



National Audit Office

**REPORT BY THE  
COMPTROLLER AND  
AUDITOR GENERAL**

**HC 288  
SESSION 2010–2011  
10 SEPTEMBER 2010**

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**Department for Education**

# The Academies Programme

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National Audit Office

**Department for Education**

# The Academies Programme

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**Report by the Comptroller and Auditor General**

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Amyas Morse  
Comptroller and  
Auditor General

National Audit Office

3 September 2010

Academies are all-ability state schools. Unlike maintained schools, they are independent of local authorities and directly accountable to the Department for Education. Academies are managed by charitable companies and governing bodies established by sponsors – individuals or organisations from backgrounds including the voluntary sector, faith communities, education and business.

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# Summary

**1** Academies are all-ability state schools. Unlike maintained schools, they are independent of local authorities and directly accountable to the Department for Education (the Department). Academies are managed by charitable companies and governing bodies established by sponsors – individuals or organisations from backgrounds including the voluntary sector, faith communities, education and business.

**2** Until 31 March 2010, the Department was responsible for establishing new academies, as well as the performance, funding and monitoring of open academies. From 1 April 2010, most of these functions for open academies transferred to the Young People's Learning Agency, a Non-Departmental Public Body accountable to Parliament and the Secretary of State for Education.

**3** Revenue expenditure since the start of the Programme in 2002 has amounted to some £3.2 billion. This is mainly core funding which would have been paid to schools whether they had become academies or not, but also includes £288 million in start-up grants to newly opened academies. As at 31 August 2010, there were 203 open academies.

**4** When the Programme was first launched, its aim was to improve educational attainment in deprived areas by replacing poorly performing schools or building new schools where more school places were required. The Department's original objectives for academies were to:

- raise the educational achievement of their pupils;
- provide inclusive, mixed-ability schools; and
- contribute to raising aspirations and standards in the local community.

**5** Following the general election in May 2010, the new Government announced plans to open up the Programme to allow all schools to seek academy status. It invited approaches from all those interested in doing so, with applications from schools judged outstanding by Ofsted to be considered first. The relevant legislation was passed on 27 July 2010, and of the 181 schools which had formally applied as at 1 September, 142 are due to open as academies during 2010-11 (32 in September). Seventy-four academies are also due to be established from underperforming schools (64 opening in September).

## Scope of the report

**6** We first reported on the Academies Programme in February 2007.<sup>1</sup> We found that the first 27 academies were on track to deliver good value for money, although we recommended action to address capital overruns. Responsibility for delivering new academy buildings subsequently transferred to Partnerships for Schools as part of the Building Schools for the Future Programme. As we have reported on this Programme elsewhere,<sup>2</sup> this report focuses on revenue expenditure only.

**7** Our report evaluates the performance of existing academies in meeting the original Programme objectives. Wherever possible, it compares academies with maintained schools with similar pupil intakes but without the additional freedoms and start-up funding associated with academy status.

## Key findings

### Raising educational achievement

**8** Most academies are achieving increases in academic attainment for their pupils compared with their predecessor schools. Although still below the national average, the proportion of their pupils achieving five or more A\*-C grade GCSEs or equivalent is improving at a faster rate than maintained schools with similar intakes. However, a small number of academies have made little progress, particularly when English and mathematics are taken into account.

**9** Recent Ofsted judgements rated 67 per cent of early academies as outstanding or good for overall effectiveness, a significantly higher proportion than both maintained schools with similar intakes and later academies. Both earlier and later academies have achieved rapid improvements in pupil attendance, with their initially high absence rates falling faster than those of maintained schools with similar intakes.

### Providing inclusive, mixed-ability schools

**10** While their predecessor schools often had difficulty attracting pupils, academies are generally becoming more popular and drawing pupils from a wide range of backgrounds. The proportion of academy pupils from disadvantaged backgrounds (represented by the percentage registered as eligible for free school meals) has reduced overall, although it remains over twice the national average. The reduction is mainly due to lower proportions of such pupils in more recently opened academies.

**11** Seventy-four per cent of academies we surveyed are participating in statutory reciprocal 'fair access' arrangements with local schools to admit their fair share of children with challenging behaviour. In some cases schools which already have high proportions of such children are not required to admit more. Overall, academies' admission arrangements do not appear to be adversely affecting the capacity of neighbouring schools to achieve balanced pupil intakes.

<sup>1</sup> National Audit Office, *The Academies Programme*, HC 254, 2006-07.

<sup>2</sup> National Audit Office, *The Building Schools for the Future Programme: Renewing the secondary school estate*, HC 135, 2008-09.

**12** The performance of academy pupils who are registered as eligible for free school meals, have English as an additional language or have special educational needs has improved over time. However, on average, the gap in attainment between more disadvantaged pupils and others has grown wider in academies than in comparable maintained schools. This suggests that academies' less disadvantaged pupils benefit from improved standards at the academy more immediately, and that other pupils may take longer to benefit.

### Helping to raise aspirations and standards in the local community

**13** We identified many instances of academies contributing more widely to their local community, for example by providing sports facilities and activities such as adult learning. Most academies are providing the community with extended services such as childcare, and academies in our survey had reduced by more than half the numbers of their pupils not in education, employment or training (NEET) after age 16.

**14** In their early years, academies need to focus primarily on the major challenges inherent in establishing a new school that must tackle long-standing underperformance, before seeking to support improvement in nearby schools. There is, however, scope for more cooperation between established academies and neighbouring schools. Only around a fifth of academies responding to our survey currently work in partnership with schools and other local providers to deliver the extended 14-19 curriculum.

### Management and governance of academies

**15** The rate of opening new academies has increased rapidly in recent years, creating challenges around timely staff restructuring and appointment of senior teams. If not dealt with effectively, these challenges can impact significantly on teaching and learning, financial health and longer-term sustainability.

**16** Academies have greater financial freedoms than maintained schools, and it is important that their financial management is robust. Some academies are finding it difficult to achieve financial balance without additional, non-recurrent funding, particularly those whose predecessor school had a structural deficit that was not resolved before conversion to an academy. The Young People's Learning Agency has identified that just over a quarter of academies may require additional financial or managerial support to secure their longer-term financial health.

**17** Academy sponsorship can bring benefits such as a clear ethos, business and educational expertise and additional financial support. However, a significant proportion of academies have not received the financial contributions originally pledged by their sponsors. More generally, academies' greater independence brings risks to governance and accountability which will need to be managed as the Programme expands.

**18** With greater numbers of academies opening in recent years, the Department's resources to administer and monitor the Programme have been stretched, particularly as funding is administered on an individual academy basis.

## **Conclusion on value for money**

**19** While the difficulty of isolating and linking incremental costs and benefits means that we cannot conclude definitively on value for money, many academies are performing impressively in delivering the Programme's intended impacts. Many earlier academies have shown significant and sustained improvement. Two thirds of all academies do not yet have sufficient data for us to assess their educational performance over time.

**20** It cannot be assumed, however, that academies' performance to date is an accurate predictor of how the model will perform when generalised over many more schools. Existing academies have been focused on improving underperformance in deprived areas, whereas the future academy population is likely to include schools with a much wider range of attainment, and operating in very different community settings.

**21** The expansion of the Programme will increase the scale of risks to value for money, particularly around financial sustainability, governance and management capacity. While the Young People's Learning Agency has redeployed resources from other areas of work to strengthen its management of these risks, plans for faster expansion will increase the need for rigorous programme monitoring and a systematic framework to secure good practice and compliance by all academies.

## **Recommendations**

**22** **New government plans will increase significantly the number of academies and fundamentally change the Programme by giving successful schools greater freedoms as well as tackling underperformance.** To support future evaluation of value for money across an increasingly diverse range of schools, the Department should state what the objectives of the Academy Programme now are, and how it will measure success against them.

**23** **It is important that academies' freedom and independence are matched with robust governance and accountability. While the Young People's Learning Agency monitors academies' academic and financial performance, it does not have equivalent processes for monitoring standards of governance.** The Agency should make effective use of information from academies' statutory auditors to monitor whether sponsors and others charged with governance are complying with the expectations set out in academies' funding agreements and articles of association. It should set out a clear and rigorous intervention strategy, potentially culminating in the termination of funding agreements, for when expectations are not met.

**24 Administering funding agreements individually will become more challenging as the Programme expands.** The Department and the Young People's Learning Agency should standardise as far as possible the arrangements for funding academies, and plan resources for administration and risk management to keep pace with the planned expansion.

**25 Academies are required to provide a range of financial monitoring data, including annual accounts, funding schedules and supplementary detailed income and expenditure returns. However, academies frequently provide data late, and over a third have never submitted the supplementary returns.** The Young People's Learning Agency should identify the optimum balance between the data required to manage the Programme and the administrative burden placed on academies. Where a data return is not consistently provided by academies or used by the Agency, the Agency should consider its future value (for example for benchmarking), and either discontinue it or focus on improving response rates.

# Part One

## Overview of the Academies Programme

### The Programme's objectives

**1.1** Academies are all-ability state schools which, unlike maintained schools, are independent of local authorities and directly accountable to the Department. Up to 31 March 2010, the Department was responsible for establishing new academies, as well as the performance, funding and monitoring of open academies. From 1 April 2010, most of these functions for open academies transferred to the Young People's Learning Agency, a Non-Departmental Public Body accountable to Parliament and the Secretary of State for Education.

**1.2** Academies are managed by charitable companies and governing bodies established by sponsors – individuals or organisations from backgrounds including the voluntary sector, faith communities, education and business. Their role includes setting the strategic vision and appointing the majority of the governing body. Sponsors were originally required to make a financial contribution to the capital cost of a new academy building or, from 2007, to an endowment fund for the academy. This contribution is no longer required for new academies.

**1.3** The charitable company enters into a funding agreement with the Secretary of State, which provides the framework within which an academy must operate. The ongoing funding of an academy is contingent upon the conditions in its funding agreement being met.

**1.4** When the Programme began in 2002, the Department's objectives for academies were to:

- raise the educational achievement of their pupils;
- provide inclusive, mixed-ability schools; and
- contribute to raising aspirations and standards in the local community.

**1.5** As at 31 August 2010, there were 203 open academies. Following the general election in May 2010, the new Government announced plans to open up the Programme to allow all primary, secondary and special schools to seek academy status. It invited approaches from all schools interested in doing so, with applications from schools judged outstanding by Ofsted to be considered first. Schools with a deficit may still become academies, although their applications may be postponed until they have reduced it to a reasonable level. The relevant legislation was passed on 27 July 2010, and of the 181 schools which had formally applied as at 1 September, 142 are due to open as academies during 2010-11 (32 in September). Seventy-four academies are also due to be established from underperforming schools (64 opening in September).

**1.6** Our report evaluates the performance of existing academies in meeting the original Programme objectives, comparing where possible with maintained schools with similar pupil intakes but without the additional freedoms and start-up funding associated with academy status. It also considers the Department's management of the Programme to date, and the implications of our findings for its future expansion.

## Scale of the Programme

### Location of academies

**1.7** The Department's original aim was to improve educational attainment in deprived areas by replacing poorly performing schools, or building new schools where more school places were required. The 203 academies open as at 31 August 2010 are located in 83 of the 152 local authorities with responsibility for children's services. A quarter are in London, with the next highest proportions in the North West and South East excluding London (13 and 12 per cent respectively) (**Figure 1**).

**1.8** Prior to the Academies Act 2010, establishing a new academy in an area required support from the local authority.<sup>3</sup> Some local authorities, such as Kent, Manchester and Sunderland, have played a prominent role coordinating the development of several academies in their area, although as at January 2010, 41 local authorities (27 per cent) had no academies and no plans to open any.

<sup>3</sup> The Academies Act 2010 removed the requirement for the local authority to approve plans to establish an academy in its area.

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**Figure 1**

Academies open as at 31 August 2010 against local authorities' Index of Multiple Deprivation

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## Growth in the number of academies

**1.9** As at 31 August 2010, academies represented just over 6 per cent of the 3,333 state-funded secondary schools in England. **Figure 2** shows the growth in the number of academies and their pupils between 2002-03 and 2009-10. In 2009-10, academies had an average pupil:teacher ratio of 14.4 compared to the maintained-school average of 15.7.<sup>4</sup> The lower ratio in academies may partly result from lower initial pupil headcounts where an academy is starting as a new school or replacing an undersubscribed predecessor school.

## Programme funding

**1.10** In addition to capital funding for new buildings (outside the scope of this report), the Department has provided £3.2 billion of revenue funding to academies since the start of the Programme (£1.3 billion in 2009-10). This is mainly core funding which would have been paid to schools whether they had become academies or not, although it also includes additional start-up grants paid to newly opened academies (paragraph 1.12). **Figure 3** shows the annual increase in revenue funding alongside the expansion of the Programme.

