



National Audit Office

Report

by the Comptroller
and Auditor General

Department for Education

Investigation into university technical colleges

What this investigation is about

1 University technical colleges (UTCs) are a type of free school in England that focuses on teaching students who are mainly aged 14 to 19. UTCs are publicly funded state schools, independent of local authorities. Each UTC must be part of an academy trust, a charitable company that manages the school's budget and employs the staff. Academy trusts are directly funded by, and accountable to, the Department for Education (the Department), via the Education and Skills Funding Agency. Single-academy trusts have one academy school, while multi-academy trusts bring together groups of academy schools.

2 In 2010, the government undertook to improve the quality of vocational education, including increasing flexibility for 14- to 19-year-olds and creating new technical academies as part of plans to diversify school provision.¹ The Department supported the establishment of the first UTC in 2010/11 and the government announced its ambitions for UTCs in subsequent budgets.² The Department's vision was for employers and universities to work together, with educational experts, to open new institutions to deliver technical education in specialist areas that meets the needs of local employers and the economy.

3 However, UTCs have faced challenges that have threatened their viability. In December 2016, we reported that the then Education Funding Agency had assessed 22 of 47 UTCs as at risk due to financial concerns.³ The financial difficulties were caused, at least in part, by the fact that UTCs had fewer students than predicted. In January 2018, we reported again that UTCs had struggled to attract enough students.⁴ In light of Parliamentary interest in UTCs, this investigation builds on our previous work and sets out the facts about the UTC programme. It covers:

- introduction to UTCs (Part One);
- progress and financial performance (Part Two);
- educational performance (Part Three); and
- plans for improvement (Part Four).

4 We conducted our fieldwork between June and September 2019. Appendix One sets out our methods. The investigation does not assess the value for money of the UTC programme.

¹ HM Government, *The Coalition: our programme for government*, May 2010.

² In this report, government financial years are written as, for example, '2017-18' and run from 1 April to 31 March; school academic years are written as '2017/18' and run from 1 September to 31 August. Academy trusts report their finances in academic years.

³ Comptroller and Auditor General, *Financial sustainability of schools*, Session 2016-17, HC 850, National Audit Office, December 2016.

⁴ Comptroller and Auditor General, *Delivering STEM (science, technology, engineering and mathematics) skills for the economy*, Session 2017-2019, HC 716, January 2018.

Summary

Key findings

Progress and financial performance

1 In total 58 university technical colleges (UTCs) have opened but 10 of these subsequently closed as UTCs. The first UTC, The JCB Academy in Staffordshire, opened in 2010/11; most UTCs opened between 2013/14 and 2016/17. The 48 UTCs open at October 2019 are located across England (**Figure 1** overleaf). Ten UTCs (17% of those that opened) closed between 2014/15 and 2018/19. One of the UTCs that closed converted to a mainstream academy school; the Department for Education (the Department) transferred it and five other UTC sites to other academy trusts, returned one UTC site to the local authority, gifted one UTC site to a university and at the time of our work had not decided what to do with the sites of the two UTCs that closed in 2019 (paragraphs 2.2, 2.16 and 2.17, and Figures 1 and 4).

