of data at LA level, covering funding but also areas such as the quality of local provision, child outcomes at age 5 and take up levels of free early education in order to further support transparency and benchmarking activity. We update this as more data becomes available.

## **Section 7: Accountability for other children's services**

### **Roles and responsibilities**

135. **LAs** hold the statutory responsibilities for the delivery of children's services locally, including:

- services in relation to child protection;
- children in care and adoption;
- Sure Start Children's Centres;
- early intervention, and
- youth services.

136. LAs can delegate some of these functions and their delivery to other organisations but, where they do, the LA continues to be responsible for ensuring its statutory responsibilities are met.

137. Funding for those services is provided primarily through the formula grant system operated by DCLG, known as the Revenue Support Grant. DCLG is therefore responsible for the overall financial arrangements in this part of the system. Further information about DCLG's role can be found in the DCLG accountability statement. In addition, the Department for Education provides some funding directly.

138. LAs' primary accountability for delivery of services is to their communities, through their electorate and elected Councillors,.

139. Statutory duties, set by Parliament, and supported by statutory guidance from the Department, set out the roles and responsibilities of LAs and each authority is required to appoint a "Director of Children's Services" and a "Lead Member for Children's Services" with accountability for the whole of local delivery of children's services.

140. Looking specifically at safeguarding roles and responsibilities, the legislative and statutory safeguarding framework regarding local authority duties and responsibilities is clear. Local authorities have overarching duties for safeguarding and promoting the welfare of individual children and young people in their area. This was established through the Children Act 1989 which gave a number of important preventative functions to local authorities.

141. Specifically, Section 17 of the Children Act 1989 requires LAs to provide services to all 'children in need' in their area no matter where they live or where they are educated. Section 47 of the same Act requires the LA to investigate whether action should be taken by them to safeguard or promote the welfare of children suffering, or likely to suffer, significant harm. Working Together to Safeguard Children, 2013 at [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/281368/Working\\_together\\_to\\_safeguard\\_children.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/281368/Working_together_to_safeguard_children.pdf) is clear about the local authority role in these key areas of investigation and in the provision of services.

142. Whilst LAs have overarching duties for keeping children safe, all schools are also required to play their part. These responsibilities, for maintained and independent schools (including academies) are set out in Section 175 of the Education Act 2002 and the Education (Independent School Standards) (England) Regulations 2010 (made under section 157 of the same Act). These require governing bodies and independent school proprietors to ensure that arrangements are made to safeguard and protect the welfare of pupils at the school.

143. In short, there are two distinct sets of responsibilities for the safeguarding of children: one which sits with the LA in respect of the safeguarding of individual children, wherever they may be, and a second, institutional responsibility, which sits with those who have control over the conduct of individual schools, in respect of the safeguarding of pupils. Additional guidance can be found in Keeping Children Safe in Education (2014) at [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/350747/Keeping\\_children\\_safe\\_in\\_education.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/350747/Keeping_children_safe_in_education.pdf)

144. Ofsted assesses the effectiveness of the safeguarding arrangements in place in a school or college to ensure that there is safe recruitment practice and that all children are safe. Their guidance, published in July 2014 ([available here](#)), sets out points for inspectors to consider when evaluating the effectiveness of safeguarding arrangements and to provide a number of ways in which emerging concerns can be flagged and acted upon.

## Ensuring financial accountability and propriety

145. Ensuring the financial accountability and propriety arrangements for children's services is primarily the responsibility of the LAs themselves and DCLG.

146. LAs are responsible for ensuring that funding for children's services is spent with regularity and propriety, and for ensuring that value for money is achieved. They are accountable both for services delivered directly by local government officers and for those services commissioned from external providers. An authority's section 151 officer is statutorily responsible for this as part of their wider assurance role. Through an annual, publicly available report to government (the Section 251 return), LAs set out the totality of their expenditure on children, young people and families, regardless of the funding source for that expenditure. This data transparency is in addition to the established local audit arrangements.

147. DCLG is responsible for dealing with any concerns about the overall financial management of an authority and would handle such concerns under its own arrangements.

