



House of Commons
Committee of Public Accounts

Academy accounts and performance

**Seventy-Third Report of Session
2017–19**

*Report, together with formal minutes relating
to the report*

*Ordered by the House of Commons
to be printed 16 January 2019*

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

Meg Hillier MP (*Labour (Co-op), Hackney South and Shoreditch*) (Chair)

Douglas Chapman MP (*Scottish National Party, Dunfermline and West Fife*)

Sir Geoffrey Clifton-Brown MP (*Conservative, The Cotswolds*)

Chris Davies (*Conservative, Brecon and Radnorshire*)

Chris Evans MP (*Labour (Co-op), Islwyn*)

Caroline Flint MP (*Labour, Don Valley*)

Robert Jenrick MP (*Conservative, Newark*)

Shabana Mahmood MP (*Labour, Birmingham, Ladywood*)

Nigel Mills (*Conservative, Amber Valley*)

Layla Moran MP (*Liberal Democrat, Oxford West and Abingdon*)

Stephen Morgan MP (*Labour, Portsmouth South*)

Anne Marie Morris MP (*Conservative, Newton Abbot*)

Bridget Phillipson MP (*Labour, Houghton and Sunderland South*)

Lee Rowley MP (*Conservative, North East Derbyshire*)

Gareth Snell MP (*Labour (Co-op), Stoke-on-Trent Central*)

Anne-Marie Trevelyan MP (*Conservative, Berwick-upon-Tweed*)

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

Committee reports are published on the Committee’s website and in print by Order of the House.

Evidence relating to this report is published on the inquiry publications page of the Committee’s website.

Committee staff

The current staff of the Committee are Richard Cooke (Clerk), Laura-Jane Tiley and Samir Setti (Second Clerks), Hannah Wentworth (Chair Liaison), Ameet Chudasama (Senior Committee Assistant), Kutumya Kibedi and Baris Tufekci (Committee Assistants), Hajera Begum (Committee Support Assistant) and Tim Bowden (Media Officer).

Contacts

All correspondence should be addressed to the Clerk of the Committee of Public Accounts, House of Commons, London SW1A 0AA. The telephone number for general enquiries is 020 7219 6593; the Committee’s email address is pubaccom@parliament.uk.

Contents

Summary	3
Introduction	4
Conclusions and recommendations	5
1 Transparency and accountability	9
Information for parents and local communities	9
Financial information about the academy sector	10
Escalating concerns about the running of academies	11
Oversight of academies and other schools	13
Sanctioning academy trustees and leaders	13
Inquiries into concerns about the financial management and governance of academy trusts	15
Impact of funding pressures on the quality of education	15
Asbestos in school buildings	16
Formal minutes	18
Witnesses	19
Published written evidence	20
List of Reports from the Committee during the current Parliament	21

Summary

There has been a succession of high-profile academy failures that have been costly to the taxpayer and damaging to children's education. Some academy trusts have misused public money through related-party transactions and paying excessive salaries. At Durand Academy Trust and Bright Tribe Trust, there were serious failures of governance and oversight. This cannot be allowed to happen again – governance at academy trusts needs to be stronger and the Department for Education's (the Department's) oversight and intervention needs to be more rigorous. The Education and Skills Funding Agency (the ESFA) is taking steps to control executive pay and related party transactions, but these actions are as yet unproven and in isolation will not prevent abuse. We expect to return to these issues in future.

Academy trusts are now responsible for educating nearly half of all children in state-funded schools in England, but they are not sufficiently transparent or accountable to parents and local communities. Parents and local people have to fight to obtain even basic information about their children's schools and academy trusts do not do enough to communicate and explain decisions that affect the schools they are responsible for and how they are spending public money. The accounts of individual academy trusts, and for the sector as a whole, are not yet as useful and accessible to users as they should be.

Our inquiry also reiterates concerns about the school sector as a whole which we raised nearly two years ago and which have not been addressed. First, despite the funding pressures the sector is facing, neither Ofsted nor the ESFA is assessing the impact of these pressures on the quality of education and the outcomes schools achieve. Second, almost a quarter of schools have still not provided the information that the Department needs to understand fully the extent of asbestos in school buildings.

Introduction

There are now around 7,500 academy schools in England, educating about 3.8 million pupils. Academy schools are part of charitable bodies called academy trusts. Most academy schools are in trusts that manage more than one school. Academy trusts have more freedoms and responsibilities than local authority maintained schools. They can, for example, set staff pay and conditions, and determine their own curriculum, and they are directly responsible for financial as well as educational performance. Academy trusts are directly funded by, and accountable to, the Department via the ESFA. The Department provided funding of £20 billion to academy trusts in 2017–18.

In November 2018, the Department published the second academy sector annual report and accounts. This consolidated the accounts of all 3,054 academy trusts and set out the financial position and performance of the academy school sector for the academic year from 1 September 2016 to 31 August 2017. Because of additional evidence provided by the Department to support the recognition and valuation of land and buildings, the Comptroller & Auditor General reduced the extent to which his audit opinion was qualified on the 2016/17 academy sector annual report and accounts. The Department has committed to publish the accounts for 2017/18 before the summer Parliamentary recess in 2019 and to address the remaining issues in order to achieve an unqualified audit opinion.