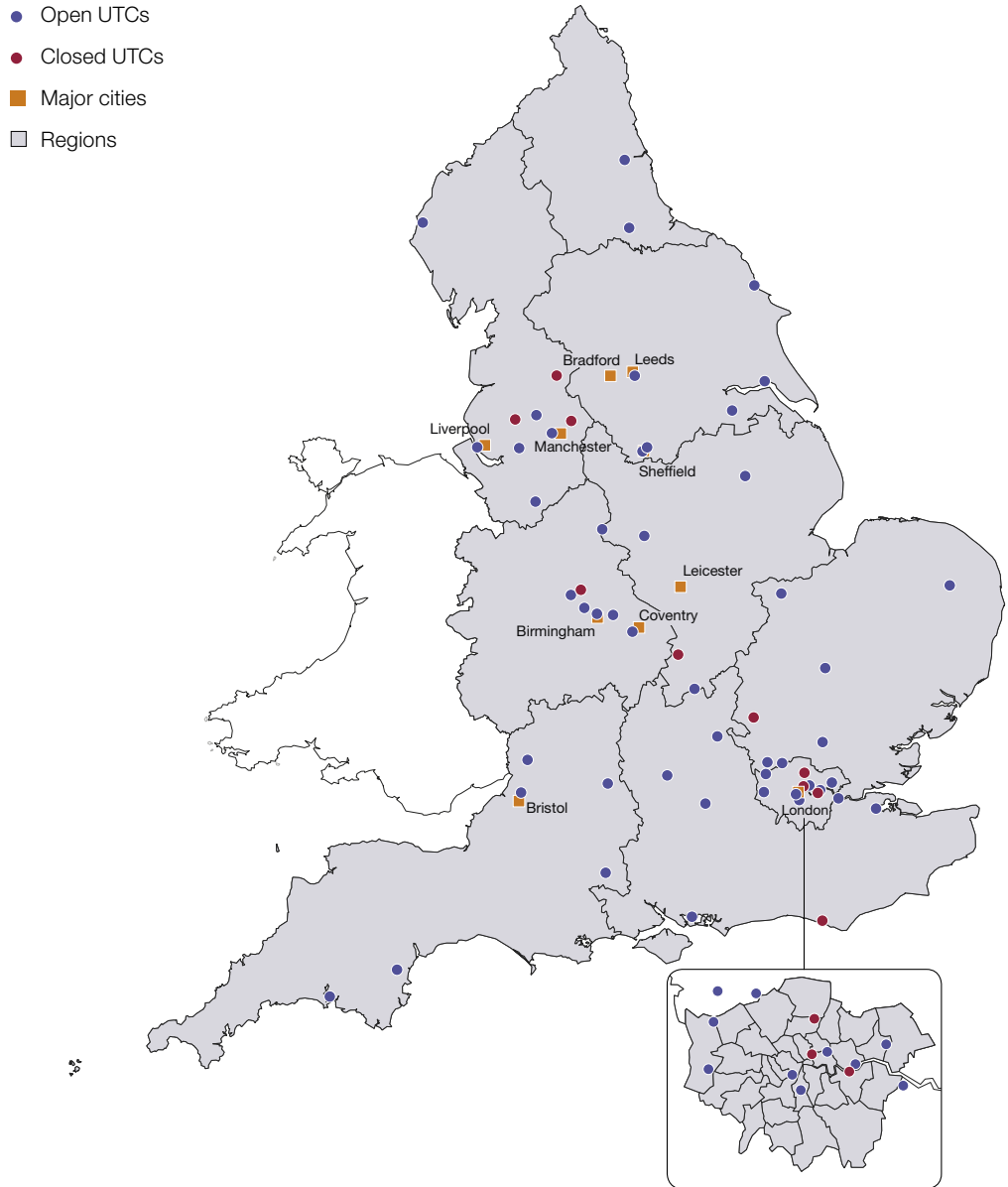
2 The 48 open UTCs were operating at 45% of capacity on average at January 2019, which has implications for their financial viability. The core funding that UTCs and other schools receive is mainly based on student numbers. At January 2019 (when data were last collected), the 48 open UTCs had 13,572 students. This represented 45% of their maximum capacity of 29,934. Occupancy rates at individual UTCs ranged from 10% to 101%. The 10 UTCs that closed were around one-quarter full on average in the two years before closure. UTCs tend to recruit students to start GCSE and A level and equivalent courses. As courses typically take two years, it takes time for UTCs to build up their numbers. However, they have also struggled to attract students at age 14, partway through the normal period of secondary education (paragraphs 2.2, 2.5 to 2.7, and Figures 5 to 7).

3 UTC's revenue deficits have grown and accounted for nearly 10% of the total cumulative revenue deficits reported by all academy trusts in 2017/18. The total cumulative revenue deficits reported by UTCs grew each year between 2014/15 and 2016/17, but fell in 2017/18 after the closure of four UTCs in single-academy trusts that had all been in deficit. Overall the total cumulative deficits rose from £3.5 million in 2014/15 to £7.7 million in 2017/18, when 14 of the 32 UTC academy trusts reported cumulative revenue deficits. The total of £7.7 million represented 9.9% of the total aggregate cumulative revenue deficit of £78 million for the 195 academy trusts that reported deficits in 2017/18 (paragraphs 2.8 and 2.9, and Figure 8).

