



National Audit Office

Report

by the Comptroller
and Auditor General

Department for Education

Converting maintained schools to academies

Key facts

6,996

maintained schools had converted to academies at January 2018

1,101

number of approved sponsors at January 2018

£81m

amount that the Department for Education spent in 2016-17 on converting schools to academies

- 35%** proportion of state-funded schools that were academies, including free schools, at January 2018
- 47%** estimated proportion of pupils that were being taught in academies, including free schools, at January 2018
- 72%** proportion of secondary schools that were academies, including free schools, at January 2018, compared with 27% of primary schools
- 6% to 93%** range in the proportion of schools that were academies, including free schools, in different local authority areas, at January 2018
- 0.6%** of applications to convert to academies without a sponsor between September 2014 and August 2017 were rejected (13 of 2,173 applications)
- £25,000** grant that the Department for Education pays to schools converting to academies without a sponsor
- 63%** proportion of maintained schools rated as inadequate by Ofsted between April 2016 and March 2017 that had not opened as academies nine months later (105 of 166 schools)
- £38m** amount that the Department for Education spent in 2016-17 on building capacity in the academies sector

In this report, dates in the format '20xx-yy' refer to central or local government financial years (1 April to 31 March). Maintained schools report their finances in financial years. Dates in the format '20xx/yy' refer to academic years (1 September to 31 August). Academies report their finances in academic years.

Summary

1 Academies are publicly funded independent state schools. Unlike maintained schools, they are independent of local authorities and have more freedoms – for example academies can set staff pay and conditions, and determine their own curriculum. At January 2018, 7,472 of the 21,538 state-funded schools in England (35%) were academies. Of these, 6,996 had converted from maintained schools and 476 were free schools.¹ The Department for Education (the Department) provided revenue funding of £17.0 billion to academies in 2016-17, 35% of the total amount spent on schools.

2 Each academy school must be part of an academy trust, a charitable company which manages the school's budget and employs the staff. Most are part of multi-academy trusts that bring together groups of academy schools. Academy trusts are directly funded by, and accountable to, the Department, via the Education and Skills Funding Agency.

3 Since 2010, all schools have been allowed to seek academy status. High-performing maintained schools can choose to become academies, and either form or join an academy trust. The Department has a statutory duty to direct all maintained schools that Ofsted has rated as inadequate to convert to academies with a sponsor. A sponsor is an organisation that the Department has approved to support an academy or group of academies. Most sponsors are multi-academy trusts. Individual philanthropists, private companies, charities or other educational institutions may also set up academy trusts and sponsor academy schools.

4 The Department is accountable to Parliament for securing value for money for spending on education services, including money spent on the conversion process and the academies programme in general. It works through eight regional teams, each led by a regional schools commissioner, which coordinate the process of approving applications from maintained schools to become academies. Successfully converting schools to academies requires many players – within central government, local government and beyond – to work together effectively.

¹ Free schools are new schools that are set up as academies.

Focus of our report

5 Converting maintained schools to academies has been at the heart of the government's education policy for some time. There have been changes in emphasis since the government first introduced academy schools in 2000, but the underlying objective has remained to improve educational standards in schools. The Department's main intervention for underperforming maintained schools is to direct them to become academies.

6 Academy trusts acquire substantial new freedoms and responsibilities that maintained schools do not have, including responsibility for financial as well as educational performance. It is therefore vital that the Department has assurance that academy trusts have capacity and capability to run academy schools well and that they can be trusted to manage large amounts of public money.

7 This report focuses on the arrangements for converting maintained schools to academies. We assessed:

- the Department's approach and the extent of conversion (Part One);
- the robustness, cost and speed of the conversion process (Part Two); and
- the availability of sponsors and multi-academy trusts to support schools to convert to academies (Part Three).

8 We did not examine the performance of schools once they have become academies. We also did not cover the Education and Skills Funding Agency's regulation and oversight of academies, or its intervention in academies about which it has concerns.

