



House of Commons
Committee of Public Accounts

The Academies Programme

Seventeenth Report of Session 2010–
11

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

*Ordered by the House of Commons
to be printed 19 January 2011*

HC 552
Published on 27 January 2011
by authority of the House of Commons
London: The Stationery Office Limited
£11.00

The Committee of Public Accounts

The Committee of Public Accounts is appointed by the House of Commons to examine “the accounts showing the appropriation of the sums granted by Parliament to meet the public expenditure, and of such other accounts laid before Parliament as the committee may think fit” (Standing Order No 148).

Current membership

Rt Hon Margaret Hodge (*Labour, Barking*) (Chair)
Mr Richard Bacon (*Conservative, South Norfolk*)
Mr Stephen Barclay (*Conservative, North East Cambridgeshire*)
Dr Stella Creasy (*Labour/Cooperative, Walthamstow*)
Jackie Doyle-Price (*Conservative, Thurrock*)
Justine Greening (*Conservative, Putney*)
Matthew Hancock (*Conservative, West Suffolk*)
Chris Heaton-Harris (*Conservative, Daventry*)
Joseph Johnson (*Conservative, Orpington*)
Rt Hon Mrs Anne McGuire (*Labour, Stirling*)
Mr Austin Mitchell (*Labour, Great Grimsby*)
Nick Smith (*Labour, Blaenau Gwent*)
Ian Swales (*Liberal Democrats, Redcar*)
James Wharton (*Conservative, Stockton South*)

The following member was also a member of the committee during the parliament:

Eric Joyce (*Labour, Falkirk*)

Powers

Powers of the Committee of Public Accounts are set out in House of Commons Standing Orders, principally in SO No 148. These are available on the Internet via www.parliament.uk.

Publication

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at <http://www.parliament.uk/pac>. A list of Reports of the Committee in the present Session is at the back of this volume.

Committee staff

The current staff of the Committee is Philip Aylett (Clerk), Lori Verwaerde (Senior Committee Assistant), Ian Blair and Michelle Garratty (Committee Assistants) and Alex Paterson (Media Officer).

Contacts

All correspondence should be addressed to the Clerk, Committee of Public Accounts, House of Commons, 7 Millbank, London SW1P 3JA. The telephone number for general enquiries is 020 7219 5708; the Committee’s email address is pubaccom@parliament.uk.

Contents

Report	<i>Page</i>
Summary	3
Conclusions and recommendations	5
1 Academies' performance and achievements	7
2 Funding and governance	9
3 Implications of enlarging the Academies Programme	11
Formal Minutes	14
Witnesses	15
List of printed written evidence	15
List of Reports from the Committee during the current Parliament	16

Summary

Academies are state schools which are independent of local authorities and directly accountable to the Department for Education. They were originally intended to raise educational standards and aspirations in deprived areas, often replacing schools with long histories of under-performance. From May 2010 the Programme was opened up to all schools, creating two types of academy: 'sponsored' academies, usually established to raise educational standards at under performing schools in deprived areas; and 'converters' created from other types of school, with outstanding schools permitted to convert first. By 5 January 2011, there were 407 academies: 271 sponsored and 136 converters..

This report focuses on the performance of sponsored academies; they have performed impressively to date, achieving rapid academic improvements and raising aspirations in some of the most deprived areas in the country. In many cases this has been achieved through high-quality leadership, a relentless focus on standards, and innovative approaches to learning and to the school timetable. The sponsored academies see collaboration across chains or 'clusters' of academies as the way forward which will help to further raise standards and develop future leaders.

An important feature of the sponsored model is the role of the sponsors themselves: individuals or organisations who contribute financially, directly or in kind, and who bring expertise and a new approach to the schools they run. We were impressed by the evidence we took from two sponsors and welcomed their clear commitment to improving the life chances of disadvantaged children. We noted that both sponsors clearly said they did not wish to participate in the new programme of 'converter' academies, as their focus was entirely on improving educational standards for children living in disadvantaged areas attending underperforming schools.

However, there are some emerging concerns to which the Department should have regard. We were concerned that there are already signs of potential financial and governance instability, even at this early stage in the development of the Programme. There needs to be a strong framework with which academies must comply to ensure probity and effective governance across the Programme in the future. While the Department has issued guidance on internal controls and financial management, it has not made important elements mandatory, and many academies are not complying.

From 1 April 2010, most of the functions for funding and monitoring of academies transferred from the Department to the Young People's Learning Agency. The Department and the Agency are planning to overhaul academies' governance and accountability, with an emphasis on light-touch regulation. However, light-touch central regulation can only meet the standards for managing public money if it is accompanied by robust controls at academy level to ensure good governance and clear accountability.

We were also concerned that some existing sponsors had failed to fulfil the financial contributions they originally pledged to their academies. The status of some of these debts is unclear and, especially as sponsors of new academies are no longer required to make a financial contribution, there is a risk they will never be paid.

In reducing administrative overheads in the Agency, we consider it imperative that the Department makes sure there is sufficient and appropriate capacity to ensure that academies provide value for money and that fraud and overpayments do not occur.

On the basis of a Report by the Comptroller and Auditor General,¹ we took evidence from the Department and the Agency on academies' performance and achievements, funding and governance, and the implications of enlarging the Academies Programme. We would like to record our gratitude to the United Learning Trust (ULT), and Absolute Return for Kids (ARK), for the valuable evidence they gave us as sponsors of academies.

Conclusions and recommendations

- 1. The Committee notes the National Audit Office's value for money conclusion and welcomes the impressive progress made by the Programme of sponsored academies to date. These academies have improved pupils' educational achievements and life chances in some of the most deprived communities in the country.** This is a credit to the academies themselves, and to the Department. Ensuring that these benefits are realised as the Programme expands will be a challenge. Our main concern for the future is that academies' educational achievements should not be undermined by poor stewardship of the public funds necessary to sustain the impacts of the Programme.
- 2. Ensuring that academies can find enough outstanding school leaders is crucial to the future effectiveness of the Programme.** As it expands the Programme, the Department should work with others to help develop future school leaders. Demonstrating effective leadership should be a requirement of all established and converter academies.
- 3. Whilst standards have improved, too many pupils still leave primary school with poor levels of English and mathematics, making it more difficult for them to engage with the curriculum and make progress when they reach secondary school.** The Department should encourage sponsors working with academies in deprived areas to expand into primary schools, for example by taking on responsibility for primary schools located in the same neighbourhood, so that issues of literacy and numeracy are addressed at an earlier stage. The Department should consider allowing more academies to develop into the primary school sector.
- 4. Many academies have inadequate financial controls and governance to assure the proper use of public money, and the Department and Agency have not been sufficiently rigorous in requiring compliance with guidance.** In developing a new financial handbook and governance framework, the Agency should make it compulsory for all academies – sponsored and converter – to comply with basic standards of governance and financial management. This should include segregation of key roles and responsibilities, and timely submission of annual accounts.
- 5. As the Programme expands, there are increased risks to value for money and proper use of public money.** The Department needs to develop sufficient capacity and adequate arrangements to provide robust accountability and oversight of academies' use of public funds.
- 6. The Department has failed to collect all the financial contributions due from sponsors.** The status of some of these contributions remains unclear as payment schedules are abandoned, and now that future sponsors have no such obligations. The Department should clarify the status and recoverability of these outstanding debts, negotiate clear and realistic payment schedules with the relevant sponsors, and monitor repayment.

7. **There is a clear difference between sponsored academies seeking to raise educational standards in deprived areas and the new converter academies, which already perform well academically.** Neither of the sponsors we heard from were interested in running outstanding schools seeking academy status. The fact that there are now two distinct dimensions to the Programme increases the Department's challenge in ensuring sound management and accountability. The Department should clarify the objectives of each strand of the Programme, stating clearly how success will be measured and how academies will be held to account for their performance.
8. **The Department and the Agency have struggled to administer and monitor the relatively small number of academies to date, and must now cope with a rapid expansion across many more schools.** The Department and the Agency should regulate funding and monitoring to make the processes as efficient as possible, and regularly review their capacity to keep pace with increases in the number of academies.

1 Academies' performance and achievements

1. The Academies Programme began in 2002, and was originally designed to raise educational standards and aspirations in deprived areas, often by creating academies that replaced schools with long histories of under-performance. These original academies are managed by charitable companies and governing bodies established by sponsors.² As at 5 January 2011, there were 271 'sponsored academies' in England.³

2. The Programme has so far achieved substantial success.⁴ Most sponsored academies have seen increases in academic attainment for their pupils compared with their predecessor schools. Although still below the national average, the proportion of pupils gaining five or more A*-C grade GCSEs or equivalent is improving at a faster rate in academies than in maintained schools with similar intakes.⁵

3. We took evidence from two representatives of sponsors, the United Learning Trust (ULT) and Absolute Return for Kids (ARK). They told us that the distinguishing feature of their academies was the persistence and rigour with which they had secured the changes known to drive improvement in educational attainment. These changes included:

- high-quality leadership, through which the sponsor helps to define and promote a strong ethos with high expectations of pupils and staff;
- a relentless focus on standards by the academy's senior team, to encourage academic engagement and in-depth learning, coupled with close monitoring of pupils' progress;
- a curriculum offering subjects and qualifications that reflect the needs and abilities of pupils; and
- creativity and innovation, including practical measures such as a longer school day to provide more opportunities for pupils to learn.⁶

4. The experience of these sponsors taught them that effective school leadership was vital where rapid progress was needed to deal with past failures. Without it, problems could quickly recur, in the form of, for example, pupil and staff dissatisfaction.⁷ With a natural turnover of headteachers, large numbers of new leaders are needed every year to cover the more than 20,000 state schools in England. Potential shortages of outstanding leaders in schools present a considerable risk to the future effectiveness of the Academies

2 C&AG's Report paras 1 and 1.2

3 <http://www.education.gov.uk/schools/leadership/typesofschools/academies/a0069811/schools-submitting-applications-and-academies-which-have-opened-in-201011>. At the time of the hearing (27 October 2010), there were 267 sponsored academies (Qq 77 and 78).

4 Qq 1, 13-16, 18-19, 70

5 C&AG's Report para 8

6 Qq 1-13, 70-71

7 Qq 51, 71-72

Programme.⁸ ULT also told us that it released some of its most promising leaders to attend professional executive courses.⁹ Where academies operated in clusters, it was possible for the most talented leaders in a region to influence more academies. Some similar collaborative arrangements operated in the wider schools sector, and the Department was strongly encouraging academies to partner with weaker schools.¹⁰

5. The sponsors described their ambitions to create clusters of academies, operating regionally and locally, for example with community primary schools.¹¹ They were helped by a change in the attitude of local authorities, which in recent times had generally cooperated well with academies.¹² Such collaboration was important educationally for the children, as well as to support the career development of teachers.¹³ The Department strongly supported further involvement in the Programme by sponsors who could demonstrate a successful track record.¹⁴

6. The main focus of the Programme has been to replace underperforming secondary schools, though there are a small number of ‘all-age’ academies that also cover the primary years. The sponsor witnesses told us they typically saw large numbers of children entering at age 11 with a reading age of 9 or less.¹⁵ They could address this shortfall by focusing extra resources in the first two years of secondary school, but this approach was wasteful compared with what would be possible if children had made the necessary progress earlier at primary school. For this reason, some academies were looking to increase their involvement in primary education, and develop models that could lead to more effective secondary education. Though they had sometimes met resistance from primary school governors where the academy’s predecessor school had had a poor reputation in the past, some local authorities were now engaging in discussions on primary/secondary collaborations with academy trusts.¹⁶

8 Qq 81, 91-92; C&AG’s Report para 3.8

9 Qq 21

10 C&AG’s Report para 2.31; Qq 21, 52, 81-82, 91-92

11 Qq 21-23, 29-30, 48, 52

12 Q 30

13 Qq 21, 29-30, 54, 81-82, 91-92

14 Qq 72-73

15 Q 10 and 29

16 C&AG’s Report para 2.31; Qq 29-30, 48, 52

2 Funding and governance

7. Academies are funded by grants from, and are accountable for their expenditure to, the Department. Since 1 April 2010, the Young People's Learning Agency has taken responsibility for most administrative functions of academies once they are open, including performance monitoring, funding and support.¹⁷

8. Each academy trust produces audited annual accounts which it must submit to the Department. Until 1 January 2011, trusts operating sponsored academies also had to submit their accounts to the Charity Commission.¹⁸ From January 2011, all academy trusts became exempt charities. This means that the Secretary of State for Education has replaced the Charity Commission in the role of Principal Regulator, and academy trusts submit their accounts to the Department only.¹⁹

9. A key tenet of the Programme is the autonomy of academies, and the Department had purposely implemented a financial control framework which supports the policy objective of autonomy.²⁰ Even so, in securing accountability for public funds it is still essential for there to be effective compliance with the light touch regulatory regime. There was, however, evidence that the framework for academies was either not being followed, or was not sufficiently rigorous to secure effective accountability and good financial management. Five per cent of academies were forecasting a cumulative deficit at the end of 2009-10, and the Agency identified that over a quarter of academies may require additional financial or managerial support to secure their longer-term financial health. The Agency had also earmarked £8.5 million to assist academies it anticipates will be in financial difficulties during 2010-11.²¹

10. The Department's *Academies Financial Handbook* sets out the control framework for academies, which is intended to ensure that they make proper use of public money.²² Governance arrangements in academies and academy trusts do not always follow this manual.²³ We heard evidence of non-separation of roles, for example the chair of the governing body also being the chair of the finance committee, the responsible officer also chairing the governing body, and the responsible officer also chairing the finance committee. All of these roles should be clearly separated. There was further evidence of a shortfall in financial assurance and challenge owing to academies not having audit committees – against Departmental recommendations and Charity Commission good

17 C&AG's Report paras 1.1 and 1.2; Q 101

18 C&AG's Report para 3.27; Qq 44 and 132

19 Department response to Parliamentary Question 21471, 16 November 2010: <http://www.publications.parliament.uk/pa/cm201011/cmhansrd/cm101116/text/101116w0004.htm#1011174002610>

20 Qq 105-107, 110, 116, 131-134

21 C&AG's Report para 3.15; Qq 56-57, 59, 99-101

22 *Academies Financial Handbook*: http://www.dcsf.gov.uk/foischeme/documents/DfES-Fol_158.pdf

23 C&AG's Report para 3.27

practice. We also heard that not all academy finance directors are CCAB-qualified accountants, again counter to recommendations in the *Academies Financial Handbook*.²⁴

11. An earlier feature of the Programme was the provision of financial contributions from sponsors as a tangible commitment to the Programme's objectives. Initially, sponsors were required to pay 10% of capital costs, capped at £2 million. This was then replaced by an endowment model, whereby the sponsor created an endowment fund, the interest from which was intended to provide income for the academy. There is now no requirement for new sponsors to make a financial contribution.

12. For both capital and endowment sponsorship, the Department has struggled to enforce payment of outstanding debts.²⁵ According to figures provided by the Department in December 2010, of a total of £147 million of capital contributions pledged, only £121 million have been received. For endowment contributions, sponsors had pledged to provide a total of £71 million, of which £42 million had fallen due by December 2010. Thirty-eight million had been received, leaving £4 million still outstanding. The status and recoverability of some of these sums remains unclear. For example at four academies the Department was unable to determine either the amounts pledged or the balances still outstanding.