Figure 1

Location of university technical colleges (UTCs), October 2019

There are UTCs in all regions of England with concentrations around London, the West Midlands and the North West



Notes

- 1 One further UTC, in Doncaster, is due to open in September 2020. Ministers have agreed in principle to close South Wiltshire UTC in August 2020.
- 2 The major cities shown are the top 10 cities by population size.

Source: National Audit Office analysis of Department for Education data and Office for National Statistics data

4 At July 2019, the Education and Skills Funding Agency (the ESFA) had significant concerns about the finances of 13 UTCs. Each month, the ESFA compiles a 'national concerns report' to highlight academy trusts of most concern, including UTCs. At July 2019, 13 UTCs in single-academy trusts featured on the national concerns report, 12 due to their financial position and one due to compliance issues (paragraph 2.10 and Figure 9).

5 The ESFA has formally intervened in eight UTCs, of which two subsequently closed. Where it has significant concerns, the ESFA may take formal action by issuing the academy trust with a public warning, known as a 'financial notice to improve'. The ESFA has issued financial notices to improve to eight UTCs. At October 2019, four of these notices remained in place; two academy trusts had addressed the issues of concern and the ESFA had lifted the notices; and two UTCs had closed (paragraphs 2.11 and 2.12).

6 The Department monitors whether students from UTCs that close move to other schools or colleges, but has not retained evidence of where students have been placed. When a UTC closes, the local authority is responsible for finding alternative places for the students affected. The Department told us that it works with the local authority and the academy trust concerned to find places and monitors progress in the months before closure. To demonstrate its approach, the Department shared with us the information it used to monitor the destinations of students from Wigan UTC, which closed in August 2019. The Department has not retained records of where students from closed UTCs have been placed but told us that alternative places had been found for students who needed them (paragraphs 2.15 and 2.16).

7 The Department spent £792 million on the UTC programme from 2010-11 to 2018-19, the vast majority in capital grants. The Department provides capital and revenue funding for new free schools, including UTCs. In addition to the per-pupil funding that UTCs and other schools receive, the Department's spending on UTCs included:

- £680 million (86% of total spending) in capital grants for land, buildings and equipment, including up to £600,000 per UTC for specialist equipment;
- £62 million (8%) in revenue grants before UTCs opened, for example to cover the costs of project management and marketing the new school, and after opening to support UTCs as they built towards capacity;
- £28 million (4%) in transitional revenue funding aimed at improving the financial position of UTCs, for example by reducing their debts;
- £8.8 million (1%) to cover UTC deficits – the Department expects UTCs to repay half of this funding over time;
- £9.0 million (1%) on closing UTCs, including to cover the costs of writing off debts and staff redundancies; and
- £4.5 million (0.6%) on measures to help UTCs to improve (paragraphs 2.4, 2.13, 2.14, 4.4 and 4.13, and Figure 10).⁵

⁵ Percentages do not sum to 100 due to rounding.

8 UTCs pay an annual licence fee to the Baker Dearing Educational Trust (the Trust).

The Trust, a charity, owns the UTC brand, issues licences to schools wishing to operate as UTCs, checks whether its licence requirements are being met and supports UTCs, for example by facilitating the sharing of good practice. Each UTC pays a fee annually to use the UTC brand and logo and for services from the Trust. The fee increased from £5,500 to £10,000 in 2019/20. The Department also paid £893,000 to the Trust between 2012/13 and 2017/18 to support sponsors planning to open new UTCs (paragraphs 1.5 and 2.4).

Educational performance

9 Compared with other secondary schools, a higher proportion of students from UTCs progress into sustained apprenticeships and a lower proportion into education.