Conclusions and recommendations

1. **Academy trusts do not make enough information available to help parents and local communities understand what is happening in individual academy schools.** We heard from witnesses from Whitehaven about the poor state of buildings at their school, that improvement work they believed to be funded had not been done, and that parents had to use freedom of information requests to find out from Bright Tribe Trust what was happening at the school. They also described how little financial information Bright Tribe made available about the school. The accounts information available through Companies House is high-level, covering each academy trust as a whole, and is of little use to parents and local communities in understanding the position of individual academy schools. The Department says that academy trusts must have a scheme of delegation, setting out which decisions are made at school level and which at trust level, and are required to have parent representatives on their governing bodies. However, we heard that Bright Tribe had removed local governance and created a regional governing body for all its schools in the north of England.

Recommendation: *The ESFA should include in the Academies Financial Handbook 2019 requirements for academy trusts to make available financial information at school level and to be transparent about governance and decision-making at all levels of the trust.*

2. **The Department is not adequately meeting the needs of users in presenting financial information about academy trusts.** We recommended in March 2018 that the Department should publish more analysis in the academy sector annual report and accounts, including a comparison of the financial performance of academy trusts of different sizes and geographical areas. The Department did include some additional analysis in the latest annual report, but not the breakdowns that we requested. It would also be more transparent and helpful for the user if the Department were to present separate information on certain types of academies, such as university technical colleges. The Department presented analysis in the annual report and accounts on academy trusts' cumulative deficits which draws attention to how many trusts are in significant financial distress. It should do more to explain the financial sustainability of the academies sector as a whole, for example by presenting analysis of trends in in-year deficits to explain whether and why a growing number of trusts are spending more than their annual income. The Department says that it has thought in a "user-centred way" about how to give parents, councillors and schools performance and financial information for their school to enable them to compare it with others. However, the accounts themselves would better support transparency and accountability if they included more detailed analysis.

Recommendation: *The Department should:*

- *write to us by March 2019 setting out the work it has done to understand better who the users of the academy sector annual report and accounts are and what information they need.*

- *The Department should include in the annual report for the academy schools sector for 2017/18 an analysis of the financial performance of academy trusts of different sizes and geographical locations, and an analysis of trends in trusts' in-year deficits as well as cumulative deficits.*
3. **It is not clear to whom parents can turn when they need to escalate concerns about the running of academy schools and academy trusts.** The Department requires academy trusts to have complaints procedures to deal with concerns that have not been addressed, and there is a right of appeal to the Department. However, the Department cannot confirm that appropriate arrangements for complaints are in place in all academy trusts and acknowledges that, in the case of Bright Tribe, they were clearly not applied. Bright Tribe had a complaints policy for Whitehaven school, but no process for complaining about problems with the multi-academy trust, and frequent changes of staff at the trust and school made it difficult for parents to know who to speak to. Parents whose children are in stand-alone schools are more likely to feel that their views are heard than those in multi-academy trusts.

Recommendation: *The Department should:*

- *by the start of the 2018/19 school year, ensure that all academy trusts have published complaints procedures, including a named individual for parents to escalate concerns to; and*
 - *by March 2019, make clear and easily accessible the name and contact details of whom in the Department parents should turn to if their concerns are not addressed adequately by the academy trust.*
4. **Where there have been serious failings at academy trusts the Department has not had an effective regime to sanction the academy trustees and leaders who were responsible.** Despite a catastrophic failure of governance, the previous executive headteacher at Durand Academy Trust is apparently entitled to a lump sum payment which, even after a statutory inquiry by the Charity Commission, totals £850,000. This is a shocking reward for failure. The Department has few sanctions at its disposal to penalise those involved in malpractice. It can ban individuals from teaching, as it did in the case of the former headteacher at Perry Beeches Academy Trust. It can also stop individuals from being school governors but admitted that this is very unusual. The ESFA admits that there is nothing to stop people involved in malpractice from acting as trustees or governors elsewhere, for example at a further education college, or from setting up businesses that could trade with the education and training providers that it oversees and regulates. The ESFA and the Charity Commission are investigating whether individuals involved in malpractice could be disqualified from becoming company directors.

Recommendation: *The Department should write to us by March 2019 to set out what sanctions it has imposed to date, and explain how it plans to strengthen the sanctions regime to deter, punish and prevent malpractice. In strengthening the sanctions regime, the Department should work with the Charity Commission, Companies House and the Insolvency Service.*

5. **The ESFA is not sufficiently transparent about the results of inquiries into concerns about the financial management and governance of academy trusts.** The ESFA regularly conducts investigations and reviews into academy trusts' financial management and governance. However, the results of these inquiries are not always made public and, where they are published, there can be lengthy delays. For example, the Department took two years to publish the results of its inquiries into concerns about Wakefield City Academies Trust. The interim Chief Executive of Bright Tribe told us that the ongoing investigations into the trust will be concluded by Christmas 2018 and that the trust or the ESFA will then take any necessary action. However, we were given no assurances that the reports and the actions will be made public in a timely way.

