



House of Commons  
Committee of Public Accounts

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**Department for  
Education: Managing  
the expansion of the  
Academies Programme**

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**Forty-first Report of Session 2012–13**

*Report, together with formal minutes, oral and  
written evidence*

*Ordered by the House of Commons  
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## Committee of Public Accounts

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### Committee staff

The current staff of the Committee is Adrian Jenner (Clerk), Sonia Draper (Senior Committee Assistant), Ian Blair and James McQuade (Committee Assistants) and Alex Paterson (Media Officer).

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## Summary

Academies are publicly funded independent state schools. They are funded directly by central government, directly accountable to the Department for Education (the Department), and outside local authority control. They have greater financial freedoms than maintained schools, for example to set staff pay and conditions. In May 2010, the Government announced its intention to allow all schools to seek academy status. By September 2012 the number of open academies had increased tenfold, from 203 to 2,309.

Academies are the Department's chosen vehicle for school reform, but increasing schools' autonomy and removing them from local authority control gives the Department responsibility for ensuring value for money. The Department has a direct responsibility to ensure that taxpayers' funds are used wisely at academies. The Department has incurred significant costs from the complex and inefficient system it has used for funding the Academies Programme and its oversight of academies has had to play catch-up with the rapid growth in academy numbers. The Department and its funding agency need to increase their grip on the risks to public money as more and more schools become Academies.

In the two years from April 2010 to March 2012, the Department spent £8.3 billion on Academies; £1 billion of this was an additional cost to the Department not originally budgeted for this purpose. Some of this expenditure led to unnecessary extra money being used by the Department which was not recovered from local authorities. To give Parliament and the public confidence that the Programme is being properly run in the interests of taxpayers, the Department must improve the efficiency of its funding mechanisms and stop the growth in other costs. Although the Department has decided to radically reduce its own running costs, it still needs to demonstrate that its oversight regime can keep pace with increasing academy numbers. It needs to ensure that accountabilities, roles and responsibilities are clear, and that it has robust mechanisms for identifying and tackling academic or financial failure in academies. Furthermore, the Department has yet to establish effective school-level financial accountability for academies operating within chains.

What will determine whether the Department ultimately achieves value for money is academies' impact on educational performance relative to the investment from the taxpayer. If the Department is to be held properly to account for its spending on academies, it must insist that every Academy Trust provides it with data showing school-level expenditure, including per-pupil costs, and with a level of detail comparable to that available for maintained schools. The Department must then publish this data so that proper judgments and comparisons can be made by Parliament and the public.

On the basis of a report by the Comptroller and Auditor General,<sup>1</sup> we took evidence on the expansion of the Programme from the New Schools Network and the Local Schools Network, and from the Department for Education and the Education Funding Agency.

1 C&AG's Report, Managing the Expansion of the Academies Programme, Session 2012-13, HC 682



## Conclusions and recommendations

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- 1. The value for money of the Academies Programme will ultimately depend on its impact on educational performance relative to the investment from the taxpayer.** The Department has chosen to expand the Programme rapidly, incurring an additional cost of £1 billion since April 2010. While it is too early to assess the impact of the expansion on school performance, the Department will need to be able to demonstrate whether value for money has been achieved. It has yet to state how it will do so, or when. The Department should set out what outcomes it aims to achieve from the expansion of the Programme, and how and when it will demonstrate whether progress is on track and value for money has been achieved.
- 2. Inefficient funding systems and poor cost control have driven up the cost of the Programme.** A large part of the £1 billion additional cost since April 2010 has been caused by the excessively complex and inefficient academy funding system which has reportedly led to overpayments and errors in payments to Academies. There was around £350 million extra paid to Academies which was not recovered from local authorities. This system does not operate effectively alongside the local authority system, and makes it hard for the Department to prove that academies are not receiving more money than they should. The Department has not yet brought other types of cost growth under control, for example academy insurance. It should report back to us by the end of 2013-14 on how its funding reforms have reduced systemic problems such as the under-recovery of academy costs from local authorities, and on how far it has brought down other additional costs.
- 3. We are not yet satisfied that individual academies' expenditure is sufficiently transparent to parents, local communities or Parliament.** Despite some improvements, key information on what academies actually spend is still only available at trust, rather than individual academy, level. This limits the ability of parents to scrutinise how their child's school is spending its money, and of communities to hold their local school to account. The Department must publish data showing school-level expenditure, including per-pupil costs, and with a level of detail comparable to that available for maintained schools, so that proper judgments can be made and comparisons drawn to assess value for money. The Department should state how it will make robust, line-by-line information on individual academies' expenditure publicly available in the most cost-effective way.
- 4. New governance, compliance and oversight arrangements for academies remain vulnerable to failure.** Some serious cases of governance failure and financial impropriety in academies have gone undetected by the Department's monitoring, raising concerns that central government may be too distant to oversee individual academies effectively. Irregular expenditure by academies and gaps in the oversight framework led the Comptroller and Auditor General to qualify the 2011-12 accounts of the Department and the Young People's Learning Agency. Academies' compliance with mandatory monitoring is not good enough, and it is not yet clear how well revised audit arrangements will address these issues in future. The Department and the Education Funding Agency should review the operation of the

new audit and oversight regime put in place this year, and assess whether it is reducing risks to regularity, propriety and good governance.

5. **Forthcoming staff cuts at the Department and its agencies may threaten effective oversight as the Programme continues to expand.** We are sceptical that the Department has sufficient resources to properly oversee the expanding Programme, especially as schools now joining are less high-performing and may require greater oversight and scrutiny. The Department should review the Programme's central resource requirements, and the extent to which efficiency savings expected from new IT systems and assurance processes are being realised, and are sufficient to offset the need for further resources.
6. **The Department has still not made completely clear the roles, responsibilities and accountabilities of different organisations across the changing schools system.** Roles previously carried out by local authorities around accountability, performance monitoring and intervention are unlikely to be operating consistently and effectively across different localities and academy structures. We are particularly concerned that interventions in failing academies may be delayed if the respective roles of central and local government, as well as academies and academy trusts, are not clear. The Department should clarify and properly communicate the roles and responsibilities of local authorities, academy sponsors, the Education Funding Agency, the Department, the Office of the Schools Commissioner and Ofsted regarding these aspects of the Programme.

# 1 Financial implications of the expanding Programme

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1. Academies are publicly funded independent state schools. They are directly accountable to the Department, and outside local authority control. Unlike maintained schools, which receive their funding via local authorities, academies are funded directly by central government, and have greater financial freedoms—for example, to set staff pay and conditions.<sup>2</sup>

2. The Academies Programme was originally launched in 2002, and was aimed chiefly at replacing underperforming secondary schools in disadvantaged areas.<sup>3</sup> In May 2010, the Government announced its intention to allow all schools to seek academy status. The Academies Act was passed in July 2010, and by September 2012 the number of open academies had increased by 1,037%, to 2,309, compared to 203 in May 2010.<sup>4</sup>

3. Along with this rapid increase in numbers, the Programme has seen considerable growth in costs. Of the £8.3 billion which the Department spent on academies between April 2010 and March 2012, around £1 billion was an additional cost which it had to meet from existing budgets while remaining within overall spending limits.<sup>5</sup> Some of this expenditure appears to have risen because of errors leading to overpayments.<sup>6</sup>

4. Some of the budgets the Department drew upon to fund the expansion had been previously earmarked for other purposes - most notably £95 million originally intended for improving underperforming schools. There is a risk that the Department's decision to solely use this money to create academies—many of which were already high-performing—may have been at the expense of weaker non-academy schools which could potentially have benefitted from it more.<sup>7</sup> This is a particular risk in the primary sector.

5. In due course the Department will have to demonstrate that such funding decisions have achieved value for money, and that it has achieved tangible improvements for the additional public money it has put into the Programme since the expansion began.<sup>8</sup> The Department told us that it will consider value for money to be achieved if academies raise educational standards without receiving additional financial inputs.<sup>9</sup> However, it is not clear precisely how, or when, the Department intends to assess progress and ultimately reach a judgement on value for money.<sup>10</sup> Nor is it clear how, in doing so, the Department

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2 C&AG's Report, para 1 & 3

3 C&AG's Report, para 6

4 C&AG's Report, paras 7, 11, 1.3

5 Q 48; C&AG's Report, para 13, 1.9-1.10, 2.2-2.3

6 Qq 47-54

7 Qq 91-92; C&AG's Report, para 1.9

8 Q 72

9 Qq 238, 245

10 Q 245

will recognise the £1 billion of additional costs already incurred in operating and expanding the Programme since April 2010.<sup>11</sup>

6. The Department is responsible for the design and operation of the system through which it funds academies. We heard that funding arrangements are very complex, partly because the current system was not designed to fund academies alongside maintained schools as the Department is currently doing.<sup>12</sup> The resultant issues with the funding system have contributed significantly to the £1 billion additional cost of the Programme since April 2010. For example, to avoid double-funding across the system the Department aims to recover from local authorities the majority of the funding it pays to academies.<sup>13</sup> However, between April 2010 and March 2012 the Department paid academies some £350 million which it did not recover from local authorities, creating an additional cost pressure which it had to meet from existing budgets.<sup>14</sup>

7. In addition the interplay of the local authority and academy systems has generated other costs. For example, to ensure the sustainability of local authority services such as special educational needs support, the Department has chosen not to recover the associated funding from local authorities. The resultant double-funding has cost an additional £21 million since the expansion began.<sup>15</sup> A further cost has arisen because the Department calculates academies' funding for central services using local authority budget returns.<sup>16</sup> This makes academy funding sensitive to changes in local authorities' budget assumptions, and leads to volatility in academies' income from one year to the next.<sup>17</sup> Over the two years from April 2010, the Department spent £59 million topping up academies' income to protect them from the impact of this volatility.<sup>18</sup> The Department has also had to provide an extra £92 million for insurance, which is more expensive for academies as they are unable to benefit from the economies of scale or self-insurance arrangements available to local authority schools.<sup>19</sup>

8. In addition to these obvious inefficiencies and additional costs, we expressed concern that the Department could not clearly demonstrate that academies are funded on a genuinely equivalent basis to other schools.<sup>20</sup> We heard media reports and analysis suggesting that academies receive more funding than maintained schools in the same local authority area.<sup>21</sup> There is a risk that the expectation of increased funding may be a perverse incentive for schools to convert.<sup>22</sup> The Department acknowledged that its method of calculating academies' funding for central services may result in some academies receiving

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11 Qq 23, 72

12 Q 54

13 Q 47

14 Q 48

15 Qq 60-69, 109

16 C&AG's Report, para 2.13

17 Q 109

18 Qq 110-115

19 Qq 82-90, 94-97

20 Qq 47, 54, 74

21 Q 51

22 Q 55

too much whilst others receive too little.<sup>23</sup> However, the Department told us that, with the exception of the known additional costs identified in the C&AG's report, individual maintained schools and academies are funded on an equivalent basis.<sup>24</sup>

9. The Department is planning to reform the entire education funding system from 2013-14, including arrangements for funding academies. It told us that it expects these reforms to make the system simpler to manage and more transparent, and that it anticipates the additional cost of the Programme will reduce in future.<sup>25</sup>

10. Despite some improvements, academies' governance is still not sufficiently transparent for parents to scrutinise how their child's school is spending its money, and for communities to hold their local school to account. There are gaps in the availability of key information such as academy funding agreements and governing body minutes, with less than 20% of academies surveyed by the National Audit Office publishing this information on their websites.<sup>26</sup>

11. Moreover, individual academies' expenditure is still not sufficiently transparent or comparable with the maintained sector. Maintained schools' spend is recorded and published at individual school level, allowing parents to understand how much money their local school is spending on all aspects of their children's education. However, while academy trusts are required to report their income and expenditure in audited accounts and published summary returns, data for trusts containing more than one academy are not broken down to individual school level.<sup>27</sup>

12. The Department is seeking to maximise school autonomy and minimise bureaucracy, and is reluctant to impose any requirement for academies to produce and publish individual school-level expenditure data.<sup>28</sup> This means that local parents, Parliament and the public cannot make a proper value-for-money comparison of individual academies and maintained schools. We asked the Department why it was not doing more to ensure publication of academy-level data, as the necessary information must already exist to allow multi-academy trusts to run their operations and prepare consolidated financial statements.<sup>29</sup> The Department told us that it wanted to publish only audited financial information so that it could be sure the figures were accurate.<sup>30</sup> It did not commit to publishing individual academy expenditure data, but said it was prepared to consider including additional information in the trust accounts, for example a segmented note breaking down expenditure to individual academy level.<sup>31</sup>

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23 Q 54

24 Q 58; C&AG's Report, paras 2.4-2.13

25 Qq 67, 72

26 Qq 98, 171

27 Qq 174-177

28 Q 179

29 Qq 178-189

30 Qq 189, 193-194

31 Q 193

## 2 Governance, oversight and accountability

13. Our previous report on academies highlighted the vital need for robust accountability and oversight arrangements across the expanding Programme.<sup>32</sup> However, we expressed concern that governance, compliance and oversight systems have not kept pace with academy numbers, and that the Department is only now—over two years into the expansion—starting to address key risks to value for money.<sup>33</sup>

14. In 2011-12 the Department and the Agency did not have proper mechanisms in place to ensure the regularity of academies' expenditure.<sup>34</sup> The C&AG qualified the 2011-12 accounts of the Department and the Young People's Learning Agency (YPLA) because their oversight framework could not provide assurance over academies' severance payments in excess of contractual commitments.<sup>35</sup> As academies had made such payments without obtaining the required approval from HM Treasury, and the Department could not show that all such cases had been identified and retrospectively approved, the C&AG could not certify that the public funds provided to academies had been used for the purposes intended by Parliament.<sup>36</sup>

15. For 2012-13, the Department and the Education Funding Agency (EFA) have agreed revised arrangements with HM Treasury, which give academies delegated authority to make such payments up to £50,000 without prior approval.<sup>37</sup> It is important, however, that the Department remains aware of all such payments, and is able to report them for scrutiny by Parliament and the public.<sup>38</sup>

16. There have been a number of serious cases of governance failure and financial impropriety in academies, some of which the Department and its Agency failed to detect until alerted by whistleblowers.<sup>39</sup> One example is the Priory Federation of Academies Trust, where the Chief Executive resigned following the inappropriate use of public funds, which remain the subject of a police investigation. We were particularly concerned to learn that the Priory trust had previously assessed its own financial management and governance as outstanding, and that this grade was subsequently validated by the YPLA.<sup>40</sup>

17. The Department tells us that it has since overhauled its assurance and monitoring arrangements. It now focuses more on the trust, rather than the individual academy, and places greater reliance on local academy auditors to obtain assurance over regularity.<sup>41</sup> It is too early to conclude whether these new arrangements will address such risks in future,

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32 Committee of Public Accounts, 17th Report of Session 2010-11, *The Academies Programme*, HC 552, para 5

33 Q 155

34 Qq 147-150, 157

35 C&AG's Report, para 3.25

36 Qq 158, 160, 167

37 Q 165

38 Q 166

39 Qq 217-218

40 Q 147

41 Qq 148, 157

and we will continue to challenge both Departmental and academy trust Accounting Officers to ensure they understand their responsibilities for proper use of public funds.<sup>42</sup>

18. Since May 2010, the number of central staff overseeing finance and assurance in academies has doubled, while the number of academies has seen a tenfold increase in the same period.<sup>43</sup> We would not necessarily expect the ratio of central staff to academies to remain constant as the Programme expands, but we are concerned that the number of academies may be outstripping the Department and EFA's ability to oversee them—particularly given academies' continuing poor compliance with mandatory monitoring and information returns. In 2011-12 over half of academies submitted their self-assessment returns late, and nearly 100 academy trusts failed to file their statutory accounts on time.<sup>44</sup>

19. The Department and EFA could not tell us how many staff they are intending to employ to oversee academies in future, although they suggested that headcount will not need to increase in proportion with academy numbers owing to economies of scale and efficiency savings from new IT systems.<sup>45</sup> However, we remain sceptical that the Department has sufficient systems and resources to oversee the Programme as it continues to expand, especially given the wider reductions to central resources and headcount which the Department has recently announced.<sup>46</sup> Keeping a grip on governance and performance in individual academies will be all the more challenging in future, since schools now joining the Programme are less high-performing, and may require greater oversight and scrutiny than those which have done so to date.<sup>47</sup>

20. The Programme is driving far-reaching changes to the landscape of education provision in England. Various roles and responsibilities are shifting away from local authorities and onto other players, who are likely to be more distant and centralised than under previous arrangements.<sup>48</sup>

21. When schools become academies, responsibility for their academic and financial performance passes from the local authority to the Department and the EFA respectively.<sup>49</sup> However, local authorities retain some overall statutory responsibilities for young people in their area. The Department suggested that, in addition to these specific responsibilities, it would expect local authorities to retain some detailed knowledge of all educational provision in their area, including academies.<sup>50</sup> At the same time, the Department and other witnesses suggested that academy trusts, particularly multi-academy chains, should also play a key performance-monitoring and intervention role in between academies and the Department and EFA.<sup>51</sup>

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42 Q 151

43 Q 221

44 Qq 152-156

45 Qq 224, 226, 229, 232

46 Qq 225-230

47 C&AG's Report, para 1.31

48 Qq 28, 142, 211

49 Qq 125, 142

50 Qq 137, 139, 140

51 Qq 37, 38, 135

22. We heard conflicting views about whether inconsistency or uncertainty in the roles of these various players had created an accountability gap.<sup>52</sup> We are not convinced it is clear who is accountable for performance monitoring and intervention in academies, nor how the Department can know whether the system is operating consistently, effectively and with minimum bureaucracy across different localities and academy structures.<sup>53</sup> We expressed concern that interventions in failing academies may be delayed if roles and responsibilities are not clear, or if central oversight is too distant to identify school-level problems before young people's futures are put at risk.<sup>54</sup>

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52 Qq 28-32

53 Qq 137, 138

54 Qq 134-136

# Formal Minutes

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**Monday 15 April 2013**

Members present:

Margaret Hodge, in the Chair

Stephen Barclay  
Jackie Doyle-Price  
Meg Hillier  
Mr Stewart Jackson

Fiona Mactaggart  
Austin Mitchell  
Nick Smith  
Justin Tomlinson

Draft Report (*Department for Education: Managing the expansion of the Academies Programme*), proposed by the Chair, brought up and read.

*Ordered*, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 22 read and agreed to.

Conclusions and recommendations agreed to.

Summary agreed to.

*Resolved*, That the Report be the Forty-first Report of the Committee to the House.

*Ordered*, That the Chair make the Report to the House.

*Ordered*, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Written evidence was ordered to be reported to the House for printing with the Report (in addition to that ordered to be reported for publishing on 14 January).