9 We set out our audit approach in Appendix One and our evidence base in Appendix Two.

Key findings

Extent of conversion

10 A much higher proportion of secondary schools than primary schools have become academies. At January 2018, 7,472 state-funded schools were academies (35%), of which 6,996 had converted from maintained schools. Academies were teaching an estimated 47% of pupils. **Figure 1** overleaf shows that 72% of secondary schools were academies, compared with 27% of primary schools. This leaves local authorities with responsibility for most primary schools and specialist providers but few secondary schools, making it more difficult for them to take an integrated whole-system approach to their children's education (paragraphs 1.15 and 1.22).

11 Most academies were previously good or outstanding maintained schools. Between 2010/11 and 2016/17, 4,674 schools, mainly those that Ofsted had rated as good or outstanding, became academies without a sponsor. Over the same period, 1,573 mainly underperforming schools converted with the support of a sponsor (paragraph 1.16).

12 The proportion of schools that are academies varies widely across England. All local authority areas contain both academies and maintained schools.² At January 2018, the proportion of schools that were academies varied from 93% in Bromley to 6% in Lancashire, Lewisham and North Tyneside. Rates of academy conversion from maintained schools tend to be lowest in the north of England and in London. Immediately after the academies programme expanded in 2010 it was common for schools to form standalone trusts, known as single-academy trusts. From August 2012, an increasing proportion of academies have formed or joined groups of schools, known as multi-academy trusts (paragraphs 1.18 and 1.20).

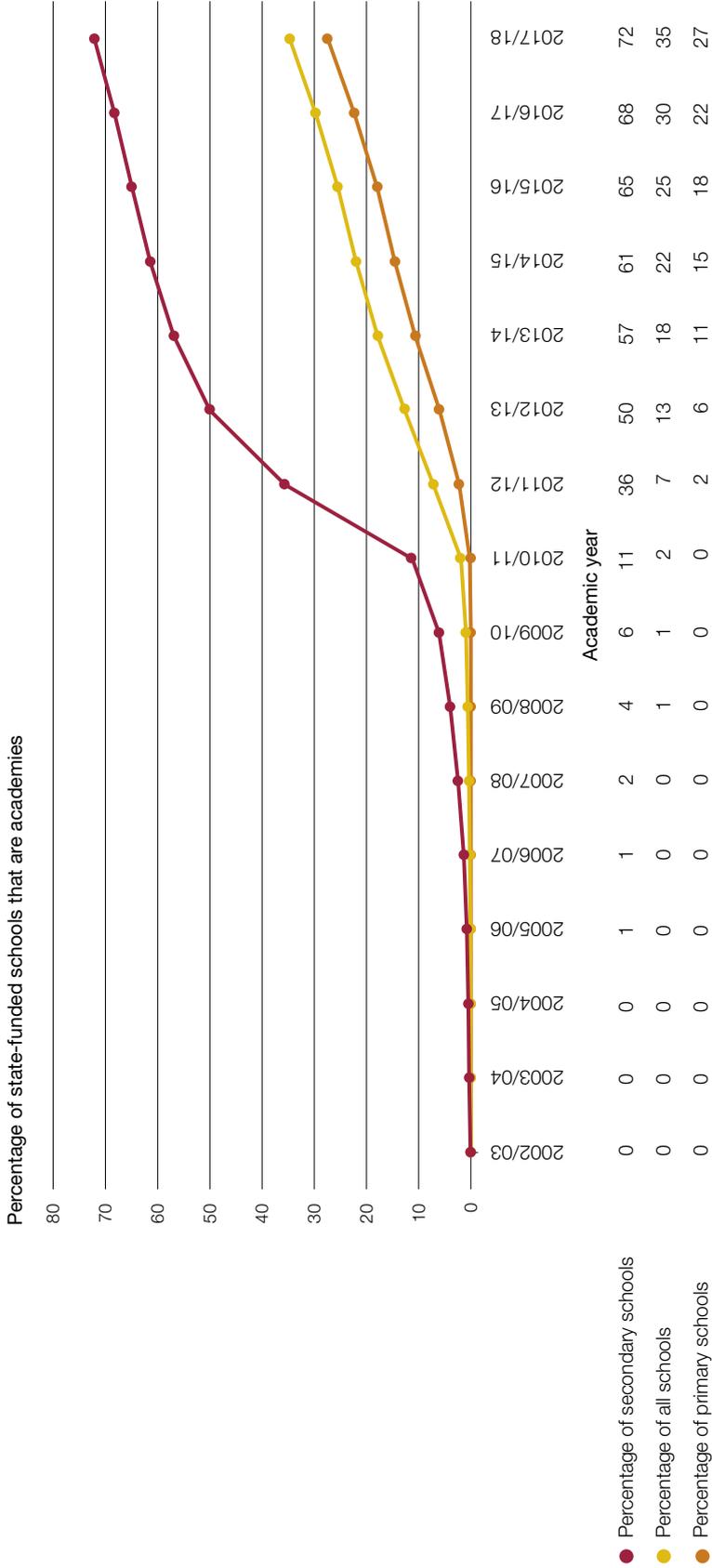
13 The Department has not formally set out its current policy for converting schools to academies and the broader implications for the school system. In its March 2016 white paper, the government set out that by 2020 every school would be, or would be in the process of becoming, an academy.³ Since the white paper, the government has modified its ambition and no longer expects all schools to become academies. In October 2016, the Secretary of State for Education re-emphasised the role of academies in school improvement (paragraph 1.7).