Recommendation:

- *The ESFA should publish, within two months of completing the work, the results of its inquiries into concerns about the financial management and governance of academy trusts.*
 - *On Bright Tribe specifically, the ESFA should write to us by March 2019 with the results of the investigations that the ESFA and the trust were undertaking when we took evidence.*
6. **Neither Ofsted nor the Education and Skills Funding Agency assesses the impact of funding pressures on the quality of education and the outcomes schools achieve.** The Department told the Committee in early 2017 that it would gain assurance, in part from Ofsted inspections, that schools were achieving 'desirable' efficiency savings, and that educational outcomes were not being adversely affected by the need to make savings. However, Ofsted is not providing this assurance. In June 2018, HM Chief Inspector told us that responsibility for school funding sits with other parts of government and did not provide us with clear and direct answers about the impact of funding pressures. In her subsequent letter in October 2018, HM Chief Inspector said that, as funding growth has slowed, school leaders have had to make difficult choices and work harder to balance their budgets; however, she reported that inspectors are not seeing an impact on education standards. She noted, however, that the current inspection framework is not designed to capture the effects of curriculum narrowing. We understand that Ofsted and the ESFA have started to seek to join up their work, but the Department still does not understand the impact of funding pressures.

Recommendation: *As part of its school inspections, Ofsted should examine and report on whether the quality of education and the outcomes schools achieve are being adversely affected by the need to make savings.*

7. **Nearly a quarter of schools have still not provided the information that the Department needs to understand fully the extent of asbestos in school buildings and how the risks are being managed.** We remain seriously concerned about the Department's lack of information and assurance about asbestos in school buildings – as we first reported in April 2017. The Department launched its 'asbestos management assurance' process on 1 March 2018 to collect data on how asbestos in schools is being managed, and to provide assurance that academy trusts and local authorities

are complying with their legal duties. The Department asked schools to respond by 31 May 2018. Due to the poor response rate, it extended the deadline to 25 June 2018 and then extended it again to 27 July 2018. Despite this, only 77% of schools have responded and the Department has extended the deadline yet again, to 15 February 2019, to allow the remaining 23% of schools to respond. The Department says that those schools that do not respond will be picked up in its school condition survey. However, we are not convinced that extending the survey deadline again will result in a much higher response rate, or that the condition survey will provide the level of specific assurance needed about how asbestos is being managed.

Recommendation: In March 2019, the Department should name and shame those schools which did not meet the February 2019 deadline and which have therefore repeatedly failed to respond to its asbestos management survey.

1 Transparency and accountability

1. On the basis of the Academy Schools Sector in England Consolidated Annual Report and Accounts 2016/17 and our recent inquiries on schools, we took evidence from the Department for Education (the Department) and the Education and Skills Funding Agency (ESFA).¹ We also took evidence from Bright Tribe Trust, Durand Education Trust and Dunraven Educational Trust, and from the parent of a former pupil at Whitehaven Academy (which has been part of Bright Tribe Trust) and a former teacher and governor at the school. In addition, we received evidence from the Charity Commission.

2. The academy sector in England is responsible for educating some 3.8 million pupils (47% of the total) across around 7,500 academy schools. Academy schools are part of charitable bodies called academy trusts. These schools are usually in trusts that encompass more than one academy school. Academy trusts have more freedoms and responsibilities than local authority maintained schools. They can, for example, set staff pay and conditions, and determine their own curriculum, and they are responsible for financial as well as educational performance. Academy trusts are directly funded by, and accountable to, the Department via the ESFA.² In 2017–18, the Department provided funding of £20 billion to academy trusts.³

3. In November 2018, the Department published the academy sector annual report and accounts for the second time. This consolidated the accounts of all 3,054 academy trusts and set out the financial position and performance of the academy school sector for the academic year from 1 September 2016 to 31 August 2017. Because of additional evidence provided by the Department to support the recognition and valuation of the land and buildings used by academies, the Comptroller & Auditor General reduced the extent to which his audit opinion was qualified on the 2016/17 accounts. The Comptroller & Auditor General continued to qualify his opinion because the Department had not established the extent to which it could practicably correct errors in asset balances for earlier periods.⁴ The Department plans to address this issue for the 2017/18 accounts in order to achieve an unqualified audit opinion, and has committed to publish these accounts before Parliament's summer recess in 2019.⁵

Information for parents and local communities

4. We asked about academy trusts' accountability to parents and local communities. The Department acknowledged that parents should have the information they need to understand how academy trusts spend money, including the extent to which trusts aggregate resources to provide services across all of their schools.⁶

1 Department for Education, Academy Schools Sector in England Consolidated annual report and accounts for the year ended 31 August 2017, Session 2017–19, HC 1701, 6 November 2018

2 Report by the Comptroller and Auditor General, Converting maintained schools to academies, Session 2017–19, HC 720, 22 February 2018

3 Department for Education, Consolidated annual report and accounts for the year ended 31 March 2018, HC 1288, 23 July 2018

4 Department for Education, Academy Schools Sector in England Consolidated annual report and accounts for the year ended 31 August 2017, Session 2017–19, HC 1701, 6 November 2018, The Certificate of the Comptroller and Auditor General to the House of Commons, pp 61–62

5 Qq 241, 246

6 Qq 254, 372–373

5. One witness who was previously a teacher and governor at Whitehaven Academy described how, before the school became an academy, she would receive detailed information on all the money spent in the school. In contrast, under Bright Tribe, the finance report was just “half a sheet of A4”.⁷ Academy trusts have to file audited annual accounts with Companies House, but this information is high-level covering each trust as a whole; it does not show sufficient detail about individual schools.⁸ The interim Chief Executive Officer at Bright Tribe Trust told us that she or the trust’s interim chief accounting officer would provide information about the finances of the schools within the trust if requested, and would do their best to answer questions promptly.⁹

