



National Audit Office

**REPORT BY THE
COMPTROLLER AND
AUDITOR GENERAL**

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

Department for Education

The Academies Programme

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 2007.¹ 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,² 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.

¹ National Audit Office, *The Academies Programme*, HC 254, 2006-07.

² 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.