² This analysis excludes the City of London and Isles of Scilly, each of which has only one school.

³ Department for Education, *Educational Excellence Everywhere*, Cm 9230, March 2016.

Figure 1
Academies in England, 2002/03 to 2017/18

A higher proportion of secondary schools than primary schools are academies



Notes

- 1 Percentages are calculated using data collected in the January of each academic year. Percentages for 2002/03 to 2016/17 are based on published national statistics. The percentage for 2017/18 is an estimate based on our analysis of the Department's published database of schools.
- 2 In total, 21,538 state-funded schools were open at January 2018. Of these, 14,066 (65%) were maintained schools and 7,472 (35%) were academies. The number of academies comprised 6,996 converted academies, and 476 free schools, including university technical colleges and studio schools.
- 3 In addition to 16,768 primary and 3,434 secondary schools, 'all schools' includes 984 special schools and 352 alternative providers. At January 2018, 29% of state-funded special schools and 34% of alternative providers were academies.

Source: National Audit Office analysis of Department for Education data

14 There is likely to continue to be a substantial number of maintained schools for the foreseeable future, with important consequences for local authorities.

In 2017-18, the Department withdrew the 'general funding rate' that was previously paid to local authorities and academies for school support services as part of the Education Services Grant. There is a risk that, because of the loss of this funding, local authorities will reduce their support for maintained schools, which will affect primary schools in particular. Recognising that local authorities may need to find alternative sources of revenue, the Department has made provision for local authorities to retain a proportion of their maintained schools' budgets. Regardless of the mix of maintained schools and academies, local authorities retain important responsibilities, including an obligation to provide enough school places even though they do not control the number of places in academy schools (paragraphs 1.7, 1.21 and 1.23).

The conversion process

15 The Department has recently strengthened the conversion process.

In designing and implementing the conversion process, the Department has focused on supporting large numbers of schools to convert, rather than allowing only the strongest applications to proceed. Of 2,173 applications from schools to convert without a sponsor between September 2014 and August 2017, regional schools commissioners approved 1,964 (90.4%), deferred 196 (9.0%) and rejected just 13 (0.6%).⁴ Schools withdrew 183 applications before a decision was made. The Department has improved its scrutiny of applicants' financial health, and in 2017 the Education and Skills Funding Agency developed new tools to summarise data on financial risk. The Department has also strengthened the standards of governance it expects from academy trusts. In addition the design of its assessment of prospective sponsors appears rigorous, covering trustees' capability in a range of areas including leadership, school improvement and finance (paragraphs 2.2, 2.3 and 2.6).