6. We heard concerns from the witnesses from Whitehaven about the state of their school buildings and the lack of maintenance, including windows that did not shut or were bolted shut because they were not safe and flooded playing fields. The witnesses told us that they did not know why improvement work had not been done, despite projects such as drainage and day-to-day maintenance being funded. They said that the headteacher had not been able to provide answers and parents had to use freedom of information requests to the trust to find out what was happening.¹⁰ The interim Chief Executive Officer at Bright Tribe Trust said that, before her arrival, headteachers of the schools within the trust had been “cut out of the loop” in making decisions about health and safety or fire risk assessment, and the trust had not provided them with any information. She told us that the headteachers had now been given control over their money, buildings and facilities.¹¹

7. The Department told us that governing bodies of multi-academy trusts are required to have parent representatives, either at trust board level or at individual school level.¹² Academy trusts must also put in place a proper scheme of delegation, setting out which decisions are made at school level and which at trust level.¹³ The witnesses from Whitehaven described how Bright Tribe had removed local governance and created a governing body for all of its schools in the north of England. One witness told us that, as there was no Whitehaven representative on the regional group and because of delays in issuing minutes, they had not known what the group was doing.¹⁴ We also heard that one witness had to send a freedom of information request to find out about the regional group and who sat on it.¹⁵

Financial information about the academy sector

8. We recommended in March 2018 that the Department should publish more analysis in the academy sector annual report and accounts for 2016/17, including a comparison of the financial performance of academy trusts of different sizes and geographical areas.¹⁶ The Department did include additional analysis, for example comparing the performance

7 Qq 188–189

8 Department for Education, Academy Schools Sector in England Consolidated annual report and accounts for the year ended 31 August 2017, Session 2017–19, HC 1701, 6 November 2018

9 Qq 66–72

10 Qq 187, 193

11 Q 82

12 Qq 375–377

13 Q 345

14 Qq 188, 194

15 Q 219

16 Q 270; Committee of Public Accounts, Academy school finances, Thirtieth Report of Session 2017–19, 30 March 2018

of disadvantaged pupils with pupils as a whole,¹⁷ but we note that it did not provide the breakdowns that we requested. The Department said that it was willing to provide different analysis, for example it could separate out university technical colleges.¹⁸ In written evidence provided after the session, the Department noted that it was considering how best to integrate further data into the annual report and accounts.¹⁹

9. The Department also noted that the academy sector annual report and accounts was not the only way that it published performance information. It said that it had thought in a “user-centred way” about how to give parents, councillors and schools performance and financial information for their school and to compare it with others. The Department highlighted that, as well as the information in the annual report and accounts, it made information on academy schools and academy trusts available through online annexes to the accounts and in other ways such as a benchmarking tool which enabled schools to see how their spending compares with similar schools.²⁰

10. The Department presented analysis in the annual report and accounts showing that 185 academy trusts (5.9% of trusts) had cumulative deficits totalling £65 million as at 31 August 2017, an increase of £15 million since 2016. The deficits may have built up over a number of years since the inception of each of these academies. We also asked about the number of academy trusts with in-year deficits. The Department told us that it had not included in-year deficits in the accounts as trusts may decide to spend more than their income in a particular year, for example for a capital purchase, resulting in an in-year deficit. It noted that trusts could build up reserves to cover in-year deficits. The Department said that an in-year deficit in one year was not an indicator of the financial health of the sector. However, the ESFA confirmed that it would be concerned if a trust had two or three consecutive years of in-year deficits, particularly if these were unplanned.²¹

Escalating concerns about the running of academies

11. The Department confirmed that academy trusts are required to have complaints procedures to deal with concerns that have not been addressed, and that there is a right of appeal to the Department. It also told us that, if parents were concerned about the governance of academy trusts, they should raise this with the parent representatives on the governing body, and could then write to the Department.²² However, the Department could not confirm that the arrangements for complaints were always applied in all academy trusts, and agreed that, in the case of Whitehaven and Bright Tribe, the arrangements had clearly not been applied.²³

12. One of the witnesses from Whitehaven told us that people at the trust and at the school changed frequently, so it was difficult for parents to know whom to speak to about an issue. In addition, she said that Bright Tribe had no process for complaining about the multi-academy trust. The trust’s complaints policy was for raising issues about individual schools, but if the problem was with the trust’s management there was no mechanism for

17 Qq 251–253

18 Qq 270–273

19 Department for Education and the Education and Skills Funding Agency (AAP0002)

20 Q 273, 314

21 Qq 308–313; Department for Education, Academy Schools Sector in England Consolidated annual report and accounts for the year ended 31 August 2017, Session 2017–19, HC 1701, p. 15

22 Qq 345; 375–377; 382

23 Q 345

raising concerns.²⁴ The witness also told us that when she contacted the Department's regional schools commissioner to raise concerns about Bright Tribe, the regional schools commissioner had replied that she was working with the trust and did not offer to meet. We heard that the regional schools commissioner had subsequently met Whitehaven representatives, after it had been decided to re-broker the academy to another trust.²⁵