[Adjourned till Monday 22 April at 3.00 pm]

## Witnesses

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### Monday 3 December 2012

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**Henry Stewart**, Co-founder, Local Schools Network and **Rachel Wolf**,  
Director, New Schools Network

Ev 1

**Chris Wormald**, Permanent Secretary, Department for Education and **Peter  
Lauener**, Chief Executive, Education Funding Agency

Ev 8

## List of printed written evidence

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1 Department for Education and Education Funding Agency

Ev 28

## List of Reports from the Committee during the current Parliament

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The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

### Session 2012–13

First Report	The Government Procurement Card	HC 1915
Second Report	Mobile Technology in Policing	HC 1863
Third Report	Efficiency and reform in government corporate functions through shared service centres	HC 463
Fourth Report	The completion and sale of High Speed 1	HC 464
Fifth Report	The Regional Growth Fund	HC 104
Sixth Report	HM Revenue & Customs: Renewed Alcohol Strategy	HC 504
Seventh Report	Immigration: The Points Based System – Student Routes	HC 101
Eighth Report	Managing early departures in central government	HC 503
Ninth Report	Preparations for the London 2012 Olympic and Paralympic Games	HC 526
Tenth Report	Implementing the transparency agenda	HC 102
Eleventh Report	Improving the efficiency of central government office property	HC 288
Twelfth Report	Off-payroll arrangements in the public sector	HC 532
Thirteenth Report	Financial viability of the social housing sector: introducing the Affordable Homes Programme	HC 388
Fourteenth Report	Assurance for major projects	HC 384
Fifteenth Report	Preventing fraud in contracted employment programmes	HC 103
Sixteenth Report	Department of Health: Securing the future financial sustainability of the NHS	HC 389
Seventeenth Report	Department of Health: The management of adult diabetes services in the NHS	HC 289
Eighteenth Report	HM Treasury: The creation and sale of Northern Rock plc	HC 552
Nineteenth Report	HM Revenue & Customs: Annual Report and Accounts 2011-12	HC 716
Twentieth Report	Department for Energy and Climate Change: Offshore electricity transmission—a new model for infrastructure	HC 621
Twenty-first Report	The Ministry of Justice's language service contract	HC 620
Twenty-second Report	British Broadcasting Corporation: Off-payroll contracting and severance package for the Director General	HC 774

Twenty-Third Report	Department for Work and Pensions: Contract management of medical services	HC 744
Twenty-Fourth Report	Nuclear Decommissioning Authority: Managing risk at Sellafield	HC 746
Twenty-Fifth Report	Funding for local transport: an overview	HC 747
Twenty-Sixth Report	The Department for International Development: The multilateral aid review	HC 660
Twenty-Seventh Report	HM Treasury: Annual Report and Accounts 2011–12	HC 659
Twenty-Eighth Report	Department of Health: The Franchising of Hinchingbrooke Health Care NHS Trust and Peterborough and Stamford Hospitals NHS Foundation Trust	HC 789
Twenty-Ninth Report	Tax avoidance: tackling marketed avoidance schemes	HC 788
Thirtieth Report	Excess Votes 2011–12	HC 959
Thirty-first Report	Department for Transport: Lessons from cancelling the InterCity West Coast franchise competition	HC 813
Thirty-second Report	Ministry of Defence: managing the defence inventory	HC 745
Thirty-third Report	The Work Programme	HC 936
Thirty-fourth Report	Managing Budgeting in Government	HC 661
Thirty-fifth Report	Restructuring the National Offender Management Service	HC 717
Thirty-sixth Report	HMRC: Customer Service	HC 869
Thirty-seventh Report	Whole of Government Accounts 2010-11	HC 867
Thirty-eighth Report	The impact of Housing Benefit reform	HC 814
Thirty-ninth Report	Progress in delivering NHS efficiency savings	HC 865

# Oral evidence

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## Taken before the Committee of Public Accounts on Monday 3 December 2012

Members present:

Margaret Hodge (Chair)

Mr Richard Bacon  
Guto Bebb  
Jackie Doyle-Price  
Chris Heaton-Harris  
Meg Hillier

Mr Stewart Jackson  
Fiona Mactaggart  
Austin Mitchell  
Nick Smith  
Justin Tomlinson

**Amyas Morse**, Comptroller and Auditor General, **Gabrielle Cohen**, Assistant Auditor General, **Julian Wood**, Director, National Audit Office, **Paula Diggle**, Treasury Officer of Accounts, and **Marius Gallaher**, Alternate Treasury Officer of Accounts, were in attendance.

### REPORT BY THE COMPTROLLER AND AUDITOR GENERAL

#### Managing the expansion of the Academies Programme (HC 682)

##### Examination of Witnesses

*Witnesses:* **Henry Stewart**, Co-founder, Local Schools Network, and **Rachel Wolf**, Director, New Schools Network, gave evidence.

**Q1 Chair:** Welcome. I am sorry that we are a little late and that some people are all squashed in—I hope that there are seats for everybody. We keep trying to move, but without much success.

I particularly thank Rachel Wolf and Henry Stewart for agreeing to come. In case you have not watched our proceedings before, the purpose of this first half hour is for you to have a chance to draw to our attention the key issues that you believe we should be questioning the accounting officers on when they come before us. We are the value-for-money Committee, so we are looking from a narrower perspective than if you appeared in front of the Education Committee.

We have two people on different sides of the argument, so we hope that that will give us an even better perspective from which to do some tougher questioning of the accounting officers. I don't know which of you wants to start, but let's go with Rachel. Talk us through the Report as you see it. What do you think are the key issues in terms of value for money? What do you think we should be asking?

**Rachel Wolf:** Thank you for inviting me. I think that it is my fault that we are starting a little late, so thank you for being so accommodating. Just to be clear, my role is very much around free schools, which are subset of academies and face some similar, but also some quite different, issues. That is the perspective I am coming from.

I would bring out two things from the Report that I think are important. The first is whether you think that speed and scale in themselves are a good thing, because a lot of what the Report is about is that the scale of academy growth—and, I would argue, the scale of free school growth—is much faster than anticipated and, indeed, unprecedented. The original academy programme in its first three years—it started

in 2000—reached 17 schools; with free schools you are likely to see about 200 schools in the same period, all of which are new. That is very high growth. I think that is a good thing, because only when you reach critical mass do you start to see systemic improvements.

A recent study on Swedish free schools, which have been going for quite a long time, showed that it was only after the programme had been going for a number of years that you started to see genuine spill-over effects in other schools, by which I mean it was only after you saw a real critical mass of new schools appearing that the impact on other schools—improvements in all schools—really started to come forward. For that reason, I think it is important that we move fast.

The area on which I would focus in terms of the Government is very much accountability, which I know is a part of what you are looking at. There was a focus on governance in the Report, but there are wider issues around accountability and ensuring value for money through that accountability. By value, I mean outcomes per pound. One of the things that we have done a lot of in the last few years is to look at the different ways in which American states have approached charter schools, which are partly like academies and partly like free schools. There are wide variations in how they have approached it. Some have had great results and some have had pretty disappointing results.

I would say the biggest two differences between the successful and the less successful states is how they treat accountability. They have a proper quality bar. They really consider who is allowed to set up a school. One of the things that I think is really great about free schools is the very high quality bar, but I am not sure that that is always as true with academies

and converter academies. Secondly, they have a clear failure rating. They are very clear from the beginning about what you need to do to stay open, and if you do not meet those outcomes, you are closed. They have fixed-term agreements and they are very clear about what success looks like. States that have done that consistently have seen systemic improvements, as opposed to just some very good schools. That seems to me an important debate going forward.

I think that everyone would accept that the original 2000 academies did not have as strong accountability arrangements as they should have done. The Government have gone some way to improving that, but they could go further still. I think there are some accountability questions, but I also think that scale and speed are important, and they create value in themselves.

**Q2 Chair:** Can I ask you two questions arising out of that before we move to Henry? Page 8 of the Report says that 22% of the schools approved on the converter basis now require improvement. Are you suggesting that if they do not improve, we should let them close?

**Rachel Wolf:** It depends what you mean by “close”. If it is, “Give them off to potentially new providers and new management in the way that you did with sponsored academies,” yes, I would. You obviously cannot close schools all the time, because then you would have no placements, but that is what I mean by “close”. With sponsored academies, there is a less high quality bar for who becomes a sponsor of an academy than for who becomes a sponsor of a free school. I think that that is interesting, but the way they do the free school approval process is good and should be copied more widely.

**Q3 Chair:** At the moment we do not have the data to look at pounds spent per pupil—whether it is an academy or a free school—because it is done on a trust basis and the trust may run a number of schools. Would you agree that we ought to have the data on a school-by-school basis?

**Rachel Wolf:** I think we should have more data on everything in schools. We should be doing a lot to make the data more understandable to parents. Whether that is on pounds or things such as the national pupil database, transparency is always a good thing for the public.

**Q4 Chair:** The final thing I want to ask, because I did not understand, is: what are the non-budget costs associated with setting up a free school? One of the things that we will be looking at is a big overspend, because of the speed at which—

**Rachel Wolf:** Sorry for my ignorance, but what do you mean by non-budget?

**Q5 Chair:** Before you sign a funding agreement, money is released from the Department.

**Rachel Wolf:** So what is it spent on.

**Q6 Chair:** And how much is it?

**Rachel Wolf:** It varies from school to school. A lot of it is spent on staff. A lot of the free schools will

employ their head teacher before they sign their funding agreement. Because the schools are opening so fast, they sometimes sign after—

**Q7 Chair:** What sort of sums are we talking about?

**Rachel Wolf:** A head teacher of a large secondary school that is opening might be on a salary of about £100,000 per annum, so you would be releasing some of that sum before the funding agreement is signed. You are employing some staff before the agreement is signed. Some of it is on legal costs. Some is on marketing—the same kind of marketing that you would do once the school was open, but obviously you do not have any budget.

**Q8 Chair:** How much would go out, typically?

**Rachel Wolf:** You would have to check with them—I am assuming—but I think that the average is probably around £200,000 per school.

**Q9 Chair:** So that is really £200,000 for a mixture of employing people before you open, doing PR and—

**Rachel Wolf:** Hiring staff and doing project management. It varies enormously because free schools vary from tiny primary schools to very large all-through schools, so what they have to do and the kind of salaries they are talking about are very different. I would have to come back to you with accurate numbers because I don't have them.

**Chair:** Okay. Nick and Austin, and then I'm going to turn to Henry.

**Q10 Nick Smith:** Two questions from me. Figure 10 on page 35 of the Report points out that becoming an academy may affect a school's cost base. Looking at the bottom bar—I understand that academies now have to produce accounts, which they did not when they were under an LEA—it looks like the back-office spend is going up dramatically, particularly for things like accountancy and finance staff. What do you make of this? Why is that happening?

**Rachel Wolf:** Again, I can talk only for free schools. I actually think that this is something that is going to start to change from the free school perspective. A lot of them are starting to try to do everything themselves and there is an increasing move towards shared services. I would expect—this is from the free schools that I talk to—that if you look at the figure in three years, it will be very different from the one that it is now. Part of it is also that they have requirements that others don't.

**Q11 Fiona Mactaggart:** Would those shared services be regional or national?

**Rachel Wolf:** There are quite a lot of moves—again, this is anecdotal from the free schools I talk to—to join up with other schools when they become chains to do shared services across chains. Large firms like PWC are doing increasing amounts of work trying to deliver shared services to schools to try to drive down that cost base. Certainly from the groups and companies I talk to, there is a sense that, in three years' time, far more of these schools will be doing those kinds of shared services than are doing it in their first year. That is true, I think, for converter

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academies, too, but again they are not the groups I work with.

**Q12 Nick Smith:** I have one quick follow-up. I am told that at least £2.3 million has been spent on free schools that have either failed to open or have very few pupils, including just over £200,000 on the One in a Million free school in Bradford, where support was withdrawn eight days before opening. Does this suggest that the process of setting up free schools, which New Schools Network is supposed to assist, sometimes does not work very well?

**Rachel Wolf:** Just to be clear on what we do: we work before free schools are approved, and then the Department for Education works from the point they are approved to when they open, which is the bit you are talking about. The answer is they have changed it, partly as a result of that. It has got clearer. I think they needed to be much clearer about where you need to have got to by when before more funds are released. I think there was a sense in the first couple of years that because you were so keen to learn as you went on and to get as many schools open as possible, you let things run on longer than they should and therefore you spent more money, potentially, than you should have done on some projects. They have now changed that for this year. I would expect as a result that this will not happen again.

**Q13 Nick Smith:** So what advice has your organisation given to these organisations about stopping waste like that?

**Rachel Wolf:** What advice have we given to free schools, or what advice have we given to the Department?

**Q14 Nick Smith:** To both.

**Rachel Wolf:** As for the Department, we have been very involved in trying to change that system because I think there was an argument that there should be more clarity about what you needed to do in the pre-opening year and where you needed to get to by when. We also increasingly try to work with free schools before they are approved on what they have to do in pre-opening so that they are more prepared and further along. Groups now, once they are approved, have done far more work than would have been the case in the first year. That, in itself, is already massively reducing the numbers that are being delayed, or are likely to be cancelled at the last minute.

**Chair:** I think it might be worth asking the Department how much we have lost—how much has gone on that whole thing. Austin and Meg, and then I am conscious we have not brought Henry in yet.

**Q15 Austin Mitchell:** There is a big difference between the original academies, the ones set up by the Labour Government, which mainly served areas of educational underachievement to try to stimulate achievement, and the later ones, the Conservative ones, the converter ones. Is it in your view fair or right that the elite schools—the best performing schools—should be bribed to take academy status by being showered with cash, most of it more than the local authority was spending on education, which was taken

from funds meant for underprivileged schools and for improving schools?

**Rachel Wolf:** I think that is what lawyers call a leading question, isn't it? I would not agree with your characterisation.

**Q16 Austin Mitchell:** But the Report does. It says that in 2011–12, £96 million originally allocated to school improvement was taken to pay for the extra spending on academies, and in 2012–13, it is £400 million, as well as “a similar amount from funds for intervention in underperforming schools.”

**Rachel Wolf:** To be clear, I disagree for a couple of reasons. The first is that certainly my analysis—again, I deal with free schools, but we are talking about converter academies—is that both autonomy and the encouragement of converter academies in themselves to become academy sponsors, which is happening far, far more than under the previous Government, are much more effective school improvement techniques than many of the things that were happening under the previous Government. Encouraging these schools to gain independence, and then encouraging them to become academy sponsors, is going to have a greater impact on underperforming schools.

Certainly, when I look at free schools and the teacher groups in particular—the largest set of groups we work with are teachers who want to set up schools—their aim, having set up one school, is first to set up groups of schools, particularly in deprived areas, and then, once they have reached the capacity, to target underperforming schools themselves. So because you are giving them this independence and giving them the possibility of setting up new institutions—you are not just relying on the state; you are allowing professionals to set up their own institutions—they are able to act as school improvement partners far more effectively than the pretty patchy stuff that went on before. You only need to talk to some of the best schools in the country to hear how patchy that was.

**Q17 Austin Mitchell:** Well, that might be true, but it is still overpaying compared with what the local authorities were spending. You were stuffing their satchels with silver, to persuade them to go academy.

**Rachel Wolf:** I can promise that I was not, because I do not work for the Government. As I understand it, the way that the LACSEG now works, it is even. When you ask academies themselves why they converted, the majority are saying that they converted not for money but for freedom. Certainly in the case of free schools—where they are all working for months, unpaid, in the attempt to set up a school, and large numbers of them might be refused that opportunity—they are certainly not doing it for money.

**Q18 Meg Hillier:** Earlier, you raised the issue of the importance of transparency. As a Committee we follow how public tax money is spent. In my own constituency, a free school is opening. Neither the free school nor the Department will tell me what budget has been allocated to it until the day it opens, whereas we see from the Report that there are, particularly—

**Rachel Wolf:** Do you mean capital budget?

**Q19 Meg Hillier:** Capital and revenue, actually: we can't get a copy of the budget. Do you think that is wrong? If you are in favour of transparency, would you support us seeing that from day one?

**Rachel Wolf:** I do not know about dates; I know there are periods when you cannot release budgets for commercial confidentiality or in case it prejudices—I am just saying that I do not know the precise point at which you should release it, but once that point is passed, and I do not know when it is, yes, I think it is perfectly reasonable to release that information.

**Q20 Chair:** I am sure we will come back to you, but I want to give Henry Stewart a chance. From your perspective, looking at the Report and thinking just about the narrow, value-for-money agenda that we have, what do you think are the key questions that we should be asking the accounting officer?

**Henry Stewart:** I have four main points from the Report. The first has some similarities to Austin's: how much money was spent on converter academies? Now, that is slightly separate from the question of how much the budget was overspent. It appears to be clear from page 9 that an extra £1 billion was spent on converter academies over two years. We know that the vast majority of converter academies were good or outstanding, so that poses the question whether if you had £1 billion in your budget at the DFE, is the best spend of it on the good and outstanding schools, or would it have been better spent on the schools that needed more support? My view would be clear on that, but if it were spread among constituencies—£1.5 million a constituency—and you decided which school it would go to, I would be interested to know whether any of you feel that you would give it to the best performing or to the one that needed more support.

Secondly, whether there is any—

**Mr Bacon:** Can I answer that, since you have asked it? I would give it to the one with a good head teacher. I have seen schools in my constituency become failing schools twice during the period I have been elected to Parliament, despite having money thrown at them; I have seen another school that had many, many millions of pounds thrown at it in terms of capital budget and it had a continuing and sustained problem. The problem was the head. The change started when the head started. That would be my answer to your question—if you are here to ask us questions.

**Q21 Chris Heaton-Harris:** Do you penalise schools for being good or improving?

**Chair:** I have been trying to say that this is about value for money.

**Henry Stewart:** I would say that a key role of LAs—

**Mr Bacon:** Mr Stewart did ask us to answer his question, so I took him at his word.

**Henry Stewart:** I realise that I fell into my own trap.

**Q22 Mr Bacon:** If you have any other questions that you want me to answer, I stand free. By the way, I knew your father; he was a very wonderful lecturer.

**Henry Stewart:** Thank you.

I would say that a key role of local authorities is to get rid of underperforming heads, but I would give the

example of Camden, which Margaret knows well, and which came top of the Ofsted table last week and whose focus, if you ask their chair, is on targeting all their resources at the struggling schools and getting the better schools to help those struggling schools to succeed.

On the second point, is there any evidence of better results from academies? The Government claim that academies' growth has been twice as strong as non-academies, but I asked for a particular House of Commons report to be copied—I think you have it in front of you—and on page 8, there is a graph. My point is that if you are comparing academies and non-academies, you have to be comparing apples with apples. You have to be comparing similar ones. If you compare an academy with 25% A to Cs with a comprehensive that has 80%, it is obviously going to grow more. However, if you look at comparing the academies on less than 35% in 2008 or 2010 with the non-academies, you actually get exactly the same growth rates in A to Cs. Whether local authorities chose to go down the academy route or the non-academy route, you get the same effect.

That was even under the old academies, and there is some evidence in the very early days of some improvement, but where is the evidence base for this £1 billion—in this move to converter academies? Where is the evidence base for this huge turmoil? If I can quote you, Richard—this is dangerous because you will come back on me—you did say at one point that “the Conservative position...is that if change is not absolutely necessary, it is necessary not to change—not least because change can itself bring all kinds of unpredictable and undesirable consequences in its wake.” That is a very wise statement, and it reflects—

**Q23 Mr Bacon:** I think I was actually quoting Disraeli. I cannot remember where you got it from.

**Henry Stewart:** You said it in 2007. It was similar to the statement by the founder of your party, Robert Peel, on criticising the perpetual vortex of agitation, which the Liberals were doing at the time, but it is a possible description of what is going on in education. I am going slightly off topic.

On the need for transparency, Margaret, you asked the Prime Minister at the Liaison Committee in March how we can know that academies provide value for money. He said, “people can increasingly see the funding per pupil that goes into the school. The parent, the teacher and the local community all know how much follows the pupil into the school and can then see the results. We need to be able to see how much money is going into schools and the results that come out.”

I am sure that the Prime Minister was not deliberately misleading the committee when he made that statement, but it is not actually accurate. If you go to the DFE website and look up the school where I am chair of governors, you will see exactly how much is spent per pupil. If you look at Mossbourne down the road, which is an exceptional school, there will be no financial information at all. If you look at Clapton, which converted this year, that information was on the site last year when it was a maintained school, but it

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is no longer there now it is an academy. David Cameron's aspirations, which I completely agree with—it should be completely transparent—have not been fulfilled. I am not quite sure why that is and it is a good question for the permanent secretary.

My fourth point is on oversight. Is the system fit for purpose? Can the DFE effectively hold more than 3,000 academies to account? I personally think that we have a good oversight mechanism at the moment: schools, local authorities, DFE. If the school is not doing its job, the local authority intervenes. If the local authority is not doing its job, as in my borough of Hackney 10 years ago, the Secretary of State intervenes and replaces it. The result of that in Hackney has been a massive transformation in education from it being a basket case to it being one of the most successful boroughs in the country.