16 There is scope for the Department to make the conversion process more effective, particularly in identifying risks. Academies take on significant new financial responsibilities and are directly accountable for how they spend public money. The Department considers that multi-academy trusts and schools should take responsibility for assessing financial risk. However, it has issued limited guidance on the checks it recommends, and does not always know the extent of the potential liabilities that academy trusts may be taking on. The Department does not carry out its own checks to ensure that all academy trustees and senior leaders are fit and proper persons. It completes due diligence tests on the prospective trustees and senior leaders for all sponsors, and for a small sample of schools converting without a sponsor as it considers these to be lower risk. The Department and the Education and Skills Funding Agency use a variety of documents and multiple spreadsheets and databases to store and share information about academies, risking duplication, error or omission (paragraph 2.7).

⁴ The figure of 2,173 applications excludes 107 applications about which regional school commissioners had not made a decision as at January 2018.

17 In 2016-17, the Department spent £81.0 million on converting schools to academies, but this does not represent the full amount spent by all bodies involved.

The Department's spending on conversion has fluctuated considerably year-on-year. The variation was broadly consistent with changes in the number of schools becoming academies. The Department could not provide us with spending data for each school that converted, so we could not analyse in detail the changes in spending. The Department does not routinely collect data on the total amounts spent by other bodies, including schools, sponsors and local authorities, on converting schools to academies (paragraphs 2.8 and 2.11).

- The Department pays one-off grants of £25,000 towards the costs of each school becoming an academy without a sponsor. Survey evidence suggests that some schools spend more than this amount, with legal costs accounting for the largest share of spending. We heard that, in addition to cash costs, school staff spend substantial amounts of time on the conversion process (paragraphs 2.12 to 2.14).
- Where schools convert with the support of a sponsor, the Department pays larger one-off grants directly to the sponsoring academy trust. These range from £70,000 to £150,000 before the academy opens and, in the case of the most challenging academies, from £10,000 to £80,200 after opening. Regional schools commissioners decide the level of funding based on an assessment of the challenges faced by the school. The funding is to cover the cost of changes to bring about improvement in the school, in addition to the regular costs of conversion (paragraphs 2.15 and 2.16).
- Local authorities incur costs when their maintained schools become academies. A survey by the Local Government Association in 2016 indicated that average spending per school was between £6,400 and £8,400. Some local authorities have started to charge fees to schools for conversion. Our review of publicly available information suggested the fees range from £2,500 to £20,000 per school. Constraints on local authorities' resources may limit the number of conversions they can process (paragraphs 2.17 and 2.18).
- Local authorities also retain any accumulated financial deficits of maintained schools that convert with a sponsor. Some schools will have deficits and some will have surpluses. The Local Government Association's 2016 survey suggested that the average value of these deficits was £5,400 for primary schools and £120,300 for secondary schools. On this basis, we estimate that the total cost of deficits to local authorities in 2016-17 was £7.8 million (paragraph 2.20).
- The Department spent a further £37.7 million in 2016-17 on building capacity in the academies sector (paragraph 2.10).

18 The Department has taken longer than the nine months it aims for to convert a sizeable proportion of underperforming schools, attended by a large number of children. Since April 2016, the Department has issued directive academy orders to maintained schools that Ofsted has rated as inadequate. It aims for these schools to open as sponsored academies within nine months of the rating. Some underperforming schools have taken longer than this to convert:

- 59% of maintained schools (91 of 153) rated as inadequate at April 2016 had not opened as academies nine months later. For the 118 schools that had opened as academies by January 2018 the average length of time between being rated as inadequate and opening as an academy was 17.9 months.
- 63% of maintained schools (105 of 166) rated as inadequate between April 2016 and March 2017 had not opened as academies nine months later. For the 96 schools that had opened as academies by January 2018 the average length of time between being rated as inadequate and opening as an academy was 8.5 months.