13. In written evidence, Parentkind highlighted that parents whose children are in stand-alone schools are more likely to feel that their voice is heard than those academy schools in multi-academy trusts or those local authority maintained schools in federations. Parentkind noted that this may be a sign that a federated governance structure makes it harder for parents to feel that their views on their child's education are heard at school level.²⁶

24 Q 204

25 Qq 207–208

26 Parentkind, Annual Parent Survey 2018, accessed in January 2019

2 Oversight of academies and other schools

14. In March 2018, we recommended that the Department needed to tighten the controls around related party transactions and do more to challenge academy trusts that were paying excessive salaries.²⁷ The ESFA told us that it had subsequently thought hard about how to strengthen the arrangements for related party transactions in a way that would work. It had decided to put in place a more rigorous system from April 2019 – trusts would have to declare every single related party transaction and to seek approval for those transactions over £20,000.²⁸ The ESFA noted that, depending on how this worked in practice, the level at which approval was needed might be reduced or increased. It also said that it was putting together a specialist team to work on related party transactions, and subsequently confirmed that the team would receive appropriate professional training for this work.²⁹

15. On high pay, the ESFA described how it had written to academy trusts that were paying high salaries. The letters were founded on the principles that the ESFA expects salary-setting to be a transparent process, and that salaries should be proportionate and justifiable in the context of academy trusts' status as charities and public bodies. The ESFA told us that, in light of its letters, about a quarter of the trusts concerned had reduced their salaries.³⁰ It said that it had asked the remaining trusts for evidence about how salaries had been set and the ESFA and Ministers had had conversations with some trusts about their practices.³¹

Sanctioning academy trustees and leaders

16. We heard that, despite a catastrophic failure of governance, Durand Education Trust had a considerable liability to the executive headteacher of the Durand Academy.³² This arose from a related party transaction whereby a company owned by the former headteacher was contracted to manage the accommodation and leisure facilities on the school site.³³ The witness from Durand told us that the previous executive headteacher was entitled to a lump sum payment when the contract was terminated. The witness said that this payment was potentially worth £1.8 million but, after a statutory inquiry by the Charity Commission, the trustees and previous executive headteacher had agreed to reduce the amount to £850,000.³⁴ The witness also told us that most of Durand Education Trust's income from its assets, approximately £400,000 a year, was therefore going towards covering this payment.³⁵

17. The Charity Commission described to us how it had intervened in relation to the contract with the former headteacher of Durand Academy. Given its concerns that the contract had not gone out to tender, the Charity Commission had directed the trustees

27 Committee of Public Accounts, Academy school finances, Thirtieth Report of Session 2017–19, 30 March 2018

28 Qq 300–303

29 Qq 304–307; Department for Education and the Education and Skills Funding Agency (AAP0002)

30 Qq 275–278; Department for Education and the Education and Skills Funding Agency (AAP0002)

31 Qq 278–284

32 Qq 168; 49–50

33 Charity Commission for England and Wales, Inquiry Report Durand Education Trust, 21 October 2016

34 Qq 50–51; Charity Commission for England and Wales, Inquiry Report Durand Education Trust, 21 October 2016

35 Qq 48–50

of Durand Education Trust to benchmark whether the payments in the contract were reasonable. It had then ensured that the trustees capped the termination payment in line with the benchmarking exercise. It told us that, because of its intervention, the payment that the former headteacher received was £1 million less than it might have been.

18. The Charity Commission said that the consultants commissioned by the trustees of Durand Education Trust had identified a number of options for benchmarking the value created through the contract; they selected the private equity model as the most appropriate. The Charity Commission told us that, after taking professional advice, it had concluded that it could not direct the trustees of Durand Education Trust to use an alternative benchmarking methodology since there were plausible reasons to use the private equity model in this instance. It said that it might have thought that the amount paid to the former headteacher might be lower but, if it was not outside the bounds of reasonableness, it did not have a legal basis on which to challenge the payment.

19. We asked what sanctions the Department or the ESFA could use against chief executives or trustees who had, for example, misused public money. The Department told us that it could ban individuals from teaching, as it had done in the case of the former headteacher at Perry Beeches Academy. It could also ban individuals from being school governors, but the Department admitted that this was very unusual.³⁶ The Department subsequently confirmed in written evidence that it had barred a chair of governors and the chair of a board of trustees from being in a management position in an independent school (including academies and free schools).³⁷

20. The ESFA acknowledged that there was nothing to stop an individual who had been banned from being a school governor from being a governor elsewhere, for example at a further education college. The ESFA told us that it was working to try to stop those involved in malpractice from acting as trustees or governors elsewhere. It was looking for a systematic way of identifying such people in case they joined other boards or set up businesses that might trade in areas that the Department oversees and regulates. It was working with the Charity Commission and the Insolvency Service to see if they could get such individuals disqualified from being company directors. Overall, the ESFA said that it believed that it was using every avenue open to it, but that it would like to test its powers further.³⁸

21. “The Charity Commission highlighted that the Department for Education is the principal regulator of academy trusts, and that in practice this is managed and undertaken by the ESFA; Parliament had determined that academy trusts should be exempt charities and not regulated directly by the Charity Commission. It told us that in October 2017 it had agreed a renewed memorandum of understanding with the Department, which set out their regulatory roles and remits. It had quarterly meetings and training with departmental staff, and was committed to ensuring that they understood their responsibilities in relation to charity law.