24 C&AG's Report para 3.27; Qq 102, 105, 126

25 C&AG's Report para 1.17-1.20; Qq 136-140

3 Implications of enlarging the Academies Programme

13. 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. The Programme now also includes outstanding schools converting to academy status – ‘converters’.²⁶ As at 5 January 2011, there were 407 academies: 271 sponsored and 136 converters.²⁷

14. The introduction of converter academies means that there are two distinct dimensions to the Academies Programme. Nevertheless, the Department considered it was still important to view the Academies Programme as a single entity, with the unifying feature being the use of autonomy to maximise the educational benefits for children and young people. It assured the Committee that the numbers of sponsored academies would continue to increase, supported by sponsors with a good track record.²⁸

15. The overall success of the sponsored academies partly reflects the earlier Programme’s clear objective to ‘raise standards of education in some of the toughest, most difficult areas in the country’.²⁹ The extension of the Programme means that its original objectives and measures of success no longer fully reflect its aims. The objectives of the extended Programme are expressed more generally as ‘using academy freedoms and collaborations across schools to raise standards for all children, while narrowing the gap between the attainment of the most and least advantaged’.³⁰ It cannot be assumed that academies’ performance to date is an accurate predictor of how the model will perform when generalised over many more schools.³¹ If well directed, however, a policy of combining high-performing schools and greatly improved sponsored academies into one Programme has the potential to drive further substantial improvements, and create opportunities that would also benefit the majority of schools that sit outside the Programme.³²

16. The scale of the Programme’s financial management and governance risks will increase as the number of academies grows. Previously, even with fewer academies, the Department’s resources for monitoring and administering the Programme were overstretched. When the Agency took over responsibility for the then 203 academies from 1 April 2010, it needed to redeploy resources to oversee academies from other areas of its

26 Academies Act 2010 4 (1); Qq 73-75, 80

27 At the time of the Hearing (27 October 2010), there were 324 academies: 267 sponsored and 57 converters (Qq 77 and 78). Numbers can be updated from <http://www.education.gov.uk/schools/leadership/typesofschools/academies/a0069811/schools-submitting-applications-and-academies-which-have-opened-in-201011>

28 Qq 73-84

29 Q 1

30 <http://www.education.gov.uk/schools/leadership/typesofschools/academies/a0061222/academies-act-2010>

31 C&AG’s Report para 20

32 Q 91

work.³³ Now in 2010-11, there are already 407³⁴ academies and the policy currently allows outstanding schools to convert at any point during this academic year until 1 April 2011, after which conversions will be carried out on a termly basis.³⁵

17. Reflecting the priorities of the coalition Government, the Department has changed its organisational structure. The changes were partly driven by the increases in the numbers of academies, and included the creation of a new directorate responsible for the Academies Programme. The Department currently has 123 out of 2,500 full-time equivalent staff working on academies. It conceded that employing sufficient people with the right skills was an increasingly tough challenge, particularly in the context of the Department as a whole having to make a 33% reduction in its administrative budget.³⁶

18. The Agency similarly had to transfer an additional 47 staff from within the organisation to reinforce the 80 posts originally allocated to academy functions when it took on its responsibilities in April 2010. At the time of the Hearing, the future of the Agency as a Non-Departmental Public Body was under review.³⁷ The Department considered that in due course further staff would be needed in the Department and the Agency to cope with the expansion of the Programme.³⁸

19. The Agency indicated that it had received a clear mandate from government to revise and develop academies' financial control framework. It would be seeking to draw on lessons from the further education sector, where standards are now much higher than they were, and where many Agency staff have direct experience of the improvements made.³⁹

20. We have serious concerns that the processes for monitoring academies' financial position and performance, which the Agency inherited from the Department, are not fit for purpose.⁴⁰ In future there must be greater clarity about what is required as opposed to what is recommended.⁴¹ Too much in the current framework is permissive, and there is insufficient mandated practice to prevent individual academies adopting practices which do not comply with basic standards of good financial management and governance.⁴²

21. The Department and the Agency told us that they were currently consulting academies – in particular their finance directors – on the development of the framework. They would be seeking to achieve the right balance between sufficient assurance through an effective control framework and arrangements that will not inhibit the policy of autonomy for

33 C&AG's Report paras 3.18 and 3.19; Q144

34 Number as at 5 January 2011.

35 <http://www.education.gov.uk/popularquestions/a0064988/we-are-interested-in-opening-as-an-academy-what-happens-now-that-we-have-missed-the-deadline-for-a-september-opening>

36 Qq 144, 148, 150-151

37 Subsequent announcement of Young People's Learning Agency closure and creation of Education Funding Agency from April 2012 http://readingroom.ypla.gov.uk/ypla/ypla-michael_gove_to_les_walton_re_white_paper-le-nov10-v1.pdf

38 Qq 144-151

39 Qq 103-104, 125

40 Qq 102, 104, 110

41 Qq 105, 107-110

42 Q 116

academies.⁴³ We and the Comptroller and Auditor General sought assurances that the consultation would lead to a clear, robust framework in which non-compliance would not be accepted.⁴⁴ We further suggested that the Department and the Agency seek the advice of the National Audit Office when finalising subsequent editions of the *Academies Financial Handbook*.⁴⁵

43 Qq 115-116

44 Qq 106-107, 128 and 131

45 Q 123

Formal Minutes

Wednesday 19 January 2011

Members present:

Rt Hon Margaret Hodge, in the Chair

Mr Richard Bacon

Mr Stephen Barclay

Jackie Doyle-Price

Dr Stella Creasy

Matthew Hancock

Chris Heaton-Harris

Jo Johnson

Ann McGuire

Austin Mitchell

Nick Smith

Ian Swales

Draft Report (*The Academies Programme*) proposed by the Chair, brought up and read.

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

Paragraphs 1 to 21 read and agreed to.

Conclusions and recommendations 1 to 8 read and agreed to.

Resolved, That the Report be the Seventeenth Report of the Committee to the House.

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

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

Written evidence was ordered to be reported to the House for printing with the Report.

[Adjourned till Tuesday 25 January at 10.00 am

Witnesses

Wednesday 27 October 2010

Page

Sir Ewan Harper, Chief Executive, United Learning Trust and United Church Schools Trust, **Mrs Kathy August**, Deputy Chief Executive, United Learning Trust and **Lucy Heller**, Managing Director, ARK Schools

Ev 1

David Bell, Permanent Secretary, **Peter Houten**, Director, Academies Policy and School Organisation, Department for Education and **Peter Launer**, Chief Executive, Young Peoples Learning Agency

Ev 19

List of printed written evidence

1	Department for Education	Ev 24
2	United Learning Trust	Ev 28

List of Reports from the Committee during the current Parliament

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

Session 2010–11

First Report	Support to incapacity benefits claimants through Pathways to Work	HC 404
Second Report	Delivering Multi-Role Tanker Aircraft Capability	HC 425
Third Report	Tackling inequalities in life expectancy in areas with the worst health and deprivation	HC 470
Fourth Report	Progress with VFM savings and lessons for cost reduction programmes	HC 440
Fifth Report	Increasing Passenger Rail Capacity	HC 471
Sixth Report	Cafcass's response to increased demand for its services	HC 439
Seventh Report	Funding the development of renewable energy technologies	HC 538
Eighth Report	Customer First Programme: Delivery of Student Finance	HC 424
Ninth Report	Financing PFI projects in the credit crisis and the Treasury's response	HC 553
Tenth Report	Managing the defence budget and estate	HC 503
Eleventh Report	Community Care Grant	HC 573
Twelfth Report	Central government's use of consultants and interims	HC 610
Thirteenth Report	Department for International Development's bilateral support to primary education	HC 594
Fourteenth Report	PFI in Housing and Hospitals	HC 631
Fifteenth Report	Educating the next generation of scientists	HC 632
Sixteenth Report	Ministry of Justice Financial Management	HC 574
Seventeenth Report	The Academies Programme	HC 552

Oral evidence

Taken before the Committee of Public Accounts

on Wednesday 27 October 2010

Members present:

Margaret Hodge (Chair)

Mr Richard Bacon
Jackie Doyle-Price
Matthew Hancock
Chris Heaton-Harris

Mrs Anne McGuire
Austin Mitchell
Ian Swales
James Wharton

Amyas Morse, Comptroller and Auditor General, and **Angela Hands**, Director, National Audit Office, gave evidence. **Rob Prideaux**, Director of Parliamentary Liaisons, and **Marius Gallaher**, Alternate Treasury Officer of Accounts, were in attendance.

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL

The Academies Programme (HC 288)

Examination of Witnesses

Witnesses: **Sir Ewan Harper**, Chief Executive, United Learning Trust and United Church Schools Trust, **Kathy August**, Deputy Chief Executive, United Learning Trust, and **Lucy Heller**, Managing Director, Schools UK, Absolute Return for Kids, gave evidence.

Q1 Chair: Welcome to you all. Thank you very much for agreeing to come to this Committee. The Committee doesn't normally hear from anybody else but the accounting officer, and we thought it would be very interesting, with this particular programme, to hear from some people who had direct responsibility for running the programme. I am very grateful to you for coming, particularly because we didn't give you a lot of notice, so thank you very much indeed.

I'm going to start you off. Looking at this Report, our view is that on the whole it is a success story, in that in the early academies that have been established, standards have gone up higher and faster than they have elsewhere, and a lot of the indicators are moving in the right direction. So, what I thought it would be interesting to hear from you—both organisations, probably—is: what is your education model, and what are you really trying to achieve out of these academies? How are you working it? Do you want to start and then Lucy can come in?

Sir Ewan Harper: Our objective is, I hope, quite clear, which is to raise standards of education in some of the toughest, most difficult areas in the country—areas which have been overlooked. I think Members of Parliament should be congratulated on putting resources into the sort of areas that we visited, the sort of schools we've been into, which—most of them—have been an absolute disgrace. It was a public disgrace that we allowed schools to get into that state. They are schools where generations of people have not expected education and they haven't received it, and there's been a low standard in them.

So, our objective—and it's with the Government and the Department; we're not alone—is, in fact, to make a revolutionary difference to that, and that is a middle and long-term thing. If you go to any of the CTCs that are successful, they have been around for 20 years,

and one is just joining us up in Gateshead—an outstanding school. Now, if you go to that school, it is fine—absolutely fine. It's like going to a top grammar school or a top public school, in the behaviours and the expectations within it, and that, again, gives you an idea of where we would like our academies to be.

Q2 Chair: What's your model? What's your way of working that transforms that history?

Sir Ewan Harper: I'm going to ask Kathy August to talk a bit about that, if I may, because she's head of our direct operations and therefore has been responsible for the systems that we've been introducing.

Q3 Chair: So I'll bring Kathy in and then I'll come to you.

Kathy August: The model is not an exceptionally complicated one. It is about putting into practice all the learning that we've got from 20 years of research into school effectiveness and school improvement, but doing it relentlessly and consistently, and making sure that we don't allow children to see themselves as vehicles only, but as true participants. So, in our model, yes, we are searching every day in every way for improvements in terms of educational attainment and achievement, but we're also looking at a whole range of other things to develop in youngsters from the most disadvantaged communities the sort of resilience and grit that they need in addition to the attainment that they'll have by the time they leave our academies.

Q4 Chair: I'm going to slightly interrupt you, because I think you could probably have had any head teacher from any school right across the country articulating exactly those thoughts, so what precisely

27 October 2010 Sir Ewan Harper, Kathy August and Lucy Heller

do you do within ULT that you think makes the difference to educational outcomes for the children for whom you have responsibility?

Kathy August: It is ethos and it is approach in terms of monitoring and making sure that we track micro-populations with data and have high expectations. So, I don't want to go into too much data, because I realise that I could spend too long on just increasingly small datasets, but if you look across the piece at our micro-populations in our academies, they're achieving at a faster rate than those in schools across the country, and these—

Q5 Chair: Because you monitor and track them better?

Kathy August: We monitor and track, and also—

Q6 Chair: Better?

Kathy August: Yes, and we also make sure the teaching and learning—the focus—is exclusively on the classroom, with teachers being supported and teachers being enabled and also monitored very carefully so that every lesson is a lesson that is worth while and one in which youngsters learn and achieve.

Q7 Mrs McGuire: Having done a bit of teaching in my life, I'm interested in what you've just said. How do you do that though? It's a great expectation to say that you will come out of every lesson with a spring in your step, both as a pupil and as a teacher, but how do you do it? I suppose this is to reflect what Margaret's saying: what makes you different?

Kathy August: Well, the ethos is really, really important—the fact that we've got an organisation, our sponsor, who has an unremitting and relentless focus on getting the best from education. There is no distraction when you have a sponsor whose only job is to run its schools, and that in itself is really important.

Q8 Chair: But to be frank, a local education authority head of children's services will say the same. What is the distraction in other models that you don't have?

Kathy August: Having been a director of education in two authorities, I can say that, often, with a corporate approach, there can be other distractions from the classroom, whereas with the Academies Programme, we've been able to focus exclusively on the classroom.

Q9 Chair: What sort of distractions? Just give me an example.

Kathy August: Well, from my experience in the past, being in management meetings and talking about really important things that have corporate impact, like car parks etc., when actually what we need to do is focus exclusively on improvement.

Q10 Chair: I'll give Lucy Heller a chance.

Lucy Heller: I'm conscious that what you say is absolutely right. As soon as we're talking at a high level about school models, many schools are likely to sound the same. The mission statement of St Paul's sounds not dissimilar to that for The Ridings'. The best school will talk in exactly the same terms about

high expectations. It's partly about the quality of implementation, and what you mean when you say "high expectations", for instance—we would echo ULT in saying that high expectations are at the core of the ARK model. However, we're saying that we're starting from the position of how do things change if you assume that 100% of children can make it through—can achieve that basic sort of GCSE passport? That changes the way in which you work. Now, we set that in concrete terms, although that's not with the expectation that every child actually will. There will inevitably be reasons in any school why you won't have 100%, but we target that, within five years of opening an ARK academy, we reach an 80% target. Now, that does set us apart and it sets many of the academies apart, certainly from the predecessor schools.

The other characteristics that I think are distinctive to the ARK mission are, first, depth before breadth. We're dealing in schools where, standardly, we have 40% of children coming in at 11 who are two years or more behind. In some schools, that goes up to 60% of kids who are coming in to secondary school with a reading age of nine or less. You have to focus, therefore, on the basics, and that means you need to give the firm grounding in literacy and numeracy, and we privilege those subjects against others. There's more time; there are no shortcuts. If you're dealing with that amount of catch-up, you actually just have to spend more time doing it, so we have a longer school day than would be standard—30 hours-plus rather than more like 25. In some cases, the predecessor schools had often very much lower school hours.

We also have small schools. One of the findings of a lot of research that's been done in the States, and the Gates Foundation put money into this as a result, is that size matters, particularly in the inner cities. If you're dealing in challenging circumstances, having a small community makes it much easier to create the kind of consistent discipline and ethos that you need for children to learn effectively.

Q11 Mr Bacon: Is there an optimum size and, if so, what is it?

Lucy Heller: No, I think that depends on circumstances. We're working, obviously, with the existing form. You are driven by economies of scale, and the existing schools that we take over are generally secondary schools that conform to the size for the standard six forms of entry, but we then break them down so that we have schools within schools, meaning that standardly, for that 6FE secondary, you'd see two Key Stage 3 schools with 270 children in each of them, with a separate head and, to the greatest extent possible, separate teaching staff, so you're trying to ensure that children spend more time with fewer adults. We're saying that what really counts is the transformational nature of the relationship between the teacher and the taught, and if they spend more time with fewer people, that's very helpful for doing that.

Q12 Austin Mitchell: All that makes sense, but I don't see what ULT is adding that isn't in the

27 October 2010 Sir Ewan Harper, Kathy August and Lucy Heller

aspirations of anybody in education. What is your unique contribution? Is it discipline, is it uniform, is it longer days, is it individual attention, is it smaller classes? What are your unique contributions in this area?

Kathy August: Well, if we extrapolate what was said about ethos, it is about behaviour, it is about uniform, it is about making sure that youngsters feel themselves to be part of a family within their individual academy and across our group. It is about having sixth forms where none existed before, so that youngsters from communities that didn't have people going on to higher education now see that as part of their normal way of life and have the wherewithal to be able to achieve a higher education. Attendance in the schools we've taken over was generally very poor indeed. We make sure that our buildings are designed in such a way that we get the best out of every opportunity for learning, so we don't allow children out at lunchtimes. We make sure that the day is constructed so that the children have a proper meal at midday and then go straight back into learning, so they don't escape, if you like, at lunchtime and get distracted into other events in the community.

Q13 Austin Mitchell: I'm beginning to say, "Good on you," at this stage. That makes it clearer than it was before, but then what were the problems in Sheffield?

Kathy August: The problems in Sheffield in terms of the first two or three years? Well, one of the schools had been on special measures before and had not that long come out of it, and the behaviour, when we took over, was described by officials of the Department as one of the worst they'd seen in a predecessor school being taken over. It simply took a bit longer than we expected to get them back on the straight and narrow, but, in fact, they are both on that.

Both of them have improved in terms of attainment, so in terms of their floor target, they're both above that. They're both improving in terms of attendance. They're both improving in terms of behaviour, and certainly Springs Academy got its recent Section 5, which gave it a "satisfactory", and we're expecting that to be "good" within a very short space of time. We're expecting Park, because it's on target, to come out of special measures by the end of this year.

I think it's really difficult when you're some distance away from things to really understand the gravity of some of the dysfunctionality that Sir Ewan has mentioned. To give you an example of one of these places, in Manchester, in the decade before it became an academy, the highest achievement it had ever experienced was 13% five A* to C—without English and maths—and that was despite about £7 million being spent on the building about four or five years before it became an academy. There was a lot of public money that actually achieved no impact at all. In the seven years since we've been opened, it's gone from 8% in the first year that we took over—because we discovered that the Year 10s that we took over and became Year 11s had not been taught GCSEs and there was no coursework—and between 2003 and 2010, using the same measure, it's gone from 13% to 81%, with a number of children going on to post-16 and post-18 education.

Austin Mitchell: Okay, thanks—I'm glad I got you going.

Q14 Matthew Hancock: To what extent have these very commendable improvements been achieved through changing the intake? If we talk in percentages of results, paragraph 2.19 of the Report points out that the proportion of free school meal entrants has fallen quite sharply. I understand that that is because of an increase in the number of non-free school meal entrants, but none the less, if the intake changes significantly, of course you can get positive results just in the numerics of the outcomes.

Lucy Heller: I'm happy to say that, in our case, I can answer straightforwardly. The results haven't changed at all as a result of the intake because we're yet to get to the first cohort coming through that were ARK academy intake. Our earliest school started four years ago, so all the GCSE results to date have been with the existing intake. In fact, in that time, free school meals have changed barely at all. We've got a very high rate, about 48% roughly, across the network—48% free school meals against, obviously, the much lower national figure. We haven't seen much movement in that at all. The only thing we have seen in a couple of schools—in fact our earlier schools—is what happened in Burlington Danes, which has doubled its proportion of free school meals. That reflects not a change in the intake, but a change in the uptake—they're being sort of properly provided for—so the people getting free school meals are those who were always entitled to them but didn't under the chaotic arrangement.

Q15 Chair: I think we, generally, in the Committee—it is a joy for us, if you knew the Reports we get, to get a Report saying things are going well in an area of Government policy—

Austin Mitchell: Particularly the last Government's policy.

Q16 Chair: I will come to you in a minute. Many, many congratulations to both organisations.

Something I really wanted to tease out of you: the criteria are now changing for determining which schools should become academies, so you've come in and taken some of the toughest schools in the most difficult areas, with children in the most difficult circumstances. What are your views—I'll go to Lucy Heller first this time—on the changing criteria and how will your organisation respond to that?

Lucy Heller: I would have to say that for what the Department is now, I gather, calling sponsored academies—the traditional academies with which we've both been involved—we've yet to discover what the new criteria are. Obviously, the outstanding academies—the academy conversions—are a different animal entirely. The free schools, although both are coming under the academies framework, again, are a different thing.

Q17 Chair: You won't do outstanding academies—is that what you're telling me?