## Figure 2

Numbers of academies and academy pupils, with pupil:teacher ratios, 2002-03 to 2009-10

Academic year	Number of academies opening	Cumulative number of academies open	Number of pupils attending academies	Pupil: teacher ratio
2002-03	3	3	2,720	–
2003-04	9	12	10,220	15.5
2004-05	5	17	15,200	15.1
2005-06	10	27	25,310	14.7
2006-07	20	47	41,560	15.1
2007-08	36	83	74,530	14.7
2008-09	50	133	121,950	14.1
2009-10	70	203	192,640	14.4

### NOTE

1 The Department did not collect separate pupil:teacher ratios for academies before 2003-04.

Source: Department for Education

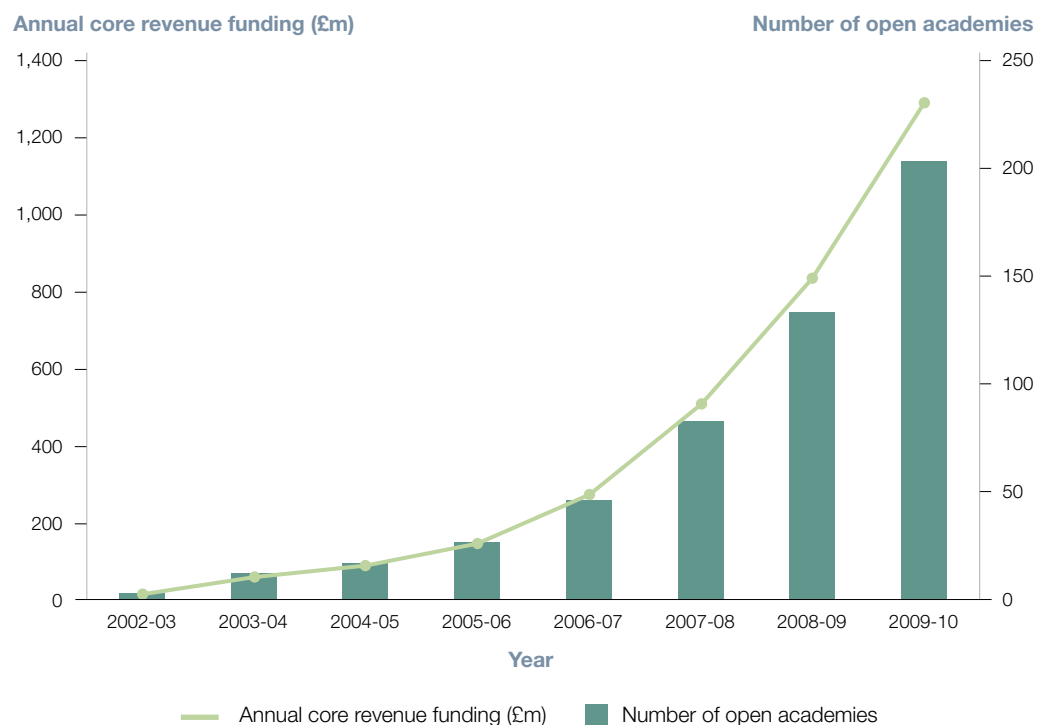
4 Source: Department for Education, *Statistical First Release 11/2010*, provisional figures. ([www.dcsf.gov.uk/rsgateway/DB/SFR/s000927/SFR11\\_2010.pdf](http://www.dcsf.gov.uk/rsgateway/DB/SFR/s000927/SFR11_2010.pdf))

**1.11** To provide individual academies with revenue funding equivalent to maintained schools in similar circumstances in their local authority, the Department must make complex annual calculations with certain adjustments, for example to reflect a phased intake. Academies' funding includes the sum that local authorities retain in respect of maintained schools and spend centrally on items to which academies are not automatically entitled, such as education welfare, school improvement and transport.

**1.12** Academies also receive start-up funding, for example for extra staff to help with transition, and for resources such as uniforms and textbooks. Academies with a phased intake of pupils are also paid additional funding to cover the diseconomies of operating when not yet full. The Department has paid £288 million in start-up grants to academies since 2002 (£88 million in 2009-10).

**1.13** It is difficult to compare academies' start-up funding with what new maintained schools would receive, because there are very few such schools. The Department considers that academy start-up grants are higher than what most local authorities would provide for a new school, but that the grants are justified by the educational transformation required to turn around the long-standing underperformance of the predecessor school.

**Figure 3**  
Numbers and revenue funding of academies over time



**NOTE**

1 Funding includes all elements of academies' 'General Annual Grant'.

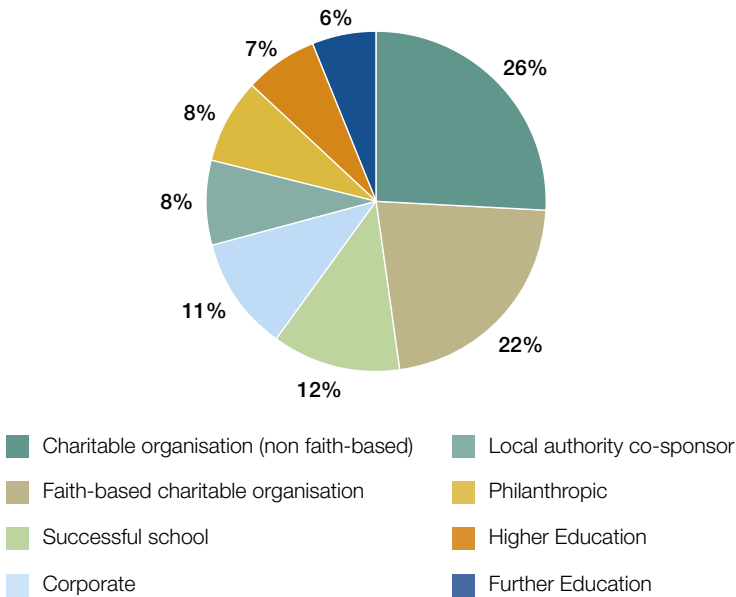
Source: National Audit Office analysis of Department for Education data

**Academy sponsors**

**1.14** Figure 4 shows the main types of sponsors and their relative proportions as at August 2010. Charitable organisations are the largest category, with non-faith-based organisations sponsoring 71 academies, and faith-based organisations 63 (although only 46 academies have a designated religious character). Individual philanthropist sponsors are more predominant in earlier academies. Public- and third-sector organisations, such as local authorities, independent schools and universities, are increasingly sponsors or co-sponsors, but still in relatively small numbers.<sup>5</sup>

**1.15** Some sponsors run more than one academy. Seven organisations – Absolute Return for Kids, the Academies Enterprise Trust, E-ACT, the Harris Federation of South London Schools Trust, the Ormiston Trust, Oasis Community Learning, and the United Learning Trust – each sponsor six or more academies. The United Learning Trust sponsors the largest number (17).

**Figure 4**  
Proportions of sponsor types in open academies, 2009-10



**NOTE**  
1 Some individual sponsors have created foundations to act as the sponsoring organisation. We have classified these sponsors as charitable organisations.

Source: National Audit Office analysis of Department for Education data

5 Local authorities are only permitted to sponsor academies in conjunction with other co-sponsors.

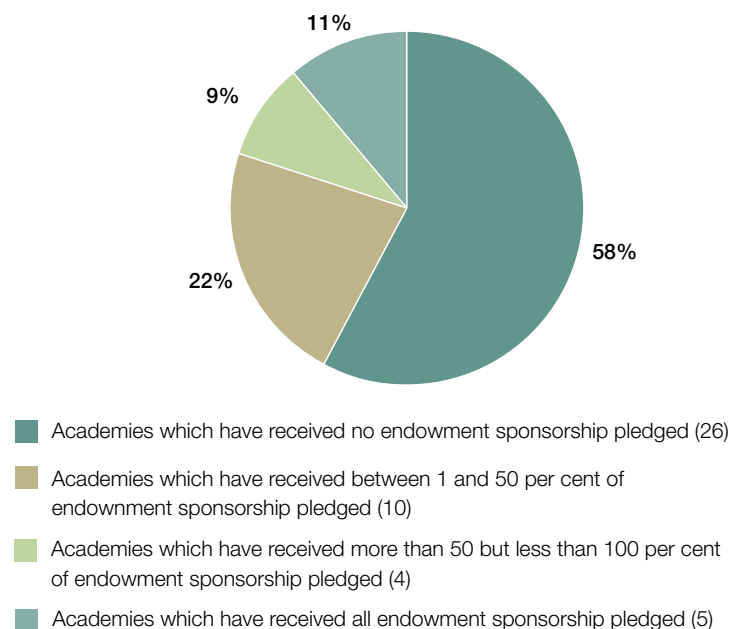
## Financial support from sponsors

**1.16** Sponsors are intended to bring benefits such as commercial or educational expertise and a clear ethos, and a number of staff, parents and governors we spoke to ascribed their academies' business-like practices, positive values or renewed focus on educational improvement to the sponsor's influence.

**1.17** In addition to these benefits, sponsors were originally expected to provide a financial contribution to setting up the academy. Sponsors of early academies were required to provide 10 per cent of the capital costs of a new building over the lifetime of the building project, capped at a maximum of £2 million. From 2007-08, the requirement was changed to a £2 million endowment fund for each new academy (or, for sponsors of multiple academies, £1.5 million for the fourth or subsequent academy), payable over five years with a minimum of £500,000 in the first year. Of the 45 academies that were pledged endowment contributions between 2007-08 and 2009-10, more than half had not received any of these contributions by March 2010 (**Figure 5**).

**Figure 5**

Proportion of academies which have received all, some or none of the endowment funding pledged by sponsors between 2007-08 and 2009-10



### NOTES

1 Shows position as at March 2010.

2 Figures in brackets represent the number of academies in each category.

Source: National Audit Office analysis of Department for Education data

**1.18 Figure 6** shows that the proportion of endowments owed to academies which opened in 2007-08 is no lower than that owed to academies opening in 2009-10, indicating that the Department has been unsuccessful in enforcing payment schedules and collecting older debts from sponsors.

**1.19** Payment of capital contributions follows a similar pattern. By March 2010, the 88 academies pledged capital contributions had still not received some £42 million of the £148 million owed to them by sponsors. Since payments are made over the lifetime of the building project, more recent academies have higher amounts outstanding. However, even older academies, particularly those opening between 2005 and 2007, have still not received the full amounts pledged.

**1.20** In July 2007, the Government announced that educational institutions, or multi-sponsors with a successful track record of running academies, need no longer provide a financial contribution, but were expected to make a comparable professional commitment. In September 2009, the Government removed altogether the requirement for sponsors to make a financial contribution to new academies that open in the 2010-11 academic year.

### Figure 6

Sponsor endowment funding pledged and actually paid, by academy year of opening

Academy year of opening	Sponsorship endowment funding pledged (£m)	Actual endowment funding received (£m)	Shortfall (£m)	Percentage still to be paid
2007-08 (12)	18.5	4.2	14.3	77
2008-09 (20)	31.8	9.2	22.6	71
2009-10 (13)	19.9	5.0	14.9	75
<b>Total</b>	<b>70.2</b>	<b>18.4</b>	<b>51.8</b>	<b>74</b>

#### NOTE

1 Numbers in brackets represent the number of academies in each cohort to which endowment funding was pledged.

Source: National Audit Office analysis of Department for Education data

# Part Two

## How academies are performing

**2.1** This part of the report examines academies' performance against the Department's original Programme objectives (paragraph 1.3).

### Raising educational achievement

**2.2** To assess academies' progress in improving educational achievement (including exclusions and attendance) we compared the performance of the 62 academies<sup>6</sup> that had at least two years of GCSE results in 2009 with comparable maintained schools with similar intakes. Five comparator schools were matched to each academy using two known key determinants of school performance:

- deprivation, measured by the proportion of pupils registered as eligible for free school meals; and
- prior attainment of pupils, measured by national test results in their last year of primary school.

**2.3** As there is more scope for schools with lower starting points to improve, we also took account of the proportions of pupils achieving five or more A\*-C grade GCSEs or equivalent (including English and mathematics) when the academy opened.

**2.4** To reflect changes in the types of schools becoming academies over time, we used two separate groups of comparator schools: the first matched with the 21 'earlier academies' opening before 2006 (105 comparator schools), and the second with the 41 'later academies' that opened in or after 2006 (205 comparator schools).