Those are my four points. Was the £1 billion justified? Is there any evidence of better results from academies? Is it transparent? Is there proper oversight of what will happen to academies?

**Q24 Jackie Doyle-Price:** Except local authorities are rubbish at that. If you take that layer out and make academies directly accountable to the Department, I think that increases accountability. What is your response to that?

**Henry Stewart:** I would say that some local authorities are great at it, some are not so good, and the DFE should intervene where local authorities are not as good. Where authorities are strong, such as in Hackney, and the neighbouring ones in Tower Hamlets, Islington and Camden, they have had a transformative effect on schools. If I can quote Michael Wilshaw on that, he said in *The TES* last week, “A good local authority will know what’s happening in all its schools, including academies...It might not visit them...but it will know from the data...and the ‘word on the street’ ”—from the parents—“about what’s happening.” Or, as Alan Wood, who was head of The Learning Trust in Hackney, said, “They may not be our schools, but they are still our children”, and the local authorities are still responsible for the educational outcomes of those children. The question to ask of the DFE is whether the local authorities have the means to put in place the oversight that Michael Wilshaw is calling for.

**Q25 Jackie Doyle-Price:** If a local authority is not stepping up to the plate, it is not fair for parents to be saddled with an underperforming local authority. If you take my local authority area, within the first year, 90% of my secondary schools had converted, because they were so impatient with the local authority, which, frankly, was getting in the way of their improvement. They had the guts to actually push and convert, and the buck stops with them. Surely that is better than relying on local authorities?

**Fiona Mactaggart:** That’s not guts.

**Q26 Jackie Doyle-Price:** It is guts actually, Fiona. Surely it is more transparent that they take accountability away from the local authority and are directly accountable to the Department? And to

parents, for that matter, because they can no longer hide behind the local authority for their failure.

**Henry Stewart:** The question I would ask is whether the DFE has the mechanisms in place to give oversight on the 2,000 schools that are now academies. The Report talks about using Ofsted and things like that, but it is often too late. In my local authority, I can think of one school that had a perfectly good Ofsted review, and the results were way above floor targets—60% above—but the local authority noticed that it was not performing as well as it should and sent in support and challenge. That school was turned around and got a great Ofsted the next time around. If it had waited for Ofsted or a distant DFE to get involved, I suspect that turnaround would not have happened. My worry is that with all these independent schools, as they are called, some will succeed brilliantly and some will not. That is the nature of schools. Is there sufficient oversight and early intervention in those that do not? Does the DFE supply a school improvement partner, as a local authority does, that comes in and gives an outside view?

**Q27 Jackie Doyle-Price:** But you’re painting a picture as if the local authority were doing this.

**Chair:** Some are, some are not.

**Henry Stewart:** I am describing my experience of local authorities. It may not be true of all.

**Q28 Chair:** One of the things I am interested in, and perhaps both of you can answer, is that one of the arguments for the development of academies and free schools is to have greater accountability within the school. We are having a discussion about who intervenes. I am interested in how you see that balance in accountability and whether the two of you have a different view on the balance of accountability at school level and whether it is at local authority or DFE level? Where should that balance lie? Henry, why don’t you go first? Then Rachel can come in, just to turn it round a bit.

**Henry Stewart:** Schools are initially accountable to the parents, through the governing body and so forth. Actually, my experience of accountability to the local authority at the moment is that it works well. I would say that if it is not working well, it is the local authority that needs to be addressed, rather than the whole system. Parents often are not that quick to spot that their school is not doing so well. In Hackney, the two schools that the local authority closed were closed against parental opposition, even though it now looks bizarre that they were ever kept open so long. Accountability to the parents, particularly at secondary, even more than primary, is an uncertain route. Accountability to the DFE is a very distant route. It may be possible to have the levels of oversight that are needed, but I am not sure that they are in place at the moment.

**Q29 Chair:** And Rachel, your view?

**Rachel Wolf:** At heart, and this goes to a lot of what Henry was saying, the first question is, “Do you think the status quo was good enough? Do you think the process with schools and local authority and

Government that used to exist was always not failing a very significant proportion of children?" I think that it absolutely was, so change was necessary. I am very worried that in this conversation about the middle tier, you are just going to end up recreating the regulatory tier that failed in the first place. I am also very worried about the idea of this magic set of bureaucrats in the middle who spot failure before it happens, and who always intervene at precisely the right time and never intervene when it is not really necessary.

**Chair:** So what do you think should happen?

**Q30 Fiona Mactaggart:** We do not disagree with you, but what is your answer?

**Rachel Wolf:** I am just coming to that. That is why I think that the failure regime that they have in some states in America, where they have very clear metrics about what good looks like, which are partly inspections and partly results, as well as parental accountability, and when you are willing to act quite hard when schools are not doing well—

**Q31 Chair:** Who is going to act?

**Rachel Wolf:** The authoriser, which could be the Government or it could be an independent authoriser. In New York, for example, there are three. There is the state of New York, the city of New York and the state university of New York. They all have their own schools that they look after, but they all do a very good job. In other places it is just the state, and they do a very good job. That seems to work perfectly well, as long as you are clear about what good looks like. That is the key, to me, far more than who is deciding whether that school stays open; it is, "What does good look like?"

**Q32 Chair:** But that, in a way, depends on the quality of whatever the oversight body is.

**Rachel Wolf:** I think you can define it quite clearly. We have Ofsted and we have a lot of results on schools. I do not think it is very hard to define whether a school is good or not. We really are in danger of creating massive over-regulation.

**Henry Stewart:** There is this assumption that we had a failing system; the UK should be very proud, because last year we were listed as sixth in the world and second in the western world for the quality of our education.

**Q33 Fiona Mactaggart:** Certainly higher than America.

**Henry Stewart:** And certainly higher than America. I would not, personally, take lessons from America, although I would from South Korea and I would from Finland. Michael Gove himself has described our school system as "good with outstanding features". My point in quoting Richard was, "Is it a system that is working pretty well and does not need this massive change?" It needs addressing where there are weaknesses. Those local authorities that are not performing need changing, and those schools that are not performing need changing, but the system as a whole—the Local Schools Network is very much about trying to promote the benefits of local schools,

because actually all the evidence indicates that we have a pretty good system.

**Q34 Mr Bacon:** I am always very suspicious when I hear anyone use the words "all the evidence", because it is rarely the case that all the evidence says anything. It is a rhetorical flourish that is designed to conceal as much as to clarify. I am not saying that you did that deliberately; it is just something that everyone picks up and uses. It is never true that all the evidence says one thing.

What many of us have seen in our own constituencies is that while we have some good schools and some outstanding schools, we also have schools that have persistently underperformed, and the response to that and getting it changed has seemed extremely tardy. I have seen it in my constituency and I am sure that other colleagues have as well. You mentioned Hackney. It took years—years—to sort out Hackney. It was my Norfolk colleague Gillian Shephard, when she was Secretary of State for Education, who put Michael Barber in there when he was a Hackney Labour councillor, and one or two others. But it took years. There was one school that got only one O-level in the entire school, and it was in a subject in which the school did not offer the O-level—Turkish, I think. The concern many people have had across the political spectrum, which is why academies started—after all, they did start under the previous Administration—has been this lack of urgency about problems where they exist, as if somehow there is all the time in the world, or at least a lot of time, when for the kids involved there really is not. That has been the concern, and I think it has been quite widespread, not just in one or two constituencies.

**Chair:** Meg and Justin, and then I am going to stop us on this.

**Q35 Meg Hillier:** Tempted as I am to take on the issues that Richard has raised and discuss Hackney—

**Mr Bacon:** You can discuss Norfolk if you want to.

**Meg Hillier:** Thank you, but in the time we have remaining, can we narrow down to the issue around accountability? We are the public money watchdog, and one of my concerns about the system now is: if you do not have that layer of local authority, who is going to watch where the money is spent in academies? Henry Stewart raised the issue about what you find on websites. It is not transparent. If something goes wrong, it is a very long way from Hackney to the Department before someone realises. Ofsted cannot do the value for money; I think it would be crazy to dilute Ofsted's regime. So is the answer a local school inspector, or is it keeping some sort of education authority in place? Or do you not agree, Rachel Wolf, that we should have anything in between? Can the Department see those financial difficulties?

**Rachel Wolf:** That is a good question. It is too early to be anything but anecdotal, but I have seen as many cases of financial mismanagement under local authority schools as I have under academies. I am not sure that the local authority system—

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**Q36 Meg Hillier:** But they get caught—they get found out.

**Rachel Wolf:** So have the academies, and there have been quite a few cases.

**Q37 Chair:** Not necessarily; only if there are whistleblowers. That is what is a bit scary.

**Rachel Wolf:** I am reluctant to say, because I think this is in some ways a slightly temporary issue. I would expect that in five years, you will have self-creating middle tiers, which are school chains. I think that within five years, there are going to be very few academies, and certainly free schools, across the country that are not in groups of schools in which you can have that accountability.

**Q38 Meg Hillier:** Can I chip in? How do you know about the budget for each individual school rather than the overarching company or body that is running several schools?

**Rachel Wolf:** You would have to have the chain be responsible for the individual schools, and you'd have to hold the chain to account. I think that is just as efficient as the Government holding local authorities to account, which hold the individual schools to account.

**Q39 Meg Hillier:** So you are suggesting that it would not matter if we didn't know exactly how much was spent on books?

**Chair:** I don't think she is suggesting that.

**Rachel Wolf:** I am not suggesting that there would be no transparent data or reporting. I don't think a Government layer is necessarily the only thing that needs to stand between an individual school—particularly with the auditing requirements—and the national organisation, any more than, for example, with the vast numbers of charities in the country, many of which are part Government-funded, there is anything that sits between the charity and the Charity Commission, which is the national thing other than auditing requirements. There are vast numbers of individual institutions that have strong auditing requirements and regulatory regimes if things are going wrong. I would be reluctant to put something in place when it is likely that within five years, you are going to see groups of institutions and having something that works at the individual level. However, I also think we should see how this develops. If it looks like that there are more problems existing in academies than local authority schools, I would be happy to revisit that.

**Henry Stewart:** The whole issue of change is an interesting one. The first argument is that schools need to be independent, away from the burden of the local authority or of any collective body. Then we are told that they can't manage very well on their own, so they need to be part of chains. But who are the chains accountable to? At the moment, I don't think Ofsted can inspect the chains, although Michael Wilshaw wants that power. If you look at the data, every chain bar one was below average on value added in last year's tables. If we believe there needs to be a body like a chain, we have local authorities.

**Rachel Wolf:** There is a fundamental difference between a chain and a local authority.

**Henry Stewart:** Yes. Local authorities are democratically accountable to the people of that area.

**Q40 Justin Tomlinson:** My point is directly on that. I was part of a local authority whose education element was put into special measures.

**Henry Stewart:** Which was it?

**Justin Tomlinson:** Swindon borough council, back in 2002. A considerable number of schools had been underperforming for a long time. Because the local authority were acting as the judge and the jury, they just kept saying, "There was a problem, but we are sorting it all out"—invariably, by putting lots more money into it. Actually, you need that independent body. The local authority, had they put their hands up and said, "Yes, we have been failing spectacularly, as everybody knows", would be admitting that they were personally responsible for that failure. Having an independent check—some of the points that Rachel has been making—would make a difference. The local authority cannot be independent because they have a vested interest.

**Chair:** Henry, come back on that.

**Henry Stewart:** What happens with a chain in that position? With a local authority, at least someone can intervene. Hackney was a failing borough 10 years ago. The Government intervened and put in place a new trust to run it, and it was remarkably successful.

**Q41 Fiona Mactaggart:** How is it faster with a chain?

**Henry Stewart:** The chains of academies are kind of modelled on a market economy, where lots are competing against each other. The idea is that competition drives growth. I am an entrepreneur—I run a business. If you look at my six top competitors from five years ago, only one of them still exists. I personally would not see that to be an attractive model in schools—that chains and schools are independent, and some of them get better, some of them get worse, and some are closed. I am not sure that that is the model that we want.

**Q42 Jackie Doyle-Price:** Can I put the question in another way? If I take your thesis that local authorities are accountable to their electorates to ensure that performance is good, don't you think they would be more effective at doing that by holding chains to account rather than providing the education themselves?

**Henry Stewart:** If there was one chain in Hackney and one chain in Islington, that might be the case, but they are spread across dozens of local authorities.

**Q43 Jackie Doyle-Price:** It is individual schools' performance we are looking at, and that is what the local electorates are interested in.

**Henry Stewart:** That is a very interesting point, and one to put to the person coming on next: what oversight will local authorities have and what funding will they have to carry out that oversight on the chains? I am not suggesting that local authorities, by their accountability to the voter, are held to account.

The role of holding them to account is generally held by the DFE.

**Chair:** Rachel, I think that Austin has one more question for you.

**Q44 Austin Mitchell:** It is a simple question. We have showered money on schools that are doing well and my experience is that, in this country, ability tends to take care of itself. What do we do about the underperforming schools that are ineligible for academy status?

**Rachel Wolf:** They are eligible. There has been a massive increase in the number of sponsored academies, and they are exactly that: the most underperforming schools. The point about sponsored academies, though, is that rather than just giving lots of money—

**Q45 Austin Mitchell:** What do we do about them—do we give them more money? Or better teachers?

**Rachel Wolf:** The point about sponsored academies is that, too often, those underperforming schools used to be given more money with the same failed management. With sponsored academies you bring in

people with a track record who will run those schools better. The only really rigorous study on academies was done by the LSE. It was on those sponsored academies that took over underperforming schools, and it showed a really impressive increase in results as a result of being taken over.

While there are converter academies, sponsored academies are taking on the most underperforming schools. Indeed, the free schools and teachers that I work with are going into the most underperforming and deprived areas because those are the areas that they want to turn around.

**Chair:** Thank you both of you. That was vigorous and very good and straight, so thanks very much for your contribution.

**Q46 Mr Bacon:** I guess that I will have to watch what I say now, if it is going to be quoted back at me.

**Henry Stewart:** I think that it was on your website.

**Mr Bacon:** You are probably the only person who has ever looked at it.

**Chair:** Thank you for your time. We will now welcome the two accounting officers.

### Examination of Witnesses

*Witnesses:* **Chris Wormald**, Permanent Secretary, Department for Education, and **Peter Lauener**, Chief Executive, Education Funding Agency, gave evidence.

**Q47 Chair:** May I particularly welcome Chris Wormald, because it is your first appearance before us? We have always had good hearings with the DFE, and I am sure that, under your stewardship of the Department, that will continue to be the case.

I will start on the money, because it strikes me that that is what we are about. I want to delve into the £1 billion overspend that the NAO uncovered. I want to look in particular at LACSEG—the local authority central spend equivalent grant. According to a Reform survey, 78% of schools said that they became academies because of the extra money that they received, and it appears that they do. I have seen all sorts of figures on this, but the most compelling were produced for the *Financial Times* by Chris Cook, which suggest that £120 million is the true cost of the errors—I do not know if that is by the Department or the agency—in calculating what local authorities spend and then what you gave to academies. Is that figure correct, or can you tell us how much was paid to academies against how much was recouped from local authorities? What has been the extra cost by you overpaying?

**Chris Wormald:** I do not think that there has been any extra cost by us overpaying academies. Shall I run through how that £1 billion is calculated?

**Q48 Chair:** No, we will come to the other parts of the £1 billion. I am looking just at the LACSEG part for now.

**Chris Wormald:** In terms of the LACSEG, the NAO Report correctly identifies that there is £350 million that we did not recoup from local authorities. We made up that shortfall in the academies budget from

the wider departmental spending budget, and that £350 million remained with local authorities.

**Q49 Chair:** So how did you get it so wrong? Because if £350 million went out that should not have gone out, that suggests that there is some truth in those schools saying that they became academies because they got extra money.

**Chris Wormald:** No, this is what I was saying. That money is a windfall in the local authorities budget, not in the academies budget.

**Q50 Chair:** So did you not take enough money from the local authorities?

**Chris Wormald:** Yes. That is what that £350 million refers to

**Q51 Chair:** I will take an example again from what I saw in the *Financial Times*. In Islington in 2011–12, you estimated LACSEG at £551 per pupil, but the local authority spent only £219 per pupil. So, it was not the local authority that benefited, it was the academy schools that got more than double—£219 to £551—per pupil. If you have 1,000 secondary school children that is £332,000 extra because of a miscalculation in the Department or the agency—I'm not sure who did it. That is a heck of a lot of extra money to the school.

**Chris Wormald:** I will ask Peter to calculate that, but that is a different phenomenon from the £350 million that we were discussing, which is the amount we have recouped. What I should say about LACSEG overall is that I don't think—

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**Q52 Chair:** Sorry to interrupt but maybe I have not understood the pots very carefully. It is taxpayers' money that went to schools in Islington that became academies, and that gave them more than they would have had out of the money the local authority was spending on that school out of its central funding. Do you accept that?

**Chris Wormald:** No, I don't. I don't recognise the numbers that you are quoting. I don't think they are anywhere in the NAO Report.

**Q53 Chair:** They come out of this. Are you saying that this did not happen anywhere? On the whole, the *FT* is a pretty sane newspaper.

**Chris Wormald:** I am happy to look into the report you mentioned.

**Q54 Chair:** Are you telling us this afternoon, Mr Wormald, that no schools in the calculations you did around the local authority money got more money out of that than they would have done if they had remained under local authority control?

**Chris Wormald:** No, I am not saying that. The first thing to say about the LACSEG system is that it is extremely complicated and not designed to do the thing that we are doing at the moment. The Government are currently consulting on a much simpler way to do LACSEG that will take out a lot of the anomalies that you point to. I completely agree with you that there are anomalies in the system.

**Q55 Chair:** I am glad that you are changing it for the future but we look back at the past. There would appear to have been, in the way that you allocated the moneys, extra money going to schools, which would then justify the Reform assertion that 78% of schools say they become an academy because of the extra money they get.

**Chris Wormald:** Again, those were not the findings of the NAO when it surveyed schools about why they converted.

**Q56 Chair:** You found extra money was part of it.

**Chris Wormald:** No, the NAO Report said it was extra freedom.

**Julian Wood:** What schools said—I think it was 78% said—that they became academies partly because of greater access to use funds in the way that they wanted to do so.

**Q57 Chair:** Access to what?

**Julian Wood:** Greater access to use money on front-line education and greater freedom to use that money once they had it.

**Jackie Doyle-Price:** They said it would be top-sliced by the LEAs basically. It has gone straight to the school.

**Q58 Chair:** This is a Reform thing.

**Chris Wormald:** Because the calculation of what LACSEG is in a particular case is extremely complicated, which is why we want to reform and simplify it, as I noted, there will be individual schools that will have received slightly too much and others that will have received slightly too little. What there

is not, over the academy programme as a whole, is more money going into academy schools than into maintained schools, except in those areas that the NAO identified in its Report.

**Q59 Chair:** Maybe you are dealing with these issues as well, but let me put it to you: in a lot of local authorities you have got some schools that are doing really well and have fewer challenges, and other schools that are not doing so well that have got more challenges. Traditionally, a local authority would have put more special educational needs money into the school with extra challenges and less money into the schools that do not have those challenges. That is what would have happened.

If you calculate your LACSEG on a crude average across an authority, that will inevitably benefit the schools that haven't had as much local authority money in the past and will act as a disincentive for schools that have particular challenges ever to go down the academy route because they will get less money, won't it?

**Chris Wormald:** No, because LACSEG covers mainly the central administration costs of the authority itself.

**Q60 Chair:** On special educational needs?

**Chris Wormald:** There is some special educational needs.

**Q61 Chair:** It is all special educational needs, because no one else covers them, do they?

**Julian Wood:** The Report says that the Department chose to double-fund special educational needs services specifically, because of concerns about sustainability, at a cost, I think, of £21 million.