The Department's aim is for UTCs to provide clear progression routes into higher education and employment and it therefore considers that student destinations are important performance measures. The Department's most recent data from 2016/17 show the following for UTCs, compared with state-funded mainstream schools and colleges:

- After GCSEs or equivalent, a higher proportion of UTC students progressed into sustained apprenticeship (9%) and employment (4%) destinations, compared with the national average (5% and 3% respectively).⁶ Conversely, a lower proportion progressed to sustained education destinations.
- After A levels or equivalent, 21% of UTC students moved to a sustained apprenticeship, higher than the national average of 6% (including 16% of UTC students who moved to advanced, higher and degree-level apprenticeships, compared with the national average of 3%); 20% moved to sustained employment, compared with the national average of 22%; and 38% went on to higher education, below the national average of 50% (paragraphs 3.1 to 3.4 and Figure 11).

10 At August 2019, Ofsted had rated 52% of UTCs as good or outstanding, compared with 76% of all secondary schools.

Of the 44 open UTCs that Ofsted had inspected at August 2019, it had rated two as outstanding, 21 as good, 14 as requires improvement and seven as inadequate. In total, 4,863 students were attending the UTCs rated as inadequate or requires improvement. At August 2018, Ofsted had rated 42% of UTCs as good or outstanding. Ofsted has changed its approach to UTCs in its new inspection framework that inspectors have been using since September 2019. For example, inspectors will pay attention to measures such as students' destinations when they leave UTCs as well as to national performance data (paragraphs 3.7 and 3.8).

⁶ To be counted as being in a sustained destination, young people must be recorded as having sustained participation in education, employment or an apprenticeship for a six-month period in the destination year.

11 UTCs have performed less well than other secondary schools against key measures of performance, but the Department considers that not all its metrics are appropriate for UTCs because of UTCs' technical focus and age range.

In the main, the Department does not set target levels of performance for schools and the focus is on how well they perform relative to others. In 2017/18, 28% of students in UTCs achieved a grade 5 or above in maths and English GCSE, compared with 44% of students in all state-funded mainstream schools. Similarly, at A level and equivalent qualifications, UTC students' attainment was lower than that of students at other types of education provider. The lower educational outcomes that UTCs have achieved may be partly explained by their student intakes, although this is difficult to test. The Department considers that, because of UTCs' focus on technical education and the fact that their students typically join at age 14, two of its main performance measures (the proportion of students entered in English Baccalaureate courses and 'Progress 8') are not the most appropriate for UTCs, although it continues to report performance data. The Department has not set alternative exam-based measures of educational performance for UTCs but, given UTCs' focus on technical education and skills, considers student destinations a good indicator of performance (paragraphs 3.9 to 3.13).

Plans for improvement

12 The Department is seeking to help UTCs improve their educational and financial performance. The Department has provided support since the UTC programme started in 2010, initially to individual UTCs and subsequently to the programme as a whole. In September 2017, it began a three-year improvement programme:

- An important part of the Department's approach is to encourage UTCs to join multi-academy trusts, which it considers are well placed to support UTCs to improve. At the time of our work, 19 UTCs were part of multi-academy trusts and the Department expected a further 10 to transfer in 2019/20. The conditions that the Department attaches to transitional revenue funding may include requiring UTCs to join multi-academy trusts.
- The Department is also open to UTCs applying to align their age range more closely with other secondary schools by taking students who are younger than 14, if there is a need for the additional places in the area. It considers that this will make it easier for UTCs to attract students and thereby improve their financial viability. At the time of our work, one UTC was taking pupils from age 11 and the Department had agreed that two further schools could expand in this way from 2020/21; in addition, nine UTCs were recruiting at age 13.

The Baker Dearing Educational Trust was concerned that these developments could dilute the UTC brand, but has now relaxed its licence requirements to allow the changes. In June 2019, the Department and the Trust agreed a memorandum of understanding that sets out key principles and working arrangements between the two bodies (paragraphs 2.13 and 4.1 to 4.10).

13 The Department has two main measures of success for its three-year improvement programme. First, for the proportion of UTCs rated as good or outstanding by Ofsted to be the same as for free schools generally; at August 2019, of those schools it had inspected, Ofsted had rated 52% of UTCs as good or outstanding, compared with 84% of free schools. And second, for the proportion of UTCs on the ESFA's national concerns list to be the same as for academies generally (1%); at July 2019, 26% (13) of UTCs were on the national concerns list (paragraph 4.2).