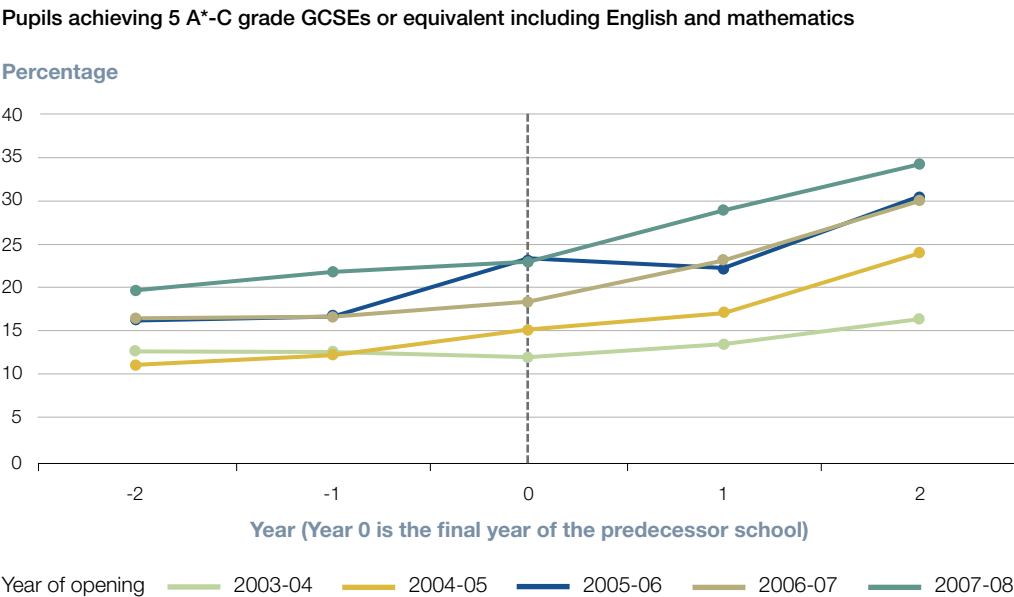
### GCSE performance

**2.5** Overall, academies have increased the rate of improvement in GCSE results compared with trends in their predecessor schools, with a clear lift in performance after schools become academies (**Figure 7** overleaf).

<sup>6</sup> The 62 excludes former city technology colleges and former independent schools (as these have significantly different prior attainment and pupil profiles) and primary schools becoming all-through academies (since these do not yet have any GCSE results).

**Figure 7**

Percentage of pupils achieving five or more A\*-C grade GCSEs or equivalent (including English and mathematics) before and after becoming an academy



**NOTES**

- 1 Figures must be interpreted with caution given the relatively small numbers opening each year and included in this analysis (2003-04: 8; 2004-05: 3; 2005-06: 7; 2006-07: 16; 2007-08: 25).
- 2 The 2002-03 cohort is not included, as predecessor school trend data is not available prior to 2001-02.

Source: National Audit Office analysis of Department for Education data

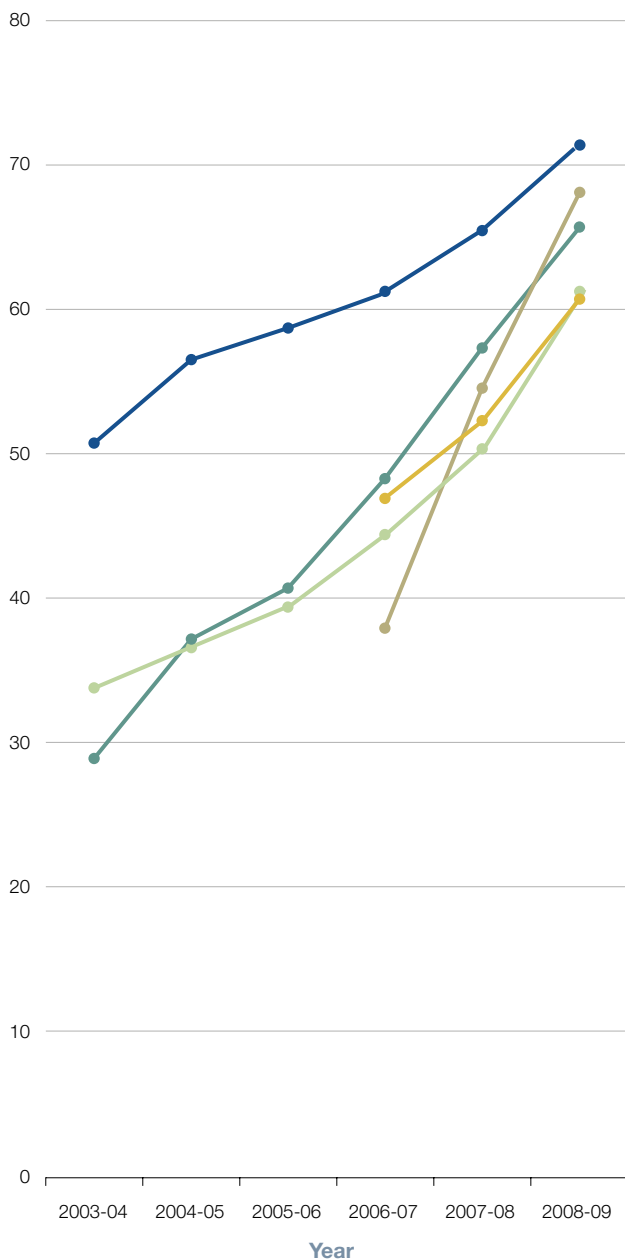
**2.6** Academies have some way to go to match the national average for the percentage of pupils achieving five or more A\*-C grade GCSEs or equivalent, particularly when English and mathematics are included (**Figure 8**). They are nonetheless making good progress against comparable maintained schools both in absolute attainment and relative to prior attainment, with earlier academies generally sustaining improvements over the longer period for which trend data is available.

**2.7** As is generally the case with school performance, the overall trend masks wide variation between individual academies, with some academies performing exceptionally well and others making little progress. Our analysis suggests that, as with maintained schools, this wide variation cannot be fully explained by either relative local deprivation levels or pupils' prior attainment.

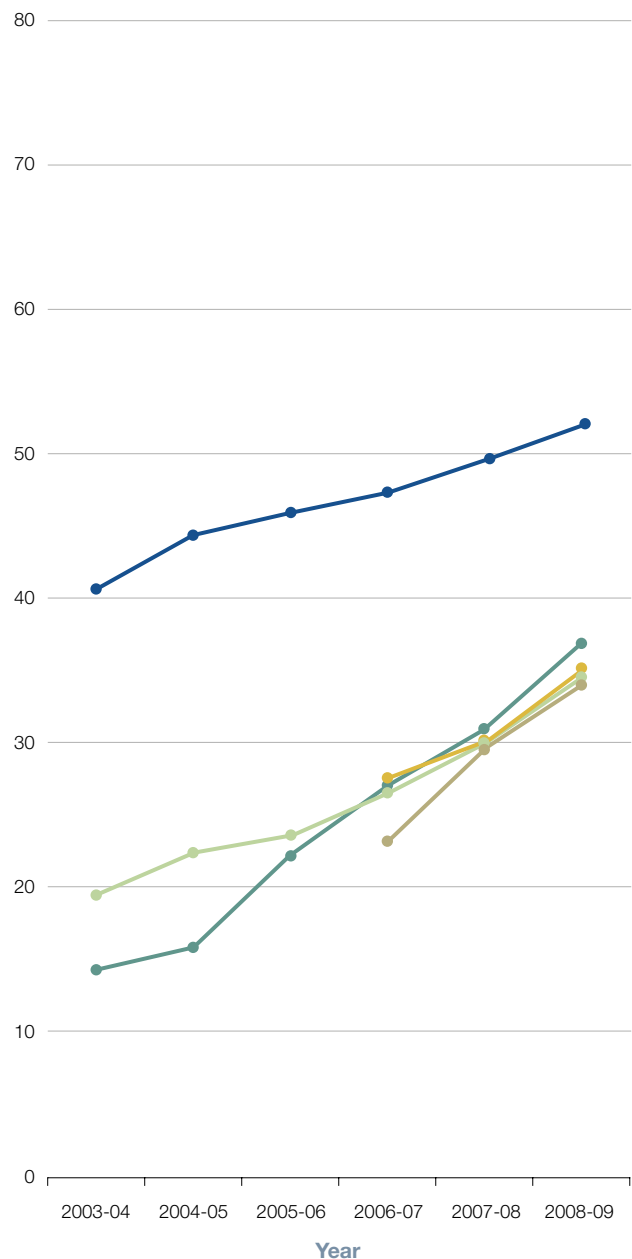
**Figure 8**

Percentage of pupils achieving five or more A\*-C grade GCSEs or equivalent in academies, comparator schools and all maintained schools, 2003-04 to 2008-09

Percentage of pupils achieving five or more A\*-C grade GCSEs or equivalent



Percentage of pupils achieving five or more A\*-C grade GCSEs or equivalent including English and mathematics



— Early academies  
 — Early academies' comparator schools  
 — Later academies  
 — Later academies' comparator schools  
 — All maintained schools

Source: National Audit Office analysis of National Pupil Database

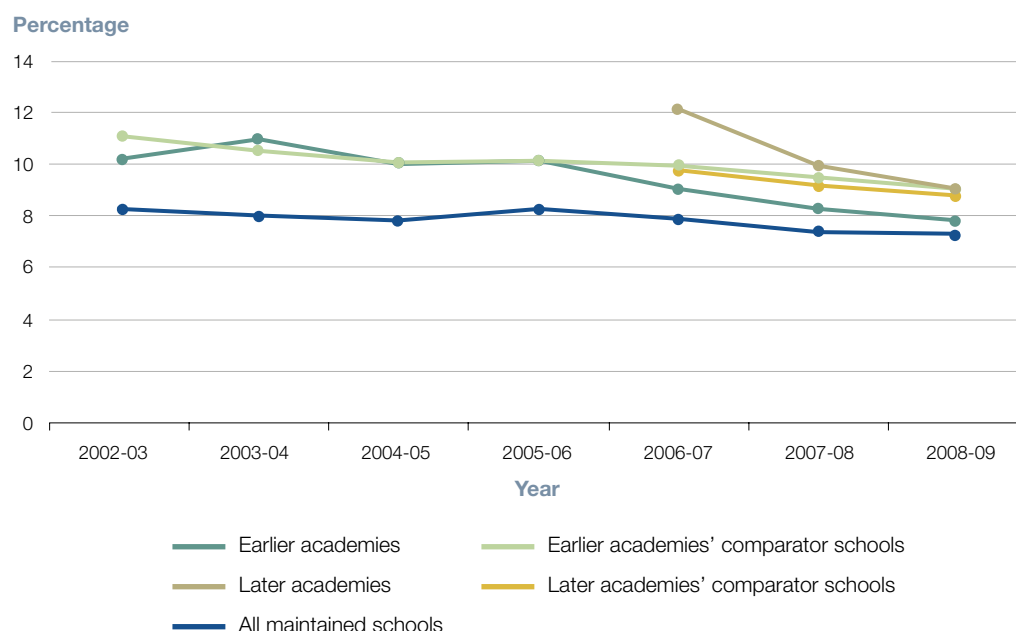
**2.8** We sought to identify through regression analysis whether any specific features of academies were associated with particular rates of improvement. Despite including data on a wide range of factors, it was not possible to produce a stable model which identified any statistically significant associations. We concluded that quantifying which aspects of the academies model are the most influential on school improvement is extremely difficult. However, as the Programme expands and more trend data become available across more academies, future analysis may produce more meaningful results.

### Pupil attendance

**2.9** As attendance and educational achievement are closely linked,<sup>7</sup> we analysed academies' attendance rates over time. The evidence suggests that academies are achieving rapid relative improvements in challenging circumstances. Reflecting the starting point they inherit from predecessor schools, academies have higher absence rates than the maintained-sector average, but rates are falling faster than in other schools (**Figure 9**). Persistent absence, where a pupil is absent for at least a fifth of the school year, follows a similar pattern.

**Figure 9**

Percentage of half-days missed by pupils for authorised and unauthorised absence in academies, comparator schools and all maintained schools, 2002-03 to 2008-09



Source: National Audit Office analysis of National Pupil Database

<sup>7</sup> National Audit Office, *Improving school attendance in England*, HC 212, 2004-05.

## Curriculum

**2.10** Our previous report and other evaluations<sup>8</sup> found that some early academies had sought to meet their pupils' needs better by introducing more vocational courses such as applied GCSEs, or other qualifications equivalent to GCSEs such as BTECs. In some cases this resulted in less focus on core subjects such as English, mathematics and science.

**2.11** Our fieldwork for the current report suggested that academies continue to use vocationally based curricula, particularly for lower-attaining pupils. Academies reported that this approach helped to engage these pupils and provide a route to successful learning.

**2.12** **Figure 10** overleaf shows that, nationally, academies had proportionately fewer GCSE entries in 2008-09 than in 2006-07, and more entries for qualifications equivalent to GCSEs. However, a similar trend can be seen in both comparator schools and maintained schools overall. For later academies, the proportion of entries for GCSEs decreased more rapidly than in other schools, and the proportion of entries to GCSE equivalents in 2008-09 was seven percentage points higher than earlier academies, and ten percentage points higher than comparator schools.

## Ofsted judgements on academies

**2.13** To obtain a broader view of whether academies are raising educational standards relative to other schools, we reviewed Ofsted inspection data for the 76 academies that had had full inspections as at March 2010. Of this group, 41 (54 per cent) were judged as outstanding or good for overall effectiveness in their most recent inspection. The seven academies most recently rated inadequate all opened in or after 2006-07.