**Chris Wormald:** Yes.

**Q62 Chair:** So that is another dollop of money that you have taken out of the local authority budget, is it?

**Chris Wormald:** No, we chose to double-fund that.

**Q63 Chair:** Double-fund?

**Chris Wormald:** We did not take the money away from the local authority, but we did fund academies to do it, so, again, local authorities in effect received a windfall. That was done to protect special educational needs budgets.

**Q64 Mr Bacon:** Was it with a stipulation that the money would have to be spent on special educational needs or was it completely un-ring-fenced?

**Chris Wormald:** I think it was specified for special educational needs. Peter?

**Peter Lauener:** No, once the local authority had the money, it was not ring-fenced.

**Q65 Mr Bacon:** So if it wanted to spend it on improving pothole maintenance or whatever, it could. We are, after all, moving into a world with less and less ring-fencing, with all this localism.

**Peter Lauener:** That's right. Once the money went to local authorities, it would not have been ring-fenced. Once the money went to the academy, again it would not have been ring-fenced.

**Q66 Mr Bacon:** I am just interested in Mr Wormald saying that the double-funding was done to protect special educational needs. You have given the money to the academy for special educational needs, but you have also given it to the local authority. In what sense is it protecting special educational needs if there is no obligation on the local authority to spend it on that? There may be perfectly good reasons for wanting to spend it on potholes. There may be fewer people with SEN and more potholes—I don't know—but how is that going about the business that you specified of protecting special educational needs?

**Chris Wormald:** As you said, the Government wish to move away from ring-fencing in all these areas. The view was taken that we should ensure that funds are made available to cover all those things. Whether it is then used for that is a matter for the individual local authority and the individual academy. We did not want to be in a position of there not being budget cover for the activity.

**Q67 Mr Bacon:** How long was that double-funding intended to carry on for?

**Peter Lauener:** We are planning to introduce the new LACSEG system that Chris referred to from 2013–14, and that will be on a much more straightforward and transparent basis, which we think will eliminate this major element of the additional £1 billion.

**Q68 Mr Bacon:** I am sure that that was an answer, but I am not sure that it was an answer to my question. Did the LACSEG always include—and will it continue to include, but in a simpler and easier to understand way—an element for special educational needs?

**Peter Lauener:** There would be an element for the management of special educational needs. The funding for high-cost students up to the age of 25 is also being changed at the moment. Again, from 2013–14, the funding for those high-cost students will be in a pot held by the local authority. It will be used to top up the funding for students, whether they are in academies, maintained schools, post-16, post-19, colleges or independent providers.

**Q69 Mr Bacon:** So a pupil in an academy will still have to access—or the parents will—a pot of money held by the local authority.

**Peter Lauener:** That would be for very high-cost students, where the cost might be in excess of £10,000, but that is the particularly vulnerable group that needs most attention.

**Q70 Chair:** Can I just ask one final question, and then I am going to go to Austin and Nick? Some schools—the early ones that converted—probably got more LACSEG, although I accept that some money stayed with the local authorities. You are introducing the new system in 2013–14. Does that mean that schools that had more money per pupil under your original calculation will lose it, or are you going to protect those schools so that they maintain extra money over a longer period of time?

**Chris Wormald:** There are decisions still to be taken. The Government have just finished consulting on their

new LACSEG system and have not yet announced how they will do the new system, what protections there will be or what transitions there will be, but we are looking at those things.

**Q71 Fiona Mactaggart:** I am interested in that consultation, because the schools in my constituency that get the best results are those that believe that they will lose money as a result of the new funding system, whereas those that get the less good results will not lose money. Those two kinds of schools are planning to share money with each other—reinventing a local education authority—to try to mediate the problems of the new funding system.

**Chris Wormald:** Forgive me if I have this wrong, but that may be a question about the wider changes to the funding system, which are being consulted on, rather than the specific changes around LACSEG, where there is a radically new system being introduced. From 2013–14, there will be massive changes to the whole education funding system. Instead of having 152 varying local authority funding formulae for schools, we are introducing a managed system with 12 criteria and bandwidths within which each criterion can be set. That will have some significant redistribution effects on school funding, but these will then be cushioned so that no school loses more than 1.5%.

**Q72 Fiona Mactaggart:** I understand, but one of the reasons I raised this issue is that we are asking relatively small institutions—and even a big secondary school is a relatively small institution—to cope with massive degrees of change in their funding systems, their expectations of their achievements and so on. In my experience, change costs. It costs in human terms and it costs financially. I wonder how you will ensure value for money when you expect this much change. I am not against change—I am a great believer in change—but I am anxious about how you get value for money when you are changing in different directions so radically.

**Chris Wormald:** I would say that what the Government are seeking to do is to change in the same direction, which is to come up with a radically simpler way of funding schools that is easier and more predictable for schools and more transparent to the public. Getting to that point and moving towards what the Government have said they will do on the national funding formula and the reforms of LACSEG does involve change, and those transitions will have to be managed extremely carefully.

The counter-factual is that you remain with the intensely complicated school funding system that we have right now, which is difficult for the Department to manage, in terms of the academies programme, and difficult for individual schools to manage at a local level. We take the view that to simplify the system in the way that we are doing is better than the status quo, even when you have the transitional issues that you point to.

**Q73 Austin Mitchell:** Is it a fact that you grossly underestimated the number of schools that were going to take academy status?

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**Chris Wormald:** Right at the beginning, when the converter programme for academies was begun in 2010, the estimate of how many schools would convert was around 200 per year. The numbers exceeded that quite considerably.

**Q74 Austin Mitchell:** That Gadarene rush suggests to me that there was a financial incentive. We heard that 78% said that they thought they would get more money. Did they get more money?

**Chris Wormald:** We fund academies by seeking to replicate exactly what the academy would have got as a maintained school. There are certain areas in which we cannot replicate what they get from a local authority, so we pay an equivalent sum of money—I can go through that if you like—and then fund them for the central services that they no longer receive from the local authority. That is the money that is in LACSEG, as we discussed earlier. To the greatest extent that we can, in this complicated funding system, we try to ensure that academies get exactly the equivalent sum of money as maintained schools. As I said in my previous answer, we do not recognise that that was the reason why—

**Q75 Austin Mitchell:** It seems to me that there was a general atmosphere of, to coin a phrase that dates me, “Give us the money, Barney.” That was more money than it should have been because the Department for Education sets the totals for LACSEG months before it knows how much the local authority is actually going to spend on those services. Is that correct?

**Chris Wormald:** Yes, the LACSEG system is extremely—

**Q76 Austin Mitchell:** So they were overestimates.

**Chris Wormald:** We clearly underestimated the number of academies that were going to convert right at the beginning. I do not think that that is in dispute. Nor is it in dispute that we did not recoup all the LACSEG money from local authorities—those are both established facts—but the result of that was not an overfunding of academies. The result of it was a £350 million windfall for local government.

**Q77 Austin Mitchell:** And it is fair to say that a good school with a good record—a high achieving school—probably has less use for local services than a poor, struggling school that is more dependent on the local services and spending that it gets from the local education authority. That is probably true to say.

**Chris Wormald:** I do not agree with that.

**Q78 Austin Mitchell:** So it is not true.

**Chris Wormald:** Not necessarily, no. A lot of what local authorities provide in schools—

**Q79 Austin Mitchell:** So improving schools are not more independent of local authorities than struggling schools.

**Chris Wormald:** When you look at what local authorities are spending their LACSEG money on, they tend to be classic corporate functions: things like pay and payroll, HR and legal support, which are

relatively even across schools. When you are at the other end of the market and you are talking about failing schools being intervened on by a local authority or via the sponsored academy route, that does cost more, and—certainly when you look at sponsored academies—a large proportion of the £1 billion that we are discussing is the funding that we put into those schools as school improvement.

**Q80 Austin Mitchell:** It certainly appears from the article by Chris Cook in the *Financial Times* on 31 May that some schools were substantially overfunded. One instance is Tollbar, which is one of the best—if not the best—schools in my area. It was overfunded to the tune of about £300,000 or more. That is a bit like Bevan setting up the health service and deciding to get the consultants to accept it by stuffing their mouths with gold. It is, as I said earlier, stuffing the satchels of the improving schools with silver to encourage them to go independent.

**Chris Wormald:** I do not accept that.

**Q81 Austin Mitchell:** If you concede some overpayment, will that money be taken back?

**Chris Wormald:** We are consulting on the new system for LACSEG that we are introducing. The aim of that is to equalise and simplify all these processes. We are not proposing to go through any retrospective exercise, and I do not think you would expect us to. On your main point, as I said before, when you look across the academies programme as a whole, we are not overfunding academies compared with maintained schools. I am not going to dispute that there might be some individual cases where the calculations are not too sound. I do not know the example that you are talking about—I am happy to look into it—but looking across the academy programme as a whole, that is not what is happening. As far as the National Audit Office found, that is not why schools are converting.

**Q82 Chair:** What does that mean? I want to unpick that. The National Audit Office finds all sorts of budget heads where you are putting extra money in from the centre to pick up money. We have talked about LACSEG—I hate the name. You can talk about insurance. You are picking up £92 million of insurance.

**Chris Wormald:** Would you like me to run through how the £1 billion is made up?

**Q83 Chair:** But that is extra money. Don't tell us it is not. It may be fair, but it is extra money.

**Chris Wormald:** That element is within—

**Q84 Chair:** You have dealt with that. I can see that. There was a different rule. You dealt with that.

**Chris Wormald:** Also, that was one of the areas where replicating what local authorities do was impossible. Local authorities have a wide range of practices for how they do insurance. If you look at the Audit Commission report “Staying afloat”, which was post the last floods, one of the things that that found was a very wide range of practices in local authorities

ranging from people who were fully insured to people who—

**Q85 Chair:** Yes, that may be true, but you are putting in from the Department £92 million a year extra to pay for the insurance for academies. That is absolutely fine, but I want to know why you do not think that that is extra money and when you are going to stop doing it.

**Chris Wormald:** I was not disputing that it was extra money. I was saying that, in that case, simply replicating what local authorities—

**Q86 Chair:** It is extra money. You are giving them their LACSEG money, which presumably would have covered it from the local authority. You are giving them the per pupil money, which is fair, and then on top of it you are putting £92 million on insurance. I cannot see how that can be anything other than extra money.

**Chris Wormald:** It is extra money from the DFE. This is not necessarily part of LACSEG because local authority practices relating to insurance differ so greatly. We thought it was important that all academies had proper insurance—

**Q87 Chair:** Absolutely. Of course you can have proper insurance, but don't tell us there is not extra money.

**Chris Wormald:** Sorry. It depends who you mean extra money for. It is certainly extra money from the DFE. Is the total call on the public purse increased?

**Q88 Chair:** No, because you cut something else.

**Chris Wormald:** No, but the insurance liability on local authorities falls as our insurance liability grows.

**Q89 Chair:** No, but the money going to particular schools was more because you picked up a function that they should have covered as independent institutions. You picked up their insurance. Are you going to stop funding that centrally?

**Chris Wormald:** We are going to simplify how we fund insurance—

**Q90 Chair:** But you are going to carry on giving them the extra money?

**Chris Wormald:** Insurance funding is not in the general schools budget that was delegated to individual schools.

**Q91 Austin Mitchell:** But even on the overall spending, the Report says, at paragraphs 1.9 and 1.12, that because you've got such a big rush of applications and because they have been overpaid in many cases, you are taking money—first of all £96 million originally allocated to school improvement. That is hitting the poorer schools, isn't it? Those are the schools that really need improving. You are taking a similar amount—that's £400 million—"from funds for intervention in underperforming schools". In other words, you are hitting the poor to help the better off.

**Chris Wormald:** The Government took a very conscious decision that its major school improvement programme was the academies programme.

**Q92 Austin Mitchell:** So you believe that to him that has shall be given.

**Chris Wormald:** We spend on the sponsored academies, out of the £1 billion, £294 million on school improvements at schools that are underachieving. So, did we take a school improvement budget and put it towards a school improvement programme for our academies programme? Yes, we did.

**Q93 Austin Mitchell:** Pity the underperforming schools.

One final question: when it comes to it and you have taken these functions from local authorities, and schools are going to run themselves—whether it is HR, accountancy or whatever—at the end of the day we are going to leave local authorities struggling, with no economies of scale, trying to finance a patchwork quilt. How do they manage it? That is going to increase their costs, isn't it, for the provisions of services to the schools that don't go academy?

**Chris Wormald:** As of today, 17,000 of the 20,000 schools in the country are still local authority maintained, so given that picture, I don't see any reason why local authorities should not still be delivering a good quality service to their 17,000 schools. The answer to your question comes back to the debate that the Committee was having with the previous two speakers about whether the previous local authority role in the management of schools is seen to be valuable. I appreciate that there are different positions on that. The Government's position, as I'm sure you know, is that autonomous schools are one of the most effective ways of leading to school improvement.

**Q94 Meg Hillier:** Can I ask a question about insurance? I am not entirely clear that this money you are spending on insurance for the academies is exactly a direct balance of what was being spent by local authorities. As I understand it, some local authorities—this may be out of date—would do self-insurance, certainly for capital insurance, so it was actually not an insurance premium that they were paying. That is now being paid by academies.

**Chris Wormald:** That is exactly why we could not replicate in the academies funding system an amount for insurance based on what local authorities paid.

**Q95 Meg Hillier:** So it is new money.

**Chris Wormald:** It costs me money, but every time an academy converts, the need to either self-insure or insure in some other way—that facility on a local authority—falls away. As our insurance liability grows—

**Q96 Meg Hillier:** I can see the liabilities may be balanced, but in cash terms they are not.

**Chris Wormald:** For those authorities that were self-insuring, if they were not putting actual resources aside for that self-insurance, then, yes, we would be spending more, but that was only because that local authority would have an unfunded liability. This is somewhere where we could not replicate exactly what local authorities do, so I cannot promise you that the

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amounts come out even and that the liability on local authorities has fallen by exactly the same amount.

**Q97 Meg Hillier:** Sorry to interrupt, but has the Department done any work to look at reducing the cost of that insurance? Piecemeal insurance is very expensive compared with a blanket approach.

**Chris Wormald:** We are looking at that, and we are doing two things. We are looking at whether academies can enter into collective arrangements for insurance, which, as you say, can be cheaper. We are also changing the basis on which we fund insurance, so that we meet a standard cost of insurance. Up until now, we have met individual academies' actual insurance costs. Both those things ought to drive down that cost, although I would say that we do think academies should be properly insured.

**Chair:** Obviously.

**Mr Jackson:** What about the rest of the £1 billion?

**Chair:** I was going to give Nick a go first, and then we have got to come back to the £1 billion, I agree.

**Q98 Nick Smith:** Thanks, Chair. Three questions from me: one on transparency, one on wasted money and one on good practice for tendering. Earlier on, when looking at figure 10, we saw a big increase in accountancy and finance staff, and big increases for senior staff salaries—this is on page 35—for educational consultancy, insurance costs and others. I am troubled about transparency, because when you flick to page 42, figure 14 and look at websites and information on academies, it seems that more than 80% of academies do not provide information on their funding agreement and 95% of academies do not provide information on their senior staff salaries. How do you explain that? Shouldn't the academies provide much more of this key information and be much more transparent?

**Chris Wormald:** Peter may want to describe this in more detail, but we publish the audited accounts of every single trust on the EFA website.

**Q99 Chair:** Yes, but the trust does not give you the academy. If a trust covers a number of schools, you cannot decipher the money spent per pupil, as we have heard from the other witnesses.

**Nick Smith:** And if you are a parent, you are going to look at the local school website.

**Peter Lauener:** We recognise that there was a hole here, and we have put on the Department's website the audited accounts for '10–11. They are all up on the website for anyone to look at. I checked a couple just to make sure that they were up and working. That is at trust level. In addition, in the last few weeks, we published the budgets at individual school level for the '12–13 year. So any parent can look at any of the academies—or free schools, because they are there as well, or the university technical colleges—and see the budget that they have got for the '12–13 academic year and compare it with the one down the road.

**Q100 Nick Smith:** Are you going to ask the academies to put that on their individual websites, including the senior staff salaries?

**Peter Lauener:** The accounts include the normal disclosures—

**Q101 Nick Smith:** This is about transparency and making it easy for people to understand.

**Peter Lauener:** That is why we have put it on the Department's website, because we thought it was easier to have it all in the same place.

**Q102 Nick Smith:** But it is not on the schools' websites. That is what I am asking you about.

**Peter Lauener:** We encourage the academies to put it on their websites as well. We thought it was best to put it all on one website where people can get it, in the same way as the Charity Commission, for charities that are not exempt—academies are charities that are exempt—puts the accounts of every single charity on its website.

**Chris Wormald:** The point is that we do not micro-manage how individual academies operate, and indeed the whole principle of the programme is that we do not. As Peter said, we encourage schools to do what you are suggesting, but where there is a clear public interest in all that information being available, we do it ourselves on our own website. We do not want to be in the business of setting rules for individual academies about what they will and will not put on their website. We take the view that, as there is a public interest in all those accounts being published, we do so ourselves.

**Q103 Nick Smith:** Would it not just be simpler to ask academies to put that information on their website, which is where you would go if you were a parent?

**Peter Lauener:** There is a whole lot of performance information on the Department's website, where you can easily compare all the schools. It seems a good place to have it all on the same website.

**Q104 Nick Smith:** Chair, we are in stall mode here, so I will move on to my next question. At least £2.3 million has been spent on free schools that either failed to open, or have very few pupils, including a reported £213,000 on One in a Million free school in Bradford, where support was withdrawn eight days before opening. Why did you fail to take notice of that loss to the public purse?

**Chris Wormald:** I should say that I have not come to this hearing particularly briefed on free schools, as they were not the subject of the Report in front of us. In the particular case of One in a Million free school in Bradford, my understanding is that it is opening next September, so although there has been a delay, there has not been the loss to the public purse you suggest. I am happy to write to the Committee further about free schools if people have detailed questions.

**Amyas Morse:** We are going to deal with that later next year.

**Chair:** Thank you.

**Q105 Nick Smith:** Last question from me: the New Schools Network received a grant of £500,000 from the Department a month after the coalition Government was formed. Would it not have been good practice for the Department to conduct a

tendering process, instead of handing it straight over to an organisation set up by the Secretary of State's former adviser?

**Chris Wormald:** Unfortunately, that was long before my time.

**Q106 Chair:** Was Peter around at that time?

**Chris Wormald:** I am pretty sure that the previous Permanent Secretary has answered that question.

**Q107 Chair:** We can always bring him back. We are good at doing that. Peter, were you around at that time?

**Peter Lauener:** I was not actually in the Department at that time. It was during my brief time outside it at the Young People's Learning Agency, so I cannot brief you on that.

**Chair:** I think we would like you to write about that.

**Q108 Nick Smith:** Can we have a note on what due diligence was carried out at that time for the awarding of that contract?

**Peter Lauener:** I think there is quite a bit on the record about it.

**Q109 Chair:** Before I go to Jackie, Meg, Guto and Chris, will you go through the billion pounds that Stewart referred to? We have covered £92 million on insurance, and £350 million on the local authority, or whatever its ghastly acronym is. What else?

**Chris Wormald:** £1 billion is split between two financial years: £122 million in 2010–11 and £605 million in 2011–12. Looking at the billion as a whole, the £350 million is the LACSEG windfall for local authorities that we have discussed already. There are two areas where we specifically agree protections. One is the £21 million for special educational needs, and the other is £59 million for protection against volatility in some of the LACSEG calculations, and those are specific—

**Q110 Chair:** Is that volatility for academy schools or local authorities?

**Chris Wormald:** Volatility for academies.

**Q111 Chair:** That is what I am interested in, because that is where I think the extra money went because of the miscalculations. So how long will you keep that going, because obviously—returning to Fiona's point—dealing with change for a relatively small school is difficult?