148. Funding for children's services comes principally from the following sources:

- **Revenue Support Grant (formerly known as Formula grant):** this grant (now including the Early Intervention Grant), transferred to DCLG in 2013-14. Non-ring fenced, it is distributed by the DCLG and gives LAs greater control over how public funding is spent for local services;
- **Adoption Reform Grant:** this is also a non-ring fenced grant, introduced in 2013-14 in recognition of the fact that there are costs associated with introducing adoption reform. LAs use the funding as directed by local needs and priorities;
- **SEN Reform Grant:** another non-ring fenced grant, introduced in 2014-15, in recognition of the costs involved with introducing SEN reform. In addition, we are providing funding to meet the burdens placed on LAs by the introduction of the Children and Families Act 2014, and
- **Funding for Innovation:** this is provided to:
  - support the innovative delivery of children's social care services;
  - improve outcomes for vulnerable children; and
  - improve the efficiency of spending.
- **Council tax:** In addition to the funding nominally available to support children's services, LAs can also redirect funding from other non-ringfenced areas, an example being council tax and other local sources. The amounts LAs redirect will vary depending on local circumstances.

## Ensuring value for money

149. LAs are accountable to local taxpayers. The key value for money check on LAs is the responsibility to meet statutory duties and carry out a wide range of functions with a limited budget. They must therefore take decisions about resource allocation. Democratic accountability provides a strong assurance that councillors, knowing what their communities need, will strive to use available resources as effectively as possible. Councils are under a duty to achieve continuous improvement in how they deliver their functions. Their performance can be scrutinised by the public and by councillors. This is made possible by the availability of transparent data.

### Departmental inputs

150. The EIG replaced a number of ring-fenced grants which constrained how LAs could use their resources to meet their statutory duties and achieve value for money. By moving this funding into BRR, we are increasing the flexibility available to LAs to secure value for money in line with their statutory duties.

### Outputs and outcomes

151. Local innovation and decision-taking are major drivers for service improvement under the Government's approach and are the natural consequences of a more decentralised approach. Building on such an approach, the Department is introducing the Innovation Programme which will offer LAs and other agencies the opportunity to put forward new ways of delivering service improvements.

152. LAs have a choice of providing or commissioning many of their services for looked after children and children in need. For key elements of those services (adoption, fostering and children's homes) the regulatory framework including Ofsted inspection applies to the voluntary and private sector too. This means LAs can be assured of minimum standards and can focus on securing best value for money in their commissioning decisions.

## Ensuring performance outcomes and addressing poor performance

153. Again, LAs are accountable to their communities, electorates and councillors for performance (including through their overview and scrutiny committees). However, the Department supports this local accountability through the following framework:

- Around 100 statutory duties (in primary legislation and regulations), and statutory guidance, setting out the roles and responsibilities local LAs have in relation to “non-schools” children’s services;
- Each LA is required to appoint a “Director of Children’s Services” and a “Lead Member for Children’s Services” with accountability for the whole of local delivery of children’s services. The roles are set out in statutory guidance;

- Increased transparency to support a self-improving system: data and research on practice is made publicly available in a number of areas of delivery of children's services, in part at the direct behest of DfE and in part agreed by the local government sector in the interests of transparency, benchmarking and local (public) accountability;
- Inspection, by Ofsted, of an LA's services, including those for children in need of help and protection, looked after children and care leavers, Local Safeguarding Boards, Sure Start Children's Centres, foster agencies and individual children's homes.
- Intervention by the Department where a LA is failing to deliver its services to an acceptable standard. The Department uses either statutory Directions or non-statutory improvement notices to set out steps needed for improvement including, in the most serious or persistent cases, requiring that the functions around delivery of children's social care services are delivered by an independent Trust or another Authority, although ultimate accountability remains with the Council.

## **Checks, balances and safeguards**

154. Checks, balances and safeguards in the system are mainly described in the sections above. They include accountability to local people, local assurance arrangements, an element of sector-led peer challenge and support and Departmental intervention in cases of failure. This system includes the following:

- improvements in data transparency to help drive local accountability;
- the role of Ofsted in identifying areas of strength and weakness, and
- DfE's direct intervention powers and those of CLG (including on corporate governance), which provide a strong safeguard if local arrangements break down.



Department  
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