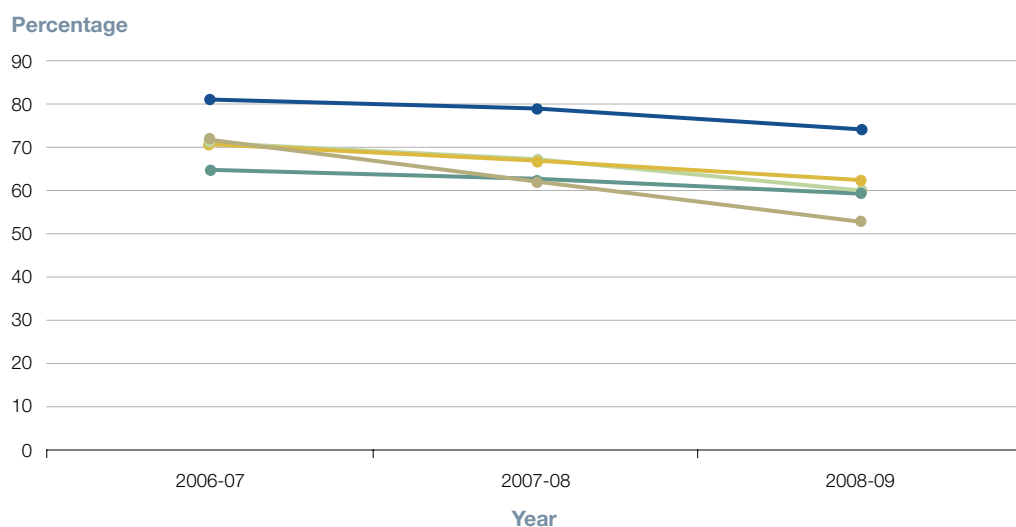
**2.14** Comparing Ofsted judgements for earlier and later academies and comparator schools suggests that academies may need several years to realise these potential improvements. Fourteen earlier academies (67 per cent) were judged as outstanding or good for overall effectiveness, a significantly higher proportion than comparator schools and later academies (**Figure 11** on page 23).

<sup>8</sup> PricewaterhouseCoopers LLP on behalf of the Department for Children, Schools and Families (2008), *Academies Evaluation Fifth Annual Report*, London: DCSF.

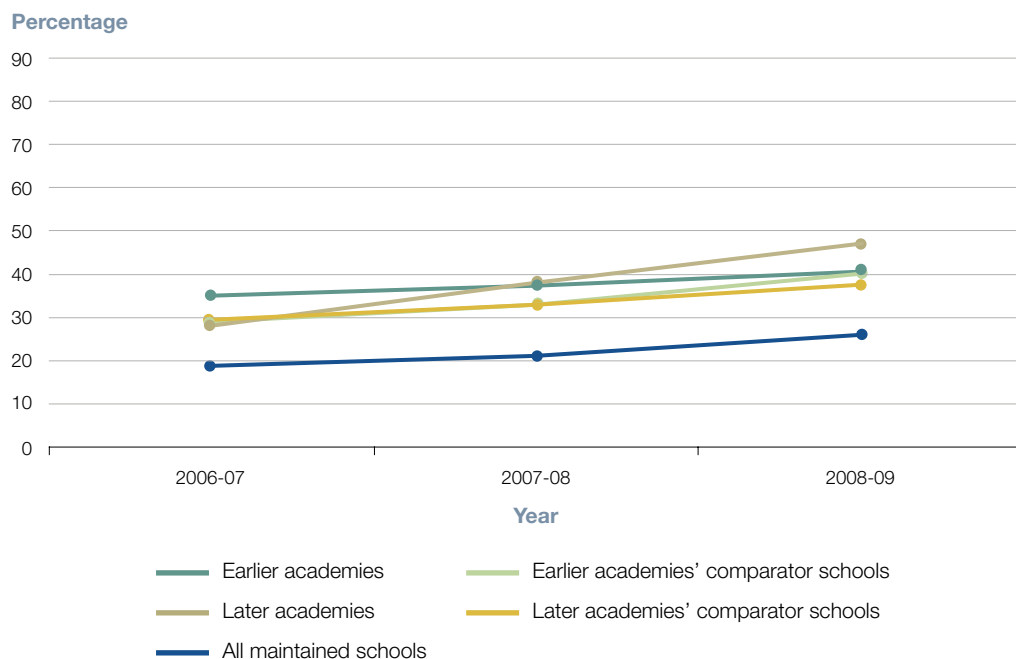
**Figure 10**

Change in proportion of volume of entries to GCSEs and qualifications equivalent to GCSEs in academies, comparator schools and all maintained schools, 2006-07 to 2008-09

#### GCSEs as a percentage of the volume of entries by pupils at the end of Key Stage 4



#### Qualifications equivalent to GCSEs as a percentage of the volume of entries by pupils at the end of Key Stage 4



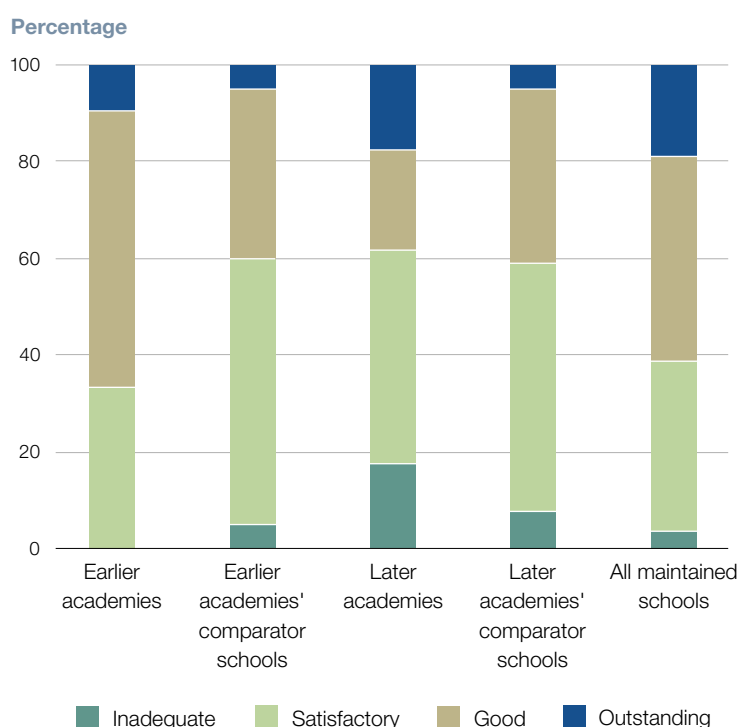
#### NOTE

1 Volume is the total number of GCSEs to which all qualifications (both GCSEs and non-GCSEs) are equivalent. For example a GCSE double award contributes two GCSEs to the overall volume, while a short course contributes half.

Source: National Audit Office analysis of National Pupil Database

**Figure 11**

Ofsted judgements of overall effectiveness for academies, comparator schools and all maintained schools

**NOTES**

- 1 Includes Ofsted judgements up to 31 March 2010.
- 2 Proportions quoted refer to the 55 of our 62 academies (21 earlier and 34 later) which have had full (Section 5) Ofsted inspections.

Source: National Audit Office analysis of Ofsted data

## Providing inclusive, mixed-ability schools

### Admissions

**2.15** Academies' admissions arrangements are set out in their funding agreements, and are required to be consistent with the Statutory Admissions Code. Academies must also participate in locally coordinated admissions arrangements. Our survey showed that local authorities with academies were generally satisfied with academies' admission arrangements, mainly because academies had either adopted local authorities' protocols or worked closely with them on admissions.

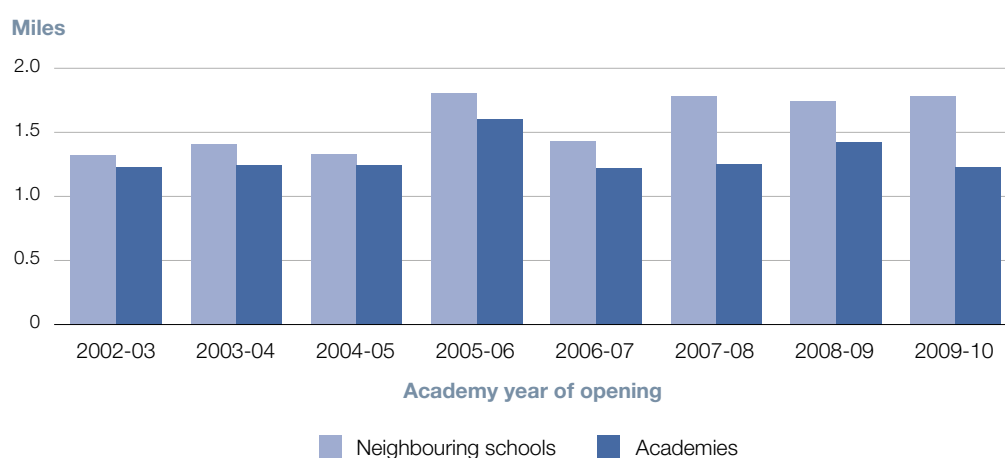
**2.16** Academies replacing underperforming schools may take time to improve their popularity. Many plan to take more pupils than the predecessor school, but to fill these places they must improve performance and gain parents' confidence. This time-lag partly explains the considerable variation in surplus places between academies, with ten of the 46 academies that had pupils in every year group at 1 January 2009 undersubscribed by more than 10 per cent. On the other hand, our survey of academies found that from 2007-08 to 2009-10 there were on average almost twice as many year seven applications each year as there were places available.

**2.17** Forty-three per cent of academies said they resolve over-subscription with 'fair banding', which involves testing applicants to identify their ability range, and awarding a fixed percentage of pupils within each range a place. While supporting the 'mixed ability' policy objective, fair banding can in theory reduce the extent to which a school serves its immediate area (another key tenet of the academies policy), since local children may be refused a place in favour of those from further afield who match the required profile.

**2.18** To assess whether this theoretical risk of academies not providing places to their immediate community has materialised in practice, we analysed average distances travelled by pupils to attend an academy, compared with pupils at the nearest neighbouring schools (**Figure 12**). The results indicate that academies are not generally drawing their pupils from further away than other nearby (non-academy) schools, and indeed academy pupils on average travel a shorter distance to school than pupils at neighbouring schools.

**Figure 12**

Distance that pupils travelled to academies in 2009-10 compared with distance travelled by neighbouring school pupils, by academy year of opening



**NOTES**

1 Data represent distance travelled from individual pupil postcodes to school, and were first collected nationally in 2008-09.

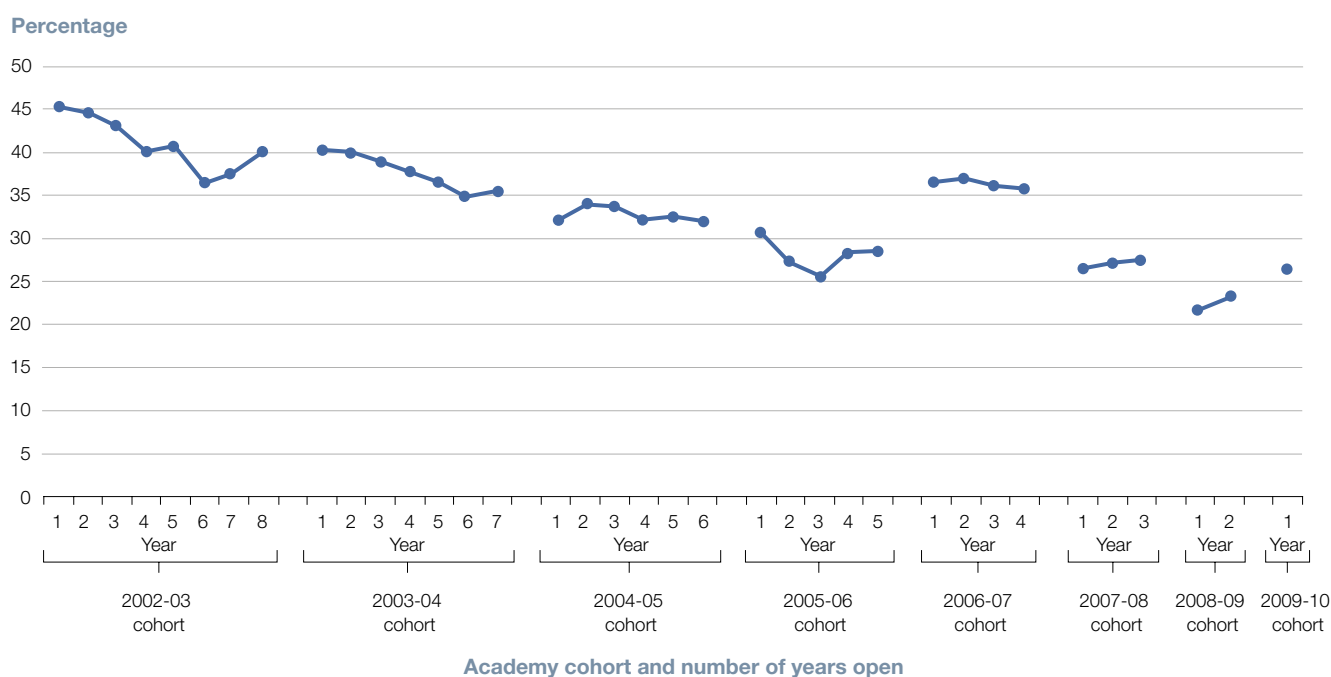
2 For method of selecting schools see Appendix One.