**Chris Wormald:** We come back to the answer Mr Lauener gave earlier that we have a new system.

**Q112 Chair:** I know your new system, but that is a big transition problem, isn't it?

**Peter Lauener:** As a general rule, we would always seek to apply protection and cushioning, not absolute protection to leave people in a permanent position.

**Q113 Chair:** You taper it down.

**Peter Lauener:** You taper it down. You have to do that.

**Q114 Chair:** But over what sort of period will you taper it down?

**Peter Lauener:** It depends on the scale of the change. To give an example, with the reform of pre-16 school funding next year, that will be applied with a minimum funding guarantee such that no school will lose more than 1.5% on its core school budget share. That is a bit of an indication of what we might see as a maximum that can be coped with in all normal circumstances. That is per pupil, by the way. If schools lose pupils, they must reduce their costs accordingly, but it is minus 1.5% on that school budget share. We would certainly seek to apply that principle to any item of the budget that is changing. I agree with you about the acronym. With LACSEG funding when there are year-on-year changes because a local authority has changed its arrangements after a school has left, we would think it right to offer some protection.

**Q115 Chair:** Would you fund that from the centre, or from the schools budget?

**Peter Lauener:** We would fund it from the Department's overall budget, as part of these costs.

**Q116 Chair:** I interrupted you, Chris. Go on with your list.

**Chris Wormald:** There are then two areas, part of which we have already discussed, where we calculate equivalence funding, because we cannot exactly replicate what the local authority does. Some £92 million of that was insurance, which we have discussed already. There are two other areas. There is one historical area that has now been eliminated, which was £68 million of VAT—there was a brief period when academies paid VAT, and that of course is the Government paying money to themselves. Then we replicate what local authorities do for schools in deficit, and we spent £51 million on that.

**Q117 Chair:** Again, you are going to do that—why?

**Chris Wormald:** What happens in maintained schools when they get into deficit situations is that they can draw on the resources of the wider local authority. An individual academy cannot do that, so the Department replicates that function. It is a school-by-school decision, so we cannot build it into our general funding formula.

**Peter Lauener:** That is a core part of our day-to-day work with individual academies when particular issues arise.

**Q118 Chair:** You say you spent £58 million in 2011–12.

**Chris Wormald:** £51 million.

**Q119 Chair:** Is that figure looking as if it will go up in 2012–13?

**Peter Lauener:** I need to check, but I think the figure went down in 2011–12.

**Q120 Chair:** Because you have more academies, and you have more that are at risk.

**Peter Lauener:** We are spending certainly less for academies in 2011–12.

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**Julian Wood:** This is the deficit funding. It is £22 million across the two years; £7 million in 2010–11, and £15 million in 2011–12. As I understand it, the £15 million in 2011–12 is across 110 academies.

**Q121 Chair:** It sounds to me, Julian, as if your figures do not align with those.

**Peter Lauener:** It is less per academy in 2011–12. In 2012–13, so far, we are spending less in total than the £15 million on deficit.

**Chris Wormald:** Then the £294 million of the £1 billion is the sponsored academy programme, which is money to turn round failing and underperforming schools. That is the money that has always been spent on the academies programme ever since it was started in the year 2000, and that is straight school improvement money and additional money from my Department's budget. Then £49 million is the administration costs of the Department and the EFA itself, which we funded by reprioritising within what the Department does. The final £43 million is the straight cost of conversion. It is a one-off cost. As a school changes from being a maintained school to an academy, each one receives a grant of £25,000, which covers its legal fees and the similar cost of conversion.

**Q122 Chair:** Okay. The only thing I had from the report, which you have not covered, was that you had funds for appeals against admission decisions.

**Peter Lauener:** I do not think that we have actually given anyone any money for that, because we basically expect academies to fund that out of their school budget.

**Q123 Chair:** The Report says that you paid £16 million.

**Peter Lauener:** I was surprised when I saw that and I checked with one of my colleagues. Perhaps I should just take that one away and check it and write back. If an academy has a great number of appeals that they have to handle, we have kept open the possibility that we can offer some additional funding. To the best of my knowledge, we have not given academies any money for that.

**Q124 Chair:** Finally, how much are you spending on setting up costs for free schools, per annum, before they sign a funding agreement?

**Chris Wormald:** I am afraid that I do not have that number with me, so I will write to you.

**Chair:** So you will write and let us know that number.

**Q125 Jackie Doyle-Price:** As you can probably tell, I am an unashamed big fan of this policy. You have reached a critical time. It comes back to the discussion that we were having earlier about the need to be fleet of foot when failure is detected—that is if this policy is going to continue to deliver good outcomes for pupils and good performance of schools. With that in mind, I have come across two scenarios, on which I would really like your observations. There is a sponsored academy not a million miles away from my constituency, which is now showing signs of failure: the rolls are falling; the results it is achieving are not so good. This comes back to one of the points that

Rachel Wolf was making earlier, about the standards that have been applied to sponsored free schools but perhaps were not applied at the time that sponsored academies were coming into being. That was a case of, "Let's find some new leadership for a failing school," and perhaps the standard was less high. In that context, clearly a school in that position is not going to be delivering value for money: it will be taking a grant from the YPLA, but it is failing. How would you deal with that scenario?

**Chris Wormald:** The first thing to say is that, although Rachel was correct, if you are looking at a free school and a sponsored academy, it is right that the bar is in a different place. What you are doing when you set up a sponsored academy is you are taking over a school that is normally failing, and has normally been failing for quite some time; the urgent need is to do something about it quickly. Therefore, we have basically the same system that we have had, across the two Administrations, for going into that school, converting it to an academy and putting in a sponsor. Overall, that has been a highly successful process, as was recognised by the National Audit Office's last Report on this subject.

When you have an academy—either a sponsored academy or a converter academy—that is not achieving as it should, there is quite a well-established system within the Department for what you do about that. It is headed by the Office of the Schools Commissioner, which is the part of my Department that we charge with doing that. It basically falls into five stages. There is an identification stage, which actually is not very different from what happens with a maintained school; our major sources of information remain published school performance data and Ofsted—that is true across academies and across maintained schools—and then soft intelligence that we put out, but the main two things are those things. There is then an assessment stage, which for an academy we would do within the Department, where the experts I employ in the Office of the Schools Commissioner would look at what the right thing to do would be on that academy.

There is then a challenge stage, where effectively we challenge that school itself to improve. There is then a monitoring stage, where we look at whether that challenge has been successful. If all that is exhausted, there is an intervention stage, where Ministers have powers of intervention in academies, set out in funding agreements. They are slightly different, depending on when the funding agreement was signed, but essentially what we do is, if one sponsor cannot turn that school around or a converter academy is failing, we would seek to put in a different sponsor to take over and run that school. So we have quite an established process. We have done this on a number of occasions.

**Q126 Jackie Doyle-Price:** If the decision was to change the sponsor, can you direct that or does it require the sponsor's consent?

**Chris Wormald:** The funding agreements we sign with individual schools have evolved over time. They vary as to exactly what our intervention powers are. Some of the early academies that were set up have

slightly different intervention powers than later ones. The early ones relied on the Secretary of State's powers to appoint the governors to those schools. In later funding agreements we have different powers.

**Q127 Jackie Doyle-Price:** So with an early sponsored academy, you do not have the power to remove a sponsor?

**Chris Wormald:** No, but we do have a power to put in governors to that school. We have evolved these arrangements over time. We think the funding agreements we are signing now are an improvement on the academy funding agreements that we started with. That is as expected. We have learned things about this programme and improved it as we have gone along, as indeed the National Audit Office Report shows: it shows this process of continuous improvement that we have gone through.

**Peter Lauener:** You have got to have significant financial levers. If an academy goes into financial problems we would seek to discuss that problem, agree a three-year recovery plan—we have referred already to putting deficit funding in as part of that, but that would only be a quid pro quo for very significant changes, which could in some circumstances be the kind of changes that Chris has talked about. There is quite a structured process for managing that on the financial analysis, then bringing that together with the analysis of education standards, so that we can look at academies that are red rated on standards, red rated on finance, red rated on both.

**Chris Wormald:** What we seek to do—the thing that links the two—is we are attempting to introduce a quite sophisticated risk-based approach to how we deal with academies, and, indeed, the National Audit Office is quite complimentary about the risk-based approach we have introduced, so that the idea is that we focus our efforts where they are most needed, while allowing the vast majority of schools to run themselves autonomously.

I think it is only fair to say that in relation to converter academies, we are still quite early in the programme, so we would expect to be continuously evolving these arrangements as we go forward, so I am not going to say we have reached the state where all our systems are perfect. We would expect to evolve these procedures over time, responding to the issues the National Audit Office and others have raised; so we would expect this system to get better when we come back every year.

**Q128 Jackie Doyle-Price:** The converter academies that have gone so far are the ones that you have least to worry about, to be frank, and I think the policy is now entering its next phase, in the sense that really it is the next wave of sponsored academies we have now got to deal with—the underperforming schools, which were not the worst, but the ones that need a step change.

Again, I am becoming a bit worried about that, and I don't know whether it is perhaps the rapidity with which the academy programme has developed—it kind of comes out a bit in this report, where it has been so overwhelming that the devil in the detail of procedures is going a bit awry—but in my own local

authority we have a number of poorly performing primary schools, and certainly the thesis is that we want some of the good academies to act as sponsors for them.

The Department is working directly with a number of schools to try and encourage them to convert and find a sponsor; but it is all done in a very voluntary and collegiate way, to the extent that I am wondering why they are bothering, because if we are looking at trying to find some leadership which will raise performance, perhaps putting the ball in the court of the school to find a partner/sponsor is not the best way of doing it. Can you say something about that?

**Chris Wormald:** Yes. We pursue voluntary solutions if we can and we take action where we can't.

**Q129 Chair:** Who is “we” in this?

**Chris Wormald:** The Department.

**Q130 Chair:** So you would intervene in a local authority-run school—a primary school—that does not make a voluntary arrangement with an academy?

**Chris Wormald:** Well, we have done so quite publicly, and faced protests for doing so.

**Q131 Chair:** In one or two, but that is different from 24,000 or 23,000 or whatever.

**Chris Wormald:** When you are talking about that part of school performance you are not talking about 24,000. So far we have done, I think—we are doing 200 primary academies this year, and I think the aim is to do 400 next year.

**Q132 Chair:** And they were all voluntary?

**Chris Wormald:** No.

**Q133 Chair:** How many were not voluntary?

**Chris Wormald:** I could not tell you off the top of my head.

**Q134 Jackie Doyle-Price:** I think the numbers are overwhelming the Department, in terms of the ones that really need a kick.

**Chris Wormald:** Well, we don't see any evidence of the Department being overwhelmed.

**Jackie Doyle-Price:** I'll speak to you later then; because we have got a number of schools which have been underperforming for a period of years, and I think, again, the partnership way of working just means delay continues. I think if this is really going to be a way forward, to deliver a step change in performance over and above that of local authorities, the challenge for the Department is to be a lot more fleet of foot about dealing with failure.

**Q135 Chair:** Can I just ask you a question, because I was muddled last week: who is responsible for the quality of education in an academy? Is it the Office of the Schools Commissioner or, as Ofsted said last week, the local authority?

**Chris Wormald:** The primary responsibility for the educational standards in an academy is with the trust of that academy. They are monitored and reported on by Ofsted, just like any other school, so Ofsted's role is not dissimilar in that regard. Then the Department

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has a role to intervene where there is underperformance, as indeed we do with maintained schools.

**Q136 Chair:** That is what I thought. Did Ofsted get it wrong last week, when it said that it was up to a local authority to ensure that the quality of education improved in academy schools in its area?

**Chris Wormald:** The first thing to say is that Michael Wilshaw can speak for himself and is entirely independent. I think what Ofsted was getting at was the hard and fast distinction between whether something reports to you and whether you can take a very clear interest in how it operates and have an influence on it—that debate has been stereotyped. What a lot of local authorities are doing—not universally, but depending on choice, particularly those that are pro academies in their area—is evolving different ways of relating to schools, which are more like how they relate to other parts of the economy. They are pursuing the traditional local authority role of campaigning, facilitating and forming partnerships, rather than running the schools directly.

**Q137 Chair:** That is a slightly bureaucratic answer, if I may say so. It seems to me that what we may be ending up with is that academy schools, for their quality, will be overseen by this office, which is part of the Department, and partly by LEAs. So, when you are trying to reduce bureaucracy—

**Chris Wormald:** I am sorry; we are using the word slightly differently. They are not overseen by local authorities—

**Q138 Chair:** Well, they are, if local authorities have a duty as Ofsted—I only read the press reports last week, and not the report. So, as was suggested in the press reports, Ofsted said the LEAs have a duty to deal with some of the schools where the standards are not as good as they should be. I assumed that they were talking about academy schools as well.

**Chris Wormald:** I would have to go back and check exactly, but I think in that case they were referring to schools that are underperforming that are still maintained schools.

**Q139 Chair:** I do not think they were, actually. I did not read it like that.

**Chris Wormald:** I will go away and check that. The legal position is very clear. Local authorities retain some statutory functions—

**Q140 Chair:** For numbers?

**Chris Wormald:** Yes. And for things that are related to pupils rather than schools: they retain functions in special educational needs and in child protection. Any local authority takes a view and an interest in anything that is going on in its area, regardless of whether or not it happens to be part of the local authority, and we would expect them still to do so, in the same way that a local authority takes a view on the NHS in its area.

**Q141 Mr Jackson:** Following the point made by Jackie Doyle-Price, I have a very quick question. Do you think that you have the capacity, given that you

might get some reputational damage to the academies programme, to monitor properly the first tranche of academies, which you have conceded are—legislatively speaking—quite different from the later converters, and at the same time drive a large number of primary and secondary schools as converters, because I think that is what Jackie was alluding to?

**Chris Wormald:** Yes, and we have a plan. Peter will talk about the capacity of the Education Funding Agency, because we have done quite a lot around that. As I am sure many of you will know, I have just published my review of the Department for Education and its administration going forward. Right at the heart of that was the question of how we would ensure that we had the capacity to do both the academies and the free school programme in the future with the reduced levels of resource that all the Government Departments have. On the basis of that plan, we believe that we have sufficient capacity until somewhere around a quarter of all schools are academies, which at the current rate of progress—this is not a target or anything other than a mathematical extrapolation—will happen around mid-2015. For the remainder of this Parliament, we believe that we have sufficient resources and a plan to do what we need to do.

**Q142 Mr Jackson:** What is that? My understanding is that with that first tranche, you locked out local education authorities—broadly speaking, because they were useless—and then you locked in trust governors with senior management to run the school. My concern is that if there is a breakdown in that relationship, the LEAs are locked out and the DFE is quite distant. I am a supporter of the academies programme—a very strong supporter. My worry is that that drift can drift into terms and years, where you have a failing school because of the architecture, which, incidentally, I might add, was agreed under the previous Government.

**Chris Wormald:** That is one of the things the Department has to ensure, by running the kind of five-stage system that I quoted earlier, does not happen. As I have said, we have just reviewed the operation of the Department—actually, across what the Department does—and also in this area. We believe that we have the resources that we need to go further. That is not to say that we don't need to continuously keep the money reviewed. If we looked on the financial side, the EFA has done quite a lot to enhance its capacity.

**Peter Lauener:** If I could draw that out, I think the point that you are making is a good one. We have talked about some of the aspects of the last couple of years. It has been quite tough building the system. We have gone from a cottage industry for academies two and a half years ago to a scale system. It has been two years of rapid growth. We have been dealing with this vast complexity of funding. We are now making some highly significant changes to the system, which reinforce the accountability of the head teacher or chief executive of a multi-academy trust as accounting officer, with a set of responsibilities that parallels Chris's and mine.

**Q143 Chair:** Accounting to whom? You or us?

**Peter Lauener:** Ultimately to Parliament.

**Q144 Chair:** That is a nightmare picture—an absolute nightmare. This is just what we are facing on trusts. We can hold you to account; I can tell you that we are.

**Chris Wormald:** I will be very clear on this. I give delegated accounting officer responsibilities to Peter. Peter gives—

**Q145 Chair:** We are not going to have 30 academy trusts.

**Chris Wormald:** I wasn't suggesting that you would want to. We are assuming that you will want to consider holding the two of us to account.

**Q146 Chair:** I will want to hold you to account for every single one that goes wrong, as well as the ones that go right.

**Peter Lauener:** I am very pleased to establish the clarity that an individual chief executive or head teacher is personally responsible for the stewardship of the funds that they have. That sharpens the accountability from me to those individuals. We have done quite a lot to reinforce that.

**Q147 Mr Bacon:** Can you expand on that? This is in relation to paragraph 3.8, which talks about the Priory Academy. This was an academy where the chief executive was responsible for a series of baroque excesses, including family trips to Bali paid for with an academy credit card and the purchase of sex aids, while his finance director wasn't a qualified accountant and was busy sailing off around the Caribbean with a rented satellite phone. The leaving present that he bought with academy money was a deluxe sextant to aid him in his travels. The interesting thing for me about that, apart from all the tabloid tittle-tattle, which is of no interest to me whatsoever, is that paragraph 3.8 says that the YPLA had previously validated the trust's self-assessment as outstanding. All this activity was able to go along without being discovered—at least not initially—on the back of a self-assessment that you had called outstanding. You say that you have enhanced the systems. What has changed in your systems now that you would pick it up now when you didn't before?

**Peter Lauener:** The first thing to say is that the case you described was a shocking case. It was an appalling waste of public money. As you know, we have published a very detailed report which attracted quite a lot of publicity at the time. The chief executive resigned and, as important as the chief executive resigning and facing up to that—a police investigation is still ongoing—the whole trust looked again at the governance arrangements and appointed new auditors. We have worked with them to improve governance—I will come back to the point on self-assessment. We have also recovered funds; the trust recovered £113,000 from individuals concerned, and we have recovered a further £40,000 from the trust.

**Q148 Mr Bacon:** I know that you have done a lot of good work to recover the position, and I know that it

is a relatively rare example, but my point is: what has changed in your systems so that you would now pick this up earlier?

**Peter Lauener:** A very big change, which was partly prompted by that experience. The reason why we validated that self-assessment as outstanding was because we looked at the practices in an individual academy, and we were not looking sufficiently at the practice at the trust. We have asked the external auditors of academies to give us a regularity opinion on the use of funds by the trust—it is an established model in other sectors—so there will be a duty from the auditors of the trust to us in the Education Funding Agency as well as to the trust.

**Q149 Mr Bacon:** And there was not that duty before?

**Peter Lauener:** There was not; the duty was just to the trust. We have just put that in for the 2011–12 accounts that are being drawn up now which will be signed off—

**Q150 Mr Bacon:** Is it not slightly mind-blowing that no-one thought that it would be a good idea to report on regularity? It is good you are doing it now, but—

**Peter Lauener:** This is partly what I meant about us moving from being a cottage industry system to a large-scale system; we needed to make changes to reflect that. As Mr Wormald said, I do not think that we are at the end of this. We need to continue to monitor what happens and look very closely at any cases that come up and, at the moment we are looking at other cases to learn lessons. It is a system that I think will work well if every part of it is working, and we need the measures and indicators to see how well it is working. We are relying more on auditors, we are also simplifying the funding system, and we have introduced a national inquiry service. The next stage is that we need to introduce better IT systems so that the academies can do more on a self-service basis. This is the system by which we will be able to operate more efficiently in the future.

**Q151 Chair:** Meg is waiting to come in, but the CAG wants to make a comment.

**Amyas Morse:** I only want to note that there may be occasions where calling individual trusts may be quite appropriate. I do not mean routinely, but when we are talking about a model where we are looking at the Department's accountability statement, the detailed oversight and regulation arrangements, we see examples of failure and difficulty and we want to understand whether they are systemic or just one-off peculiarities, whether baroque or otherwise, it may be useful for us to get people in front of us to establish some of those facts. That may give us a basis to challenge the Department a bit more effectively.