Lucy Heller: Well, no. We are there in order to close the attainment gap; we're not interested in those who

27 October 2010 Sir Ewan Harper, Kathy August and Lucy Heller

have succeeded already. We have already announced that we have outstanding academies, but only three of our academies have so far had the full Ofsted inspection.

Q18 Chair: You have academies that you've made outstanding?

Lucy Heller: Well, the outstanding ARK school is actually a new school, so is a start-up. We've made it, but from scratch, rather than converting it.

Q19 Chair: But in a difficult area, with a challenging group of young people.

Lucy Heller: With high free school meals—at around that sort of 50% level.

Q20 Chair: But you would not be interested in just taking over any school in a more affluent area, with a more successful—

Lucy Heller: No. Clearly, the mission that we set out on was to close the attainment gap and it is to provide educational opportunity in challenging circumstances.

Q21 Chair: And are you in the same position, Sir Ewan?

Sir Ewan Harper: Yes. Our board minutes on this, way beyond having this idea of outstanding schools coming in as academies, was that we were there to serve the poorest communities and to try and help attainment in them. I think there's an important variation which we need to hear about, which is, at the moment, we've got the idea that "outstandings" can become academies if they wish to. It is the schools in between—the ones that are satisfactory and good—and where we can create the partnerships which look as though they could be successful—and we're working on one, for instance, in Lincoln, and one in Ashford—with schools close to our public schools where we can create partnerships between those schools, and the Secretary of State has been quite encouraging as to how we look at that, although it's technically outside the current framework of what is being talked about.

We think that the important way in which academies can develop is in clusters, and if you ask us, part of our method is, in fact, to have schools not so far apart that they can't have a relationship with each other. And that's very important, not only in educational terms—competition, music and those sorts of things—but also in how you develop the careers of teachers. We've been to some of the major growth organisations in the country—Tesco, John Lewis and people like that. They will tell you that they need between 70% and 85% internal recruitment for succession, and when they couldn't have that height of internal recruitment, they didn't work as well as they're working now. We're aiming to get to 50% to start off with, but we realise that we've got to go higher than that. If we had a group of, say, 40 schools and you had a change of head every six or seven years, which wouldn't be unreasonable, we'd be having to find six or seven heads every year.

At the moment, those people are not available across the piece and, therefore, we're taking very seriously the need to train professionally and develop them, and

I've now got six heads at the moment going on executive business courses at full business schools because we believe that is the sort of quality of leadership we've got to encourage heads to have if we're going to have cluster leaders and if we're going to have regional leaders, and, by and large, that leadership is better coming out of the educational world than coming in from the outside world.

Q22 Chair: And have you got an idea in your head, or as a board, of what an optimum size is? How many should you have?

Sir Ewan Harper: What, a total number of schools?

Chair: Yes.

Sir Ewan Harper: The quick answer is no, and I'll qualify no, if I may. We reckon that a cluster could be around five schools—something like that—and that two or three clusters could form a region. Now, once you get that sort of model, how many regions you have depends really on just how capable you are in handling a growing and larger organisation.

Q23 Chair: And what about you, just on that?

Lucy Heller: Well, I'm interested to hear that because, actually, as in so many things, we think alike. We've come to roughly the same conclusion, in that we had always assumed that around 12 to 15 create a regional cluster, beyond which you start to be in danger of becoming a sort of bureaucratic nightmare. So, that's probably the size, but then we would look, potentially, at growing out from that—cloning.

Q24 Ian Swales: I just wanted to go back to the admissions and the intake: can you just say how your admissions process works?

Sir Ewan Harper: We've got, obviously, the statutory people who we take. Thereafter, it's how close you are to the academy, and it is entirely on that basis, with the exception of families—we take siblings. I think we take siblings and then it comes to how close you are and, as a result, we found that, when our schools were very unpopular, children were being sent from all around Manchester or all around Sheffield to go there. As they've become more popular, so you've got it coming closer and closer, and the community in which the school is actually sited becomes the community of your population.

Q25 Ian Swales: And is it by parental application?

Sir Ewan Harper: Yes.

Q26 Ian Swales: And then do you interview the parents?

Sir Ewan Harper: No.

Q27 Ian Swales: But the parents have to apply.

Sir Ewan Harper: Yes. We use the sort of local authority clearance house service, if you like, and—

Lucy Heller: But it would be exactly the same as for any maintained school. I think we're the same as ULT, in that we work with, basically, local authority criteria, the only exception being that three of our schools were ex-voluntary-aided C of E schools, and there might be slight differences there. Generally, there would be a privileging of, perhaps, C of E primary

27 October 2010 Sir Ewan Harper, Kathy August and Lucy Heller

schools, but, very deliberately, we have chosen not to do fair banding, as I believe ULT also has, to make the point that we are not looking in any way to be selective. We want to serve the children of the local community.

Q28 Ian Swales: But how would you react to the comment that, in a deprived area, the fact that parents have to apply positively is already a form of selection?

Lucy Heller: No, parents have to apply positively to any school. There is no admission procedure that is outside the local authority procedure. You apply on the same form on which you apply to any other school. We don't have separate admission forms.

Q29 Jackie Doyle-Price: I just want to pick you up on the points you were making about clustering, which I've heard before from other providers and make perfect sense. I'd just like to explore with you whether you've actually built partnerships with schools aligned to some of your academies without them being formally part of your organisation.

Sir Ewan Harper: The quick answer is not at the secondary level, and I think one has to remember that most of the schools that have joined us as academies have been pariahs in the area, and other local schools haven't wanted anything to do with them. And therefore, to suddenly say, "Well, guys, what are you doing with them?", it is a matter of re-establishing the confidence that some of these schools may want to work with us, and parents go into the same slot—"Is this just a makeover?" There is what Kathy said about Manchester: six million quid went down the sink, and the people there weren't taken in by that. The school didn't get better. So, there's a certain length of time, when you're taking schools that have been so bad, as to when other people begin to believe that the good is actually coming and going to stay.

Now, at the next stage, where our first contacts need to be is with primary schools. Lucy's just talked about the problem of reading coming in. We've been tracking reading now for four years, to every entrant at Year 7 coming into our schools, and something like 35 to 36% of all children are coming in are under your 9 to 9.5. We've got 8% who are under 6. Now, just as she said, there is a concentration of resources into helping them to read, so the question of how you use your first-year and second-year resources. There's a great deal of catch-up going on, and we will use the Pupil Premium for that, but it is a huge waste of money compared with what would happen if primary education was really got into the state that we're now talking about trying to get secondary education into.

And so, when you say about relationships with schools around, yes, we do have strong relationships with primary schools. We're encouraging them to relate to us in the form of doing some joint work in Year 6—before the children come in to Year 7—and that would be whether they're coming into our academy or going elsewhere.

Q30 Jackie Doyle-Price: Just on that, the NAO did a survey about the attitude of local education authorities to the academies that said that they could actually do more in this regard. How have you found

working with the local education authorities, in trying to build these kinds of partnerships, particularly with primary schools?

Sir Ewan Harper: By and large there's been a warming; originally, there wasn't. I think, earlier, local authorities were fairly resentful of having academies thrust upon them—that was the language they would be using. I think now they feel the academies are permanent—there are 160 or 170 of them—and there's no way you're going to turn the policy back, so how do you work with them rather than how you exclude them is much more the way of thinking of local authorities. So, we've noticed a better and more co-operative attitude over the last two or three years.

Q31 Austin Mitchell: I want to turn to the money, being a Yorkshireman. Now, when it started out, the requirement was that sponsors put up £2 million and the Department put up around £20 million, which was a big deal—a good deal. Then, that was gradually diluted. The money could be paid in services in kind or in endowment funds or whatever, and I think the initial academies in Grimsby—one of them, certainly—put up the full sum and felt somewhat peeved when the requirements were relaxed. The Bishop of Grimsby told me that the Church of England had got away with paying half that in Scunthorpe, so I don't know whether there was some divine manipulation there—there probably was some divine manipulation for Grimsby—but the requirements gradually weakened as they found it difficult to get people to come forward.

Now, I see from the figures we have that you were committed—ULT to start with—to provide £20.05 million of capital contributions and £1.5 million of endowment contributions, and that, at the time of the NAO analysis in March 2010, £7.6 million of capital sponsorship and all the endowment sponsorship had yet to be paid. Now, I don't know whether that's all fallen due, but why is that? Why didn't you put up the money which you undertook to provide for the schools?

Sir Ewan Harper: We have paid in something like £12 million. We're a charity and we have to go and raise all that money, and it's been given to us. We've had to persuade people to give it. We are not wealthy people who decide—

Q32 Austin Mitchell: But you did undertake to pay it.

Sir Ewan Harper: Hang on. What we undertook was that we would take on the first three academies and we'd pay £2 million each. We paid that—every penny. Then I had conversations with Charles Clarke, when he was Secretary of State, and he agreed that we, as a charity, were not going to be able to expand at the speed they wanted us to expand with finding £1.5 million, which then became the sort of reduced income, per academy at the pace of having it ready before they opened. He agreed that we would work to a formula, which was that we would make reasonable endeavours to provide the money, which is what we did and we've been going on doing that. What happened was—

27 October 2010 Sir Ewan Harper, Kathy August and Lucy Heller

Q33 Austin Mitchell: So this is a best-effort strategy?

Sir Ewan Harper: Yes, absolutely right, and I could send you a copy of the letter that says so. But the key thing that happened was cash for honours. Once the cash for honours crisis broke, not one person wanted to pay money to us. It was like an axe coming down on the block. It stopped the flow of fundraising. People were worried about what I was going to say about them—were they trying to get an honour around the corner by supporting us? I cannot tell you how damaging that was to the commitment we had made to go on raising the funds. That was the first thing.

The second thing was that we were understood in the marketplace to be an educational organisation, and people came to us and said, “Well, universities aren’t having to pay, other schools aren’t having to pay. Why are you?” We found that was a second reason that made it very difficult indeed for us to raise funds. And I’ve been to two Secretaries of State saying, “Look, we’ve actually almost hit the buffers on this and we are people of conscience. We’re worried about the fact that we have this pressure, really, that we ought, in conscience, to be finding this money and it’s almost impossible for us to get it now,” and I’ll be coming to see this Secretary of State—

Q34 Austin Mitchell: I appreciate that, but do you therefore feel peeved at having had to pay the full wallop upfront for the first three?

Sir Ewan Harper: No, sir. I think that history’s history and we wouldn’t have got those academies without finding the sponsorship, and the people who backed us realise that that was the case.

Q35 Chair: Lucy, if we can come to you. I think our figures tell us that no money in endowments has been established by ARK.

Lucy Heller: No. I think the problem is we endeavoured, actually, to check before we came here, and I was told that what was described as “extensive absence” at the YPLA meant that they couldn’t check the figures. As far as we’re concerned, we have £7 million of capital payments that have been made and are fully up-to-date, and there’s a further £4 million of endowment moneys and, of that, £2 million is still to be paid—£2 million is already in there—and that’s being paid on time and on schedule, as due. That’s basically related to the building works.

Q36 Chair: Our figures don’t say that, but you’re telling us that, from your point of view, all moneys due—

Lucy Heller: All money is duly paid up and, in fact, we’ve gone beyond that, because we went back to the first four academies, which came under the traditional arrangements where the money went into the building. We’ve endeavoured to set up and have set up sort of endowments for all of them, and we endeavour to set up endowments for all our academies—even those coming now where no money is required.

Q37 Mrs McGuire: Could I take this to the financial model under which you operate—how you, as an overarching charity, operate with individual schools?

Where does the financial responsibility lie for the day-to-day running of the school? Is that with the head teacher or with the board of trustees?

Sir Ewan Harper: Ultimately, it vests in United Learning Trust, and we have a structure—we run our independent schools in the same way—that the budgets are agreed with the heads, and the local governing body will be aware of it, but they’re not fundamental for it. Those budgets are set within the United Learning Trust—the amount of money that each academy is in fact given. And so we have to set a budget that uses the money that’s allocated to us, and we do.

Q38 Mrs McGuire: And the head teacher then has control over that budget?

Sir Ewan Harper: No, the control is quite limited as to how much they can spend it or how much they have to—A large part of the budget—by far the largest—is salaries, in one way or another. The amount that a head teacher can actually handle is really quite small, and what we need to make sure is that they don’t overspend, and therefore there are careful checks on that, and they will have a monthly statement of where they’re spending against their income lines.

Q39 Mrs McGuire: I’m just trying to find out what discretion the head teacher has in terms of spending, because there’s been an increasing move, actually, to give head teachers significantly more discretion in how they spend money in their school. I’m interested that it almost sounds slightly more centralised than the trend was—or is.

Sir Ewan Harper: It is, but the budget will be agreed with the head. So the head says, “Look, I want funds for books here,” or whatever. That is agreed at the budget process, and the head is very much listened to at that stage.

Q40 Mrs McGuire: Could I ask just on the sort of revenue costs? Obviously I recognise that salaries are a significant part—the overwhelming part—of the budget. Do the salaries reflect the salaries of teachers in the maintained sector, or are they independently negotiated?

Sir Ewan Harper: They will be very close. We have our own agreements—

Q41 Mrs McGuire: Very close. Does that mean higher or lower, roughly?

Sir Ewan Harper: They are almost exactly the same.

Q42 Mrs McGuire: Right. And the same for head teachers?

Sir Ewan Harper: Head teachers will probably be paid more. I’m not aware of all the public sector arrangements, but some of our heads will certainly be paid more than the normal public sector secondary school head.

Q43 Chair: And is the position the same with ARK?

Lucy Heller: We are, I would say, less centralised on the questions of financial control, where heads probably have more autonomy, but it’s certainly in the context of a very strong financial management system

27 October 2010 Sir Ewan Harper, Kathy August and Lucy Heller

to ensure that we're in a position where all our schools have balanced budgets. On salaries, we too have our own pay scales, but in fact they pretty much mirror national terms and conditions, plus 2.5%, because we ask staff to work a longer working year.

Q44 Matthew Hancock: I wanted to ask about primary schools, but just before that, I presume that each organisation is then audited.

Sir Ewan Harper: Yes, indeed.

Lucy Heller: Yes, absolutely.

Q45 Matthew Hancock: And you've talked about heads being able to spend within an overarching budget, but how do you ensure that they spend in the way that provides value for money because this is, after all, taxpayers' money.

Sir Ewan Harper: With the amount that they have to spend, really, for things like the main services, we would try and negotiate group contracts to try and get best value, so—

Q46 Chair: But you're spread geographically, aren't you?

Sir Ewan Harper: Yes, we are.

Q47 Chair: So I don't know what contracts you therefore can—

Sir Ewan Harper: Well, for things like canteens and lunches and so on, we have one contactor doing the south and one the north, so they each have our private schools as well as our public schools. We would put those into what they're bidding for and, therefore, we try and use size and scale to benefit across the group. With energy, we would look for buying in that sort of way.

Q48 Matthew Hancock: I was interested in what you said about the importance of the relationship with primary schools. Is that an area that you'd look to expand to if you had the opportunity?

Lucy Heller: Yes. We are already are. Of the eight schools that we have already opened, three of them are all-age schools that have primaries attached. We're also looking to make a specific expansion into primary on exactly the grounds that if you want to make a difference in education, you want to get them early—like the Jesuits. And so, we've got two free primary schools working with two London local authorities where we have schools. We have two free primary schools starting next year, we hope, and we would like to do more. We're talking to a number of the local authorities in which we work about extending our primary provision.

Sir Ewan Harper: If you have your hand like that, this is secondary education, your fingers are primary education, and your fingernails are the community, and that's really the way you get into the community—to be right down with the youngest children. And we will be more effective in secondary education if that model can be replicated around our academies.

Q49 James Wharton: Sir Ewan, how many schools do you cover now?

Sir Ewan Harper: The Emmanuel Foundation is just joining the group. If you include that, we have 20 academies and one CTC.

Q50 James Wharton: So 21.

Sir Ewan Harper: And then you've 10 independent schools.

Q51 James Wharton: Right. My understanding is—perhaps you could give us a little background on this—that, less than a year ago, two of your academies were performing poorly and the Department actually stopped you from opening any more. Is that right? Can you give us a little background to that?

Sir Ewan Harper: Yes, I can. A year ago, we came and saw Mr Balls, the then Secretary of State, and we explained to him exactly what the problems were that we had in Sheffield. We explained that we had set up structures, that we'd employed people, and that it would start to be structurally different and improved from January. He didn't believe us—and I'm sure he didn't—and so we were told, pretty well, "You've got to withdraw from the two academies that you were going to be doing", which were one in Northampton and one in Oxford. And we decided the best thing was to do that—I don't want to say more than that—so we did.

What has happened in Sheffield is exactly on course with what we said 12 months ago would happen, and that has been a matter of the quality of resources we've put in. We had a problem of leadership, and there's a sort of mea culpa in there that we'd chosen and backed somebody, but it hadn't worked out, and we probably let it run for too long. It might have been humane, but it wasn't good for the schools. But the actual learning that was going on in those schools was not failing at the same rate that the leadership was, and both those schools are now out of National Challenge and they've made good progress during the last 12 months in raising their number of five A* to Cs, including English and maths.

Q52 James Wharton: Do you have an idea of a projection for how many schools you want to have? Is it an annual growth? Is it that you just take it as it comes and assess opportunities as they arise, or do you have somewhere a written plan that says, "This year, we want 20; next year, we want 25; and, in 10 years' time, we want 40," or whatever that might be?