Source: National Audit Office analysis of National Pupil Database

**2.19** A further measure of the extent to which academies are increasing inclusion in deprived areas is the balance of their pupils registered and not registered as eligible for free school meals. The proportion of such pupils attending academies between 2002-03 and 2009-10 has fallen from 45.3 to 27.8 per cent,<sup>9</sup> although it remains over twice the national average. As **Figure 13** shows, this reduction is mainly due to later academies having lower proportions of such pupils from the start (a factor partly dependent on which local authorities have supported academies in their area), although in some cases the proportions in individual cohorts have also decreased over time. In all cohorts, however, the absolute number of such pupils was higher in 2009-10 than in their first year of operation.

**Figure 13**

Percentage of pupils registered as eligible for free school meals in academies from 2002-03 to 2009-10, by year of opening



**NOTE**

<sup>1</sup> Includes all academies that opened from 2002-03 to 2009-10 except former city technology colleges and former independent schools. Numbers in each cohort are: 2003-04: 9; 2004-05: 5; 2005-06: 7; 2006-07: 18; 2007-08: 30; 2008-09: 45; 2009-10: 69.

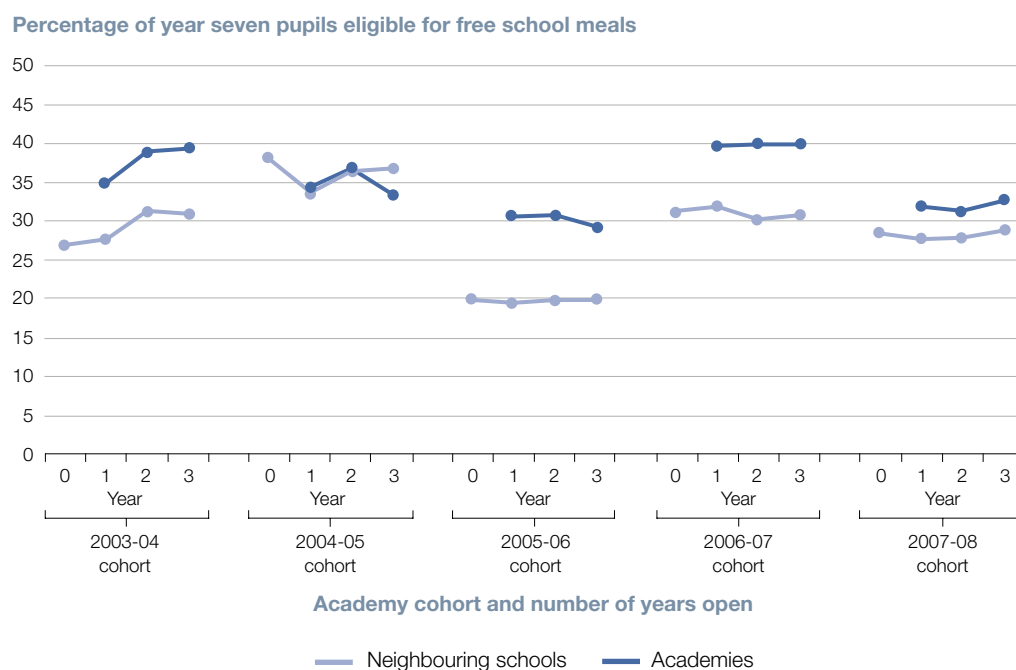
Source: Department for Education

<sup>9</sup> Excludes former city technology colleges and former independent schools.

**2.20** While this trend suggests academies are becoming popular with families from more diverse backgrounds, it is also important to consider the potential impact on neighbouring schools. To explore whether the presence of an academy has an impact on neighbouring schools' pupil profile, we examined the proportion of the year seven intake registered as eligible for free school meals both at academies and at neighbouring schools, from one year before the academy opened to two years after (**Figure 14**). With the exception of the 2004-05 cohort, the proportions of pupils registered as eligible for free school meals in neighbouring schools did not alter in response to changes in the nearby academy, suggesting no significant displacement of such pupils from the predecessor school to neighbouring schools once it becomes an academy.

**Figure 14**

Proportions of year seven pupils registered as eligible for free school meals at academies in the first three years after opening, and changes in the proportions at neighbouring schools over the same period



**NOTES**

- 1 Year 0 is the year before the academies in each cohort opened.
- 2 Figures must be interpreted with caution given the small numbers of academies opening in these years and included in this analysis (2003-04: 9; 2004-05: 5; 2005-06: 7; 2006-07: 18; 2007-08: 28).
- 3 For method of selecting schools see Appendix One.

Source: National Audit Office analysis of National Pupil Database

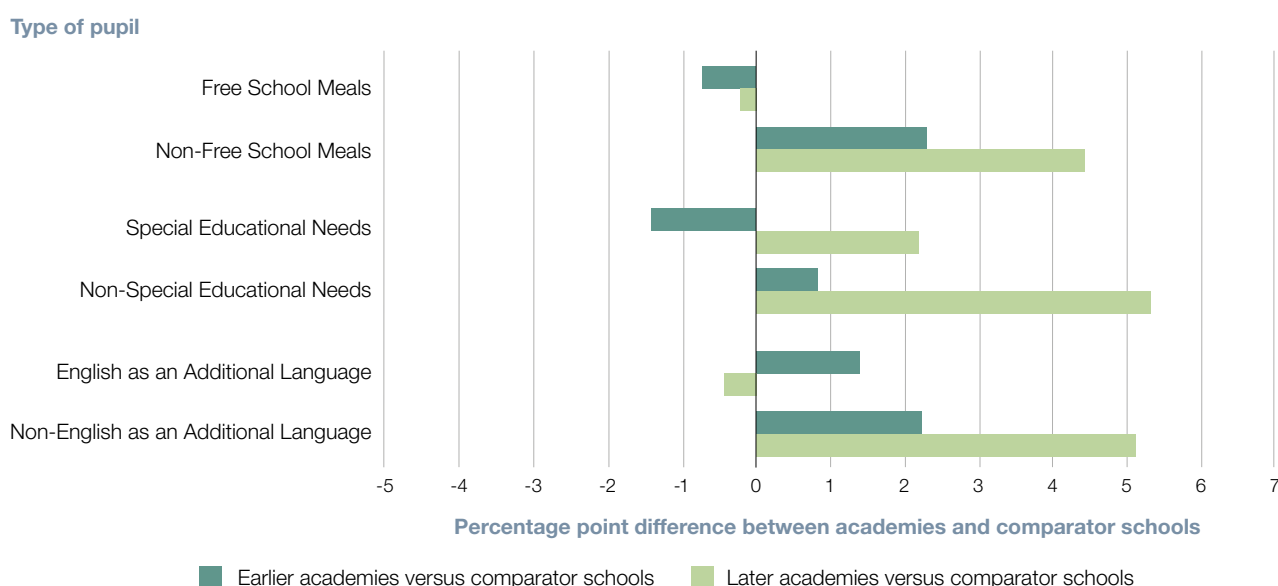
## Inclusion and achievement

**2.21** To explore the extent to which academies are reconciling the Programme objectives of inclusion and raising academic achievement, we examined separately the GCSE performance of pupils registered as eligible for free school meals, pupils with special educational needs<sup>10</sup> and pupils who have English as an additional language, comparing this performance to the equivalent groups in comparator schools.

**2.22** The performance of these pupils at academies has improved over time, although the achievement gap between such pupils and those from less challenging backgrounds has widened in academies compared with comparator schools (**Figures 15** and **16**). This suggests that it is substantial improvements by the less disadvantaged pupils that are driving academies' improved performance overall. This effect applies both for the percentage of pupils achieving five or more A\*-C grade GCSEs or equivalent including English and mathematics (Figure 15) and for the percentage achieving the expected GCSE grades in English and mathematics relative to their attainment level when starting secondary school (Figure 16 overleaf). These results indicate that less disadvantaged pupils benefit from improved standards at the academy more immediately, and that other pupils may take longer to benefit.

**Figure 15**

Comparison of the change in percentage of pupils from more and less challenged backgrounds achieving five or more A\*-C grade GCSEs or equivalent (including English and mathematics) in academies and comparator schools, 2006-07 to 2008-09



**NOTE**

<sup>1</sup> Bars right of the vertical axis show academies achieving higher rates of improvement than their comparator schools. Bars left of the vertical axis represent lower rates of improvement than comparator schools.

Source: National Audit Office analysis of National Pupil Database

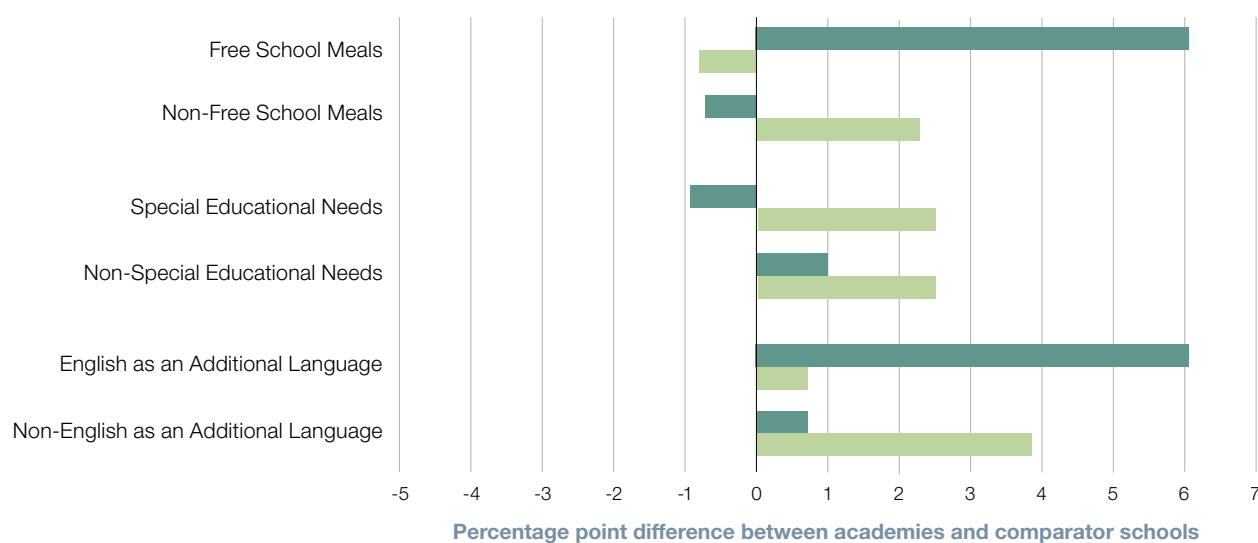
<sup>10</sup> Includes pupils with a SEN statement, as well as pupils at 'School Action' and 'School Action Plus' (i.e. who require support, but whose schools meet their needs without a statement).

**Figure 16**

Comparison of the change in percentage of pupils from more and less challenged backgrounds making the expected progress in English and mathematics from Key Stage 2 to Key Stage 4 in academies and comparator schools, 2006-07 to 2008-09

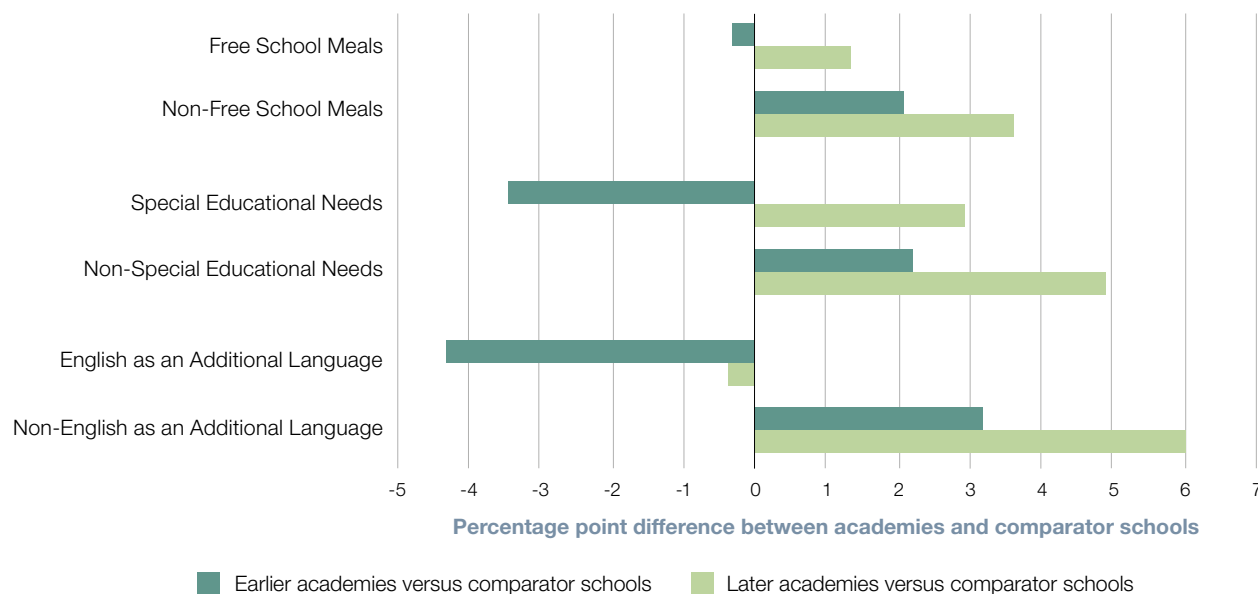
#### Percentage point difference between academies and comparator schools (English)

##### Type of pupil



#### Percentage point difference between academies and comparator schools (mathematics)

##### Type of pupil



#### NOTE

- 1 Bars right of the vertical axis show academies achieving higher rates of improvement than their comparator schools. Bars left of the vertical axis represent lower rates of improvement than comparator schools.