36 Qq 352, 360–361

37 Department for Education and the Education and Skills Funding Agency (AAP0002)

38 Qq 353–358; Department for Education and the Education and Skills Funding Agency (AAP0002)

Inquiries into concerns about the financial management and governance of academy trusts

22. Where it has concerns, the ESFA conducts investigations and reviews into academy trusts' financial management and governance.³⁹ For example, it conducted two investigations into the Wakefield City Academies Trust. It published the reports of these investigations in November 2018, even though the first investigation had been completed in November 2016. We asked why it had taken two years to make these investigations available to the public. The Department said that its priority had been to complete successfully the transfer of the Wakefield City Academies Trust schools to new trusts; and the ESFA said that it considered that the content of the investigation reports would not necessarily aid the transition of the 21 schools. The ESFA said that it had committed to publish the investigations once the final school had been re-brokered.⁴⁰ It also explained that, while it published investigations and financial notices to improve, it would not normally publish the results of its monitoring work or internal reports into financial management and governance following visits that it undertook.⁴¹

23. We heard from the interim Chief Executive Officer of Bright Tribe Academy Trust that the trust and the ESFA had commissioned a number of investigations into spending by the trust.⁴² She told us that two investigations commissioned by the trust into spending on LED lighting and boilers at Whitehaven Academy and Fowey River Academy had been completed. She expected that the remaining investigations, into the use of capital grants and loans, would be completed by Christmas 2018.⁴³ The interim Chief Executive Officer said that she was sure that, once those investigations were completed, the trust's board and the ESFA would take any steps necessary.⁴⁴ The Department also confirmed that, if there was evidence of malpractice at Bright Tribe, it would try to get the funding back.⁴⁵ We asked if the investigations into Bright Tribe would be published. The trust's interim Chief Executive Officer did not commit to publishing the reports, stating that this was a matter for the trust's board and the ESFA.⁴⁶

Impact of funding pressures on the quality of education

24. We first asked the Department in 2017 about the impact of funding pressures on the quality of education and the outcomes that schools achieve. The Department told us then that it would gain assurance, in part from Ofsted inspections, that schools were achieving 'desirable' efficiency savings, and that educational outcomes were not being adversely affected by the need to make savings.⁴⁷

25. When we took evidence on Ofsted's inspection of schools in June 2018, HM Chief Inspector told us that responsibility for school funding sat with other parts of government. She explained that Ofsted looked at educational outcomes, and that her brief did not

39 Qq 265–266, 430–433

40 Qq 428–429; 433

41 Qq 430–431

42 Q 55

43 Qq 75–77; 119–120

44 Q 55

45 Qq 349–350

46 Qq 127–128

47 Committee of Public Accounts, Financial sustainability of schools, Forty-ninth Report of Session 2016–17, 28 March 2017

include matching for every school outcomes against the amount they are spending. We asked HM Chief Inspector to write to us with her reflections on the main risks to schools' effectiveness and the systemic causes of poor performance, including the impact of funding pressures.⁴⁸

26. In her reply in October 2018, HM Chief Inspector told us that in recent years, as funding growth has slowed, school leaders have had to work harder to balance their budgets and this had necessitated some difficult choices. However, Ofsted inspectors had not seen an impact on education standards. HM Chief Inspector also noted that the current inspection framework was not designed to capture the effects of curriculum narrowing, which was one of the reasons why Ofsted was proposing to revise its framework. HM Chief Inspector committed that Ofsted would continue to monitor the situation.⁴⁹

27. In June 2018, HM Chief Inspector also told us that she had begun to have conversations with the head of the ESFA to ensure that their respective work was joined-up, but that these discussions were at a very early stage.⁵⁰ The ESFA told us that where it had financial or governance concerns, it would routinely have conversations with Ofsted about its assessment of risk for a particular academy trust or school. The Department said that it had regional teams that liaised closely with Ofsted and the ESFA; they worked collaboratively with each other where they had concerns about academy trusts' performance or finance.⁵¹

Asbestos in school buildings

28. We recommended in 2017 that the Department should fill gaps in its knowledge about the school estate; specifically it needed to understand the prevalence, condition and management of asbestos.⁵² And in March 2018, we concluded that the Department still did not have enough information about the extent of asbestos in schools to ensure that the risks were being properly managed.⁵³

29. The Department launched its 'asbestos management assurance' process on 1 March 2018 – this involved a survey to seek assurance that academy trusts and local authorities are complying with their duties under the Control of Asbestos Regulations 2012.⁵⁴ The Department confirmed that, through this process, it required evidence that the responsible body, usually the academy trust or local authority, had sought professional advice on asbestos in its school buildings and had an up-to-date action plan that was reviewed every two years.⁵⁵

30. The Department originally asked schools to respond to its survey by 31 May 2018. However, due to the poor response rate, it extended the deadline to 25 June 2018 and again to 27 July 2018.⁵⁶ Despite this, only 77% of schools responded to the survey.⁵⁷ The Department said that it was disappointed with the response rate. We asked the Department what action it had taken with the 23% of schools that had still not provided