Sir Ewan Harper: No, we don't have it quite like that, and there's an element of this that is art as much as science. By and large, we have gone to where people have asked us to go. Somebody said in Sheffield, "Will you come and support an academy there?" We've gone to Sheffield and helped them support it. What we're doing now is rather the reverse: we're looking, with the blessing of the Government, at where are these clusters, how can we build them, and how can we build schools around our private independent schools to grow them in a way that will give depth. And so, some of those will come more quickly and some won't, so it's very hard to say that we'll have another two schools this year, three next year, or whatever that might happen to be.

27 October 2010 Sir Ewan Harper, Kathy August and Lucy Heller

What we are concerned about is finding out how we can become more closely engaged with even bringing primary schools into our academies. Swindon asked us to take a second primary school, which we did 18 months ago. We think this is absolutely crucial. But, by and large, the governors of a primary school who've had a secondary school that has been a pariah only a few years ago, clutch like hell to say, "We don't actually want to let this go into this new academy that's being produced," so we do have problems of how this is going to happen, but it needs to happen for the reasons you've heard from both of us.

Q53 James Wharton: If I could add just one final point. What I want to understand is that you got to a point where the Secretary of State said no more—for whatever reason in this agreement—and then, instead of starting new academies, you found four that you then sort of took over and continued to expand. Is that how it happened or was it a very different process to that?

Sir Ewan Harper: No, it wasn't like that. They actually said, "We want you to pause." They didn't say, "We don't want you to have any more academies," and we heard from the most senior people in the Department that that was what the thinking was. And so, there was never the statement, "We don't expect ULT to grow further". The expectation was it would do. It was then, "Well, we'll wait and see how your results get on this summer," and there was a question of whether there was evidence that what we believe needs to happen—which is consolidation—would have happened. In fact, it happened with a bang, and we had some very good results this summer. Meanwhile, with the change of Government, we were invited to begin to grow again.

Q54 Mr Bacon: May I just say, in parentheses, that you are some of the most credible and impressive witnesses that I've seen in my entire time on this Committee in the last nine years, and if you are even remotely representative of the academies movement as a whole, which I take it that you are, I think it's a very exciting and inspiring thing? But we're not here to give praise, so I'd like to ask a question about exclusions.

The Report does say that academies' permanent exclusion rate is considerably higher than the average in the maintained sector. Now, the NAO told us earlier that that is often the case, but that it does tend to settle down after a while. I've been to an academy in my constituency twice in the last three or four weeks, and a month or so ago I opened a building, which was a new IT block. One of the things that it had was a sort of internal pupil referral unit, if you like, where people had to go and do a perfect day if they'd failed. Now, can you just say something about your approach in each of your organisations to the management of exclusions so that it doesn't become an ongoing problem? Plainly, it's one of the sticks with which you get beaten as a sector, so I'd like to know more about it.

Chair: Shall we take Lucy first on that?

Lucy Heller: I think, certainly, that everybody regards exclusion as a measure of failure. We have failed

those children if we get to the point where we have no other alternative but to exclude. That said, when you're taking over difficult schools and you need to set a new code of behaviour and establish new guidelines, it is sometimes inevitably the case that exclusions will go up. I think the NAO finding that, on the whole, you see that sort of potential rise up then it settles down has been absolutely the case in our academies. I'd certainly say that of our first academy, which had very high exclusions when we went in, but that's now down to sort of absolute minimal numbers, and how low we can bring that is a very strong performance measure for us.

We're looking at all sorts of ways to try and avoid getting to that point, including in terms of internal school measures—the sort of internal exclusion units that you've discussed. We also had a pilot project last year where we took our three south London schools and identified the children coming in at Year 7 who showed signs, both in terms of behaviour and attainment, of being likely to end up excluded. We then made them a voluntary offer—they could take it up or not, if their parents wanted—to spend the first seven months staying on the roll of the school, so there was no question about exclusion, but going off to a small unit with 15 pupils in total that was designed to address some of the issues that had led them there, so addressing their sort of academic under-attainment in a particularly focused way and some of the behaviour issues. We are looking at trying basically to eliminate exclusions as quickly as we can. As I say, it's a failure, and it's not a happy thing for any school to have to do.

Kathy August: It always saddens us that you have to talk about exclusions at all and certainly, when the academies were set up to create good schools on the doorsteps of the poorest communities, the one thing we had to say right from the beginning was, "No permanent exclusions," and that's what we've been trying to achieve. In fact, when we look at our figures now, in comparison with the last years of the predecessor schools that we took over, they are dramatically reduced.

I can give you a particular example from Manchester, in the heart of Moss Side. In the seven years we've been open, I think we've had to have seven permanent exclusions. In the predecessor school, in each of its last couple of years, that was exceeded by two or three for both years. In certain academies, such as our Northampton academy, there is a particular unit for both Northampton youngsters but also youngsters from other schools—this comes back to the partnership and collaboration with other schools—to avoid permanent exclusion taking place. But it is very much dependent on the communities. What would be a high-tariff youngster in one of our communities might be different somewhere else.

Certainly, where we are situated in some of the London boroughs and also in Manchester, there are particular high-tariff youngsters, but we do everything we can and we are successful in avoiding those exclusions. There's a whole range of things. In the early days when a youngster comes in, we have nurture groups to make sure that they're able to be equipped with social skills so that they are able to

27 October 2010 Sir Ewan Harper, Kathy August and Lucy Heller

avoid some of the confrontations that they otherwise might get into that could lead to difficulties in relationships and then exclusions. We make sure, as Lucy said earlier, that there is an emphasis on literacy and numeracy so that children can access the curriculum and don't get frustrated about not being able to achieve. It is about having lots of different opportunities for them, because if you're in a place like Moss Side, at the moment, for some youngsters, the parents still don't want them to be out and about, so it is making sure that there are things with the school staying open late to enable them to get engaged in positive activities and making sure that, every week, those positive activities and achievements are well documented and well rewarded, not necessarily with tangible rewards, but with the intrinsic reward of being noticed and being taken notice of, for all the right reasons.

So it is, again, back to the ethos, as we talked about right at the very beginning, which, in order to drill down, you can get that sort of behaviour from the school side, which produces the results in behaviour that we want from the youngsters. And I think, because it is difficult for you to listen to this some distance away from these places, if you're looking around the numbers, there could be one person going to each of our academies and seeing for yourself, on a daily basis, the sort of things that we do.

Q55 Chair: Can I take you back to the commissioning process with the Department? There's quite a lot of comment in the NAO Report about that. How do you think the Department should be deciding who runs academies, particularly the ones—you're obviously going to focus only on those—that are underachieving and in difficult areas? How should it decide who runs them and who doesn't? What should the commissioning process be like? This is for both of you.

Lucy Heller: I want to say that it should be tough. I think Mike Feinberg, one of the co-founders of KIPP, which is one of the best charter school operators in the States, was asked, "Are charter schools the answer?" and he said, "No, that's baloney. What charter schools represent is an opportunity". All you're getting with an academy is an opportunity for somebody to run a school well. There are no guarantees in that, so it seems to me, particularly now with the sort of huge expansion of the programme, that the commissioning and accountability are absolutely key, and I think all the best sponsors would agree that what you want to see is really tough commissioning and saying it's not about the rights of people to run schools; it's about the rights of children to have good education.

We would be very happy to measure up to tough standards in doing that. I think it is something that, for the Department and the civil service generally, is a tough thing, because what you're saying is this commissioning is not a science, it's an art—it's not a tick-box process; you have to actually make judgments—which I think is something that is uncomfortable for Government Departments to do. I am not sure that we have yet got to the bottom of finding a commissioning process that makes sense.

Q56 Chair: The Report tells us that a quarter of the schools—that's a lot of schools—have got financial and managerial problems or need additional financial and managerial support, and, according to the Report, 5% are running a deficit. Does that suggest to you that the Department is not tough enough in choosing who should be running these schools? Does it suggest that the Department probably hasn't got a good enough intervention strategy when things start going wrong?

Lucy Heller: Not on its own. I think that the answer is that, as with the charter schools, where you have a much larger experimental base to draw from—now 4,000-plus—the thing that academies have is autonomy. The results are mixed, and I think you have to accept that from the beginning, as with maintained schools, in which results are mixed. There is no guarantee in any system of performance. What you're trying to do is to encourage the best operators and make sure you weed out the worst ones.

Q57 Chair: Well, I'm trying to sort of get underneath that because, again, the Report tells us that the Young People's Learning Agency has had to put in £8.5 million this year alone to help academies in financial difficulties. Now, that's available this year; it won't be next year, with the financial constraints that we're all facing. All that suggests to me is that there are areas where the Department or the agency need to improve, both on commissioning and then on intervention.

Sir Ewan Harper: I think one of the benefits, frankly, of being a chain is that where you've got a group of schools, you reduce the overhead costs of running them. It's very hard to know how much we save, if you like, for a local authority running a school.

Q58 Chair: Are none of your schools in this quarter?

Sir Ewan Harper: No. When you say "in this quarter"—

Q59 Chair: Well, the Report says—I can't remember which page it is—that 25% of academies are facing financial and managerial problems. It also tells us that extra money is having to go in this year—2010–11—because some schools will otherwise go bust.

Sir Ewan Harper: No, I'm sure that's not affecting us at all. In fact, if you look at United Learning Trust's accounts, you'll see that in fact we show a surplus, so we're actually not using all the monies—

Q60 Chair: So, what's going wrong in those academies—

Sir Ewan Harper: I wish I knew.

Chair:—if you're at the better end of the scale? That why I'm interested in both commissioning and intervention.

Lucy Heller: That might be a question for the Department. I think one should say that there will be a number of maintained schools that will find themselves in a similar position and being bailed out by their local authorities or by the state. If you are running a school in challenging circumstances, it's very tough, particularly with pupil numbers varying. There are reasons why schools would end up in that position. I don't think it's particular to academies, but

27 October 2010 Sir Ewan Harper, Kathy August and Lucy Heller

I would echo Ewan's point about the difficulties of the single academy. I think that they can be sometimes vulnerable.

Q61 Mrs McGuire: Can you cross-subsidise?

Sir Ewan Harper: Technically, we could, yes.

Amyas Morse: Would that be because your Paddington academy didn't have a £300,000 deficit last year?

Sir Ewan Harper: We have start-up grants, which we're able to bring in. Let's go back to start-off. When you take on a school that's in significant deficit, and it may have just too few pupils for the number of teachers that are there—something quite simple like that—the Department works out with you what it calls a start-up grant. That helps the transition of that school from where it is while you're drawing in more pupils and perhaps reducing the number of teachers—going through a process of getting that school into balance—and that's what we do. And I suspect, when you've seen that, it might be the way in which start-up grants were shown or not shown, when coming to your answer. But I'm sure, if you'd like a written reply to that, that we can give you a full and proper reply.

Q62 Chair: You're being passed a note. How long have you had that school?

Sir Ewan Harper: Three years.

Q63 Chair: And the deficit was which year?

Sir Ewan Harper: I've got here that the start-up grant was received in year one. So, in year one, you receive £1 million or £0.5 million—whatever it is—and then it is eaten into year by year, so you get quite an artificial picture in the publicly stated accounts as opposed to how the funds are used year by year, school by school.

Amyas Morse: That sounds sensible to us, Chair, by the way.

Q64 Chris Heaton-Harris: The Report by the National Audit Office mentions in paragraph 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." Having received an obviously very friendly briefing by the National Union of Teachers about academies, I am interested in what your relationship with the unions is and what staff morale is like.

Sir Ewan Harper: The relationship with the unions is perfectly sound, despite what you hear publicly from the National Union of Teachers. Locally, on the ground, it works with us sensibly, if we are prepared to apply proper process to the things that need to happen. We do have to have competency—some of the people are not up to teaching as they need to be—and we have to go through those processes. Sometimes people leave voluntarily and sometimes we ask them to leave as a result. So, we are actually doing things about assessing and dealing with the quality of teaching that goes on in our academies. We have not been obstructed in that operation by the unions, and I think that that is something which might surprise you. I think it surprised us, but they are, in

fact, at the local level, much more dedicated to good education for children than their public officials might give you the impression.

Kathy August: Could I just add that locally, certainly, that's very much my experience? What union officials want is proper leadership and management, and due process, and then both work together for the benefit of the children.

Q65 Chair: Lucy, do you want to add anything to that?

Lucy Heller: Yes. I would go slightly further and say I think that we have very good relations with the unions. We have a national agreement with all the major unions involved and haven't had any issues. I think staff morale is high. I extend a general invitation to the Committee to come and see all 850 ARK staff when they gather just across the road in Westminster Central Hall on Monday for an all-day ARK schools summit, where you will see, I think, that morale is good.

Q66 Chair: Can I just ask one final question and then we will have to move on? According to the Report, your funding is more generous—you're at £3,100 per pupil compared with a national average of £2,700. That's quite a difference. If, over the coming period, that funding per pupil declines, will you still be able to achieve the very good outcomes that you have achieved so far?

Sir Ewan Harper: First of all, our funding is the same as if we were a school in the LEA in that area, so some of the premium—

Q67 Chair: I'm going to interrupt you a little bit. What happens is you pick up money that the LEA would have for transport or special educational needs, so you end up with more, and you've got your start-up grant, so in the mix—

Lucy Heller: But then you do have to pay for the services that the local authority would otherwise have provided. So, theoretically at least, it's a wash—you're getting the money that local authorities would hold back.

Kathy August: It's a specialist school grant as well, because you don't apply for a specialist school—you get it conferred on you—and that accounts for that. So, if you compare an academy with a specialist school, there wouldn't be the same differential.

Q68 Chair: But if the difference was eroded because of the financial constraints that will face the Department, will that have an impact on what you can do within your schools?

Sir Ewan Harper: As a quick answer, if we're spending money sensibly, yes it will, but I believe the challenge is there to make sure it's at an absolute minimum or not at all, and we would rise to that challenge.

Lucy Heller: I agree. It clearly makes a difference if we have less money. I remain optimistic simply on the grounds that, if the pupil premium is to mean anything, then we're assuming that it at least keeps us relatively level with the funding that we currently receive. But like everybody, we're facing hard times,

27 October 2010 Sir Ewan Harper, Kathy August and Lucy Heller

and we are looking at ways that we can make economies and run things more efficiently, but get the same results.

Sir Ewan Harper: Thank you for asking us to come.

Q69 Chair: Thank you very much indeed. Thanks for answering so directly and fully. Good luck and well done.

Examination of Witnesses

Witnesses: **David Bell**, Permanent Secretary, Department for Education, **Peter Houten**, Director, Academies Policy and School Organisation, Department for Education, and **Peter Lauener**, Chief Executive, Young People's Learning Agency, gave evidence.

Q70 Chair: Welcome. Thank you very much for sitting and listening to the evidence that we had from the academies. I just think it's useful for us to have a context of those people at the front line to see how they're doing.

Now, if we can start on this issue, the NAO Report is positive and suggests that, on a whole set of criteria, the Academies Programme has so far been a success. I think we really want to tease out of you what you understand that the reasons for that success have been, and then how you feel you can use that model to achieve an equivalent raising of standards across the piece, but particularly in schools in disadvantaged areas that have, so far, failed to give the best to their children.

David Bell: Thank you, madam Chair. I hope I'm not going to disappoint you by saying that, actually, what you heard in relation to the success of those schools is what anyone here would just restate. I think it is quite interesting that the programme for academies of this kind of autonomous state school has now been in place for over 20 years or so. It began as the City Technology Colleges, went through to the academies and, of course, we're now into the next stage of the programme, which I'm sure you'll want to come back to.

As somebody said—I think Sir Ewan said it—it's not been a science but more of an art, but it's grown organically. However, I do think the issue of autonomy—whether it's the autonomy to the individual institution or the autonomy to the chain having freedom to then use its money accordingly—has been at the centre of the programme. I think if you can combine that high level of autonomy with very close attention to detail, because I think your previous witnesses were saying that they have very close attention to detail when it comes to teaching and learning, you have the success.

In a sense, when you hear these things just restated—get data on the students and track them remorselessly; have a strong ethos of achievement; have very high standards of discipline; work very closely with the parents; have a rigorous curriculum etc.—you could say, "Isn't that stating the obvious?" But, actually, it is the ruthless attention to detail and the remorselessness of the implementation that makes the difference. I think that's the lesson from this programme, and I think it's the lesson from successful schools: whether they're academies or not, that's what makes them successful.

Q71 Chair: And what have you learned from the ones that haven't succeeded? We obviously got evidence from those that have done very well, but that is not, from the Report, necessarily a consistent pattern across the piece.

David Bell: Again, madam Chair, it won't surprise you to know that if you're looking for a shorthand answer to your question, it is to do with the leadership of the institution. I think it would be fair to say that when we've had some of the trickiest problems to deal with in academies, it has been because the leadership has been wrong. That is not because people have gone out of their way to appoint poor leaders. These are incredibly tough jobs: taking over predecessor schools, as described by your previous witnesses; and having to make progress quickly to deal with all that backlog of difficulty. But when the leadership is not up to scratch, you very quickly get all kinds of other problems, because that will quickly manifest itself in staff dissatisfaction. You then won't get the kind of rigour and the attention to detail that you need, which has been described and, picking up the very last set of questions you asked, relationships with the trade unions and others often fall apart.

So, I think we've learned that leadership and getting the leadership right is absolutely crucial. Now, there will be specific issues that I'm sure my colleagues would highlight in particular circumstances, but I think it is essentially down to the quality of leadership. If you don't get that right at the beginning, you're probably going to stack up problems for the future.

Q72 Chair: As we move into a massive expansion of academies, with the criteria actually changing—you will be commissioning these academies; I started moving towards this that at the end of the previously questioning—what will be the criteria that you look at when deciding who should or should not take on an academy?