**Chair:** I look forward to doing that with both of you.

**Q152 Meg Hillier:** I am concerned that in this great, brave new world where everything is now okay and has been sorted out, last year over half of academies submitted their self-assessment returns late and nearly 100 trusts failed to file their statutory accounts on time. Those are basic compliance issues—if you fail

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to file your accounts to Companies House on time you get lots of reminders and you would not get away with it for long—so how are they getting away with it?

**Peter Lauener:** If I take self-assessment first, it was not the greatest piece of the system that we had in place, but nevertheless it was not acceptable that we did not get the returns in on time. We had a much larger figure in within a month of the due date, so there were clearly a lot of academies that were there or thereabouts; we are nearly up to 80% within a month of the due date. That is not good enough, but better than the number that met the deadline.

On the annual accounts, last year 80% were on deadline and a month later it was 90% with a few stragglers. They were all in within the normal Charity Commission deadline of nine months, but we ask trusts to return their accounts much more quickly—in four months—because we need to use them for the EFA accounts and current accounts.

**Q153 Meg Hillier:** So it is not a real deadline, it is a made-up deadline. That seems extraordinary.

**Peter Lauener:** No. We have also introduced further sanctions, if you like, in the new finance handbook that has been developed. I don't know if any Member recalls it, but two years ago, when I was here talking about academies, I flourished a 200-page document that I said we intended to reform. It took us a bit longer than expected but it has gone out as a 30-page document. It is a much better, sharper document—

**Q154 Meg Hillier:** That was September this year?

**Peter Lauener:** Yes. It sets out some requirements.

**Q155 Meg Hillier:** It has taken you two years.

**Peter Lauener:** Yes, it did, because we were negotiating the whole set of arrangements to move from this cottage industry to a large-scale system. It involved some quite complex discussions with colleagues in the Treasury and advice from the National Audit Office. I am very pleased with the final result. In that document we have set out some freedoms and flexibilities that we can withdraw if an academy does not meet its target.

**Q156 Meg Hillier:** Are you saying that you went too fast to be able to get all these proper normal accounting procedures? The first academies were set up in Hackney. We could follow the money and the compliance. I appreciate that it gets harder in a way when you have got more, but you should have had the systems in place to ensure that there was no risk.

**Peter Lauener:** It is the difference between systems that you can use to manage a couple of hundred academies and systems you need to manage—

**Q157 Meg Hillier:** But academies themselves need to know what they are spending and being accountable for that, and therefore put in their returns.

**Peter Lauener:** Academies have always had to produce accounts. We have extended the regularity of opinion that we seek of auditors on those accounts. We think that that is more efficient and effective. It will cost academies a bit more to get that extended regularity opinion, but we think that is a better way to

do it for a large-scale system. It would probably have been a better way to do it originally.

**Chris Wormald:** You started your question by saying we now thought our systems were perfect. We don't. This is an area where we expect to make improvements every year. The approach that the Department took to the programme overall was to go with a demand-led system that went at the speed at which schools wanted to convert. We took the approach that we would evolve our systems in the way that NAO has described in its Report and make those improvements in reaction to the system as it developed. That was a choice that we made, so we are looking at a system where we expect continuously to improve what we are doing each and every year.

**Q158 Meg Hillier:** Of course the Young People's Learning Agency accounts were qualified.

**Peter Lauener:** They were. Would you like me to say something about that?

**Q159 Meg Hillier:** It seems extraordinary that this is a major policy initiative of two Governments of different political hues, yet the architecture is not in place so that we can follow how money is accounted for.

**Chris Wormald:** I'll let Peter talk about the detail of that.

**Meg Hillier:** Whatever the accounts, we have to follow the money.

**Chris Wormald:** I'll let Peter talk about the detail, but on that specific point, we have been accounting for the equivalent of academies since 1988 now. We have not previously had—

**Q160 Chair:** Can you tell us? The accounts were qualified, the CAG says, because of "severance payments in excess of contractual commitments", according to paragraph 3.25 on page 40. You did not know at the time how many you had got and what you had paid. Do you now know and can you tell us?

**Peter Lauener:** No, I can't.

**Q161 Chair:** Why not?

**Peter Lauener:** Because we have not required academies to notify us of those kinds of severance payments.

**Q162 Chair:** Why not?

**Peter Lauener:** Because it is one of the freedoms that academies have had.

**Q163 Chair:** It is taxpayers' money. Honestly, that is just not on. I can see a recommendation coming out of this. It is taxpayers' money and this Committee is really tough—whether it is the BBC or any Department—in these hard times on any severance payments that are in excess of contractual commitments. I think it is unforgiveable that you don't know and can't tell us.

**Peter Lauener:** Maintained schools, by legislation, have the right to agree those severance payments with their staff, and academies have had, by contract, the same freedom for a number of years. That is one aspect of the system going to scale, because that is

not in line with the requirements of managing public money, and as the number of academies grew, there was discussion across the Government about whether it was time to change that. The National Audit Office said—

**Q164 Chair:** Sorry to interrupt you, but I want to get on to other people. If the National Audit Office is qualifying your accounts because you have not got the information, you have got to get it, otherwise you will get them qualified next year.

**Peter Lauener:** Let me finish the explanation of that, if I can. We actually looked at 14 cases. We took them to the Treasury, and all those 14 cases would have been approved. Their total value was £227,000.

**Q165 Chair:** Well, I think we want to know them, Peter. We have asked exactly the same question of every Department when there are severance payments in excess of contractual commitments.

**Peter Lauener:** We have now agreed a set of arrangements, which are encapsulated in the finance handbook, that apply from September just gone, which give specific delegated authority to academies to agree those amounts up to £50,000.

**Q166 Chair:** They may have authority to agree, but you have a duty to inform and report. There is a difference between the authority to agree and the duty for us to know. I can tell you that the Committee will hound you until you give us that information. We have had exactly the same issue across a whole range of Departments.

**Q167 Mr Bacon:** Did you say you knew the total value of those 14 that you looked at?

**Peter Lauener:** There were 14 cases that we were aware of because of the various discussions we had with academies. I think that the total value of those cases was £227,000. They went to the Treasury as examples, and the Treasury said that it was quite happy to approve those cases. However, because we have not routinely collected such cases, the National Audit Office was unable to say that there were not other cases, and we were not able to say that there were not. That was the basis of the qualification of the accounts. There is no suggestion at all that there is profligate use of this by academies—

**Q168 Chair:** No, but the public have a right to know if taxpayers' money is being used to pay off somebody more generously than their contract says. We had it with the Beeb last week and there was a big row about it. If you do not want to have a big row, you had better tell us. That is really the bottom line.

**Peter Lauener:** Any amount over £50,000 would have to come for approval, which would certainly catch an amount of the scale you were talking about. It would just not be a factor.

**Q169 Meg Hillier:** What you seem to be telling us is that, as a parent at a school, you would have no idea whether that money is being spent on a pay-off for someone who is underperforming and you want out the door, or on books for children.

**Chris Wormald:** There was an important point that Peter made, which is that with academies we are replicating exactly the power that every maintained school has. Parliament voted to allow every maintained school—

**Chair:** You are missing the point. It is not about the power to determine it—that can be in a maintained school or an academy school. The duty to report to Parliament or the auditor, so that we can know, I don't think is undermined by that.

**Q170 Chris Heaton-Harris:** How does it work in schools controlled by the local authority?

**Chris Wormald:** Individual schools have the powers set out in the legislation I referred to, and I do not think that they are under any duty to report, as far as I know.

**Q171 Meg Hillier:** Figure 14 in the Report gives the percentage of academies publishing different types of information on their websites, and for proceedings of academy governing body meetings, it shows under 20% in all cases. Maybe it is not always perfect in maintained schools, but I have a feeling—I don't quite know where from—that it is higher. It is just basic transparency to have the minutes of governing body meetings available to the public, particularly to the stakeholders—the parents and the pupils. You are not requiring that either, so there is nowhere it is reported.

**Peter Lauener:** Again, the policy framework that we are operating is to minimise the requirements on academies, apart from those that apply under the normal accountability for charity commissioners.

**Q172 Meg Hillier:** But paragraph 3.17 shows that academies do not feel like they have less bureaucracy. They “feel less free from bureaucracy than they expected”. Why do you think that is, if your ambition is to free them up? It seems like you are freeing them up on some things that I think are quite important, such as this, but on other things you are asking—

**Peter Lauener:** When I saw the comments in paragraph 3.17 and the chart in figure 10, I thought that it was a jolly good thing that this money was being spent on accountancy finance staff and producing the accounts. The additional funding that academies get, which is the LACSEG element, is precisely to reflect the fact that academies need to pay for these things.

**Q173 Meg Hillier:** If they are doing that, why are you not just asking them—or telling them—to tell us? That is all we are asking for: just that little step at the end.

**Peter Lauener:** As I explained earlier, all the academy accounts are available on the Department's website, and I think that is the—

**Q174 Mr Bacon:** Academies or trusts? You said trusts earlier.

**Peter Lauener:** Forgive me. Academy trusts.

**Q175 Mr Bacon:** In light of what you said a moment ago about having to go down to the academy level, you are not following it up with a sentence saying,

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“And individual academy accounts must be available as well,” are you?

**Peter Lauener:** Individual academy budgets. So the budget that is allocated for the 2012–13 year is available on the Department’s website.

**Q176 Mr Bacon:** That was not what I said. “Accounts” was what I said.

**Peter Lauener:** The accounting entity is the academy trust. That is the charitable organisation. It is the entity that has to account for the funding that it has got. Because some of the funding is managed at the trust level, it would be an artificial exercise—

**Q177 Mr Bacon:** Goodness knows, if they have got several trusts, they could hide something by taking a little bit from several pots, and the parents would never know at the individual academy level. It is the academy level that the parents care about.

**Peter Lauener:** And the parents can see the budget that their academy has got—

**Q178 Mr Bacon:** I am not talking about the budget; I am talking about the accounts—what was actually spent and on what. I am not talking about the budget. Anybody can write a budget, and may be pie in the sky or accurate, but that is not what I am talking about. I am talking about the accounts.

You said a moment ago that one of the things that the case—the one that I mentioned: the Priory Federation of Academies Trust, in paragraph 3.8—taught you was the need to go down lower to an individual academy level.

**Peter Lauener:** Forgive me if I misrepresented. It was actually the need to be much more aware of what was happening at the trust level, because—

**Q179 Mr Bacon:** But you also said a moment ago, in a different context, that there was a need to have more information at the academy level. I do not see what the difficulty is, given that it is taxpayers’ money, in making it all available. What is the downside in that? They must have it anyway for the purposes of their management accounts. It is not like you are asking them for a whole bunch extra. We are just saying, “Why don’t you make them publish it, because it is taxpayers’ money?”

**Peter Lauener:** It would be a big imposition.

**Q180 Mr Bacon:** Why? It is there anyway. If you have four academies with 1,000 pupils each, roughly each academy will have a budget of several million pounds, will it not? Yes?

**Peter Lauener:** A large-ish secondary school would have a budget of several million pounds.

**Q181 Mr Bacon:** Right; okay. Are you seriously suggesting that you could run that sort of organisation without its own budget and management accounts, separate from the higher entity—the trust? You could not, could you?

**Peter Lauener:** And we have set out the budget of that secondary school—

**Q182 Mr Bacon:** Sorry, I should be grateful if you answered my question. Are you seriously suggesting that you could run such an organisation—a sub-entity within, say, a larger trust—without its own set of management accounts?

**Peter Lauener:** We are trying to find a balance between—

**Q183 Mr Bacon:** Sorry, what I am really looking for is: are you seriously suggesting that you could run that sort of entity—an academy—

**Chris Wormald:** Accounts—

**Q184 Mr Bacon:** Sorry, but I am addressing my question to Mr Lauener, not to you, Mr Wormald.

I am really asking for an answer to this question, Mr Lauener: are you seriously suggesting that you could run that sort of entity—an academy within a larger framework of several academies in a trust—without its own set of management accounts? Yes or no.

**Peter Lauener:** You would certainly expect, within a multi-academy trust, that each academy would have a budget for its—

**Q185 Mr Bacon:** And its own set of management accounts.

**Peter Lauener:** Well, I would put it slightly differently.

**Q186 Mr Bacon:** How could it not?

**Peter Lauener:** I would expect the multi-academy trust to have management accounts for each of the academies.

**Q187 Mr Bacon:** Indeed. I am struggling with why this is an enormous extra imposition. Since they will have the information anyway, all we are saying here is, “Why don’t you make it public at a greater level of detail?” Where is the downside in doing that?

**Peter Lauener:** It is just a balance between what is an imposition and a bureaucratic requirement.

**Chair:** No, it is not.

**Mr Bacon:** It is just a question of whether you upload it to the internet or not. That is really all it is.

**Q188 Mr Jackson:** You cannot expect to disaggregate down to academy level for educational attainment, can you, and then say, “It’s too much trouble to do management accounts for the academy”? There is a dichotomy in your approach.

**Chris Wormald:** Am I allowed to answer?

**Mr Bacon:** You can speak at any time you like, Mr Wormald.

**Chris Wormald:** Thank you. What we publish are audited accounts—ones that auditors have crawled through—and we have external validation so they are accurate.

**Chair:** But with the greatest respect, we know about that.

**Q189 Mr Bacon:** Audited accounts of trusts.

**Chris Wormald:** Audited accounts of trusts. We do not audit the individual. I am sure that most academy trusts will do exactly what you say and will have internal management accounts that are not audited by

external auditors. It is only the overall accounts. We publish the things that we can guarantee through the process of external audit to be consistent, accurate and fair. That is produced at the academy trust level. I suspect you would find that, just as with any charity, how individual sets of management accounts are produced within an organisation varies considerably. Things will be accounted for in different ways. Personally, I doubt that you would get very much by publishing all that unaudited data. We think that we should rely on the sets of accounts that have been properly externally audited. As I understand it, that is exactly the same process that any charity goes through.

What is published and held to public account is what has been externally audited properly and can then be scrutinised by the National Audit Office in that way. We do so within the overall policy framework. We are trying to put as few burdens on academies as possible, which is why we focus on the audited accounts as being things that we hold up before Parliament as being the true financial position of the sector.

Of course, as you have just done, you can make a case that other things should be published. We—my Ministers and I—have so far taken the view that those audited accounts are the best way to hold the system to account. We publish them and we do not ask people to publish beyond that. Is it a fair argument you are making? Yes, of course it is. Is it one that my Ministers would agree with? No, it is not.

**Peter Lauener:** Could I make a very quick qualification?

**Mr Bacon:** Not of your accounts.

**Peter Lauener:** That is not a very good word in these circumstances.

This is a point about disclosure. We were talking about severance payments. We require academy trusts to disclose in their annual accounts each transaction above £5,000 for severance payments or other—

**Q190 Chair:** Right, so you could let us have a list—all redacted, if necessary—of the amount you put out?

**Peter Lauener:** There is no need to redact them, because they will be disclosed in the next set of accounts coming through for 2011–12.

**Q191 Chair:** Then why did you qualify the accounts?

**Peter Lauener:** Because we did not have them for 2011–12.

**Chris Wormald:** This is the important distinction that you drew earlier between publication and who approves. As I understand it, the qualification was because the rules at that time required all these things to have Treasury approval, and we did not have it then. We have subsequently changed the rules to bring academies into line with maintained schools so that that Treasury approval is not required in future. As you rightly said earlier, there is a difference between who approves and publication. We were not qualified—not because we did not publish, but because, in the NAO's view, the correct approvals procedure had not been gone through. That is correct, isn't it?

**Amyas Morse:** Yes, that is correct, and we did not feel you had a means of knowing either.

**Chris Wormald:** That is correct.

**Q192 Chair:** You will have next year, so we will know. Am I right?

**Peter Lauener:** We will have individual transactions disclosed above £5,000 in the 2011–12 accounts.

**Chris Wormald:** This is an arrangement we have just introduced.

**Q193 Chair:** So you are going to have them qualified this coming year, and probably okay by 2013–14?

**Amyas Morse:** That is possible, but we make that decision when we have updated accounts.

**Chair:** Of course you do.

**Amyas Morse:** Sorry, Chair—I do not want to stir the pot at all—but I can fully understand why it would be a considerable imposition to say, “Well, now you have to create a new form of published accounts separate from the legally required published accounts.” There might be some steps that you could take to put informative notes on the accounts that give a bit more information about the performance of individual members of the trust group. That might be less burdensome and adequately informative. I am not suggesting that you say yes to it now, but I am sure that you will be well aware that there are steps like that that might be capable of being taken. After all, you already give a split. When you say the budget, you mean the split of the funding, don't you?

**Peter Lauener:** It is the funding allocation.

**Amyas Morse:** When you say budget, you probably think of itemised costs, but that is not what it is. If a case was made and the Department was persuaded and so forth, there might be a possibility of doing something that was not quite so burdensome in future.

**Chris Wormald:** As we have said all the way through, this is a system that we evolve every year. We have indeed added to our accounting requirements this year, for example by bringing in the value for money statement that will be a part of 2012–13, going forward. I think, as a point of principle, that we should stick to the position that there is only one set of accounts. What is presented to Parliament and others should be a set of accounts properly audited to normal, professional standards, and we should not publish anything else. We can, of course, discuss what should and should not be in those accounts beyond the requirements—

**Q194 Chair:** Okay, well we will stick to our position, Mr Wormald. We want to be able to compare on a value-for-money basis the expenditure per pupil in whatever school they attend, if it is funded by the taxpayer. We will keep pushing you to provide the appropriate data to allow us to make those perfectly legitimate comparisons, which are essential to value for money.

**Chris Wormald:** Yes, and I would say that because academies and academy trusts are the only people in the school sector that produce audited accounts, we are in a considerably better position to do that for academies than we are for maintained schools, where there is no accounting officer and audited accounts are not produced.

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**Q195 Guto Bebb:** I simply want some points clarified. First, you mentioned that you checked 14 severance payments worth £227,000 with the Treasury. Was that £227,000 over and above what was contractually obligated?

**Peter Lauener:** Yes.

**Q196 Guto Bebb:** How many were there in total? That was 14 out of a pool of how many?

**Peter Lauener:** Well, a quarter of the school work force now works in academies. I don't know the answer to how many cases there would have been. The reason why the accounts were qualified was precisely because we had not been collecting that information.

**Q197 Guto Bebb:** Because £227,000 divided by 14 is £16,500 each. If it is £16,500 multiplied by several thousand, that should be a concern.

**Peter Lauener:** As I explained, we will know when we get the accounts for the academic year 2011–12—they will be in by the end of December—how many cases are notified for the 2011–12 academic year.

**Q198 Guto Bebb:** But you have no idea off the top of your head?

**Peter Lauener:** We have no way of knowing because we have not collected that information.

**Q199 Guto Bebb:** The second point I wanted to clarify was about the £350 million you described as a windfall for local government. In terms of the £350 million being a windfall, I understand that you are saying, in effect, that it was money paid over and above. Was it actually earmarked for education spending, or could it have been spent on anything?

**Chris Wormald:** It was a windfall for local government.

**Q200 Guto Bebb:** But was it a windfall for education spending within local government?

**Chris Wormald:** I don't think it was within one of the areas that would have been ring-fenced for education. What an individual local authority spent it on—

**Q201 Guto Bebb:** Is that not a concern? The Government have said that they are prioritising spending on education, and that is £350 million that has been allocated to education, but you have no idea whether it has been spent on education.