Source: National Audit Office analysis of National Pupil Database

## Exclusions

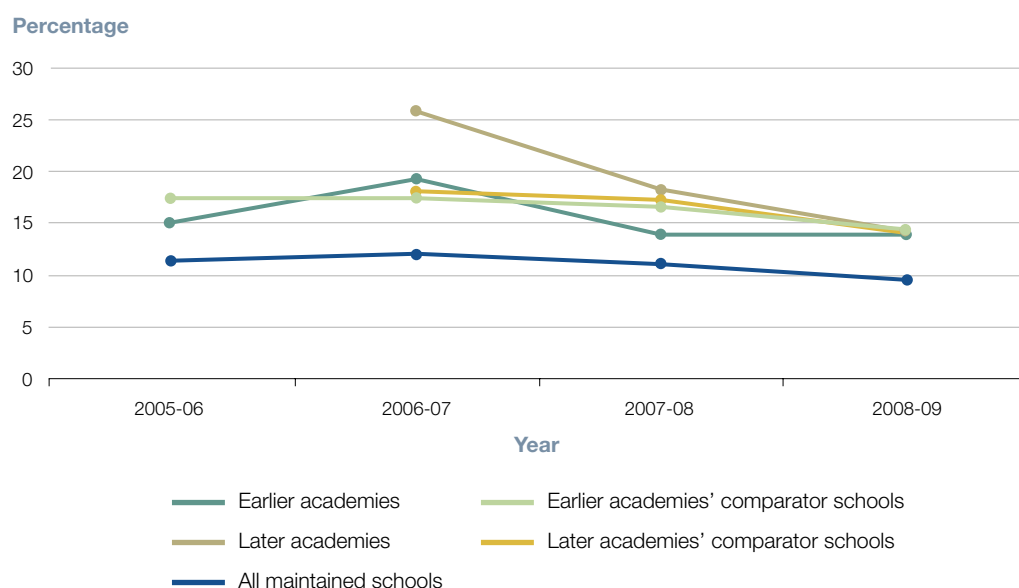
**2.23** Although academies manage their own arrangements for exclusions, they are required to participate in their local authority's 'fair access' protocol, which requires all schools in an area to admit children with challenging behaviour even where this exceeds agreed admissions. Seventy-four per cent of academies we surveyed reported that they are participating in these protocols. In some cases schools which already have high proportions of such children are not required to admit more.

**2.24** Our previous report found that academies tended to exclude high proportions of pupils, particularly in the first year, usually reflecting the academy's strategy for improving pupil behaviour. **Figure 17** confirms that academies' fixed-period exclusion rates overall are higher than the maintained-sector average, although between 2006-07 and 2008-09 they fell faster than both comparator schools and the maintained sector as a whole.

**2.25** Academies' permanent exclusion rate is considerably higher than the maintained-sector average, although between 2005-06 and 2008-09 it fell by 0.32 percentage points in earlier academies, compared to 0.15 percentage points in comparator schools. Permanent exclusions in later academies have fallen in the last three years, although less rapidly than in comparator schools. Many academies we visited were employing innovative alternatives to exclusion, such as heavily supervised off-site provision supported by a highly vocational curriculum.

**Figure 17**

Fixed-period exclusions as a percentage of pupil headcount in academies, comparator schools and all maintained schools, 2005-06 to 2008-09



**NOTE**

1 Trends should be interpreted with caution as figures are only available from 2005-06 to 2008-09.

Source: National Audit Office analysis of National Pupil Database

## Helping to raise aspirations and standards in the local community

**2.26** Contributing to raising aspirations and standards in the local community is a key objective of the Programme, with academies' funding agreements containing an explicit duty to promote community cohesion. We examined a range of data to assess progress against this objective and explore academies' impact on local communities.

### Raising post-16 aspirations

**2.27** We used our academy census to collect data on destinations of academy pupils after they completed compulsory education, between 2006-07 and 2008-09. The results indicated that academies had reduced by more than half the proportion of their pupils not going on to education, employment or training (NEET) after compulsory education (**Figure 18**).

**2.28** Increasing the staying-on rates for pupils after 16 is an important measure of educational success. Most academies are keen to develop sixth forms, both to help raise pupils' aspirations and to attract and retain quality teaching staff. By 2009-10, 174 of the 203 academies had established a sixth form. In 2008-09, nearly 43 per cent of pupils went on to the sixth form in the same academy, up from 32 per cent in 2006-07.

**2.29** For those academies whose sixth forms had received Ofsted inspections as at March 2010, the overall effectiveness of provision was judged to be good or outstanding in 11 earlier academies (61 per cent), a similar proportion to all maintained schools but greater than comparator schools (43 per cent). For later academies, seven (29 per cent of the group) were judged to be good or better, compared with 61 per cent of comparator schools. Whilst quality of sixth-form provision is influenced by a number of variables, these figures suggest that one important factor is the time required for improvement to bed in.

### Working with neighbouring schools and other local education providers

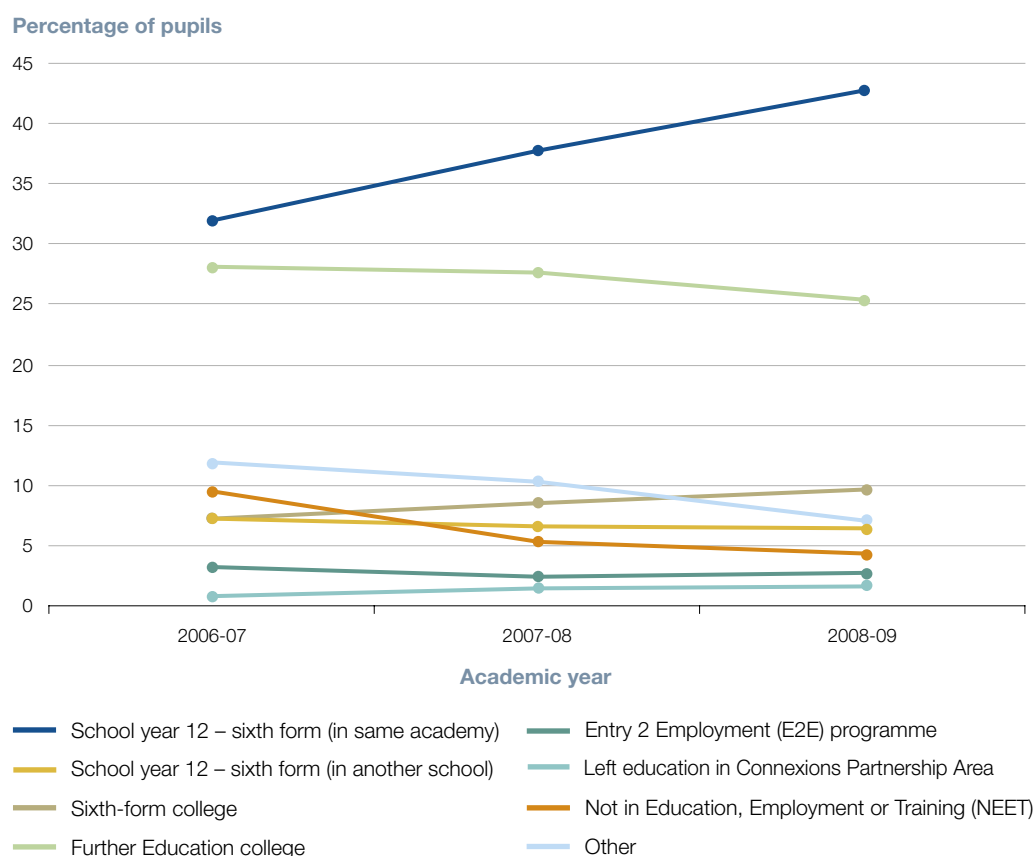
**2.30** When the Programme was launched, academies were expected to contribute to improving the performance of neighbouring schools within four years of opening. More generally, schools that work in effective partnerships regard these as a valuable tool in raising standards.<sup>11</sup> Our previous report on academies found little evidence of such collaboration with local maintained schools, mainly because academies needed to focus first on improving their own performance.<sup>12</sup>

<sup>11</sup> National Audit Office, *Partnering for School Improvement*, HC 822, 2008-09.

<sup>12</sup> National Audit Office, *The Academies Programme*, HC 254, 2006-07.

**Figure 18**

Destination data of pupils from academies after leaving compulsory education at 16, 2006-07 to 2008-09



Source: National Audit Office academies survey

**2.31** Our visits for the current report did identify effective examples of partnership working with other schools, particularly ‘feeder’ primary schools. We also found collaboration between academies in federations or chains, for example through more experienced academies sharing good practice with recently established peers. Some academies told us that they were keen to forge closer partnerships with the maintained sector, but sometimes faced negative perceptions from local authorities and neighbouring schools. Our survey of local authority Directors of Children’s Services confirmed that there is scope for greater collaboration. Only a quarter of respondents with academies in their area were satisfied with the contribution these academies make to raising standards in neighbouring schools.

**2.32** Schools (including academies) are expected to collaborate to deliver the full 14-19 curriculum. We examined the extent to which academies work in partnership with others as part of local 14-19 consortia, either as lead partner or provider of Diplomas, Apprenticeships or Foundation Learning. **Figure 19** overleaf shows that only a minority of academies responding to our survey currently offer these qualifications, and most have no plans to do so.

## Working with the wider community

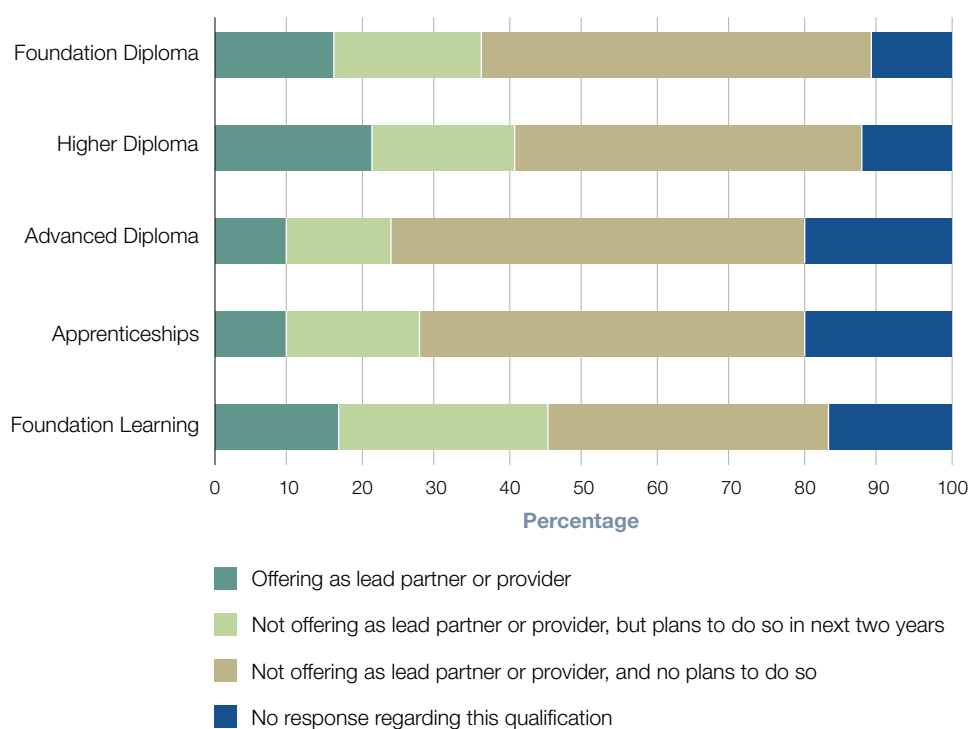
**2.33** Academies, like maintained schools, have a statutory duty to contribute to community cohesion. Many of the academies we visited viewed their staff and other resources, especially new buildings, as integral to community regeneration. Most academies offered the community facilities for sport as well as other activities such as adult learning and English for speakers of other languages. Many made specific efforts to engage 'hard-to-reach' families, for example through outreach workers.