David Bell: Perhaps I could ask Mr Houten to comment on that in a moment, but I think, increasingly, relating to that organic development, we are increasingly interested in people with a strong track record. It won't surprise you, therefore, that if you've got organisations like ARK and others that are very, very successful, that's an important factor, and we'll look at the track record of success. There are other characteristics, such as the quality of leadership that can be brought to the task—in other words, not

27 October 2010 David Bell, Peter Houten and Peter Lauener

just the leadership of the institution, but what kind of leadership would the sponsor bring to it. Other factors like that will be important to us, but perhaps I may ask Mr Houten to say a little bit more about criteria.

Peter Houten: We clearly want a situation where sponsors like ARK and ULT continue to grow the number of schools that they look after.

Q73 Chair: Since the general election, are there new schools in difficult circumstances that are underachieving that you're talking to the ARKs and the ULTs of this world about taking over?

Peter Houten: We are, and I was discussing one—

Q74 Chair: There's been more since the general election? It's not just been the outstanding schools that you've been—

Peter Houten: We're in the process now of working with local authorities and our sponsors to identify actual schools. We had a conversation yesterday about a school in special measures, with low figures—20%—on five A to Cs, including English and maths. Both the local authority and ourselves are very keen to see that as an academy.

Q75 Chair: Sorry to interrupt, but I just want to get this absolutely clear because I had heard otherwise. Since the general election, the focus has not switched just to schools that are currently outstanding. The focus remains also on those schools that are underachieving.

David Bell: Categorically yes, madam Chair.

Q76 Chair: I interrupted you.

Peter Houten: What we want to get is a blend of making sure, as the Permanent Secretary said, that those with a good track record can take on more academies at a sensible pace, but we don't want to close new entrants, because a lot of the people who are now heads of very successful chains started off with one school and with no track record, and we're very keen to capture those people and bring them into the programme as well. But what we want to look at, as the Permanent Secretary said, is who you're partnering with and how you ensure that you'll get that real step change in educational performance if it's your first academy, and it's quite interesting that some of the free school proposals that are coming forward now are actually looking towards some of our existing academy sponsors and saying, "Will you help us in this process?" So, a group of parents who want to set up a school have actually talked to an existing academy provider and said, "Will you help us in this process?"

Q77 Mrs McGuire: I've got a couple of tracks. Following up on the Chair's question, how many schools have actually moved since the general election?

David Bell: Do you mean the converter academies?

Mrs McGuire: Yes.

David Bell: Fifty-seven.

Q78 Mrs McGuire: There are 57 additional schools.

David Bell: Those are the converter academies, and we now have, in total, 324 academies. The majority of those are the sponsor or traditional academies but, of course, we are moving the programme forward to encompass both the traditional academies and the new converters.

Peter Lauener: And that number of 324 includes 64 additional traditional academies that started at the beginning of September.

Q79 Chair: But they were in the programme before the general election.

Peter Lauener: Yes.

Q80 Chair: What I was trying to get at is that you haven't stopped that programme; you're carrying that on.

David Bell: No, not at all.

Q81 Mrs McGuire: Thanks, that's been clarified.

In some ways, the conversation that we're having is not just about the finances, and I'm interested in Mr Bell's comments, because, having been a teacher himself and an inspector of schools, the one thing that I think has come through in his contribution—and in the contribution of the previous people in front of us—is the importance of leadership all the way through. I can think of maintained schools in which the leadership, frankly, has been the root cause of a school certainly facing difficulties, if not failing. On reflection, and given your illustrious career as an educationalist and, as I said, as a head teacher, all the way through to an assistant director and your current position, do you think that the system has actually failed to deal with the issue of leadership in our schools? Discuss.

Chair: I was going to say that that was a bit of an exam question.

David Bell: I think we've had a better understanding in recent years that it is not a case of just being born some great, charismatic leader who can take over a school and run it in a very successful way. Of course, there are folks that can do that.

Mrs McGuire: Miss Jean Brodie, yes.

David Bell: I think we've been increasingly aware that there is important training and development that we can do for prospective leaders. In recent times, of course, we had the National College to assist in the training and development of school leaders. I do think the Academies Programme, however, has opened up something very interesting with the chains that you heard about. I think Sir Ewan mentioned in passing the ability to support each other—to have a collective view of leadership. I think one of the issues that we've all puzzled away at is that we have a highly decentralised, devolved system in this country, as you know—20,000-plus individual schools—and it's quite a big ask to assume that you'll get 20,000-plus outstanding leaders.

Actually, very few businesses or organisations work on that premise. What they do is they capitalise on the best leaders they've got, who they use across a number of different places, and then they put behind that systems and procedures that help the good managers to become effective leaders. I think that the

27 October 2010 David Bell, Peter Houten and Peter Lauener

chains are beginning to develop that, but I wouldn't focus this just on academies. I think we've seen increasing evidence of lots of collaborative arrangements among schools outside the Academies Programme, and it's one of the reasons why, as part of the converters programme, we have given very strong encouragement to converters to partner themselves with weaker schools so that you get that added benefit. So, you might not need every school to have an outstanding leader, but I guess I would put it this way: you might need every school to be under the influence of an outstanding leader or an outstanding approach to leadership.

Q82 Mrs McGuire: Do you think that the Academies Programme has been a catalyst for that sort of co-operation and engagement? Certainly having had some moderate experience in education—and obviously being an observer of it and also being a parent who's seen their children go through school—it strikes me that there has been an increasing awareness over the last few years, which, frankly, wasn't there before. I'm wondering if almost the threat of the academies—I don't mean that in quite as a pejorative sense as it sounds. I wonder if the academies have, in fact, stimulated a different approach from those in charge of public education in the country.

David Bell: I don't think there's any doubt about that. I think that's absolutely true, and one of the reasons why, of course, the Government are very keen to promote greater diversification in the education system through the free schools programme and the academy converters programme is that you get that engine of greater competition and a diverse range of providers in the system. It's not an irony to me, but it might be an irony to some, that the Academies Programme has actually stimulated the kind of collaboration that you have described. I say that because lots of people in their early criticisms of academies said that this was about atomising the system and making academies isolated entities with no responsibilities to other schools. Almost without exception, whether they're members of chains or not, academies have galvanised action across more than one school, and I think that's been a real answer to the critics who said that, actually, what we were doing was splitting apart the system. We're doing this through consent, and that's the best way to do it, but I think you heard from ARK and ULT as well that is what they're in the business of doing. They are in the business of trying to spread what they've found has worked to as many schools so that, ultimately, as many children and young people as possible benefit.

Q83 Chair: I'm going to come to Ian, but I just want to get something clear in my head before I do. Are there two academies programmes? Is there a sponsored academy programme and a converter programme? Are they two different programmes with a different ethos?

David Bell: No. I think we have a single programme of academies, with two dimensions to it, don't we? They're two different routes into the Academies Programme.

Q84 Chair: Are there two different sets of criteria?

David Bell: Well, in a sense, the answer is yes because, at the moment, you have to be graded as outstanding by Ofsted to be considered as a converter, although the Secretary of State wants to extend that in due course. With the kinds of academies that you were hearing about earlier, madam Chair, of course, the criterion has been that you have taken over a school that has been seriously underperforming, but they're all, in legal terms, academies. I think it is very important from our point of view to talk about the Academies Programme as a single entity. It is about maximising autonomy, and that autonomy being maximised to benefit the education of children and young people.

Q85 Austin Mitchell: But do the new ones—the elite ones; the ones you could call the “escapees” who want to get out of local authority control—get the same financial benefits as the old ones, which are meant to regenerate education in deprived areas?

David Bell: Yes. I'd perhaps challenge the use of the word “elite”, if I might, Mr Mitchell. These are schools from different sorts of backgrounds that have been graded as outstanding by Ofsted—

Q86 Austin Mitchell: Yes, but if you give more money to the elite ones, that's coals to Newcastle.

David Bell: But we're not giving more money. What we're saying is they get the money that they would have had as a local authority-maintained school, plus a share of the local authority expenditure, because, as was pointed out earlier, if you become an academy, you have to pay for those services yourself. There is no advantage, and no financial advantage or bribe—there's nothing like that at all with the converters programme.

Q87 Chair: Start-up grant?

David Bell: Not with the academy converters programme, madam Chair.

Q88 Austin Mitchell: Money from sponsors?

David Bell: Sponsors in the sense of the traditional academies having sponsors, no.

Q89 Ian Swales: Sponsors is what I wanted to ask about. In the early days of the programme, it seemed that we would not have any sponsors except those who knew about education, to be slightly cynical. Now, obviously, we've got a much broader range of sponsors and businesses and so on, and one of the recent trends seems to be local authorities sponsoring, and sometimes universities and others, and now we're perhaps prepared to have parent groups and so on. My question is: are there any lines that you draw in terms of who you want to be sponsors and, in particular, do you regard local authorities becoming sponsors as “gaming the system”?

David Bell: I'll perhaps ask Mr Houten to deal with some of that in a moment, but just to deal with your slightly provocative cynicism, if I may put it—

Ian Swales: It was a car dealer that opened the academy nearest me.

David Bell: I think that some people who came into the programme as sponsors were not educational experts in the traditional sense. In many ways, that was a virtue, because they came in as people who were just really interested in doing a better job by the children and young people in a particular area. Now, you're right in that I think an increasing number of people have got involved in the programme, but I think we can say, without exception, that people have come into the programme because they care about education and they think that their interests and enthusiasm, and sometimes their money, can contribute to a better education system. But you are right that we have a more diverse range. Perhaps I could ask Mr Houten to talk about your specific points about the entry criteria.

Peter Houten: We always look to have what we might call a traditional sponsor as the lead, so when local authorities have got involved, they've got involved as a co-sponsor, and it is still the original lead sponsor who will appoint the majority of the trust, so the effective control is with that lead sponsor.

Q90 Ian Swales: So you don't have any academies where the local authority is the sole sponsor then?

Peter Houten: No. It's only ever been as a co-sponsor—that's been hard and fast. So, if you look at Manchester, where the local authority has co-sponsored a number of academies, it's been with the Co-op, BT, and a range of other organisations.

Q91 Matthew Hancock: I wanted to come back to this question of leadership, and particularly what we heard about the groups from the previous witnesses, and drill a bit more into the converters and the impact of this on converters. The converters are likely—or more likely than any other schools—already to have exceptional leadership, because that is one of the things that drives the ability to get outstanding status. In parentheses, I know from my own constituency work that the two outstanding schools in my constituency have outstanding leaders and really exceptional people.

What we heard was that being able to spread exceptional leadership over more than one school allows you to bring more schools up, so if only outstanding schools or failing schools can now become academies, doesn't that leave all the schools in the bulge in the middle—which do not necessarily have exceptional leadership who have managed to drive them to outstanding status, and haven't had an injection of exceptional leadership because they were not failing—unable to access the collaborative mechanisms that come with groups of academies? Doesn't that mean that we'll end up, basically, with a load of people in the middle who don't benefit from the programme?

David Bell: Well, when the Secretary of State talked about the converters programme and when the Academies Bill was going through Parliament, he made it clear that he wanted to expand the programme over time so that more and more schools came in. I think he will want to say more about that in due course. It has never been the Secretary of State's intention that the converters programme should be

confined just to outstanding schools, so I think that that addresses that very sensible concern.

I think what we have seen—perhaps this goes back to Mrs McGuire's point—is more schools of all standards, if I can put it that way, entering into collaborative arrangements. In many cases, yes, it is stimulated by better schools supporting weaker schools, but actually I think we can cite examples—I can certainly cite examples—of schools where the school itself recognises it might want to have support from other schools that are more successful. I think we can stimulate this collaboration that I think we all feel has great benefit in different sorts of ways. One other—

Q92 Matthew Hancock: Just a minute. How does that dynamic work? You have a head teacher in a school that is satisfactory or good who then goes and asks for more help from an outstanding leader or somebody who's running an academy. That sounds unusual.

David Bell: Well, if you look at the academy converters programme, we've got schools who are partnering other schools that will not be in the outstanding category, and those sorts of arrangements have come about by consent. I think the difficulty—and perhaps this is what we are all concerned about—is the school that either doesn't recognise that it might benefit from more support, or is actually resistant to that. Of course, in our highly autonomous school system, which I think has got huge benefits, there is a policy question of how you get at these sorts of schools, and again I think the Secretary of State will want to say more about that in due course.

May I make one other point, Mr Hancock, on the back of what you said? I cannot remember if it was Lucy Heller or Sir Ewan who talked about the numbers of schools they have in their group. I think that one of the interesting policy questions for us and the sponsors is: do you get to an optimum size beyond which you have lost the benefit? I'm quite surprised by how cautious some of these sponsors are, because one might say, "Well, of course, that's the model we have in many parts of the private sector, with hundreds of thousands of outlets of a standard form providing a very high quality of service." It is interesting that even these very successful chains will say, "We're not sure how far we want to or can take that," and I think we don't know the answer to that. I'm hoping that some of the chains will be bolder and bolder and take on more schools, but I think the answer is that we have to see how that develops.

Q93 James Wharton: This is slightly related. I've got a free school application—or two, but I think we're down to one—in my constituency and, so I am told, there has been a lot of resistance from head teachers of local schools that are not academies to the concept of what they want to do, and effectively the door has been shut in their face when parents have gone to see them, and they said, "Look, if you do this, we don't want to know about it. We're not going to work with your school." Now, that might be an isolated example—they may have exaggerated it when they've said things to me—but, and I think this ties

27 October 2010 David Bell, Peter Houten and Peter Lauener

into what Mr Hancock was saying, how much resistance are you coming up against from head teachers and leaders in schools that are not getting this academy status, and have you made any assessment of how big a problem that could be?

David Bell: Well, when we're talking about converters, I think that schools understand that the Secretary of State was clear that the programme would, in due course, be open to as many schools as possible, so we're not getting a lot of resistance. Actually, the only kind of pressure we're getting is people saying, "When are you going to open the programme up?", and the Secretary of State will still have to determine when that happens.

On your specific point about free schools and, perhaps, the reaction and resistance from other schools, there was a bit of that when the Academies Programme was set up—actually, there was quite a bit of it in some areas. There was quite a lot of hostility from other schools who saw it as a threat and wouldn't be prepared to work with the schools and so on. There's a bit of me that thinks, "Well, that's a jolly good reason for having the academy in there," because what you're doing is using that school as a means of stimulating other schools to think about what they do. We're not talking about free schools, but the particular issue here, as it applies to academies, is that they are going to be successful only if parents choose to send their children to these schools. The NAO Report points out that for the Year 7 intake across the academies now, there is a huge increase in first-choice applications. These schools of any sort are only going to be as successful as parents think they are, and it's clear from the Academies Programme they think they're pretty successful.

Q94 Austin Mitchell: One way of making parents think they are successful is to get better exam results, and one way of getting better exam results is to cream off the most able people from the kids from the surrounding schools. Now, the Report says, at paragraph 2.20, that there was no noticeable effect in reducing the proportion of free school meal kids going to neighbouring schools, but it doesn't tell us whether there was any creaming effect. Since it's always been the dearest wish of the Department for Education to smash up local authority control of education as a competitor, it seems to me that that imposes on you a responsibility to see that the academies don't affect the intake, the educational standards, the financial health or the recruitment of neighbouring schools. Are you doing that?

David Bell: Well, I think the first thing to say—and, in some ways, it was picked up with the previous witnesses—is that there are no privileged admission arrangements for academies. They have to follow the admissions arrangements and, as you heard from the two chains, they are part of the local authority admission process. The choice has been made by parents to send their children to schools that perhaps, in the past, they wouldn't. It is not "perhaps", actually, because the vast majority of the academies are academies because their predecessor schools were deeply unpopular with parents.

On the issue of the socioeconomic make-up, it is worth pointing out, as the Report does, that we are still talking about academies having double the rate of children with free school meals than other schools, and it's also the case that, as these schools become more popular, undersubscribed schools are no longer being undersubscribed, so the proportion of children with free school meals may drop. But it seems to me that that is a thoroughly good thing if we are both ensuring that children with free school meals have got access to those schools and, at the same time—

Q95 Austin Mitchell: But the question was about creaming off the better, brighter kids.

David Bell: But Mr Mitchell, they're not creaming them off in the sense that they're going out and catching them and capturing them. The parents are choosing to send their children to those schools. Again, I don't think this is about some grand conspiracy to smash local authorities or anything remotely like that. I think what this is about is having greater diversity in the system and having a greater proportion of successful schools so that parents can satisfy—

Q96 Austin Mitchell: Yes, but if they're that successful, why are 10 of the first 46 undersubscribed by over 10%?

David Bell: Well, as you heard from the earlier witnesses, I think that these schools have started from a very low base, and I think one of the things that we have found in the Academies Programme is that, in some cases, it takes a bit of time for the reputation to change, so although the school may no longer be a particular name, people say, "Oh, it's the new academy but actually it's really that other school." So, you're not going to just dress up to parents the attractiveness of academies by changing the name to something called "academy". It actually will take some time but, as we see for academies that have been in place for longer, I think that we are seeing greater subscription on the part of parents.

Q97 Austin Mitchell: But in terms of the improvement, I can see—

Chair: Austin, I'm going to bring Jackie in, because we want to move on to the—

Austin Mitchell: Well, hang on there; I think this is an important one. I can see that there is some improvement on our last Report, and I can see you've argued the virtues of change and trying different approaches, but can you tell us—change always produces a kind of Hawthorne effect in the sense that there's an improvement—that there's a bigger improvement from these academies than there would have been just from a Hawthorne effect plus showering them with a lot more money, which you've also done?

David Bell: Well, we've got the data—and the Report covers the data—about the rate of improvement in academies against otherwise similar schools. I think perhaps the point I'd want to make in response to your last point is that these academies have taken over from predecessor schools that, in many cases, had generational failure, and there is an idea that if you

27 October 2010 David Bell, Peter Houten and Peter Lauener

just gave these predecessor schools more money, they would have succeeded, but actually many of the predecessor schools had been given huge sums of public money—not just the example that was cited from Manchester. With lots of these schools, it had felt after a period that this was throwing good money after bad and that you needed the shock to the system of the academy, with all that that brought, to bring about the kinds of improvements that we've seen. But we have got those demonstrable achievements and improvements as outlined in the Report.