**Chris Wormald:** Education spending goes to local authorities in two forms. There is that within the direct schools grant that we ring fence, which cannot be spent on anything other than schools, and there is that within the general local authority budget, which would have been allocated to a local authority for a particular purpose, but it is up to local democracy to decide on the priorities within that area. I think that the £350 million is in the second category. Just as a local authority could always choose whether that money was put towards education or some other local priority, it would be able to do so with that. Whether that is a matter of concern entirely depends on whether you think that local authorities spend their money wisely. If you believe that they do, they would

have used the money that they received in excess of what they would have expected wisely.

**Q202 Guto Bebb:** My only concern would be the fact that it has come from the education budget.

**Chris Wormald:** Yes. As I say, the Government take a view—and have done for quite some time—on that element that should be ring-fenced specifically for education. It does give local government discretion, and that was a policy choice.

**Q203 Guto Bebb:** Moving on, you have stated in your evidence previously that the attempt is to replicate the funding formula used by local government.

My understanding—this understanding is from west of Offa's Dyke, so it might be wrong in an English context; correct me if I am wrong—is that the spending on education can vary quite considerably between local authorities. In the Welsh context, it can go from 90% of what is allocated for education to about 105%. Is the same true in England?

**Chris Wormald:** Yes, there are wide local variations.

**Q204 Guto Bebb:** In terms of those wide variations, could the perception that is being created in some quarters that academies get a better deal reflect the fact that they get a better deal because they are getting 100% rather than 90% of what would have been allocated for them otherwise?

**Chris Wormald:** In that academies receive money in their budgets that for the equivalent maintained school would be retained in the local authority, yes, their total budget will be higher, but that is to reflect things that academies do that normal maintained schools do not do. Pay and payroll is an obvious example. If that is provided free for a maintained school and an academy is paying for it separately, that will show up in the academy's budget as part of the LACSEG money that is transferred to that academy.

In terms of the variations between different areas, that issue is central to the debate about whether we should move towards a national funding formula that seeks to equalise the position between different areas as to what they have spent on education, and it can be argued in either direction. Some people would, I am sure, argue that local choices by locally elected local authorities have led to those spending differences and that they are therefore democracy in action. Others would argue that a pupil in one part of the country should get the same amount as a pupil in another part of the country. That is clearly a debate. The decision we took right from the beginning of the academies programme was that the important thing was that an academy was funded on a fair and equitable basis to the other schools in its immediate area.

**Q205 Guto Bebb:** Just to clarify, on the question I am asking, if a local authority has a track record of not spending its allocated money on education, an academy in that local authority area would be quite clearly better off financially.

**Chris Wormald:** No. There is the element of money that is within the dedicated schools grant, which local authorities must spend on schools, so there should not

be a situation in which what you are suggesting happens. The variations in funding happen because we calculate the dedicated schools grant based on the history of what has been spent on schools in that area, but there should not be a case where an academy got more because of the process of replication. It should get exactly the same as the equivalent school down the road, except for those things that I highlighted earlier—LACSEG and other things, where we calculate an equivalence.

**Q206 Guto Bebb:** Finally, I think one of the tables in the Report shows a significant variation in the take-up of academy schools among local authorities in England and, indeed, among neighbouring local authorities. Has the Department done any work to identify whether that variation reflects the allocation policies of local authorities in terms of funding education?

**Chris Wormald:** I am not aware that we have looked at that specific question. It is a demand-led programme, and therefore we would expect some variation. As became clear in the confused debate with the previous two speakers, the relationships between schools and local authorities in different places vary widely, so you would expect schools to react differently. Different local authorities have also taken very different attitudes to whether they support the academisation of schools, are neutral on it or oppose it. With all those factors put together, you would expect variation in take-up between different places. I do not think we have ever looked specifically at the question you have asked—

**Peter Lauener:** I have not seen anything along these lines, but there is certainly a big variation.

**Q207 Chris Heaton-Harris:** Most of my questions were stolen by Mr Jackson and then Mr Bacon. I am interested in the comparison between local education authority transparency and academy transparency. I was under the impression that DCLG now insists that any expenditure over £500 has to be stuck up on a website. Does that mean that a severance pay of what under contractual terms at a local authority school would be £500 more than you would expect would appear on a local authority website with the detail beside it?

**Chris Wormald:** I am not aware. I could not promise to know the answer to what local authorities do and do not publish in relation to schools. One of the things we set out in my accountability system statement, which I hope the Committee has in front of it, is a table in annex A which shows what the requirements on maintained schools in relation to accounting and transparency are and what the equivalent requirements are for academies. That sets out most of the differences. That is specific. I do not know what local authorities—

**Q208 Chris Heaton-Harris:** So what about severance pay in general then, in the local government-controlled sector? Where would I be able to find the figures?

**Chris Wormald:** I don't know. We could go away and find out.

**Q209 Chris Heaton-Harris:** I am interested in the comparison between what we have just been asking about and what actually goes on in the rest of the school population. If you could find out that would be helpful.

**Chair:** We are having difficulty, Chris. We are trying to find out all the personal services companies and the local authorities have yet to come back with a decent set of figures for us on that. That is partly the decentralisation, but we ought to get that too.

**Chris Heaton-Harris:** If that is possible that would be great.

**Chris Wormald:** I can't help you with that question.

**Q210 Chair:** No, I know you can't. We are struggling elsewhere.

**Chris Wormald:** In terms of schools we can certainly go away and find out what local government practice is.

**Chris Heaton-Harris:** I appreciate that. Thank you.

**Q211 Austin Mitchell:** This is a really a huge act of centralisation from the Government which was going to encourage localism. As it comes at a time when you are losing staff in the Department for Education, are you satisfied that you and the Young People's Learning Agency will be able to supervise adequately the running of these academies?

**Chris Wormald:** I am afraid I do not accept the premise of your question. Certainly my Minister's position is that by establishing autonomous institutions that see themselves as accountable to the public and parents round them, not to Government either local or national, they would say that that is a very localist solution. They would argue that the programme is therefore heavily localist. I know you don't agree with that but that is a matter for debate. In terms of our capacity to run the system, I have just carried out a five-month review of the Department which asked exactly that question. We are confident that we have the resources that we need, although, as the review sets out, the Department will have to work in a rather different way. It will have to invest in some areas; particularly we will need to do some investment around ICT, which Peter mentioned earlier.

**Q212 Austin Mitchell:** On page 42, figure 14 shows that the academies are much more forthcoming with information on the comparators of exam successes and "Fred Bloggs won swimming trials" and that kind of stuff than they are with financial information and information on what the governors are doing and how the place is being run.

**Chris Wormald:** Sorry, but I do not really agree. As I said, academies—

**Q213 Austin Mitchell:** They have to be more open, I take it.

**Chris Wormald:** Academies are the only schools in the country that have properly audited accounts which are published on the departmental website. In the area of financial management, academies are more transparent than their maintained school equivalents. In terms of academic performance, of course, those have been published for all schools for quite some

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time. I think we are now into the third Administration that has produced school performance data that is set out publicly.

**Q214 Austin Mitchell:** Is the information to be published to you, locally, through the trusts—those which are grouped in trusts, which would be difficult for individuals to disaggregate—or is it going to be published by individual schools?

**Chris Wormald:** This was the debate we were having with Mr Bacon.

**Q215 Austin Mitchell:** Yes, but is your supervision going to be exercised mainly through the trusts?

**Chris Wormald:** Our supervision? Yes.

**Q216 Austin Mitchell:** It is.

**Chris Wormald:** Our funding agreement is with the trust, so if the trust covers more than one school our direct relationship and the level at which we would intervene in the result of either educational failure or financial failure or challenges would be at the trust level.

**Q217 Austin Mitchell:** You have got to trust the trusts, as it were. How many investigations into financial or other irregularities have been launched with the academies? I don't want the names; I just want the number.

**Peter Lauener:** Over the last two years we have looked at 18 cases, but these are issues that have been brought to our attention—

**Q218 Austin Mitchell:** By whistleblowers.

**Peter Lauener:** No. Twelve of those came to our attention through whistleblowers, and in about half of those whistleblower cases we looked at it but there was nothing substantiated. In the other half, there was a variety of things, some very serious, like the one we have talked about, some much less serious, but that is the number of cases we have looked at over the past two years.

**Q219 Chair:** How many staff have you got looking at academy finance?

**Peter Lauener:** I have now got about 57.

**Q220 Chair:** And you had—two years ago?

**Peter Lauener:** Half that number. Two thirds—

**Q221 Chair:** So you have doubled the staff; you have got more than—I do not know what the increase in academies is, but it has gone up.

**Julian Wood:** One thousand and thirty-seven per cent—tenfold.

**Chris Wormald:** That is not surprising; you would expect to get economies of scale.

**Q222 Chair:** A little bit. Don't give me that one.

**Chris Wormald:** And you would expect to get better at what you do.

**Peter Lauener:** I have also described what I think is now a much more efficient system, going forward. I have got 17 vacancies, by the way, which I will be filling very shortly.

**Q223 Chair:** I was going to say external assurance posts, according to the Report—you have got a quarter of those people not in post. You can't do your visits.

**Peter Lauener:** We did do all the visits that we needed to do and we are planning 90—

**Q224 Chair:** Have you still got a quarter not in post?

**Peter Lauener:** We have brought other people in as secondees and agency staff to fill the vacancies to ensure we could do the business.

**Q225 Chair:** And in cutting your Department, Mr Wormald, are you going to expand Mr Lauener's agency?

**Chris Wormald:** We work out the exact budget to different bits of the Department, year by year, within the overall plan that we have set out. Within that—

**Q226 Chair:** Can you just answer the question? It's a yes or a no.

**Chris Wormald:** I am not going to mislead you by saying that I have set budgets for every element of my Department for three years, because I haven't.

**Q227 Chair:** We have heard—it is well known—that your Secretary of State wants to cut the staff of DFE by—what was it, 50%?

**Chris Wormald:** What we have said, and it was a plan put together by me, not by the Secretary of State—

**Q228 Chair:** Fifty per cent?

**Chris Wormald:** Fifty per cent going from the last election day to the next election day.

**Q229 Chair:** Within that, presumably there are quite a lot of cuts, because presumably about a 30% cut was required by CSR. I can't remember. So you are going beyond that to 50%. I am asking a very simple question. There are more academies. Are you going to allow Mr Lauener's agency to grow while you are cutting?

**Chris Wormald:** As I said before, the plan is predicated on ensuring that we have both staff within the Department and within the EFA to cope with the needs of academies.

**Q230 Chair:** Are you going to expand Mr Lauener's staff in his agency or not?

**Chris Wormald:** If it is necessary for the EFA to have more people, then that is what we will do, but we have not seen any evidence at the moment that it does need more staff.

**Q231 Chair:** The Report says that a quarter of current external assurance posts are currently vacant.

**Chris Wormald:** In terms of should we fill current vacancies at the EFA, yes we should. As I said before we do need to invest, particularly in IT for the EFA. We do not necessarily need to go beyond filling the vacancies that we already have. On the expansion of EFA staff beyond that, we do need different ways of working and better ICT, and we need to fill some specialist posts.

**Q232 Austin Mitchell:** I still do not know whether his agency will increase in numbers to measure up to the increase in the number of academies.

**Chris Wormald:** It will certainly not do that.

**Peter Lauener:** Can I make a comment? What we have done over the last two years is cut posts in a lot of non-essential things. The YPLA went into the Education Funding Agency. We have reduced staff in areas so I can put more staff into academies. We now have a real opportunity to become much more efficient because of the changes in the system that I talked about earlier. We are relying more on external auditors and putting much better systems in place, so that I am using my highly qualified accountants and auditors on highly-value-added activities, which I am not able to do that at the moment because we do not have all the systems in place.

I know, Madam Chair, that you are looking for a simple, straightforward yes/no answer, but it is a more complicated process that we are going through. We are going through a business planning process at the moment, like every other part of the Department, to say, "Where do we need to be over the next three years?"

**Q233 Austin Mitchell:** You will have to use prayer as well, I would think. However, I have one final question, which is off that beam. We had a reorganisation in Grimsby's schools some years back, as a result of which sixth forms in schools were abolished and we set up a sixth form college, Franklin, which is very good. It is excellent. Now I understand that the academies are supposed, by Government, to have their own sixth forms, so we are going back to sixth forms. What happens to sixth-form colleges in that situation? Are they supposed to wither on the vine? They are marvellous institutions. What is going to happen to them?

**Chris Wormald:** Where people choose to go for their sixth-form education has always been a matter of—

**Q234 Austin Mitchell:** We have been trying to keep them in school, in the sixth form.

**Chris Wormald:** Yes. It has always been a matter of choice. Which institutions have and have not flourished has been entirely dependent on how good that institution is at attracting students, which is normally related to the quality.

**Chair:** I am going to keep politics out of this and go to Fiona.

**Q235 Fiona Mactaggart:** This goes to a point that I want to raise. How many spare secondary school places are there in the country at the moment?

**Chris Wormald:** Sorry, I do not have that number.

**Q236 Fiona Mactaggart:** I think it is relevant to the issue of value for money. Choice is expensive. It might be the right thing to do, but it is expensive. The reason I ask is because you said that the accountability mechanism for academies is in effect through parental choice.

**Chris Wormald:** I was talking about post-16.

**Q237 Fiona Mactaggart:** I understand that, but it is also the case in academies. They cannot vote out the governors. They can choose to go to a different school. That is a perfectly reasonable mechanism of accountability, but it is a relatively expensive one. To give choice, you have to have spare places. In my local authority, there is not a single spare place in secondary, and there are about four in primary schools, so there is no such choice, whether it is an academy or anything else.

What I am interested in—if we are actually talking about value for money—is what your proposal is for spare places, so you can make parental choice real. If you have no spare places—if you cannot choose between a sixth-form college or a sixth form in your academy—there is not the accountability that this is predicated on. In my view, this is an expensive form of accountability, so I want to know how many spare places and how much spare places cost.

**Chris Wormald:** I don't have those numbers with me. The only thing I would say about your general argument is that I think every Government since 1992 has argued for parental choice in education, and therefore a level of surplus places, although there are people who make the argument that you make. Most Ministers have not followed that argument. I can get you the numbers that you want.

**Fiona Mactaggart:** That would be helpful.

**Chris Wormald:** I haven't said that choice is the only accountability measure. Indeed, I set out in my accountability statement a full range of things. Do my Ministers think that parental choice is a very important accountability measure? Yes, they do. It is one of the reasons why they are pursuing some of the policies that we heard about earlier from Rachel Wolf around pre-schools. So, where there is a demand for new schools to be set up and for places in that area, that demand can be met, and that is a policy choice that the Government have made. I will get you those numbers, but the Government would not agree with the tenet of the question.

**Q238 Fiona Mactaggart:** Let's be quite clear—I have strongly supported the creation of a free school in my constituency, because we are desperate for additional places, but at the moment, if we are talking about accountability as politicians, as I understand it from what you have said to us so far, it isn't yet possible to compare the cost in an academy and in a maintained school of getting, say, the EBacc.

**Chris Wormald:** In that, the cash inputs to those schools are the same, because we replicate in academy funding maintained school funding. The inputs, to the extent that we can do that replication, are equal. The value-for-money test is whether we get a better output, in terms of examination outcomes, for that fixed level of input.

For the sponsored academies, we now have considerable evidence, verified by the NAO, which shows educational improvement, so we have a very strong value-for-money case in relation to those. With converter academies, as Rachel said earlier, the policy is of course much newer and therefore—

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**Q239 Fiona Mactaggart:** And when will we have the figures for those?

**Chris Wormald:** Well, we get more figures with each set of exam results, so every year we will have a better view of whether we are getting a standards effect. When we look at the international evidence, I think the most definitive study is that by the OECD, which points to, as one of the factors that lead to improved school results, being autonomous. It is not the only factor; the report also talks about the quality of school leadership and the quality of teaching as well, but the report points towards autonomy as being one of the things that lead to higher results. So, when you put together the evidence that we have from the sponsored academies and the evidence that we have from those international studies, with the views of a lot of head teachers that academy status is something they want pursue to take their school to the next level, we feel that that all adds up to a very strong value-for-money case for what we are doing.

**Q240 Fiona Mactaggart:** Isn't one of the reasons why they want academy status so they can increase their own salaries? If you look at paragraph 3.30 of the NAO Report, you will see that it tells us that the principals are earning £6,500 more on average when they are running academies. That might be because we have massive new talent, and I am one of those who believe that leadership is the key to excellence in education—I have no doubt about that—but I have a feeling that that is not what we are seeing in these converter academies. We are seeing people getting a bung on their salary.

**Chris Wormald:** We are talking about people who have taken on additional responsibilities compared to their maintained school counterparts. Their salaries—

**Q241 Fiona Mactaggart:** But where is the public saving that money? We haven't heard anywhere that it is. People are taking on additional responsibilities, but what the Report tells us is that there is no saving for the public.

**Chris Wormald:** Well, no, because we equalise the inputs between maintained schools and academies. Some academies, as this Report shows, have chosen to use that fixed budget to pay senior staff slightly more than their maintained-school counterparts. They could have done that for any number of reasons, as you point out. Do I believe that head teachers are going for academy status in order to raise their own salary? I am sure that most people around this Committee have met a lot of head teachers. I have never met any where I have thought—

**Q242 Fiona Mactaggart:** Oh, come on. Some are. I am a fan of head teachers—I used to be a teacher—but please let's not say that none of them will take this on.

**Chris Wormald:** On Mr Bacon's earlier point—never say everything—that may well be true. But when you are looking across the generality of head teachers—

**Q243 Chair:** Quite often, it is not a bad incentive, I'm afraid, Chris—rather sadly.

**Chris Wormald:** Perhaps I have a more optimistic view of head teachers than—

**Chair:** It is just the experience of what actually happens.

**Q244 Fiona Mactaggart:** It is not a bad thing to want to increase your salary. It does not mean that they are bad, but the fact that they can is inevitably one of the things that is attractive to school leaders. Not only will they get an increase today, but they will probably get an increase tomorrow because, guess what, tomorrow's salary is always based on what you got yesterday. That goes for all of us—except us.

**Chris Wormald:** We have seen no evidence—this is perhaps the best way to answer that—that that is one of the motivations that leads people to wish to pursue academy status. It is a matter of fact, as in the Report, that academy principals are, on average, paid slightly more and, as you said earlier, that could be for a number of reasons. Have I seen any evidence to suggest that that is one of the motivations for academy conversion? No, I have not seen any evidence for that.

**Q245 Fiona Mactaggart:** But one of the things that you keep telling us is that you have not seen evidence of things that you have not looked for evidence about. That is one of my anxieties. I am not against academies as a principle. The flexibility that they can give great leaders can be brilliant, but I am anxious—I have actually seen it in my constituency—that they can be exploited by people for their own sometimes nefarious and sometimes just weak ends. I am not confident that what you are doing is sufficiently protecting not the education of children—we have fairly good mechanisms for doing that—but the value for money for the taxpayer. I really have not been reassured by what you have said today.

**Chris Wormald:** The question we ask ourselves is this, as Peter explained earlier: is the overall academy financially well run? We do not look at individual indicators in isolation, such as the salary of the head teacher. What we would look for is overall evidence that that academy was not using its money wisely. In terms of the overall value for money, I do not really believe that it is that complicated. We have a fixed set of inputs to the school, so the cash budget is fixed and equivalent between academies and maintained schools. Then we have a well published set of outputs from that school, as put out in the performance tables every year, and then we have Ofsted that goes and looks at the quality of the standards of that school and how it might go going forward.

That gives us everything we need to make a value-for-money assessment. Given that somewhere around 70% of what any school—whether in the maintained sector or in the academy sector—spends is on teaching staff, the key value-for-money question anywhere in the education system is, how effective is that teaching? We would say that if our programmes lead to a rise in educational standards—as we fully expect them to do—for the input of the same amount of money, then we will be showing an improved value-for-money situation over what went previously. If that does not turn out to be the case, I am sure that this Committee will be asking me why. But, as I have

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said, all the evidence we have seen so far from the sponsored academy programme and the international evidence suggests that the kinds of policy we are pursuing are those that will lead to improved standards.