48 Committee of Public Accounts, Ofsted's inspection of schools, Sixtieth Report of Session 2017–19, 18 July 2018

49 HM Chief Inspector, 30 October 2018

50 Committee of Public Accounts, Ofsted's inspection of schools, Sixtieth Report of Session 2017–19, 18 July 2018

51 Qq 335–336

52 Committee of Public Accounts, Capital funding for schools, Fifty-seventh Report of Session 2016–17

53 Committee of Public Accounts, Academy school finances, Thirtieth Report of Session 2017–19, 30 March 2018

54 Q 398

55 Qq 410–411

56 Department for Education (OIS0005)

57 Letter from Department for Education to Meg Hillier MP, 24 September 2018

the information requested. The Department said that it had re-opened the survey and extended the deadline for the third time, to 15 February 2019, to allow the remaining schools to respond. It also told us that those schools that still failed to respond would be picked up in its school condition survey.⁵⁸ However, this survey will not be completed until autumn 2019.⁵⁹

31. In September 2018, the Department told us that it expected to publish its overall assessment of the state of asbestos in schools, with a list of responsible bodies that had provided an assurance declaration, in December 2018.⁶⁰ It said that it now planned to publish its overall assessment in April 2019.⁶¹

32. We asked the Department why schools had not responded to its survey. The Department told us that schools might not have responded as this was something they had never done before.⁶² We asked if publicly identifying asbestos, without the necessary funds to deal with it, might be a contributory factor. The Department told us that it had not identified this as an issue and that funding to deal with asbestos would be a top priority.⁶³

33. The witness from Durand Education Trust said that asbestos only came to the top of its agenda in 2017–18 through the due diligence work that the Harris Federation carried out when it was considering taking on the school.⁶⁴ The witness from Dunraven Educational Trust told us that it had mainly new buildings, but that it had up-to-date surveys and knew what needed to be done for the former Durand Academy building and for another school that it was taking on in December 2018.⁶⁵ The interim Chief Executive Officer of Bright Tribe Trust told us that asbestos management in the trust's schools was not as it should have been. She said that up-to-date and rigorous asbestos management plans were now in place across all of Bright Tribe's schools.⁶⁶

58 Qq 398–400

59 Q 395

60 Letter from Department for Education to Meg Hillier MP, 24 September 2018

61 Q 406

62 Q 401

63 Qq 402–404, 410

64 Q 145

65 Qq 146–147

66 Q 140

Formal Minutes

Wednesday 16 January 2018

Members present:

Meg Hillier, in the Chair

Sir Geoffrey Clifton-Brown	Stephen Morgan
Chris Davies	Anne Marie Morris
Chris Evans	Bridget Phillipson
Caroline Flint	Lee Rowley
Shabana Mahmood	Gareth Snell
Nigel Mills	Anne-Marie Trevelyan
Layla Moran	

Draft Report (*Academy accounts and performance*), proposed by the Chair, brought up and read.

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

Paragraphs 1 to 45 read and agreed to.

Introduction agreed to.

Conclusions and recommendations agreed to.

Summary agreed to.

Resolved, That the Report be the Seventy-Third 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.

[Adjourned till Monday 21 January at 3:30pm]

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the inquiry publications page of the Committee's website.

Monday 19 November 2018

Angela Barry, Accounting Officer, Bright Tribe Trust, **David Boyle**, Accounting Officer, Dunraven Academy, **John Wentworth**, Consultant, Durand Academy Trust Q1–179

Councillor Julie Rayson, Parent and campaigner, Whitehaven Academy, **Judy Davidson**, Retired teacher and former school governor, Whitehaven Academy Q180–234

Wednesday 21 November 2018

Jonathan Slater, Permanent Secretary, Department for Education, **Eileen Milner**, Chief Executive, Education and Skills Funding Agency, and **Mike Pettifer**, Director, Academies and Maintained Schools Group, Education and Skills Funding Agency Q235–434

Published written evidence

The following written evidence was received and can be viewed on the inquiry publications page of the Committee's website.

AAP numbers are generated by the evidence processing system and so may not be complete.

1 UNISON (AAP0001)

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the publications page of the Committee's website. The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2017–19

First Report	Tackling online VAT fraud and error	HC 312 (Cm 9549)
Second Report	Brexit and the future of Customs	HC 401 (Cm 9565)
Third Report	Hinkley Point C	HC 393 (Cm 9565)
Fourth Report	Clinical correspondence handling at NHS Shared Business Services	HC 396 (Cm 9575)
Fifth Report	Managing the costs of clinical negligence in hospital trusts	HC 397 (Cm 9575)
Sixth Report	The growing threat of online fraud	HC 399 (Cm 9575)
Seventh Report	Brexit and the UK border	HC 558 (Cm 9575)
Eighth Report	Mental health in prisons	HC 400 (Cm 9575) (Cm 9596)
Ninth Report	Sheffield to Rotherham tram-trains	HC 453 (Cm 9575)
Tenth Report	High Speed 2 Annual Report and Accounts	HC 454 (Cm 9575)
Eleventh Report	Homeless households	HC 462 (Cm 9575) (Cm 9618)
Twelfth Report	HMRC's Performance in 2016–17	HC 456 (Cm 9596)
Thirteenth Report	NHS continuing healthcare funding	HC 455 (Cm 9596)
Fourteenth Report	Delivering Carrier Strike	HC 394 (Cm 9596)
Fifteenth Report	Offender-monitoring tags	HC 458 (Cm 9596)
Sixteenth Report	Government borrowing and the Whole of Government Accounts	HC 463 (Cm 9596)
Seventeenth Report	Retaining and developing the teaching workforce	HC 460 (Cm 9596)