Q98 Jackie Doyle-Price: I have to say that I've got two academies in my constituency and they very much share the story you've told—they have gone from being schools that were undersubscribed to ones that have got more demand than they have places. It is less about creaming off than about offering an education that parents want to send their children to. Having said that, I just want to unpick whether we're actually having more successful schools and better schools, or whether we're offering different schools. And by that, what I mean is that the curriculum, as this Report shows, is much more vocational in its emphasis than the schools were offering hitherto. So, when we look at the performance against the results at A to C, we're not comparing like with like. Are we actually giving the children who attend these schools realistic expectations about what their education is giving them, or should we just celebrate the difference and say, "We are actually now offering education that suits the children who are going to these schools"?

David Bell: I think that's a very interesting question. You'll know that the performance measures that apply to academies, as apply to all other schools, have in recent times been stiffened with English and maths requirements. I think the academies—and I think Lucy Heller acknowledged this earlier—really are focusing a lot of their attention on getting up the percentage of children who are achieving alongside their five-plus A to C grades, including English and maths. Again, there is evidence of that happening.

There is a wide range of qualifications on offer, as is the case in other maintained schools, but actually I think we're seeing greater convergence. In other words, the kind of pattern of options on offer in academies, as reflected in the attainment results at 16, is broadly in line now with what's happening elsewhere. I do think, however, that there is a particular need to focus on English and mathematics, for the reasons that were described earlier, because that's really, really significant in terms of your life chances.

I'd just make one other point. It is easy to dismiss—and I know you're not doing this by saying, "Oh, well, if these academies have achieved their headline rates by a different set of qualifications, it doesn't really count for very much." Actually, that can often be the start, for some of these youngsters, of the rest of their life in terms of if they've got their education, they believe they can do something. Again, even if you looked at the qualifications in the predecessor schools, they weren't offering anything, in some cases, that was actually publicly accredited or awarded. English and maths have to remain the focus in those schools,

but by broadening the curriculum and getting more children and young people energised and enthusiastic, I think we've got a better chance of keeping them in education for longer.

Q99 Chair: I was going to move it on to talk about management and accountability issues. I will start you off with a question that we asked to the previous witnesses.

The Report tells us that a quarter of the schools need extra financial and management support. It also says that 5% are in deficit and that the Agency had to put in £8.5 million this year. That is unsustainable over the longer term. It is particularly worrying if you're going to get this rapid expansion, so I am interested in what you're going to do about it. The Report also says that you haven't got an intervention strategy, so perhaps you could tell us what your intervention strategy might be and when it's going to come about.

David Bell: The reference in the Report is to the agency—that is the YPLA—so I might ask Mr Lauener to just deal with that. I think a point I would make about the deficits was perhaps alluded to by one of your earlier witnesses. If we look at the last publicly available data in the maintained sector, as it were, you're actually looking at about 8% of schools carrying a deficit at the end of the last reported period against the percentage in the academies, and the position there is very similar to what is expected of academies. You have to put together a plan and you have to get yourself back into balance and so on, so while it is always a concern if any school has a deficit, I think there is a proper expectation that schools will get back into balance. However, I think that Mr Lauener should perhaps talk about the agency's work.

Q100 Chair: I've just got to say: autonomy is autonomy. These schools are going to be autonomous. They're outside the local education authority family.

David Bell: Indeed. However, I would just make the point, madam Chair, that even within the local authority context, the last publicly available data say that about 8% of schools have been running a deficit budget, and that figure, I think, has remained pretty constant. What local authorities do is to ensure that the schools get themselves, over a period of time, back into balance, but Mr Lauener can talk about the 25% figure that's been quoted.

Q101 Chair: And an intervention strategy?

Peter Lauener: Thank you, madam Chair. Perhaps I could just say a couple of things about the role of the Young People's Learning Agency in relation to academies, because we take over once the academy is commissioned with its order to start, and we have three roles with academies: one is about simply calculating the grant and making the payment; the second is we have a performance monitoring and challenge role on standards in any cases where standards fall below par; and then, thirdly, we have our general support role for academies, which might be on any issue that is a current concern—for example, we might advise on the policy on admissions, if that was an issue for the academy.

27 October 2010 David Bell, Peter Houten and Peter Lauener

We have those three roles, but the core of it, though, is the funding role—getting the right amount of money to the academy at the right time, and it is perhaps just worth saying that that’s been quite a significant challenge for the agency in the period since we started in April, particularly over the last two months, because the number of academies has increased by 50% from just before the beginning of September to now, and we’ve had to put in place the systems to make those payments promptly and on time. That’s just a little bit of background.

We do monitor the standards, and monitor in particular the Ofsted reports on academies, and there are a very small number of schools in special measures or with a notice to improve. We also monitor the financial health of academies. There are 10 or so actually in deficit and, in each case, we will be working with those academies to develop a recovery plan. There’s this larger group that you mentioned needing some additional financial or managerial support to get them on to a clear basis for improvement. In most cases, both for those actually in deficit and those needing some support, the key issue will be inherited structural deficits from their previous position.

We’ve heard a lot today about the way in which academies have come from a very low base of performance, a very low base of numbers of parents opting to send their children to those academies, and very often a very high base of staff costs. That implies quite significant restructuring costs, and that’s why traditional academies get paid the start-up grant. Very often, it will take a little bit longer to establish the high-performing academy that we’ve seen in so many cases and, in those cases, we need to work on a deficit and restructuring plan with the academies concerned. So, that’s the approach that we take.

What we’re doing at the moment, to answer the second of your questions, is reviewing the systems that we’ve inherited from the Department to try and align the performance standards and finance standards rather more closely so that, I hope, we’ll be able to spot some of the financial problems early and put the two things into the same performance framework. We’re reviewing that at the moment and I hope we’ll have a new system up and running over the next three months, but we want to discuss that with academies.

Q102 Mr Bacon: Mr Lauener, can I come in at that point, because that was exactly what I was concerned about? In fact, the quality of your inheritance from the Department, as you described it, is one of the things I’m concerned about. You, as a veteran of the individual learning account, on which we took evidence in 2002, know more than most about the management of risks. The Report says, in paragraph 21, “The expansion of the Programme will increase the scale of risks to value for money”. It goes on to say that, “It is important that academies’ freedom and independence are matched with robust governance and accountability”, and I was very pleased to hear that the academies themselves appear aware of that, both in terms of the risk if they grow too quickly, and in terms of having robust processes for commissioning

and accountability, which Lucy Heller said were both key.

But the Report says that the processes that you’ve got and that the Department has bequeathed to you are anything but robust. In fact, the point you were making about monitoring is also relevant. Paragraph 23 of the Report says that you don’t have equivalent processes of the kind that you described for the monitoring of standards of governance and, on page 41, in paragraph 3.27, there’s just a litany of risks: the survey—this is the NAO’s survey—identified that one fifth of academies have a chair who is also the chair of the finance committee. Well, anybody who’s been a school governor, as many of us have been, knows that that’s just not what you do.

The Report goes on to say, “Two thirds of academies do not have an audit committee”, and yet these are organisations spending millions of pounds. It goes on to say, “In the absence of an internal audit function”, as if that is something that you can choose whether you do or not, “the governing body should”—“should”—“appoint a Responsible Officer to provide assurance that financial responsibilities are being properly discharged”. That is not “must”, but “should”.

If we look at paragraph 3.12, it says, “The Department strongly recommends that academy Finance Directors should be CCAB-qualified accountants”. Well, Mr Bell knows all about that, because he just lost Mr Thompson, who was a qualified accountant, when he went over to the Ministry of Defence, which was good from the point of view of this Committee, although it was sad for Mr Bell to lose a qualified accountant running his Department, but surely academies should meet the same standard. The fourth bullet point goes on to say that 61% of academy trusts submitted accounts within the right timetable, which means that 39% didn’t. This is risk, risk, risk, risk, and this is the framework that you’ve got. It’s not really good enough, is it?

Peter Lauener: Well, I think it was very good to hear from the two trusts earlier, because it put some of these things in context.

Q103 Mr Bacon: Yes, but the point is that they’re aware of it, and we had some impressive managers at work identifying these risks themselves, but why isn’t the Department—why isn’t the YPLA—mandating a stronger accountability structure because, as Lucy Heller said, commissioning and accountability are key? You can have a light touch in terms of letting them get on with it within a clear framework, but light-touch regulation was the phrase used in the individual learning account and, as you know, it was a disaster.

Peter Lauener: And, indeed, that was the last time I appeared before this Committee all those years ago—thank you for reminding me of it. The point you just made about the mandate to develop the governance and financial accountability framework is exactly what I feel we’ve been given by the Government.

Q104 Mr Bacon: Why did Mr Bell give you such an inadequate framework? Why wasn’t it more robust to start with?

27 October 2010 David Bell, Peter Houten and Peter Lauener

Peter Lauener: I don't think I would describe it in that way.

Q105 Mr Bacon: Two thirds of academies don't have an audit committee and there is nothing requiring there to be a responsible officer; just a recommendation that the governing body, in the absence of an audit committee, should have a responsible officer "to provide assurance that financial responsibilities are being properly discharged". Mr Bell is an accounting officer—is this wrong?

David Bell: I was going to come in, Mr Bacon. Well, I think what we've got is a tension between, on the one hand, the autonomy we want to grant to these schools, because that really matters and makes a difference; and, on the other hand, the control framework. In fact, what Mr Lauener, I'm sure, would have gone on to say is that we are working up with the finance professionals within the academies movement a piece of work to see where we can strike the right balance on this.

Q106 Chair: I'm going to intervene. What I can't get out of you is what happens if something goes wrong. I'm reminded, in this new world that we're going to have, of the old grant-maintained schools. It is probably pre-learning account, but you might remember that school—Sir John Rigby or something, it was called—where the nun who was the head went off with a lot of the money and spent it on bikinis, jewellery and foreign holidays. The only way that was ever discovered was when that school came back into the local authority family. So, if we're starting on a similar pattern, which may prove to be educationally to get better results for children, you've got to have an intervention and accountability structure in place that stops these abuses happening.

David Bell: Let me just respond to that particular point. Of course, one of the things that happened in the 1990s was the creation of the Funding Agency for Schools which, in a sense, was the body that was doing the oversight work. Actually, in the vast majority of cases, that was done efficiently, and that's what we want. I think it is just worth remembering that the kinds of financial scandals to which you alluded, madam Chair, are very few in number, but secondly and more importantly, they've sadly happened in different sectors. This has not just been an issue for, as it was in the 1990s, the grant-maintained schools, so what we have to do is to get the right control framework in place so that we don't, as it were, inhibit the policy objectives of greater autonomy.

Q107 Mr Bacon: Mr Bell, that's exactly the point I was making. I accept people are shoplifters in corner shops and in department stores—it's not really the point I was after. The point I was after was that given that we've got to get the right accountability framework, why would the governing bodies appointing a responsible officer to provide assurance that financial responsibilities are being properly discharged be optional in the absence of an internal audit framework, which is what the third bullet point basically says? Why isn't it mandatory?

Peter Lauener: Could I say a little bit more about what we're doing to strengthen the financial framework? As it happens, my finance director has a meeting tomorrow with a group of academy finance directors to develop a project of working together to establish clearer standards of accountability and a proper governance framework that can then be applied quite systematically to academies, but on a sort of consensual basis. We don't want to be the bureaucratic organisation imposing a system without consulting. We need to consult widely. We also think there is a great opportunity—

Q108 Chair: Is it a "must" or a "may"?

Peter Lauener: Sorry?

Chair: Is it a "must" or a "may"?

Peter Lauener: It will then clarify exactly what the "must" will be.

Q109 Chair: A "must" or a "may"?

Peter Lauener: There will be some "musts" and some "mays".

Q110 Mr Bacon: What about having a responsible officer? It sounds like one of those things where we're trying to build a skyscraper so quickly that the architect designs the foundations only before they start building and then gets the rest of it as he's going along, which, given the way the policy has been pushed along by the last Government and this one, I can sort of understand, but Mr Bell, as an accounting officer, you will presumably have a red flag flashing around anything that said internal audit function around responsible officers, around providing assurance that financial responsibilities are being discharged and so on. Why didn't you bequeath to Mr Lauener's agency a framework that set out that relatively small number of things very clearly—in black and white?

David Bell: I think the answer to that is because we were trying, at the time—and you might think imperfectly or wrongly—to get that balance between what it was we were going to require the academies to do against the freedoms that were set. Now, I think it's a very legitimate question for this Committee, of all Committees, to ask. I just don't think it's quite as straightforward for us to say what the "mays" and the "musts" must be, because we do want to consult, but it would be very easy for us to be back—not in front of this Committee, although I'm sure we might be—accused of imposing a whole set of over-bureaucratic procedures that inhibit the freedom and autonomy of the schools, so we've got to get this balance right.

I actually think that we got it broadly right, but what the NAO Report has done—and it's really important to make this point—is to flag this up and say, "Are you absolutely sure that this provides you with the level of financial assurance that you need, Mr Bell, as the accounting officer, and, at the same time, satisfies the desire for autonomy?" I accept entirely that we've got to get this right, but I don't think I was exposed massively to a great financial risk, and if you look at the history of the Academies Programme, I think that it has turned out to be the case that I wasn't exposed in that way.

27 October 2010 David Bell, Peter Houten and Peter Lauener

Q111 Ian Swales: Can I just build on this? We've obviously seen two excellent examples of academy groups here today. Clearly, there will be others that might be less excellent, and in particular the same page that Mr Bacon was cited talks about the risks involved when the sponsors are also providers of services and so on, which clearly gives the opportunity for invoicing in and out of academies. Have you had any cases of theft or fraud in the academy system in the time that they've been running?

Peter Houten: I can't recall any. We've had one or two individual cases of whistleblowers who've raised issues that we've investigated and found no substance to them, or found some slack procedures, perhaps, in an academy sponsor, after which we have said to them, "You must put this right", and they've done that.

Q112 Chair: Does the NAO confirm that?

Angela Hands: We've seen some of those cases too. There have been cases of financial procedures that haven't gone correctly.

Q113 Chair: Fraud or theft?

Angela Hands: Not fraud, no.

Q114 Chair: Theft?

Angela Hands: No, I don't think so. Poor financial control is the general—

David Bell: For the sake of clarification, I wouldn't want to give you an absolute "in all 267 there's not been a case of somebody who might have nicked something", but if we're talking about a kind of systemic situation—and I think the question is: is there something systemic about fraud or corruption or whatever?—I don't think we've got that. We will absolutely confirm that, but I'm almost certain we don't have that.¹

Q115 Ian Swales: Given that you have had some cases where you have had to go back to academies on control issues, which I think you said, are you satisfied that the system you now have drives that out, or have you just treated that on an individual basis? I think that comes back to this whole governance question of large amounts of public money being put into the academy system.

David Bell: I don't think we're quite there yet. I think it's actually picking up Mr Lauener's point that what we're trying to do with the academies and the finance directors is try to get to a position where we think it works. In the end, I will have to satisfy myself—picking up Mr Bacon's point—as the accounting officer, that the control framework we end up with is the right one, but I think it is important that we do that by consent, if we can, but there may be red lines, to use a phrase used earlier.

Q116 Ian Swales: I've been a finance director, and if somebody asked me how much control I want to have, I'm going to say none. That will be my starting point.

because I'll want to run my organisation, and I think this question of consent is a difficult one because, at the end of the day, you're putting large amounts of public money into these organisations and surely you have a right to some level of control.

David Bell: And I've said that, Mr Swales. I've absolutely said that, but I would rather, in the spirit of the way in which we've tried to develop this programme, see whether we can get to a good position in consultation with the finance directors, but ultimately it's me who sits in front of this Committee as the accounting officer, and I want to satisfy myself that I'm not back here in two or three years' time and you are able to point to very large-scale fraud.

Q117 Mr Bacon: On exactly that point, how long has the Academies Programme been going?

David Bell: I think the first ones were opened in 2002.

Q118 Mr Bacon: So why are you improving the control systems now?

David Bell: Well, I don't think they were fundamentally broken. That's the point. We may have a view—

Q119 Mr Bacon: So why are you changing them now?

David Bell: Because there were inconsistencies and, as the Report pointed out, there were some aspects of the control framework that were not working. We also got ourselves into a situation where we were asking for accounts, and then supplementary information, and the academies were coming back and saying, "You're looking a bit incoherent about the kinds of information and data that you're requesting." I do not accept that the system was fundamentally flawed—I don't think anyone's argued that it's fundamentally flawed, really—but we said to the YPLA, in putting into place the new responsibilities for the financial oversight of academies, work with the academies to see where we get to on a revised control framework which, ultimately, I will have to set up.

Q120 Mr Bacon: And when did you start these recent changes?

David Bell: Well, that was part of the commission to the YPLA when it was first set up. That was part of the agreement, as it were.

Q121 Mr Bacon: So, when was that?

David Bell: 1 April.

Q122 Mr Bacon: 1 April this year?

David Bell: 1 April 2010.

Q123 Mr Bacon: So a new system has been worked on since 1 April this year.

Peter Lauener: This is exactly what we're developing. As I said earlier, my finance director has a meeting to take this forward to the next stage with academy finance directors tomorrow—to look at the whole system. If I can give one example of how it has developed, and I think it's time to look at it, the last time the academies financial handbook was appraised was 2006, so that's four years ago, and an awful lot

¹ *Note by witness:* I can confirm that neither the Department nor YPLA are aware of any significant fraud or theft in Academies.