**2.34** From September 2010, all schools are expected to provide a range of core extended services to the community outside the school day. As at March 2010, 86 per cent of academies were providing the full core extended services, compared with 97 per cent of all maintained secondary schools. Almost half of the 28 academies not yet providing full services only opened in 2009, although these figures still suggest that a small number of more established academies are not keeping pace in making their facilities available to the community outside the school day.

**Figure 19**

Proportion of academies that offer, or plan to offer, 14-19 Diplomas, Apprenticeships or Foundation Learning

### 14-19 curriculum qualifications



Source: National Audit Office academies survey

# Part Three

## Management and governance of academies

**3.1** Under the Academies Act 2010, the number of schools becoming academies is likely to increase significantly in coming years. In this part of the report we examine the following aspects of the Programme, which are also relevant to its future expansion:

- leadership and staffing;
- financial management; and
- governance.

### Leadership and staffing

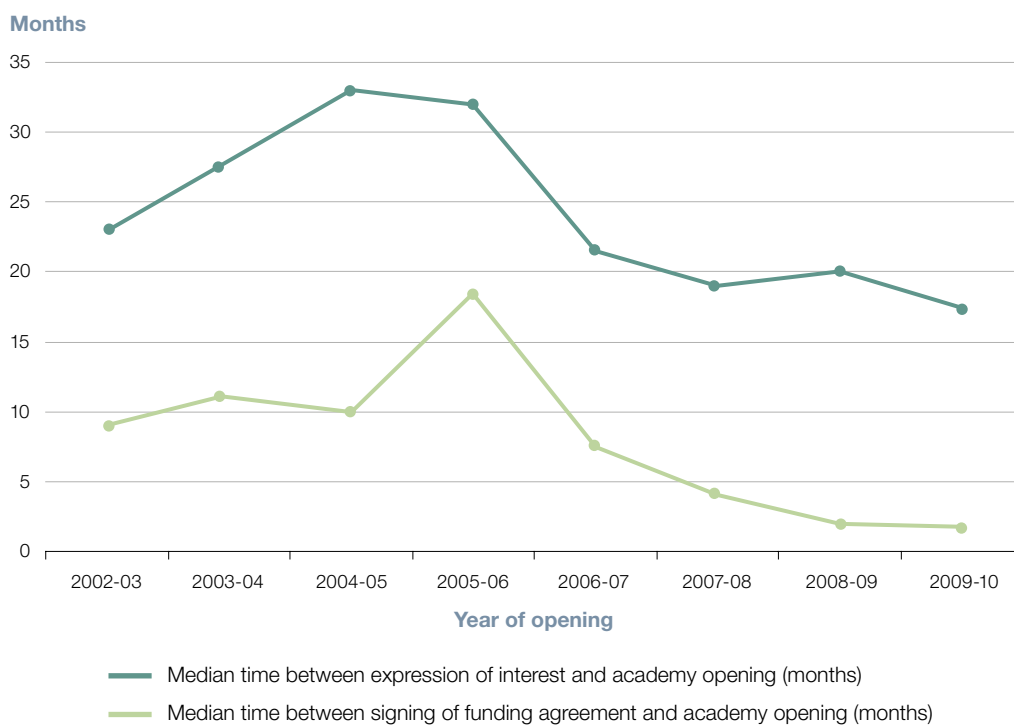
**3.2** While high-performing schools becoming academies in future are likely to retain their senior teams and staff, existing academies have almost always been established with new leadership, and involved some staff redundancy or retirement. As the Programme will continue to focus partly on replacing underperforming schools, the need for both timely appointment of effective leaders and well-managed staff restructuring will remain important to its future success.

**3.3** However, the rate of establishing new academies has increased rapidly in recent years, making it more difficult to finalise such arrangements before the academy opens. The average time between Ministers agreeing the expression of interest for the establishment of an academy and its opening reduced from 33 months in 2004-05 to 18 months in 2009-10 (**Figure 20** overleaf).

**3.4** Timeframes for another crucial milestone in establishing a new academy, the signing of its funding agreement, also reduced drastically in this period. Without a signed funding agreement, academies cannot finalise staff appointments and other significant commitments. However, academies opening in 2008-09 and 2009-10 signed their funding agreements on average just two months before they opened.

**Figure 20**

Average time between expression of interest, signing of funding agreement and academy opening, by academy cohort



Source: National Audit Office analysis of Department for Education data

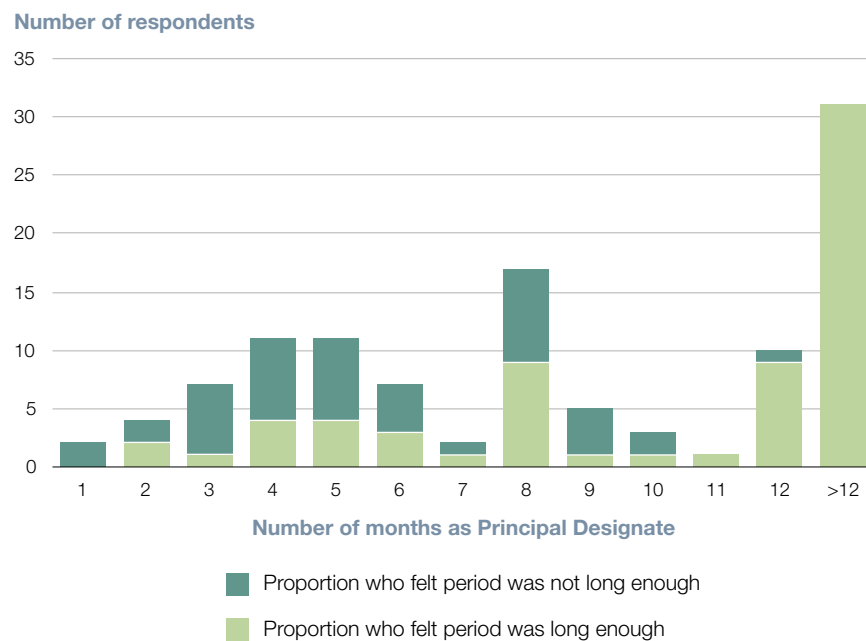
**3.5** Where an academy replaces a predecessor school, staff restructuring can involve complex legal arrangements and negotiations with local authorities, governing bodies, staff and unions. The Department ideally expects restructuring to take place before the academy opens. However, in a fifth of academies responding to our survey the necessary restructuring did not take place before opening, and our visits identified a negative impact on teaching and learning where this had been the case. Timely restructuring has become increasingly difficult as the Programme has accelerated, prompting the Department to develop policies and guidance to help academies manage resultant challenges. The Department anticipates that academies replacing underperforming schools in September 2010 are unlikely to complete restructuring before this date.

**3.6** Departmental guidance states that ideally a Principal Designate and key personnel (including the Finance Director) should be appointed in time to have clear strategic and operational impact on the new academy. Most academy Principals who had also been the Principal Designate told us that they found a lead-in time of less than ten months insufficient (**Figure 21**). For academies that opened in 2009-10, more than a quarter of Principals were appointed less than a term before opening compared with 4 per cent and 6 per cent for academies that opened in 2008-09 and 2007-08.

**3.7** Our survey also highlighted that more than a third of academies did not have a complete new senior team in place before the academy opened. The Department has increasingly sought to manage such situations through educational improvement grants, paying academies an additional £3.2 million in 2008-09 and £5.1 million in 2009-10.

**Figure 21**

Length of Principal Designate period, and Principals' opinions as to whether this was long enough



Source: National Audit Office academies survey

**3.8** Difficulties appointing senior staff may be caused not just by shortened timeframes, but also by lack of suitable candidates able to meet the diverse challenges of establishing and leading an academy. Our surveys found that 85 per cent of academies and 60 per cent of local authorities with academies felt that a shortage of high-calibre headteachers in the school system would be a key risk to the Programme's sustainability.

**3.9** Academies have more flexibility than maintained schools to set pay and conditions, and can offer additional incentives to attract and retain staff. Although our survey found that 79 per cent of academies pay their teaching staff according to nationally agreed pay scales, there is a significant differential between senior salaries in the maintained sector and those reported in the accounts of academy trusts. On average, in 2007-08 and 2008-09 there were 50 per cent more senior leaders per school earning over £80,000 in the academies sector than in maintained secondary schools.

**3.10** Academies are developing leadership capacity internally, notably through 'future leader' programmes covering all academies in a federation or chain. Our survey found that on average 2.5 members of staff in each academy (in addition to the Principal) have the National Professional Qualification for Headship. Nearly 60 per cent of academies had plans for another staff member to take the qualification within the next 18 months.

**3.11** Academies told us that their staffing models favour the use of high-performing newly qualified teachers, and academies are strongly represented in the *Teach First* Programme.<sup>13</sup> Just under a third of participants who have completed two years of the Programme have done so in academies, or schools that have become academies. Our case studies frequently highlighted the contribution made by *Teach First* staff to raising standards, although having a high number of relatively inexpensive junior staff at the outset means that academies can face budgetary pressures later as they move up the pay scales.

## Financial management

**3.12** Academies have greater financial freedom than maintained schools, and it is important that their financial management is sound. The Department strongly recommends that academy Finance Directors should be CCAB-qualified accountants, and this was the case in 61 per cent of academies responding to our survey. The acceleration in the opening of academies, and the risks associated with greater freedoms, means that finance staff and control systems at many new academies will need to be developed quickly.

<sup>13</sup> *Teach First* encourages highly qualified graduates to teach for at least two years in challenging secondary schools in London, the North West and the Midlands.

**3.13** Academies have the freedom to determine their own cost centre structure, which makes it difficult to monitor and analyse detailed financial performance across academies, and benchmark against comparable maintained schools. In addition to annual accounts and funding returns, academies are required to submit a supplementary detailed income and expenditure return to the Department. However, only 38 per cent of academies<sup>14</sup> have submitted a return in all years since opening, and 39 per cent have never submitted this return. In future, such returns will be sent to the Young People's Learning Agency, which intends to agree a set of appropriate returns with academies and improve compliance.

**3.14** Like other schools, a high proportion of academies' expenditure is fixed for staffing and premises costs. All schools face challenges to make savings in these areas, but academies have particular risks due to low pupil:teacher ratios and relatively high salaries paid to senior staff. For example, in 2008-09 academies spent on average over £3,100 per pupil<sup>15</sup> on teaching staff, compared to an average of £2,700<sup>16</sup> in comparable maintained schools. Academies responding to our survey were least confident that they could make significant savings on staff numbers and pay, and educational welfare support, although the majority were confident they could deliver efficiencies in procurement and other support functions.

**3.15** While most academies are operating with a surplus, 5 per cent of open academies are forecasting a cumulative deficit<sup>17</sup> (before additional financial support from the Young People's Learning Agency) at the end of 2009-10. The Agency has identified that just over a quarter of academies may require additional financial or managerial support to secure their longer-term financial health. In addition to working with these academies to produce recovery plans, the Agency expects to pay ten of them a total of £8.5 million in additional funding to help manage deficits in 2010-11.

**3.16** Academies do not carry forward surpluses or deficits from their predecessor schools.<sup>18</sup> They can, however, inherit underlying 'structural' deficits in the form of recurrent expenditure that cannot be sustained, for example, excessive staff costs not resolved by restructuring before opening (paragraph 3.5). A number of academies identified with higher financial risk are operating with an underlying deficit, currently being offset by non-recurrent start-up funding. Such deficits would have had to be addressed even if these schools had not become academies, although this would potentially have been done through local authority budgets for maintained schools rather than additional funding from the Department.

<sup>14</sup> Figures are a percentage of academies open in 2008-09, since 2009-10 returns (including those from 2009-10 openers) are not yet due.

<sup>15</sup> Source: NAO analysis of supplementary detailed income and expenditure returns.

<sup>16</sup> Source: *Schools Consistent Financial Reporting (CFR) Benchmarking*.

<sup>17</sup> Cumulative deficits occur where expenditure exceeds the total of income for the year and retained surpluses brought forward from previous periods.

<sup>18</sup> Schools converting to academy status under the new legislation retain their existing surplus or deficit.

**3.17** A further common factor contributing to deficits is over-estimation by academies of future pupil numbers, resulting in the Department clawing back funding in subsequent years. In 2009-10, the Department recovered some £4.1 million in total from 34 academies.

**3.18** Reviews by the Department of academies' systems and controls on opening (repeated annually according to assessed risk thereafter) have not been consistently conducted. For example, around half of academies opening in 2008-09 were not reviewed due to lack of resources to undertake the reviews. Even so, over two thirds of academies responding to our survey said they found the reviews useful, and 83 per cent felt the same about the Department's financial guidance.

**3.19** The process for calculating each academy's annual grant is complex and resource-intensive. The Department's capacity to issue timely funding letters for 2010-11 has been stretched, with a significant impact on academies' financial planning. Forty-seven per cent of academies responding to our survey felt that the Department's budgeting and forecasting were either not very useful or not at all useful.