Eighteenth Report	Exiting the European Union	HC 467 (Cm 9596)
Nineteenth Report	Excess Votes 2016–17	HC 806 (Cm 9596)
Twentieth Report	Update on the Thameslink Programme	HC 466 (Cm 9618)
Twenty-First Report	The Nuclear Decommissioning Authority's Magnox	HC 461 (Cm 9618)
Twenty-Second Report	The monitoring, inspection and funding of Learndirect Ltd.	HC 875 (Cm 9618)
Twenty-Third Report	Alternative Higher Education Providers	HC 736 (Cm 9618)
Twenty-Fourth Report	Care Quality Commission: regulating health and social care	HC 468 (Cm 9618)
Twenty-Fifth Report	The sale of the Green Investment Bank	HC 468 (Cm 9618)
Twenty-Sixth Report	Governance and departmental oversight of the Greater Cambridge Greater Peterborough Local Enterprise Partnership	HC 896 (Cm 9618)
Twenty-Seventh Report	Government contracts for Community Rehabilitation Companies	HC 897 (Cm 9618)
Twenty-Eighth Report	Ministry of Defence: Acquisition and support of defence equipment	HC 724 (Cm 9618)
Twenty-Ninth Report	Sustainability and transformation in the NHS	HC 793 (Cm 9618)
Thirtieth Report	Academy schools' finances	HC 760 (Cm 9618)
Thirty-First Report	The future of the National Lottery	HC 898 (Cm 9643)
Thirty-Second Report	Cyber-attack on the NHS	HC 787 (Cm 9643)
Thirty-Third Report	Research and Development funding across government	HC 668 (Cm 9643)
Thirty-Fourth Report	Exiting the European Union: The Department for Business, Energy and Industrial Strategy	HC 687 (Cm 9643)
Thirty-Fifth Report	Rail franchising in the UK	HC 689 (Cm 9643)
Thirty-Sixth Report	Reducing modern slavery	HC 886 (Cm 9643)
Thirty-Seventh Report	Exiting the European Union: The Department for Environment, Food & Rural Affairs and the Department for International Trade	HC 699 (Cm 9643)
Thirty-Eighth Report	The adult social care workforce in England	HC 690 (Cm 9667)
Thirty-Ninth Report	The Defence Equipment Plan 2017–2027	HC 880 (Cm 9667)

Fortieth Report	Renewable Heat Incentive in Great Britain	HC 696 (Cm 9667)
Forty-First Report	Government risk assessments relating to Carillion	HC 1045 (Cm 9667)
Forty-Second Report	Modernising the Disclosure and Barring Service	HC 695 (Cm 9667)
Forty-Third Report	Clinical correspondence handling in the NHS	HC 929
Forty-Fourth Report	Reducing emergency admissions	HC 795
Forty-Fifth Report	The higher education market	HC 693
Forty-Sixth Report	Private Finance Initiatives	HC 894
Forty-Seventh Report	Delivering STEM skills for the economy	HC 691
Forty-Eighth Report	Exiting the EU: The financial settlement	HC 973
Forty-Ninth Report	Progress in tackling online VAT fraud	HC 1304
Fiftieth Report	Financial sustainability of local authorities	HC 970
Fifty-First Report	BBC commercial activities	HC 670
Fifty-Second Report	Converting schools to academies	HC 697
Fifty-Third Report	Ministry of Defence's contract with Annington Property Limited	HC 974
Fifty-Fourth Report	Visit to Washington DC	HC 1404
Fifty-Fifth Report	Employment and Support Allowance	HC 975
Fifty-Sixth Report	Transforming courts and tribunals	HC 976
Fifty-Seventh Report	Supporting Primary Care Services: NHS England's contract with Capita	HC 698
Fifty-Eighth Report	Strategic Suppliers	HC 1031
Fifty-Ninth Report	Skill shortages in the Armed Forces	HC 1027
Sixtieth Report	Ofsted's inspection of schools	HC1029
Sixty-First Report	Ministry of Defence nuclear programme	HC 1028
Sixty-Second Report	Price increases for generic medications	HC 1184

Sixty-Third Report	Interface between health and social care	HC 1376
Sixty-Fourth Report	Universal Credit	HC 1375
Sixty-Fifth Report	Nuclear Decommissioning Authority	HC 1375
Sixty-Sixth Report	HMRC's performance in 2017–18	HC 1526
Sixty-Seventh Report	Financial Sustainability of police forces in England and Wales	HC 1513
Sixty-Eighth Report	Defra's progress towards Brexit	HC 1514
Sixty-Ninth Report	Sale of student loans	HC 1527
Seventieth Report	Department for Transport's implementation of Brexit	HC 1657
Seventy-First Report	Department for Health and Social Care accounts	HC 1515
Seventy-Second Report	Mental health services for children and young people	HC 1593
First Special Report	Chair of the Public Accounts Committee's Second Annual Report	HC 347
Second Special Report	Third Annual Report of the Chair of the Committee of Public Accounts	HC 1399