27 October 2010 David Bell, Peter Houten and Peter Lauener

has happened. We've got an awful lot more academies since then and an awful lot more experience. It is right that we should take stock. I think we could actually streamline it quite considerably—here it is.

Mr Bacon: You could always ask the National Audit Office to take a look at it and see whether it thinks it could be improved in any way.

Ian Swales: Since you've got the handbook, can I raise one point—

Q124 Matthew Hancock: Can I just do one last question now? There are figures in the Report about the amount of audit. Do you think that that will improve with the changes that you're bringing through and started working on on 1 April?

Peter Lauener: Are you referring to the figures for academies in deficit or needing additional support?

Q125 Matthew Hancock: No, the amount of academies that have got—

Chair: No audit committees.

Matthew Hancock: No audit committees. By "improve", I mean there'd be fewer with no audit committee.

Peter Lauener: I'm quite confident that we can get a more consistent application of good financial standards and good governance arrangements across the whole sector, and let me tell you the reason why: a lot of my staff who are working on this have got a lot of experience of working with the further education sector, which has gone through 18 years of learning after incorporation in 1992, and I think standards are now much higher than they were at the start of that process. I think we can apply a lot of the same lessons and approaches that we have successfully applied in that sector to the academy sector. And there are so many similarities, because they are fundamentally independent, autonomous corporations, but that must mean that we work with the sector, which we've done with the FE sector, and generate as much momentum from within the sector as we do by being absolutely clear about the standards that we expect to be assigned.

Q126 Ian Swales: Can I just add one point to this, which is again on page 41 of the Report? I want to know what degrees of control you actually have. So, on page 41, it says, "16% of survey respondents stated 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 10 Responsible Officers also chairs the finance committee, against departmental guidance". What do you do in a case where people are flouting the guidelines? What powers do you have?

Peter Lauener: The first thing we'd want to do, when we see issues like that, is discuss with the academy and check whether they are aware of the issue and whether there is some reason why a more explicit separation can't be managed. To take your earlier point, madam Chair, about what's a "must" and what's a "may", this is not quite an absolute "must" in my view, but it is pretty strong guidance. I could admit of

possibilities where complete separation wasn't possible, but I'd want a discussion about that.

Q127 Ian Swales: But in the end, do you just have an advisory role in the end? Ultimately, if they say, "Well, we want our responsible officer to chair the governing body because we like to do it that way," do you have any power to make them do it any differently?

Peter Lauener: I think what I said earlier about mobilising the whole sector to own the standards—

Chair: Do you have the power—

Mr Bacon: This is making me very uncomfortable, Mr Lauener—

Ian Swales: These are high-level control issues.

Q128 Mr Bacon: What I'm interested in, and what I think Mr Swales is interested in as well, is the failure regime. Now, we hope there won't be failure; we hope there will be a success. Just let me make my point, and then hopefully you can answer it. Of course further education colleges are fully autonomous, separate corporations—we understand that—and you described academies in the same way, but presumably you would accept that there is a fundamental difference between an autonomous, self-standing corporation like Boots plc and an academy or a further education college, which would both come under the heading of autonomous, self-standing corporations. The difference is that they get public money in a way that Boots plc doesn't, and that means that if and when things go wrong, there must be some clarity around the failure regime. Now, talking about, "Well, we'd work with them in partnership and we'd take a generic, blue-sky view" and all this—I'm putting words into your mouth—doesn't sound very precise and specific in the way that would make us, I think, feel comfortable.

Peter Lauener: Let me give you a specific example. In the Ofsted regime, there would be a notice to improve. I would expect that if there was something completely unsatisfactory, we would issue a financial notice to improve which, again, we do issue in the college sector. That's actually quite a public note of disapproval, and no corporation worth its salt, or no academy governing body worth its salt, would be happy to have that. Again, we heard examples earlier about the way a governing body would respond and would see their reputation riding not just on their educational standards, but on their financial credibility. I think these are really credible and important levers.

Q129 Chair: Just to get it clear, because the three of us are all in the same territory with our questioning. We are saying that if things go wrong—and we hope they don't—there are various notices. You go through a procedure of notices and then, at the end of the day, if there is some theft or fraud, would you at that point have the power to take it back into local authority control?

Peter Lauener: Well, in the end, it would be possible to consider termination of the funding agreement. That would be the ultimate sanction.

27 October 2010 David Bell, Peter Houten and Peter Lauener

David Bell: Can you just talk about sanctions—the ultimate sanctions—Mr Houten?

Peter Houten: There are a range of sanctions within the funding agreement, ranging from termination through to flooding the governing body, if the issue was serious enough to merit that. So you'd go through a set of stages, but ultimately there are provisions within the funding agreement—particularly on educational standards, for example, if they are absolutely failing—to give the ability to terminate through the contract, having gone through a proper period of notice and giving them time to put it right. The same things would apply—

Q130 Chair: And in the eight years to date since the programme has been running, you've never used those ultimate sanctions.

Peter Houten: No, because we've always been able to agree something—

Q131 Chair: Right. Let me bring the Comptroller and Auditor General in. He's been waiting patiently.

Amyas Morse: Thank you very much, madam Chair. There are so many good things that we've commented on but, in this space, I think it is important to appreciate that the record of compliance and governance isn't good, and therefore you may want to consult but you'd better come out with an answer that works. So, you can consult away so long as the answer is x, but if you actually put yourself in the position of the record on this matter—not in many others but in this area—the record is not satisfactory.

So, people know what's required of them—it is in the book—and they are not complying with it. The reason for these procedures isn't so that they look nice; it's to find out whether people are misusing public money. That is what they're there for. They're not there as a sort of decoration, so what we need is to know that the more autonomous the body is to be—and by all means let it be autonomous—the stronger the degree of financial control and accountability, and the less variation in people choosing not to submit accounts and do things of that sort, you can afford to be tolerant of. I'm sorry to sound a little exercised about it, but in all this very good picture, let us not sort of spoil the ship for a ha'porth of tar in this area, please.

David Bell: I absolutely accept that, and I think, to be frank to Mr Lauener, he wasn't saying that the ultimate decisions about what is in our control framework will be generated by consent. What he was saying—entirely legitimately—is we want to talk to the sector about getting the balance right, but there then will be red lines set. Now, the Comptroller and Auditor General has given us a very strong steer on this. I would just put in a cautionary comment, madam Chair, because I think it is an important one to put in: we still must just get the balance right here so that we don't end up over-controlling and impeding the autonomy, which I think there's a general recognition has brought about educational improvement. Now, that's not evading what the Comptroller and Auditor General said, but we just need to get that right, and that's why, I think, there's a bit more work to be done in this.

Q132 Mrs McGuire: That's about educational autonomy. I actually think we're talking a bit here at cross purposes. I don't think anybody in the Committee has any problem at all with a hands-off approach of letting the people who are running the academies to get on with the running the academies. What we're dealing with here is a trail of public money, and there needs to be some mechanism in there that is more than “would you like to”, and is a bit more “you have to”, and frankly I think that the longer this conversation has gone on, the more I have started to feel a bit less comfortable with the sort of processes that you have in place for the trail of audit money. I'm just wondering whether or not, in your hands-off approach, you've almost abrogated responsibility to the Charity Commissioners to work out whether or not these guys—or girls—may not be conforming to the letter of audit and all the rest of it. I think you have a responsibility in terms of trailing public money, because frankly, if you don't, your next session at this Committee might not be as comfortable as the one that you've had today.

David Bell: Well, this hasn't actually felt as comfortable, but it's slightly more comfortable than some sessions that I've been at. I think you're right about educational autonomy, but the point about autonomy I was just trying to make was that you've to get any control framework right so that it's not overburdening, so that's the only point I'm making.

Q133 Mrs McGuire: But auditing is burdensome.

David Bell: Well, it is, but it can be more burdensome that it needs to be, and I think the question is—

Q134 Mrs McGuire: Come up with a system then.

David Bell: Well, if I might say, madam Chair, I have been in front of Select Committees and other committees where you do get attacked for being too bureaucratic, too burdensome, and for putting too many requirements on the system. I am not disputing at all the question of getting the control framework right; I'm just saying that we just need to finesse this so we get it.

Q135 Chair: And do you feel comfortable with the fact that in a quarter of academies, the sponsor provides services, and that 40% said they might provide services? Have we got the proper controls in place there to ensure probity?

David Bell: Yes, we've put in strong guidance in relation to proper procurement processes and procedures and so on, and actually, in some cases, quite legitimately, the sponsors have said, “That's actually part of the contribution that we're making to the school.” But we recognise the reputational damage that could have been caused by people misinterpreting that, and that's why, since I think maybe three or four years ago, we've actually put in much tougher transparency guidelines in relation to procurement and so on, because we think there is a danger of that being misinterpreted.

Q136 Austin Mitchell: I'm delighted to hear that, because I was beginning to get worried that you at the table were beginning to sound like the FSA in 2007

27 October 2010 David Bell, Peter Houten and Peter Lauener

saying, “Well, there might be a case for tougher regulation of the banks but, on the other hand, we’ve got to hold the balance between their freedom and independence”—and their ability to ruin the country—“and any controls we might care to exercise.”

Anyway, I want to ask something different, because paragraph 1.17 tells us that you’ve been changing over the years the requirements for contributions from the sponsoring charities and organisations for the academies. It started off as a maximum of 2 million quid for capital costs of new building, and it was reduced to a £2 million endowment fund, and then it was reduced still further. That was presumably to get more people to set up academies, but I see that it says, “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”. Now, that’s worrying. Can you give us, on the name-and-shame basis that seems to apply to many other areas, a list of the contributions promised for all the academies and what’s actually been delivered?

David Bell: I’m still smarting from the parallel you drew with the people at this table and the past, so I’ll maybe ask Mr Houten to answer this—I’m still trying to get over it, Mr Mitchell.

Peter Houten: We certainly can do that. We have published that from time to time in response to parliamentary questions, so we’ll provide the Committee with the latest information.

Q137 Austin Mitchell: So, you don’t know whether these people are going to cough or not. You have given them the school, the academy, the land and everything that goes with it on a promise which may not be fulfilled, and you cannot tell us how many people that applies to.

Peter Houten: I have a list with me of the contributions on the capital front by sponsors. I have not got the endowment list with me, but we can let the Committee have that list. We’ve had £130 million of contributions to date, so I think it is important to say that sponsors have raised an awful lot of money and put it into the programme. The typical profile of endowments is that the endowment will be provided over a minimum of five years, so it’s quite early days yet. I accept that there are some sponsors that are behind at the moment in terms of what the original profile was for their endowment, but it is five years and, in some cases, 10 years that we’ve agreed those endowments can be paid over, so the proof of the pudding will be known a little bit more over time.

Q138 Austin Mitchell: So you can give us the figures for the capital promises. Have they all been fulfilled?

Peter Houten: Of the capital of over £140 million, more than £110 million has been paid, so it’s just over £30 million outstanding.

Q139 Austin Mitchell: Give us the list of who’s not coughed.

David Bell: If I might just say, I think Sir Ewan, however, gave some explanation for the change in

financial circumstances. It’s probably just worth bearing that in mind, but we will certainly provide you with the information.

Q140 Austin Mitchell: Well, the list would carry the explanation. Secondly, we come on to the endowment ones, which, as you say, can be paid over five or 10 years, or whatever. Can we have a list of those that have promised and paid so far?

Peter Houten: Yes.

David Bell: Of course.

Q141 Matthew Hancock: I wonder whether you could explain the difference between what’s in the Report, which your Department has agreed with the NAO, and the explanation by ARK that it is indeed up to speed, because I got the impression that the witness from ARK was not particularly impressed to be told that she was behind on payments as the NAO Report says.

Peter Houten: The Report doesn’t say, obviously, that ARK is behind. What ARK did, I understand, was it phoned up just to check whether the latest number they had was the number that was held by the YPLA, but the individuals weren’t there to be able to answer that question. That’s been in just the last couple of days.

Q142 Matthew Hancock: Sorry, I must have read that in my briefing rather than in the Report.

David Bell: Can I suggest, madam Chair, if Mr Hancock and you agree, that we could write to Mr Hancock on this specific issue, because I think it’s quite difficult for us to be—²

Q143 Matthew Hancock: Well, I’m sure it can be part of the letter to the Committee about the whole thing.

Angela Hands: Can I just clarify that the information we’ve been given in the Report and in the briefing is as at March 2010? Thank you.

Matthew Hancock: So that might be the explanation.

Q144 Chair: Can I just move you, finally—we’ve kept you for a long time—on to the capability of the Department to deal with the massively expanded programme? Can I ask you to look at page 38 of the NAO Report, where, under paragraphs 3.18, 3.19 and 3.20, it makes some worrying observations?

In 3.18, it says “Reviews by the Department of academies’ systems and controls on opening...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”. Paragraph 3.19 states: “The Department’s capacity to issue timely funding letters for 2010–11 has been stretched, with a significant impact on academies’ financial planning. 47% of academies... felt the Department” was “not useful”. Paragraph 3.20 states: “The Young People’s Learning Agency has increased its capacity by redeploying resources from

² Note by witness: The NAO report showed the financial position in March 2010. I can confirm that the funding due from ARK at the time of the hearing was correctly reported by Lucy Heller in Q35–36.

27 October 2010 David Bell, Peter Houten and Peter Lauener

other areas of work. However, plans for faster expansion of the Programme will continue to put pressure on resources”.

Now, those three paragraphs suggest to me that you haven't got the capability within the Department to deal with the expanded programme, and particularly to give the assurance that you're commissioning properly and then holding to account properly. I say that further in the context of the CSR announcement, which cuts your staffing or your admin costs by 33%, and with some question marks over the future of the YPLA.

David Bell: I accept that we were stretched—I absolutely accept that and I'm not going to dispute that. The field-work for this was concluded just in the early part of September—the final, final part of this was concluded—but, since then, we have made some structural changes to the Department to create a new directorate responsible for the Academies Programme and other infrastructure-funding issues. Now, within the Department, we have 123 people working on academies. We are still in the process of deciding whether we're going to need to deploy more people to do that. I think the answer is, inevitably, yes, because of the converters programme, so I think that part of our restructuring was driven by the fact that the Academies Programme had expanded.

Now, if you say to me, “Well, it's going to get tougher in the future because you've got 33% reductions,” there's only one response to that: yes. But, what we have to do is to deploy our staff according to ministerial priorities. That's my responsibility. I have to make sure we have the right people with the right skills who are able to do this. I think the paragraphs that you cited, madam Chair, are probably not quite as much to do with capability, but I think they were much more to do with capacity, and I think for us the question is having the right capability—the right number of people with the right skills to do the job—but we have already substantially shifted people to the academies part of the business and will do more in the future.

Peter Lauener: And I've done exactly the same in the YPLA. We were given 80 posts for this work initially. In April, 40 of them were filled. We recruited as quickly as we could to get up to 80, and have since transferred about another 47 staff over to increase substantially the resource to reflect the scale of the challenges that we were talking about earlier and the need to improve standards of financial governance.

Q145 Chair: So, two questions arise, and then Richard wants to come in. One is that if we were to look at this in a year's time, you would have the capacity—sorry, I should have said capacity—within both the Department and the agency to respond properly to both commissioning and accountability.

David Bell: Yes, and I think it is my responsibility to set the staff of the Department against the priorities of the Secretary of State and make sure that they're implemented properly.

Q146 Chair: And the future of the agency, which I think I read on the list is under discussion.

Peter Lauener: The agency is listed as under review, and I think things will be said about that in due course. The Government have already asked us to increase the work we do on academies and we're happy to do that. It's a priority for us and we're shifting resource by streamlining a lot of the things that we do elsewhere, and by using people with data analysis and financial skills from other parts of the operation, and I think that's a benefit that we're able to bring to this, but making that happen is still quite an organisational challenge, but we'll get there.

Q147 Chair: Maybe a few more “musts” rather than “mays” would mean you need fewer people.

Peter Lauener: Thank you.

Q148 Mr Bacon: Some years ago, somebody in the Learning and Skills Council, as it then was, said to me that he thought that your Department would work much better if it had about half the number of people in it that it had at the time, simply because it was so sclerotic and it was so difficult for people to talk to one another and get an answer. And, because I walk down Great Smith Street frequently on the way home late at night, I've seen your building been done up twice in the last five or six years, with scaffolding around it, and I've always wondered, as I walk past, what are the people who work inside it doing? And I think I'm right in saying you had about 3,500 civil servants.

David Bell: We have currently 2,500 FTE.

Q149 Mr Bacon: Could you send us a note saying what they all do?

David Bell: Indeed.

Q150 Mr Bacon: I mean broken down to a fairly extensive degree by category of function and the number of people in each function, because—and presumably that 2,500 is going to be 33% less in a few years' time—if you're going to be shuffling those available resources towards academies, which, doubtless, as you say, you will and, therefore, presumably, away from other things, it would be very helpful to see what the current picture is in terms of how your total manpower, from all your deputy secretaries, right down to executive officers, so to speak, is deployed.

David Bell: Yes, I'm more than happy to provide that information, but just to reassure you, Mr Bacon, a lot of that redeployment of people into new priorities has actually been happening. The previous Administration had their priorities, and the new Administration have their priorities. We've moved quite a lot of people into the academies and other areas of development, but I'm happy to provide you with that kind of information.

Q151 Mr Bacon: But 123 out of 2,500 still leaves a lot of people doing other things, and I want to get some sense of what they're all up to.

David Bell: Sure. I will certainly provide you with that but I can assure you the remainder are not idle.

