



National Audit Office

# The Academies Programme

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# EXECUTIVE SUMMARY

**1** An academy is a new type of school which is publicly funded, supported by one or more sponsors, and operates independently of the local authority. The Department for Education and Skills (the Department) intends that academies should raise achievement in deprived areas by replacing poorly performing schools or providing new school places where they are needed. The first three academies opened in 2002 and, by 2006, 46 academies were providing secondary education.<sup>1</sup> The Academies programme is substantial, with 200 academies planned to be open or in development by 2010 at a capital cost of around £5 billion. By October 2006, the programme had cost £1.3 billion in capital and running costs.

**2** We examined whether the Academies programme is able to meet its objectives and to deliver value for money, focusing in particular on:

- capital costs and running costs of academies;
- new academy buildings;
- academic performance of academies;
- academies' contributions to tackling social deprivation; and
- management of the programme.

<sup>1</sup> The names and locations of the 46 academies are at Appendix 2 and further details are on the Department's website at [www.standards.dfes.gov.uk/academies/projects/openacademies/](http://www.standards.dfes.gov.uk/academies/projects/openacademies/).

## 1 The Academies programme – facts at your fingertips

### What are the aims and objectives of the Academies programme?

The Academies programme aims to improve educational attainment in deprived areas, both by replacing poorly performing schools and by building new schools where more school places are required. The programme was announced in 2000, and is run by the Department for Education and Skills.

There are three main programme objectives:

- to drive up standards by raising achievement across the local area;
- to increase choice and diversity by creating a new type of local school that provides a good standard of education; and
- to have at least 200 academies open or in development by 2010, including 60 in London. In November 2006, the Prime Minister announced plans to double the number of academies to 400.

### What are academies?

- Academies are publicly funded schools that operate independently of local authorities.
- The Department has paid most of the capital costs and all the running costs.
- Each academy has one or more sponsors that the Department expects to have a commitment to educational excellence and the capacity to bring it about, for example by challenging traditional thinking on how schools are run.
- Sponsors of existing academies will contribute around £2 million to the capital costs of each academy and influence building design, curriculum, specialism(s) and ethos, and appoint members to the governing body. In future, sponsors' financial contributions will instead go into long-term endowments that academies can spend on their educational needs.

### How many academies are there?

Number of academies opened by:

September 2002	3
September 2003	12
September 2004	17
September 2005	27
September 2006	46

Source: National Audit Office, Department for Education and Skills

- The 46 academies now open include 23 in London.
- The 46 academies include five former city technology colleges and five new schools (i.e. academies that had no predecessor school) with a phased intake of pupils.
- Over 30 academies are planned to open in each of the next three years, increasing the total from 46 in 2006 to about 150 by 2009.

### How much do academies cost?

- According to the Department's information, the total capital cost of the programme for 200 academies will be around £5 billion. The programme had by October 2006 cost £1.3 billion.

Financial year	Costs (£ million)			Total
	Capital	Revenue	Management of programme	
2000-01	5	1	0	5
2001-02	3	6	1	9
2002-03	62	19	1	81
2003-04	130	55	2	187
2004-05	221	93	2	314
2005-06	252	146	4	401
2006-07	168	144	2	314
<b>Total</b>	<b>840</b>	<b>463</b>	<b>11</b>	<b>1,314</b>

(Note: numbers may not total, due to roundings.)

- All academies involve some initial capital costs. These costs have so far ranged from £6.5 million to £40.4 million, and the average is £24 million (Appendix 4).
- The Department aims to provide academies with funding for running costs that is equivalent to other maintained schools in similar circumstances.
- The total amount of revenue funding provided for 2005-06 to each of the 27 open academies varied between £2.2 million and £8.7 million, and between £4,300 and £6,400 per pupil, excluding start-up grants.

**3** We collected evidence from a range of sources, including visits to 17 academies, analysis of school performance data, a survey of schools located close to academies, and interviews with the Department and other key stakeholders (Appendix 1 provides more details).

## Capital and running costs: are academies expensive?

**4** The Department sets capital budgets for academies by reference to other good quality new schools, reflecting its intention to raise the standard of school buildings generally. In addition, it has often allowed some extra funding to be planned within capital budgets, including for difficult site conditions and temporary accommodation during construction. 17 of the first 26 academy projects suffered capital cost overruns, averaging £3 million.<sup>2</sup> Overall, academies have cost more to build than other secondary schools, at around £24 million on average (around £27 million for those that are entire new buildings) and as high as £40 million. By comparison, the Department's information on a small number of new secondary schools indicates that they typically cost between £20 million and £22 million. However, the capital costs of these schools are not directly comparable with academies because of a number of factors, including differences in location, site constraints, number and age range of pupils and local construction prices.

**5** For the future, the Department aims to reduce the cost of academy buildings by incorporating the delivery of the new buildings into its Building Schools for the Future programme. For those academies being built in areas not yet covered by Building Schools for the Future, the Department has been developing a national framework that is designed to realise cost savings, for example through the commissioning of more than one new school in an area.