**Q246 Fiona Mactaggart:** So at what date will we be able to compare, on a like-for-like basis, academies and maintained schools' spending and results?

**Chris Wormald:** In terms of spending, as I say it is a fixed input based on our replication of maintained schools' budgets. Every single year, when we publish

our school performance tables, we will have better evidence about—

**Fiona Mactaggart:** But this says that it is not fixed, because you are putting this extra—

**Chair:** I think we are going over old ground, Fiona. All I would say is that it has been a really interesting session. Our obsession with transparency to enable us to do a proper comparison will, I think, be probably reflected in some of the recommendations that you get out of the hearing. I think that we have covered most of the area, so thank you very much.

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**Written evidence from the Department for Education and the Education Funding Agency**

Question 61–69 (Chair and Mr Bacon): *Clarification of the position of Special Education Needs (SEN) expenditure*

Local authorities receive funding for SEN support services through the Dedicated Schools Grant (DSG), which is ringfenced for spend on schools. The SEN funding was not ringfenced for specialist SEN support services specifically but it was subject to the wider ringfence which applies to the overall DSG, and so could not have been spent on anything other than schools.

Local authorities also receive some funding through their unringfenced general revenue funding from the Department for Communities and Local Government for other education services, including home to school transport (including for SEN pupils, for whom it is particularly important) and therapies (this amounts to around £12 million nationally). This is not ringfenced. It is not, however, equivalent to the money paid to academies through SEN Local Authority Central Spend Equivalent Grant (LACSEG) which was based on the amount being spent on specialist SEN support services from the DSG.

In 2011–12 academies received funding for specialist SEN support services through LACSEG. This was not recouped from local authorities, which remained responsible for providing specialist SEN support services to all pupils in maintained schools and academies on the same basis. Funding for SEN provision given to academies was not ringfenced for spend on SEN; academies were free to spend it as they saw fit on meeting the needs of their pupils.

From 2013–14 no academy will receive separate funding for specialist SEN support services. The local authority will receive this money through their High Needs Block DSG allocation and will be responsible for providing these services to all pupils in state funded schools in the local authority area.

Question 104 (Nick Smith): *Have losses of at least £2.3 million been incurred on Free Schools which did not open and has the £213,000 spent on One in a Million Free School, Bradford been wasted?*

Setting up new schools is challenging. The Department rigorously assesses proposals and by putting them into the pre-opening stage, shows that the proposals have very real potential to open as successful Free Schools. On a small number of occasions that potential has not been realised. However, we seek to keep a tight control on expenditure and minimise risk to public finance.

The One in a Million project whilst initially hoping to open in September 2012, is now hoping to open in September 2013 and the resource made available to that project is being used to support the expectation of a 2013 opening.

There have been a small number of approved projects which have developed proposals but which have not been able to open. I am satisfied that any expenditure on such projects has been kept to a minimum. The attrition rate for approved projects continues to be very low.

The £2.3 million figure cited appears to have originated from a press release from the Shadow Secretary of State for Education. In that press release, £2.2 million of the total was attributed to the Beccles Free School in Suffolk, which opened successfully in September 2012 and now has almost 100 pupils, and the One in a Million project which as stated above is working towards a September 2013 opening.

Question 105–108 (Nick Smith): *Why was the New Schools Network given a grant of £500,000 in 2010 without competitive tendering?*

The reasons why the Department awarded a grant of £500,000 to the New Schools Network (NSN) in 2010 have been comprehensively documented, both in published letters from Sir David Bell (then Permanent Secretary) and Sir Gus O'Donnell (then Cabinet Secretary) to Rt. Hon Andy Burnham MP (then shadow

Secretary of State for Education) and in answers to Parliamentary Questions. The two letters are reproduced below.

**Letter of 23 November 2010 from David Bell, Permanent Secretary Department for Education replying the letter of 28 October 2010 from the Rt Hon Andy Burnham MP, Shadow Secretary of State for Education**

Dear Andy

NEW SCHOOLS NETWORK

Thank you for your letter 28 October regarding the above subject. I would like to take this opportunity to congratulate you on your appointment as Shadow Secretary of State for Education.

As you say in your letter, on occasion there is good reason for agreements to be entered into very quickly. The provision of additional high quality school places is a key manifesto and Coalition Agreement commitment, and it was very important to build early momentum. The New Schools Network (NSN) has championed the development of parent and teacher promoted schools and has been providing advice and support to those interested in establishing new schools since 2009, as well as developing networks amongst interested groups and individuals. NSN is ideally placed to carry out this work for an initial period, as we are not aware there are any other organisations primarily specialising in this type of support.

Options for this work were considered by officials in the usual way and advice presented to Ministers. I have no doubt that the appropriate steps were followed by officials in coming to the decision to award a grant to New Schools Network, and as Accounting Officer, I signed off the award. It is not uncommon for the Department to enter into grant agreements without tendering. Under the previous administration, 84 grants were entered into in this way in the financial year 2010–11, and I remain perfectly comfortable with this procedure. A full list of those grants is attached.<sup>1</sup> It is also the case that grants were awarded for significantly larger amounts than that which has been awarded to the NSN, such as, for example, a grant of £13.8 million to the SSAT.<sup>2</sup>

The NSN grant agreement was formally signed on Monday 8 November; it expires on 31 July 2011. It took longer than expected to reach agreement because we wanted to make sure that the grant agreement made clear to NSN its responsibilities in relation to the public funding and ensure that the money is spent within usual Government guidelines. Before it expires, the Department will consider the long-term need for support for Free School proposers. We do not foresee any negative effects on the implementation of the Free Schools policy as a result of the delay.

In the interests of transparency, I am placing a copy of this letter on the Department's website, and have copied it to the press.

Kindest regards

Yours sincerely

*David Bell*

**Letter of 23 September 2011 from Sir Gus O'Donnell, the Cabinet Secretary, replying to a letter from Andy Burnham of 31 August 2011**

Dear Andy

NEW SCHOOLS NETWORK

Thank you for your letter of 31 August 2011 regarding the above subject.

You have asked a number of questions about the award of a grant by the Department for Education (DfE) to the New Schools Network (NSN) and about appointments of staff in DfE. I should start by highlighting that the spending decisions of individual departments, including those relating to the award of contracts, and decisions about recruitment, are a matter for each department's Accounting Officer. In this case, that is Sir David Bell, the Permanent Secretary at DfE. I note that you have already written to him on this matter, and that he has provided assurances that appropriate steps were followed in the award of this grant.

The decision to sign off the grant for the NSN without holding an open competition was a matter for Sir David. In his letter to you last November, he indicated that officials had advised Ministers on the process for awarding a short-term grant to the NSN and that, as Accounting Officer, he had considered and approved this approach. Not only was it a short-term grant arrangement, but the NSN were uniquely placed to do the work and there was no legal obligation to conduct a competitive process. As you are aware, several similar grants were awarded to organisations under the previous administration, which Sir David and I remain entirely

<sup>1</sup> The list of grants is not reproduced here but is annexed to the letter which is available at <http://www.education.gov.uk/inthenews/inthenews/a0068558/david-bell-letter-to-andy-burnham>

<sup>2</sup> The Specialist Schools and Academies Trust

comfortable with. I believe there is nothing in the emails that you refer to as having recently come to light which calls into question the appropriateness of the grant award.

I understand that the grant is due to end on 30 September following an unfunded extension for the NSN to carry out pro bono work until then. Information outlining details of a competitive grant process for any future work was published on the DfE's website on 5 September. It is available here: <http://www.education.gov.uk/aboutdfe/policiesandprocedures/procurement/a0037/current-contracts-advertised-by-the-department>

Turning to your questions regarding the various Civil Service, Special Adviser and Ministerial Codes, I am satisfied that these were not contravened during the process of awarding a grant to the NSN.

Finally, you asked about various appointments that have been made by the Secretary of State for Education since 2010. You refer to meetings between Dominic Cummings, Ministers and officials, prior to Mr Cummings' appointment in February 2011, and specifically to whether or not Mr Cummings was instructing Civil Servants. As I'm sure you are aware, Civil Servants in all Departments only take instructions from Ministers (via private offices) and more senior Civil Servants and of course, there was no question of Mr Cummings being able to instruct Civil Servants.

In terms of other appointments you refer to, I understand that the appointments of two speechwriters and the Head of Communications were conducted through fair and open competition, with external adverts and interviews conducted by permanent Civil Servants. In the case of the Communications Director role, which is a Senior Civil Service position, the panel was chaired by Sir David Bell, and the whole process overseen by an independent Civil Service Commissioner. I understand there are two senior policy advisers in the DfE, Sam Freedman and Janet Grauberg. They are both employed as Civil Servants and their employment was subject to the rules which govern Civil Service appointments for these particular posts.

I should stress that all Civil Servants, regardless of background (political or otherwise), are subject, once in post, to the Civil Service code of conduct. This sets out very clearly the need for all Civil Servants to adhere to the Civil Service values of honesty, integrity, objectivity and impartiality, including political impartiality.

I am copying this letter to Sir David Bell.

Yours ever

*Gus O'Donnell*

Question 122–123 (Chair): *What is the position on funding academies for appeals against admission decisions?*

The sub-paragraph at the end of paragraph 2.6 of the NAO report on "Other grants" is incorrect and arose because of a coding error in the 2010–11 and 2011–12 YPLA management accounts which, regrettably was not picked up during clearance of the report.

The report says that £16 million was paid to academies to fund admission appeals. We have looked into this and in fact only around £170,000 was paid for this item. This was granted to those academies that had numbers of appeals beyond those expected to be funded within their core budgets.

The remainder was allocated on a case-by-case basis to meet one-off costs incurred by academies (for example additional new costs incurred by academies for PFI contracts, sports hall hire and emergency boiler replacement), for which local authorities would have provided funding had the academies been maintained schools.

The £13 million referred to in the report alongside the £16 million mentioned above was paid to academies on a similar case-by-case basis. This was paid by the Department rather than the YPLA, as most of the £13 million was issued to institutions before they opened as academies. A variety of requests were covered within this funding, for example additional grant for ICT support, capacity needs and education improvement.

Question 124 (Chair): *How much is given to free schools for setting up costs before they sign a funding agreement?*

The Department funds the costs incurred by groups during the pre-opening phase such as: the recruitment and salaries of key staff such as the Principal and Business Manager; project management; setting up essential financial and management information systems and any legal costs.

In the first two years of the Free Schools programme, the Department negotiated this level of funding with groups on a case-by-case basis in order to develop an understanding of the needs of proposer groups to supplement the evidence from new maintained schools and from new academies. There was a range of funding envelopes agreed but we sought to ensure this was less than had been agreed for new academies previously.

We have learnt from this and for schools opening in 2013 have introduced a flat rate grant of £220,000 for primary schools and £300,000 for secondary schools, University Technical Colleges and studio schools. We determined these amounts after reviewing the data on what schools had spent and will review this again at the end of this academic year.

We continue to negotiate funding for the small number of alternative provision (AP), Special and 16–19 Free Schools because we haven't previously had enough data on which to base a flat rate grant. The funding granted to these non-mainstream Free Schools opening in 2013 has been around the same levels as mainstream schools, however, and we intend to move to a flat rate grant for those opening in 2014.

We have agreed that we will publish pre-opening costs for Free Schools that have opened once final figures are confirmed. We are due to publish figures for 2011 openers shortly.

Question 128–134 (Chair and Jackie Doyle-Price): *In how many schools has the Department forced conversions or intervened?*

The Secretary of State has intervened with an Academy Order and by appointing an Interim Executive Board in two primary schools, Downhills Primary School and Nightingale Primary School, both in Haringey, which have reopened as Harris Primary Academy Philip Lane and Trinity Primary Academy respectively.

The Secretary of State has also intervened in three secondary schools:

- Moseley Park School and Technology College (Wolverhampton) which reopened as the Moseley Park Academy, sponsored by the Central Learning Partnership Trust, on 1 June 2012;
- Earlsheaton Technology College (Kirklees) set to reopen as a sponsored Academy, sponsored by the Schools Partnership Trust, on 1 February 2013; and
- Sinfin School (Derby), where the school's poor performance, and its decline from Ofsted "satisfactory" rating in 2005 to "special measures" in 2012 raised concerns. The Secretary of State decided in November 2012 to appoint an interim executive board to give the school the leadership and expertise it needs to improve. No decision on whether the school will convert to academy status has yet been taken.

Question 136–140 (Chair): *Does the local authority have a role in overseeing performance locally and dealing with underperformance in academy schools?*

In his annual report, the Chief Inspector states that local authority leadership is vital in securing good provision in education and childcare. However, he added that the best local authorities have reformed in line with the changing education landscape by commissioning services that they can no longer provide, by contracting out responsibilities to the more effective schools, and by promoting high standards and fair access to educational opportunities in their areas.

He also said that good local authorities realise that they have a duty to secure the right of every child to go to a good school. In his press conference Sir Michael said that the best local authorities understand the new landscape and their role within it. They see all schools as part of the same "family" and have conversations with sponsors where appropriate. For maintained schools, they take relevant action where there are concerns, issuing warning notices, looking at governance issues etc. However, whilst some use powers well, others do not. He added that good local authorities will know what is happening in all schools in their area and that if they have concerns about academies, they can make representations to the sponsor or to the Secretary of State.

In looking at the performance of a local authority, Sir Michael is not proposing that all will be treated in the same way. Where schools are maintained by the authority, Ofsted will be expecting more direct action, particularly where schools are not performing well. In the case of academies, Ofsted will be interested in how familiar the authority is with their performance, what relationship the authority has with the sponsors, and where appropriate, what steps it has taken to raise concerns about individual academies with the sponsor and/or other relevant bodies, including the Department for Education and Ofsted.

Question 170 and 207–210 (Chris Heaton-Harris): *Are local authorities required to report severance payments in maintained schools paid under the provisions of the Education Act 2002 section 32?*

In the local authorities' Section 251 schools' budget outturn statement, the local authority reports total expenditure across all schools in the authority on termination of employment costs. This is a single aggregated line and would include all costs associated with termination of employment including severance payments and pensions costs. These statements are available for the general public to view online.

In terms of the requirement for local authorities to publish details of any expenditure over £500 (mentioned in Question 207), guidance on the Department for Communities and Local Government website states that this only applies to payments made directly from local authority budgets, not payments to schools (DfE budget) or benefits payments (DWP budget). Within this guidance, severance payments are in the list of payments that are to be *excluded* from publication as they are classified as personal information protected by the Data Protection Act.

It is also important to note that local authorities are not covered by the financial framework set out in *Managing Public Money*, so there would be no requirement for them to seek permission from HM Treasury to make severance payments above contractual requirements.

Question 237 (Fiona Mactaggart): *How many spare places are there and what is the estimated cost of keeping a space empty?*

As at May 2011, nationally there were:

- 444,410 (10.4%) unfilled primary places across 13,435 schools; and
- 396,240 (11%) unfilled secondary places across 2,463 schools.

There are several benefits to having spare places in the school system. Operationally a degree of spare places are needed for the system to function, for example to manage in-year mobility, to prevent children travelling unreasonable distances, as well as to cope with sudden and unexpected surges in demand. There is also value in having spare places in the system to give parents a real choice of good schools, which in turn drives competition and contributes to the raising of standards.

While there are benefits to spare places, there are associated costs, although the Department does not routinely make estimates of the cost to schools of maintaining surplus places. The last time, in 2007, compared the average total school expenditure per pupil in schools with spare places to the average expenditure in schools at full capacity. These estimates showed a range of costs, depending on the degree of spare capacity in individual schools. For schools with low levels of spare places there was found to be no additional financial burden. For higher levels of spare capacity, the costs ranged between £300 and £1,000 per place depending on the level of surplus. Since 2007, the Department has been reforming how the school funding system operates and within this context we place no reliability on these 2007 figures.

The optimal level of spare places to allow the school system to operate effectively and to facilitate choice will vary from local authority to local authority, depending on their individual circumstances. The needs of a rural borough for example will be different to those of an urban district. At an individual school level, the impact of surplus places on long-term financial viability will also vary depending on context.

The Department is undertaking work to understand how much spare capacity the school system needs. This will consider how much capacity is needed to ensure every child has access to a local school and to a school of reasonable quality. Our understanding will be significantly improved by data currently being collected on the supply and demand for places at a more granular level than we've had access to before. Initial findings from this work will be available by mid-February 2013.

*Chris Wormald*

Permanent Secretary, Department for Education

*Peter Lauener*

Chief Executive, Education Funding Agency

*December 2012*

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### **Written evidence from the Education Funding Agency**

#### **ACADEMIES—CASES OF CONCERN**

I thought it would be helpful if I wrote to give you a final update on the work we have done on the Priory Federation of Academies in Lincolnshire. I would also like to take the opportunity to describe briefly work which is under way on two further cases.

The number of cases we have had to deal with on academies is very low; and it remains my view that the system of accountability for academies is more rigorous than that which applies to maintained schools. But every case is one too many and we always aim to take speedy action, learn any lessons and ensure that those lessons are disseminated around the school and academy system.

#### **PRIORY FEDERATION**

You will recall that the EFA led an investigation of this case, which was originally prompted by concerns you flagged at a hearing of the Public Accounts Committee. The report of the investigation was published in full in April 2012, the Trust accepted full responsibility for the defects in governance that were identified and the Chief Executive promptly resigned. There was substantial media coverage of the case and we referred the matter to the police.

Since this time, my staff have carried out a series of monitoring meetings with the Chairman of the Trust and senior Priory staff. As a result, all recommendations and issues regarding the Federation's structures and processes have been addressed through the implementation of new policies and practices that offer greater transparency of decision making.

The Federation has established an Audit Committee, which will be staffed exclusively by trustees who are not employees of the Trust. An Executive Committee has also been established as a sub-committee of the Trust to oversee executive functions such as finance. The Federation has also appointed a new HR Manager.

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Duncan and Toplis have been appointed as new external auditors to the Trust and have produced a positive interim management letter. A regularity audit will be undertaken by Duncan and Toplis during the process of sign off the Trust's accounts for 2011–12, which are due by the end of this calendar year. This will include a more detailed examination of transactions to confirm their validity and consistency with the Trust's objectives.

In September the Board was refreshed and eight new trustees were appointed. Terry Coffey stood down as Chair of the Board and a new chair, Howard Gee, was elected.

We have also concluded discussions with the Trust about recovery of public funds relating to irregular payments identified in the investigation report. The Trust has itself achieved recoveries amounting to £113,000 and the EFA has recovered a further £40,000 from the Trust to the EFA.

The police investigation of the actions of the former Chief Executive, Richard Gilliland, is still under way. We are due to make a final visit ourselves to the Trust this week to sample check invoices and petty cash, as well as satisfy ourselves that the new Trust policies are both embedded and working in practice. Subject to completion of this visit, we expect to return our arrangements with the Priory Federation to a state of routine monitoring.

#### QUINTON KYNASTON COMMUNITY ACADEMY

There are two other cases that I should draw to your attention. The first is the Quinton Kynaston Community Academy in North London, about which there was some press comment over the summer. This academy converted to become an academy in November 2011 and most of the issues under investigation relate to a time prior to its becoming an academy.

The Academy Trust itself received allegations relating to two employees of the Trust, including the head teacher. The allegations relate to the use of public money for personal purposes, employment of family members and the procurement of services without using required procedures.

Quinton Kynaston commissioned an investigation from KPMG to establish the facts and circumstances surrounding the allegations. The initial findings appeared to support many of the allegations and the Trust took the decision to refer the matter to the police and to suspend the head teacher pending further investigation and disciplinary proceedings. With the agreement of the Academy Trust, the EFA is carrying out a further investigation into related issues at Quinton Kynaston. We expect to publish the findings of this investigation in due course

*Peter Lauener*  
Chief Executive

*November 2012*

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