Q152 Mr Bacon: Well, you see, if you read the essay Parkinson's Law—and I recommend anybody to read

27 October 2010 David Bell, Peter Houten and Peter Lauener

it, whether on the Committee or elsewhere—the whole point of it is none of them is idle; they're all working hard. In fact, person a goes home late at night, reflecting that long hours are the price of success, but actually it's just a memo going round and round and round, involving more and more people, so—

David Bell: Am I allowed to correct my last remark and say they are productively engaged?

Chair: Right, are we there? Thank you very much indeed for giving the evidence, and we look forward, no doubt, to returning to this issue in the future. Thank you very much indeed.

Written Evidence from the Department for Education

THE ACADEMIES PROGRAMME—27 OCTOBER 2010

Question 136–140 (Austin Mitchell): A list of financial contributions promised by sponsors for all academies, and what has been delivered to date.

The attached schedule sets out, for the 32 academies where there are contributions still to be made in relation to capital sponsorship, details of the pledged amounts and actual contributions. We have also included, for information, those projects that have fully paid their pledged contributions.

The schedule also sets out, for 55 academies concerning endowment funds sponsorship, details of the pledged amounts and actual contributions.

Capital sponsorship

It should be noted that the Department records evidence of a capital contribution through receipt of invoices, forwarded by Academy Trusts, for agreed capital work on individual projects. These costs are recorded as being met by the sponsor and are offset against the agreed sponsorship pledge.

The Department is therefore recording evidence of capital contributions used to cover capital costs submitted by the Trusts. We believe there may be instances where the sponsor has provided the full sponsorship but the Trust has not yet used it to cover build costs.

It also needs to be recognised that not all the outstanding capital sponsorship contributions are scheduled to be received at the current time. This may apply to projects where build is still in progress, although in most cases contributions are expected to be paid by the time of building completion. When there is less than 10% of the Department's contribution remaining we would, unless other agreements are in place, ask the Trust to cover capital costs from the sponsor's contribution.

In some cases payment of sponsorship was agreed over a longer period, in which case the Department entered into a 'side agreement' with the Academy Trust meaning the Department agree to pay capital contributions on the Trust's behalf but would subsequently be entitled to recover those costs by reducing the academy's General Annual Grant (GAG) over a specified timescale.

Endowment sponsorship

Endowment pledges should be considered in the light of the profile of the payment. Sponsorship is generally provided over several years under a Deed of Gift and therefore not all of the outstanding endowment sponsorship contributions are scheduled to be received at the present time. Payments are made against an indicative annual profile and there is some flexibility (the Department could consider a reasonable request for the deferral of a sponsorship contribution) in the process which can allow payments to be deferred.

The return is based on data provided by academies and has not been audited. YPLA will only be able to confirm the actual contributions that academies have received when it receives academies' audited annual accounts for the year ended 31 August 2010. Those accounts are not due to be submitted to YPLA until 31 December.

We have been unable to determine the position at Oasis Bristol Hengrove Academy and Oasis Media City UK Salford Academy (Both sponsored by Oasis), Pimlico Academy (sponsored by Future) and Trent Valley Academy (sponsored by E-ACT).

Reasonable Endeavours and deferrals

Some contributions from sponsors are subject to "reasonable endeavours" which requires something to be done—something of substance and real by way of an effort to find and locate donations and to donate (having regard to the then financial circumstances of the donor)—but how extensive those attempts need to be will depend on a variety of matters.

It should also be noted that Ministers have agreed to defer some contributions, following representations by sponsors.

**ACADEMY SPONSORSHIP (BASED ON A SURVEY OF ACADEMIES IN NOVEMBER 2010)
CAPITAL BUILD**

<i>Academy</i>	<i>Sponsor</i>	<i>Total Pledge (£)</i>	<i>Contributions to date (£)</i>
Barnsley Academy	ULT	1,500,000	27,025
Bede Academy	Original sponsor was Emmanuel Schools Foundation but is now ULT	1,500,000	210,000
Bradford Cathedral Academy	Diocese of Bradford	500,000	500,000
Brooke Weston Academy	Brooke Weston CTC Trust	468,055	468,055
Capital City Academy, Brent	Sir Frank Lowe	2,000,000	2,000,000
Chelsea Science Academy (The)	London Diocesan Board / Royal Borough of Kensington & Chelsea	6,400,000	5,678,539
City Academy Bristol	John Laycock	2,499,000	1,753,323
Darwen Aldridge Academy	The Aldridge Foundation	2,000,000	1,500,000
David Young Academy	Church of England	1,500,000	1,500,000
Greig City Academy	Greig Trust	2,000,000	2,000,000
Harefield Academy	David Mellor	1,500,000	902,400
Harris Academy Bermondsey	Harris Federation of South London Schools Trust	1,500,000	493,212
Harris Academy Crystal Palace	Harris Federation of South London Schools Trust	1,000,000	0
Harris Academy South Norwood	Harris Federation of South London Schools Trust	2,000,000	250,000
Harris Boys Academy East Dulwich	Harris Federation of South London Schools Trust	1,000,000	0
Harris Girls Academy East Dulwich	Harris Federation of South London Schools Trust	500,000	0
Harris Merton Academy	Harris Federation of South London Schools Trust	500,000	0
Hereford Steiner Academy	Steiner School Fellowship	917,523	509,735
JCB Academy	JCB	1,750,000	2,837,056
John Cabot Academy	John Cabot CTC	378,065	377,000
Kingshurst Academy	Kingshurst CTC Company	1,200,000	1,000,000
London Academy, Barnet	Peter Shalson	1,500,000	1,500,000
Madeley Academy	Thomas Telford School	2,100,000	2,100,000
Mossbourne Academy	Sir Clive Bourne	2,150,000	2,150,000
OASIS Academy Enfield	OASIS	2,000,000	308,000
OASIS Academy Immingham		2,000,000	0
OASIS Academy Wintringham		2,000,000	0
Paddington Academy	ULT	1,500,000	642,856
Q3 Academy	Eric Payne	2,000,000	2,000,000
Salford Academy	ULT	1,600,000	214,286
Samworth Enterprise Academy	Samworth Brothers / Leicester Diocesan Board for Education / Leicester CC	2,443,000	2,059,000
St Francis of Assisi Academy	Archdiocese of Liverpool	2,000,000	1,404,000
St Mark's Academy, Merton	CfBT / Southwark Diocese	533,000	150,000
St Mary Magdalene Academy	London Diocese Board for Schools	2,000,000	1,998,918
St Paul's Academy, Greenwich	RC Diocese of Southwark	2,000,000	1,000,000
Stockley Academy	Barry Townsley	1,500,000	1,500,000
Stockport Academy	ULT	1,500,000	201,648
Swindon Academy	ULT	1,500,000	900,000
Unity Academy, Middlesbrough	Amey	2,000,000	2,000,000
Walthamstow Academy	ULT	1,500,000	27,025
William Hulme Academy	ULT	950,000	0
Wren Academy	London Diocesan Board for Schools	1,500,000	500,000

<i>Academy</i>	<i>Sponsor</i>	<i>Total Pledge (£)</i>	<i>Contributions to date (£)</i>
Macmillan	Macmillan Academy Trust	1,250,000	550,000
Hammersmith & Fulham	Mercers Company. Worshipful Company of Information Technologists	1,000,000	0
Manchester	ULT	2,000,000	2,000,000
Lambeth	ULT	2,000,000	2,000,000
Northampton	ULT	2,000,000	2,000,000
Sheffield Springs	ULT	1,500,000	1,500,000
Sheffield Park	ULT	1,000,000	1,000,000
North Oxfordshire	ULT	1,500,000	1,535,714
Peckham	Harris Federation of South London Schools Trust	2,000,000	2,986,340
The King's Academy	Emmanuel Schools Foundation	2,000,000	2,005,982
Trinity, Doncaster	Emmanuel Schools Foundation	2,000,000	2,000,000
Haberdashers'—Hatcham	Haberdashers Livery Company	704,500	704,500
Haberdashers'—Knights	Haberdashers Livery Company	295,500	295,500
Marlowe	Roger De Haan & Kent County Council	2,735,135	2,735,135
Folkestone	Roger De Haan & Kings School Canterbury	2,250,000	2,250,000
Walsall	Thomas Telford Online & The Mercers' Company	2,500,000	2,564,827
Sandwell	Mercers Company. Thomas Telford Online. HSBC. West Bromwich Albion FC. Tarmac Group	2,793,794	2,793,936
Grace, Solihull	Bob Edmiston	2,000,000	2,000,000
Coventry Grace Academy	Bob Edmiston	2,000,000	2,180,000
Burlington Danes	ARK	1,500,000	1,500,000
Lambeth 2 Evelyn Grace	ARK	2,500,000	2,500,000
Southwark 4 Globe	ARK	1,500,000	1,500,000
Westminster King	ARK		
Solomon		1,500,000	1,500,000
Bexley	Sir David Garrard	2,410,000	2,462,000
City of London	Corporation of London		
Southwark		2,000,000	2,000,000
West London, Ealing	Alec Reed	2,000,000	2,000,000
Dixons CTC	Dixons Academy Trust	651,000	983,352
Westminster	Exilarch Foundation	1,500,000	1,500,000
Thomas Deacon	Deacons Trust	2,000,000	2,006,184
John Madejski, Reading	John Madejski	2,000,000	2,000,000
The Bridge, Hackney	UBS	2,317,796	2,351,458
Petchey	Jack Petchey Foundation	2,000,000	2,000,000
North Liverpool	Liverpool University & Granada Learning	1,000,000	1,000,000
St Matthew Lewisham	Roman Catholic Archdiocese of Southwark	2,100,000	2,100,000
Slough Langley	Martyn Arbib	2,033,000	2,033,000
Leigh Technology	Leigh CTC	2,275,000	2,275,000
Bristol— Witherwood	The Society of Merchant Venturers	2,000,000	2,000,001
Newcastle Excelsior	Lord Laidlaw of Rothiemay	2,000,000	2,593,491
Corby City	Weston Foundation/BeeBee Development/ Brooke Weston CTC	2,000,000	2,000,000
Ashcroft Technology	Prospect Education (Technology) Trust Ltd	960,000	960,000
Landau Forte College	Landau Forte College	460,000	462,455
Liverpool Belvedere	Girls' Day School Trust & HSBC	1,101,663	1,101,663
City of London KPMG Academy	Corporation of London. KPMG.	2,000,000	2,000,000
Islington—COLA (I)	Corporation of London. City University.	2,000,000	2,000,000
Sandwell—RSA	RSA	1,000,000	1,000,000
Djanogly		0	0
Bacons		0	0
Gateway (Thurrock)		0	0

ENDOWMENT FUND

<i>Academy</i>	<i>Sponsor</i>	<i>Total Pledge (£)</i>	<i>Pledge due to Date (£)</i>	<i>Contributions to Date (£)</i>
Abraham Darby Academy	The Haberdashers' Company / Borough of Telford & Wrekin	750,000	550,000	533,333
Academy 360	Gentoo Group	2,250,000	2,250,000	2,250,000
Accrington Academy	The Bowland Educational Trust / Other sponsors to be identified by ULT	1,500,000	0	0
All Saints Academy	Diocese of St Albans	750,000	75,000	75,000
Archbishop Sentamu Academy	Diocese of York	1,500,000	251,000	1,000
Ark Academy, Brent	ARK	1,500,000	0	0
Barnfield South Academy	Barnfield College FE Corporation	2,000,000	450,000	450,000
Barnfield West Academy	Barnfield College FE Corporation	2,000,000	450,000	450,000
Bullwell Academy, Nottingham	Edge	2,000,000	2,000,000	2,000,000
Castle View Enterprise Academy	Northumbrian Water and Sunderland City Council	1,350,000	1,350,000	1,350,000
Charter	ARK	500,000	500,000	500,000
Colston Girl's Academy	Society of Merchant Venturers	1,000,000	1,000,000	1,050,000
Droylsden Academy	Tameside College	2,000,000	1,333,333	666,666
East Basildon Academy—Upper and Lower	Martin Finegold	409,835	0	0
Essa Academy, Bolton	Essa Foundation / Bolton Council	1,225,000	500,000	500,000
Fulwood Academy	Charles Dunstone Charitable Trust	2,000,000	500,000	500,000
George Salter Collegiate Academy	Ormiston Trust	750,000	225,000	0
Haberdashers' Crayford Academy	Haberdashers' Federation / Temple Grove Trust	2,000,000	2,000,000	2,000,000
Havelock Academy	The David Ross Foundation	2,000,000	1,250,000	1,625,000
Hereford Academy (The)	Hereford Diocesan Board of Education	1,500,000	1,500,000	1,500,000
Isle of Sheppey Academy	Dulwich College (but sponsorship to be paid by De Haan Charitable Trust)	1,000,000	0	0
Kettering Science Academy	Brooke Weston Trust	500,000	0	500,000
Longfield Academy	Leigh Technology Academy Trust	1,000,000	625,000	0
Marsh Academy	Kent CC / De Haan Charitable Trust	1,000,000	850,000	850,000
Milton Keynes Academy	Edge	2,000,000	2,000,000	2,000,000
New Charter Academy	New Charter Housing Trust	2,000,000	2,000,000	2,000,000
New Line Learning Academy	Kent CC / Hewlett Packard	986,000	986,000	986,000
Northumberland CE Academy	The Northumberland Estates / Newcastle Diocesan Education Board	1,500,000	500,000	500,000
Nottingham Academy	Greenwood Dale Foundation Trust	500,000	500,000	500,000
Nottingham University	Nottingham University / David			
Samworth Academy	Samworth	2,000,000	1,100,000	1,100,000
Open Academy	Graham Dacre / Bishop of Norwich	0	0	387,515
Ormiston Bushfield Academy	Ormiston Trust	0	0	0
Ormiston Park Academy	Ormiston Trust	1,500,000	1,500,000	1,500,000
Ormiston Sandwell Community Academy	Ormiston Trust	0	0	0
Oxford Academy	Diocese of Oxford / Oxford Brookes University / Adrian Beecroft	500,000	not provided	500,000
Priory Federation of Academies	Priory Fundraising Trust	2,000,000	500,000	504,734

<i>Academy</i>	<i>Sponsor</i>	<i>Total Pledge (£)</i>	<i>Pledge due to Date (£)</i>	<i>Contributions to Date (£)</i>
Red House Academy	Sunderland CC	1,250,000	1,250,000	1,000,000
Richard Rose Central Academy	Brian Scowcroft / Andrew Tinkler	2,000,000	600,000	274,158
Richard Rose Morton Academy	Brian Scowcroft / Andrew Tinkler	2,000,000	600,000	274,158
Samworth Church Academy, Nottingham	David Samworth / Diocese of Southwell & Nottingham	1,500,000	1,040,000	1,040,000
Sheffield Academy, Walsall	Ormiston Trust	0	0	0
Shireland Collegiate Academy	Ormiston Trust	750,000	225,000	0
Siruis Academy	Hull College	2,000,000	0	0
Spires Academy	Gerry Pack / Michael Head	500,000	500,000	500,000
St Aidan's CE Academy, Darlington	Diocesan Board of Education for Durham / David & Anne Crossland	1,500,000	700,000	0
St Albans	ARK	1,500,000	1,500,000	1,500,000
St Anne's Academy, Rochdale	Diocesan Board of Education for Manchester / David & Anne Crossland	1,500,000	1,250,000	0
St Catherine's Academy	Diocesan Board of Education for Manchester / David & Anne Crossland	1,500,000	1,500,000	0
St Lawrence Academy	Diocese of Lincoln	750,000	510,000	510,000
St Michael & All Angels Academy	Southwark Diocesan Board of Education	2,000,000	500,000	500,000
Strood Academy	Medway Council	500,000	500,000	500,000
University Chester C of E Academy	Cheshire West and Cheshire Council	100,000	100,000	100,000
Walworth	ARK	1,500,000	0	1,000,000
Wellington Academy	Wellington College	2,000,000	1,100,000	1,100,000
West Lakes Academy	British Nuclear Fuels plc	2,000,000	2,000,000	2,000,000

Question 148–151 (Richard Bacon): The role of DfE Employees, broken down by category of function and the number of people within each function

Government has set out a clear commitment to improved transparency about how it spends public money and this includes details of the size and shape of public bodies and about the remuneration it provides to senior public and civil servants.

Whereas most Departments reflected their staffing position as of the 30 June 2010, the Department for Education published reflecting the position at 30 September. This ensured the public were able to see how the Department had restructured to ensure its resources were aligned to the political priorities of the Secretary of State, particularly relating to higher standards and structural reform.

This will not be a one-off exercise, as each Department is required to publish this information on a six monthly basis with the next iteration due in the New Year.

December 2010

Written evidence from The United Learning Trust

Sir Ewan Harper has asked me to set out for you the method of accounting for grant income that has been adopted by ULT, following the National Audit Office comment on Wednesday at the Public Accounts Committee Hearing that Paddington Academy was in financial difficulties. The NAO cited a loss of £300,000 Statement of Financial Activities (SOFA) as evidence of this.

Unless given to an academy for a specific time period, grant income is accounted for by academies in the year in which it is received. Start up grant, for instance, is not time based but is generally spent by ULT academies over more than one year. In the year of receipt there is a surplus of income against expenditure (in the SoFA) and that excess is held in reserves (in the company's balance sheet) for future years. However, in subsequent years, when the income is spent there is an excess of expenditure against income (in the SoFA), a book 'loss' for the year. In reality the reserves in the balance sheet are being used. So long as this is planned expenditure it is quite normal and is in accordance with UK Generally Accepted Accounting Practice which academies have to follow as they are UK registered companies.

The alternative would be to show the excess of income against expenditure as income in the following year. This is general practice in maintained sector schools but would not be permissible by a UK company as it would be recognising income twice in the SOFA.

Please do let me know if you require any further information about this. I can confirm that Paddington Academy is currently operating within its cash reserves.

January 2011

ISBN 978-0-215-55606-6



9 780215 556066