**6** The Department calculates the annual funding of open academies so that they are no better or worse off than similar local schools. To cover the diseconomies in staffing and other running costs (such as the purchase of teaching material) incurred by a new school, the Department also provides each academy with start-up funding for up to four years after opening, or occasionally longer. Start-up funding has averaged £1.6 million in total so far for each of the first 12 academies.

## Academy buildings: are new academy buildings good quality?

**7** The Department aims to provide each academy with a high-quality teaching and learning environment with modern resources, in innovative and inspirational buildings. We found that compared with other new schools, most academies are of good quality, having benefited from a process that has given architects and users sufficient time to consider the design fully.

## Academic performance of academies: are academies improving results?

**8** It is relatively early days for measuring the performance of academies: for example, all GCSE entrants at academies have previously attended another secondary school. Nevertheless, the main features of academies' performance so far are:

- GCSE performance in academies has improved compared with predecessor schools;
- GCSE performance in academies in 2006 was broadly similar to that in comparable schools;<sup>3</sup>
- GCSE performance is improving faster in academies than in other types of school, including those in similar circumstances, and the gap between the best and worst performance of individual academies has narrowed;
- Key Stage 3 performance in academies in 2005 was comparable with Fresh Start schools;
- taking account of both pupils' personal circumstances and prior attainment, academies' GCSE performance is substantially better, on average, than other schools; and
- academy performance at advanced level study (unadjusted for context) is well below the national average, reflecting some academies' lack of focus on sixth forms in their early years.

<sup>2</sup> St Paul's Academy, which opened in 2005, is excluded from the analysis because the contract for the construction of its new building had not been let by the end of 2006.

<sup>3</sup> We identified that the most comparable schools to academies are new schools formed under the Fresh Start programme and schools in deprived areas that are supported by the Excellence in Cities programme. More details are at paragraph 2.6.

**9** Our earlier report on *Improving poorly performing schools*<sup>4</sup> identified the major factors in turning around a school's performance. The relatively good performance of academies reflects these factors; notably, most academies have high quality leadership and governance and have improved teaching and learning, drawing on the benefits of their new environments. Some sponsors have played an important part by raising aspirations and contributing to a positive ethos. On average, academies admit higher proportions of pupils eligible for free school meals, with special educational needs, and with low prior attainment than live in their immediate vicinity, so the improvements are unlikely to have been achieved through the selection of more able pupils. Some academies have innovative staffing and salary structures, but other maintained schools could do much the same. Academies also receive broadly similar funding to schools in similar circumstances, so the main material advantage that an academy has is its new (or, occasionally, remodelled or refurbished) building.

**10** While the results of most Ofsted inspections of academies have been encouraging, not every academy has achieved a satisfactory or better Ofsted inspection report. Unity City Academy in Middlesbrough and The Business Academy in Bexley have received critical inspection reports.<sup>5</sup> Unity was made subject to special measures in March 2005, and Ofsted's most recent monitoring visit in November 2006 found that its overall progress was inadequate, although its rate of improvement had accelerated rapidly in recent months. Ofsted issued The Business Academy with a Notice to Improve in November 2005, and it will re-inspect the Academy by March 2007.

## Contribution to tackling social deprivation: are academies tackling deprivation?

**11** The Academies programme aims to raise aspirations and attainment in deprived communities, and academies are located in places where they can serve these communities. Academies are raising the attainment of their pupils with deprived backgrounds, for example by providing a range of vocational GCSEs alongside the academic qualifications. The focus on vocational qualifications is likely to have contributed to academies' relatively low performance when considering the proportions of their pupils achieving five GCSEs at A\* to C when English and maths are included.

**12** In their early years, academies have tended to focus primarily on addressing the major challenges inherent in establishing a new school. There is, as yet, little collaboration between academies and neighbouring schools, except with the 'feeder' primary schools. It is inevitable that academies will affect some neighbouring schools because academies mostly have better reputations than their predecessor schools and are much more popular with parents.

## Management of the programme: is the Department managing the programme effectively?

**13** This is a challenging programme for the Department, being a new activity with demanding targets for setting up academies and for quickly achieving big improvements in performance. The Department is on course to reach its target of 200 academies open or in development by 2010.

**14** The Department has had to develop and buy in expertise in project management, construction management, and educational improvement, to manage and deliver the programme. There are no formal post-project reviews of the setting up of each academy, though the Department has learned lessons and made systematic improvements, including to project management.

**15** Under current VAT regulations, academies cannot open their facilities to the local community beyond 10 per cent of total usage, otherwise they would incur substantial liabilities for VAT payable on the academy construction cost. The Department has been aware of the issues around VAT liability for several years. It is in continuing, high-level discussions with HM Treasury and HM Revenue & Customs to find a solution.

<sup>4</sup> *Improving poorly performing schools in England*, HC 679, Session 2005-06, January 2006.

<sup>5</sup> Opening in 2002, Unity City Academy and The Business Academy in Bexley were two of the first three to open.

### Value for money assessment

All pupils who have taken GCSEs in academies so far have spent time in other secondary schools, so the full impact of even the first academies will not be known for several years. However, their pupils' achievements in 2005 and 2006 indicate a strong trend in raising attainment. If this trend continues, the Academies programme will meet its objective of raising attainment in deprived areas.