**3.20** The Young People's Learning Agency has increased its capacity for allocating funding for 2010-11 by redeploying resources from other areas of work. However, plans for faster expansion of the Programme will continue to put pressure on resources, and may make it difficult to sustain the current individualised approach to funding and funding agreements.

## **Governance**

**3.21** Academies are managed by academy trusts, which are companies limited by guarantee with charitable status. Each academy has a governing body which governs the academy on behalf of the trust. One trust may have one or more academies.

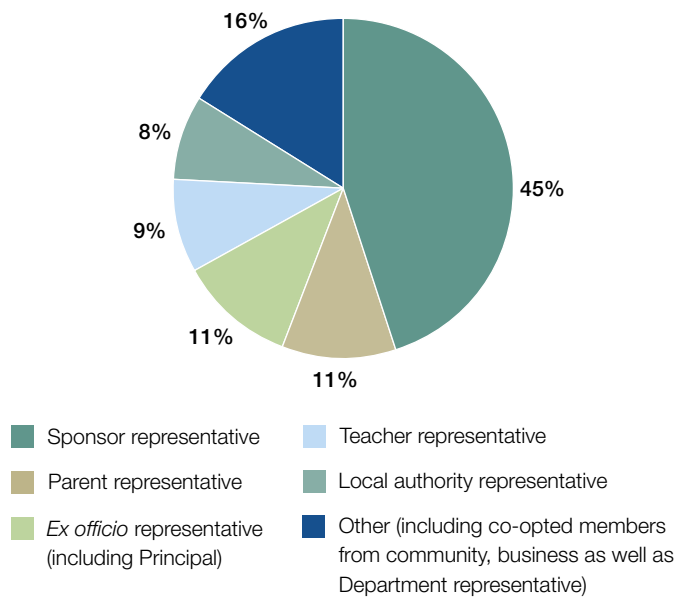
**3.22** Our survey found that on average academies had 13 governors, a similar number to maintained schools. The sponsor appoints the majority of governors. Others should include a local authority representative, the principal in an *ex officio* capacity, and a parent. In common with the maintained sector, many academies we visited were experiencing difficulties in involving parents and members of the community in day-to-day business, although events such as parents' evenings were generally well attended.

**3.23** While it is not a requirement to have a staff representative, 82 per cent of academies responding to our survey did have staff representation. Sponsor representatives fill the most governor positions, at 45 per cent (**Figure 22**).

**3.24** The large majority of academies responding to our survey were confident that their governing bodies had the appropriate skills to support and challenge the running of the school. Eighty-four per cent of respondents were very confident that governors had the right business skills and the right financial management skills. Seventy-seven per cent were very confident that governors had appropriate knowledge of education.

**Figure 22**

Average proportions of governor types on the governing bodies of academies



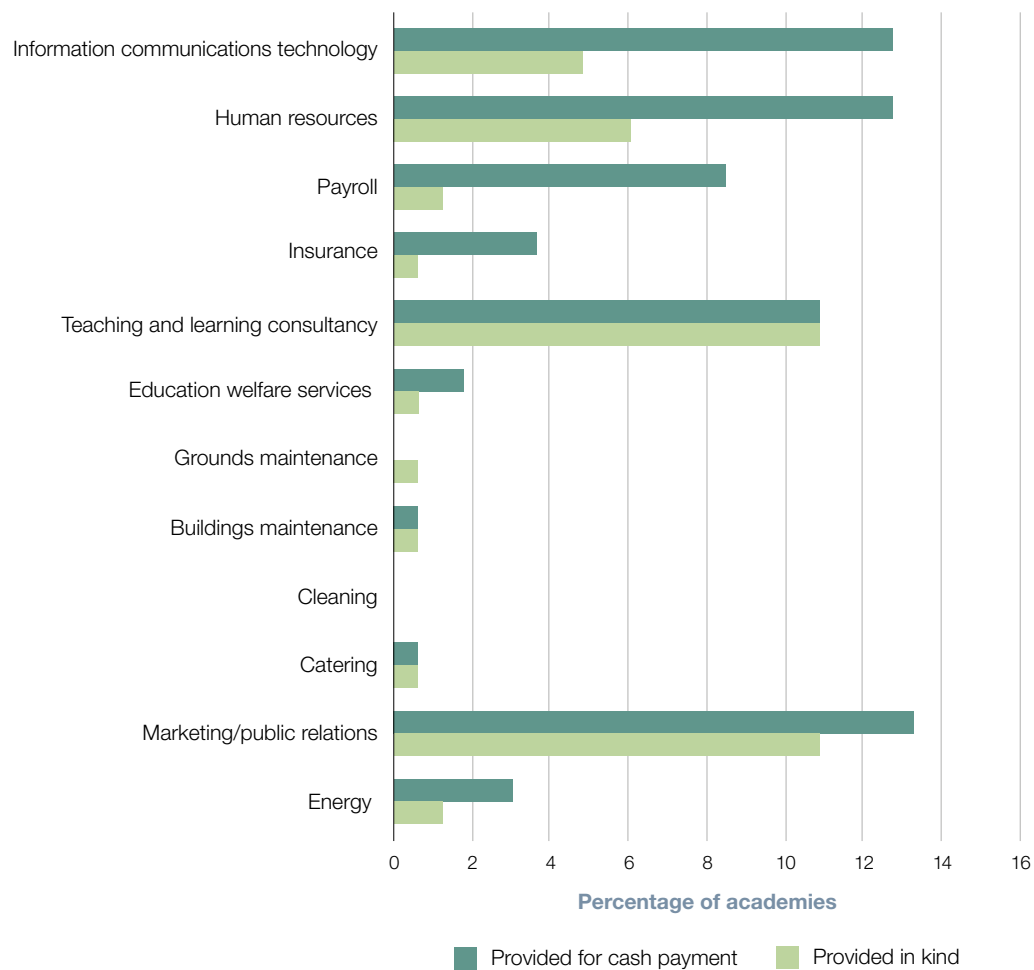
Source: National Audit Office academies survey

**3.25** Sponsors have strong influence on the running of academies, which brings both benefits and risks to value for money. A conflict of interest may arise where they provide paid services to the academy: a quarter of academies responding to our survey said their sponsor provided paid services, and 44 per cent said they could potentially provide goods or services in future. Some sponsors provide services at no cost to the academy. **Figure 23** overleaf shows that services academies pay for are primarily marketing, information communications technology, human resources, teaching and learning consultancy, and payroll.

**3.26** Sponsors of groups of academies often provide paid administrative services from a central team. On average these academies pay between 3 and 6 per cent of their core grant funding to cover these costs. Some academies told us they were making considerable efficiencies through using central services, though we also detected pressures on some academies to use such services rather than explore other options. There are risks to value for money unless the costs and conditions of services are checked against industry benchmarks and tested competitively from time to time.

**Figure 23**

Proportion of academies where sponsor provides services in kind and/or in return for cash payment

**Service type**

Source: National Audit Office academies survey

**3.27** Some of the financial management and governance risks identified above are not unique to underperforming schools in the Programme, but could apply to any school operating with academy-style freedoms. It is therefore particularly important that the Department manages them as the Programme expands further. Other examples include:

- Our survey identified that in almost one fifth of academies the chair of the governing body, who is usually a representative of the sponsor, also chairs the finance committee. It is preferable to separate these roles to avoid the risk of undue influence (real or perceived) on financial decision-making, particularly if the sponsor is also a potential provider of services.
- Our survey identified that almost two thirds of academies do not have an audit committee. While not a requirement, an audit committee is recommended by the Department and is good practice for charitable trusts.
- In the absence of an internal audit function, the governing body should appoint a Responsible Officer to provide assurance that financial responsibilities are being properly discharged. Sixteen per cent of survey respondents stated that their Responsible Officer also chairs the governing body, even though the Department's *Academies Financial Handbook* explicitly states that these roles should be separate. One in ten Responsible Officers also chairs the finance committee, against departmental guidance.
- Academy trusts must submit audited accounts to the Charity Commission and the Department each year. For the year ending 31 August 2009, the Department required audited accounts for trusts established on or before 31 March 2008 to be submitted by 31 December 2009. Of the 116 trusts due to submit accounts, 71 (61 per cent) did so within this timetable. At 31 March 2010, 13 trusts (11 per cent) had still not submitted. Of the 103 accounts received, nine (9 per cent) were unaudited. One account (1 per cent) received a qualified audit opinion and a further one may be qualified.

**3.28** The Department accepted the recommendation in our report on its financial management<sup>19</sup> that, to improve accountability on academies' use of public money, the responsible government agency should prepare an annual report for Parliament on the performance of the academies sector, including an audited consolidated account. The Young People's Learning Agency is establishing systems to address this recommendation, but the planned large-scale expansion of the Programme creates a significant administrative challenge to implementation of this and other aspects of good financial stewardship.

<sup>19</sup> National Audit Office, *Financial Management in the Department for Children, Schools and Families*, HC 267, 2008-2009.

# Appendix One

## Methodology

The main elements of our methodology are set out below.

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### Method

#### 1 School and pupil performance

Analysis of GCSE results from the 62 academies with at least two years of results (excluding former city technology colleges, former independent schools and former primary schools becoming all-through academies), compared to all maintained schools, and maintained schools with similar deprivation, prior attainment and five or more A\*-C grade GCSEs or equivalent including English and mathematics.

#### 2 Neighbouring schools

Analysis of academies' intake compared with neighbouring schools. Neighbouring schools were selected first if located within 1.5 miles of an academy. If there were less than two relevant schools within 1.5 miles, the two nearest schools were selected. Only schools within the same local authority were considered, except for London academies, where neighbouring schools could cross local authority boundaries to reflect pan-London admission arrangements.

Analysis included all academies that opened from 2002-03 to 2009-10 except former city technology colleges, former independent schools, and former primary schools becoming all-through academies.

#### 3 Survey of open academies

Web-based survey of academy Finance Directors and Principals. The survey ran between 8 March and 1 June 2010, and 165 of 203 academies (81 per cent) responded.

### Purpose

To assess trends in academies' attainment compared with the maintained sector and schools with similar intakes.

To assess whether academies are associated with a change in the intake of neighbouring schools, and to compare the distances pupils travel to school.

To gather data on:

- Financial management
  - Admissions and curriculum
  - Local relationships
  - Leadership and staffing
  - Governance
  - Support provided to the academy
-

Method	Purpose
<p><b>4 Survey of local authorities</b></p> <p>Web-based survey of local authority Directors of Children's Services. Three versions of the survey were used, depending on whether local authorities had:</p> <ul style="list-style-type: none"> <li>• open academies;</li> <li>• no open academies and no plans to open any by September 2012; or</li> <li>• no open academies but plans to open some by September 2012.</li> </ul> <p>The survey ran between 18 February and 30 April 2010, and 86 of 152 local authorities (57 per cent) responded.</p>	<p>To gather data on:</p> <ul style="list-style-type: none"> <li>• Challenges and benefits of having academies in the area</li> <li>• Critical success factors for further academies</li> <li>• Local relationships</li> <li>• Future plans and support for academies</li> </ul>
<p><b>5 Case study visits</b></p> <p>Day-long visits to 22 academies, covering a range of locations, sponsorship types, years of opening and Ofsted grades. Detailed discussions were held with senior leaders, Finance Directors, governors, teaching and non-teaching staff, pupils and parents.</p>	<p>To acquire qualitative data on:</p> <ul style="list-style-type: none"> <li>• Transition from predecessor schools</li> <li>• Curriculum/teaching and learning</li> <li>• Wider community impact</li> <li>• Financial management</li> <li>• Governance</li> </ul>
<p><b>6 Regression analysis</b></p> <p>Multiple regression with an output variable of academies' growth rate in percentage of five or more A*-C grade GCSEs or equivalent (including English and mathematics). Data representing features of the academies model were tested for correlations with improvement rates.</p>	<p>To explore which aspects of the academies model may be critical success factors for school improvement.</p>
<p><b>7 Financial analysis</b></p> <p>Analysis of the following data:</p> <ul style="list-style-type: none"> <li>• General Annual Grant allocations, 2002-03 to 2009-10</li> <li>• Academy trusts' statutory accounts, 2002-03 to 2008-09</li> <li>• Academies' supplementary detailed income and expenditure returns, 2002-03 to 2008-09</li> <li>• Maintained-school <i>Consistent Financial Reporting (CFR)</i> data, 2008-09</li> </ul>	<p>To compare income and expenditure between academies, and between academies and maintained schools.</p>
<p><b>8 Other school-level analysis</b></p> <p>Analysis of administrative datasets for academies and maintained schools, including:</p> <ul style="list-style-type: none"> <li>• National Pupil Database</li> <li>• Ofsted inspection data</li> <li>• School workforce census</li> <li>• Surplus places</li> </ul>	<p>To compare trends in curriculum, pupil numbers, staffing and performance.</p>



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