Few academies have yet been able to contribute substantially to raising attainment more widely in their local area through collaboration with other schools, but they are starting to develop relationships locally. Value for money from the use of academy facilities is currently constrained by restrictions on the opening of the facilities to the community.

Given the progress made by most academies so far in improving the quality of education for their pupils, the Academies programme is on track to deliver good value for money. To achieve this goal the programme needs to pay particular attention to:

- managing the capital costs of academies, while continuing to provide good-quality, flexible learning environments; and
- the sustainability of the funding and performance of academies, including a timely managed withdrawal of funding for start-up costs for each academy and continuing improvement in academy performance.

## Our conclusions and recommendations

**a Most academies have made good progress in improving GCSE results. Overall performance in English and maths remains low, though there have been improvements in 2006.** Academies should give a high priority to literacy and numeracy learning to equip all of their pupils with these essential skills. The Department's education advisors should mirror this priority by continuing to work closely with academies to help them develop effective approaches and by sharing the lessons learned.

**b Most academy buildings are of good quality, and a major factor in their quality is the time and effort spent working with users on achieving good design.** It will be important that the Department, Partnerships for Schools and local authorities draw fully on the experience gained in building academies so that good quality buildings are also constructed through the Building Schools for the Future programme.

**c Most academy buildings have suffered cost overruns.** While some overruns resulted from unforeseen costs, overruns have also resulted from poor project management. The Department and Partnerships for Schools, which will be delivering later academy buildings, should increase the emphasis on the capability of project managers to track and monitor costs so that they can be properly controlled.

**d The Department neither undertakes nor commissions any post-project review after each academy has opened.** We noted many lessons from the academy projects we examined; while some lessons are passed on through informal channels, there is a risk that important experience is lost. The Department should ask all established academies to list the top ten lessons from their first years of experience. For academies that opened in September 2006, it should commission a post-project review involving all relevant stakeholders. It should disseminate all these lessons to academies currently in planning or being built.

**e Academies require and receive relatively high funding per pupil, reflecting their location in deprived areas. Nevertheless, most also face other risks to their sustainability, such as uncertainty about the costs of maintaining their innovative buildings and the availability of start-up funding from the Department.** The Department should support academies to move to equivalent revenue funding (i.e. without extra start-up funds) to similar local schools after three years, which is the time allowed for schools in the Fresh Start programme, or until academies that have a phased intake of pupils are full. The Department should also examine the costs of maintaining the new buildings, and use the results to inform the designs of future academies.

**f Some academies undertake all their own procurement and support services, while others are establishing collaborations to help share and reduce costs, either with the support of sponsors involved with more than one academy or by cooperating with local authorities.** The Department should encourage all academies to collaborate to achieve specific cost savings through shared services; for example, we estimate that by enabling all academies to buy insurance at a good price, the Department could help to secure savings of around £2 million a year. In the next two to three years, the Department should also review how spending patterns at academies have evolved, and whether the academies' financial freedoms are contributing to improved efficiency and effectiveness.

**g** The Academies programme is unevenly spread geographically and, reflecting government policy on school improvement, academies have particularly benefited parts of London. Availability of sponsors has been an important factor in determining the location of academies, as have the attitudes of different local authorities to the programme. The Department should undertake research into the most effective models of governance and sponsorship, and use the results to attract suitable sponsors.

**h** While the business case for an academy is usually strong, the case for the academy having a sixth form is sometimes less convincing. There can be good grounds for an academy sixth form, for example where existing providers are less able to meet an expected increase in demand for sixth-form places or where a sixth form could help to raise aspirations in deprived communities. However, the grounds for a sixth form need to be solid, in order to avoid the risk of unviable sixth-form provision that could lower, instead of raise, the overall quality of the area's post-16 education.

**i** There has been little collaboration between most academies and neighbouring secondary schools, which may see each other as 'competition'. Academies have generally sought support from the Department and other academies, and have focused their local contacts on primary schools in their area. However attitudes on both sides are changing. Most well established academies want to grasp the challenge of becoming a supportive partner to other schools in their area. Although the Department does not expect new academies to be able to collaborate much at first, it should accelerate collaboration by asking academies in their second or third year (taking account of the internal challenges they face) to produce and communicate proposals for collaboration with other schools in their area.

**j** There is a need to resolve the issue of large, unfunded VAT liabilities falling on academies if they do not restrain communities' use of academy buildings. Academies are typically built in areas that have historically suffered from lack of educational investment, and they are an enormous community resource. The Department and HM Treasury should seek to reach rapid agreement on an appropriate mechanism that would enable academies to raise community usage above the 10 per cent threshold allowed under the regulations governing eligibility for VAT relief.

**k** For the recently announced doubling in the size of the programme to be a success, the sector will require access to greater numbers of highly effective school leaders. Academy principals will be a vital ingredient of the success of the programme, but there is a risk that general shortages in school leaders will mean that academies cannot recruit the right people. The Department should work with its partners to recruit and develop more people as school leaders of academies and other schools in challenging circumstances.