We estimate that, at January 2018, there were about 37,000 children in maintained schools that Ofsted had rated as inadequate more than nine months before but that had not yet opened as academies. The Department told us that action to improve an underperforming school can start while the conversion process is still ongoing (paragraphs 2.24 to 2.26).

Sponsors and multi-academy trusts

19 There is considerable regional variation in the availability of sponsors located near underperforming schools. The Department considers that, where possible, sponsors should be located close to the schools they support because that allows easier sharing of resources and more efficient oversight. However, our analysis found:

- The Department has matched some academies with sponsors some distance from the school. At January 2018, 242 sponsored academies were more than 50 miles from their sponsor. The position varies across the country. For example, 19% of sponsored academies in the West Midlands were more than 50 miles from their sponsor compared with 5% in the North West of London and South Central England (paragraphs 3.11 and 3.12).
- There is considerable regional variation in the availability of potential sponsors located close to underperforming maintained schools that may convert to academies in future. For example, there are relatively few sponsors near each underperforming primary school in the north of England (paragraph 3.13).

20 There appears to be a shortage of sponsors and multi-academy trusts with the capacity to support new academies.

In August 2016, the Department estimated that, by 2020, 2,700 more schools might need a sponsor. At January 2018, it had approved 1,101 sponsors, including nearly two-thirds of existing multi-academy trusts. Many sponsors support more than one school. The Department's survey of academy trusts in July 2016 found limited capacity to support additional schools over the next three academic years, although only 35% of academy trusts responded. For example, our analysis of the survey data indicated that in 39% of local authority areas (60 of 152), there was capacity across all respondents to sponsor a maximum of just two additional primary academies. In addition, at January 2018, 95 of the approved sponsors had asked not to take on more schools because they lacked capacity, and the Department had 'paused' 12 sponsors because of educational, financial or governance concerns. The Department has taken steps to assess multi-academy trusts' readiness to expand. It is not seeking to impose or favour any particular size for multi-academy trusts, and there is no clear view on the optimal size for these trusts. Since 2012-13, the Department has also provided grants aimed at boosting sponsor capacity, but we have not seen evidence that it has evaluated the impact of this funding. In December 2017, the Department began a research project to evaluate the Regional Academy Growth Fund which was paid out in 2016-17 (paragraphs 3.3, 3.4 and 3.15 to 3.20).

21 It can be difficult for the Department to find sponsors for certain types of school.

Issues faced by the most challenged schools, including falling pupil numbers, leading to a drop in funding, and difficulties in recruiting or retaining teachers, may make them less attractive to sponsors. Small primary schools can face particular challenges. Low pupil numbers may threaten their financial viability and the geographical isolation of rural schools can make it difficult for a sponsor to provide support (paragraphs 3.7 to 3.10).

Conclusion on value for money

22 By January 2018 the Department had converted nearly 7,000 maintained schools to academies, at an estimated cost of £745 million since 2010-11. Most of the academies had been performing well as maintained schools, making conversion relatively straightforward and the Department has rejected or deferred very few applications. It has, however, taken longer than intended to convert a sizeable proportion of underperforming schools that it considers will benefit most from academy status. More recently the Department has started to be more rigorous in its scrutiny of applicants' financial sustainability and governance.

23 Challenges are likely to increase in the future. The Department has not explicitly set out its current policy, but it is unclear how feasible it will be for it to continue to convert large numbers of schools. Most schools that are still maintained by local authorities are primary schools. These include small, sometimes remote, schools that tend to be less easy to integrate into multi-academy trusts. There is substantial variation across the country, in the relative proportions of maintained schools and academies and in the availability and capacity of sponsors to support schools most in need. This complicated position means that it is incumbent on the Department to clarify its policy and make sure that the school system is coherent with all of its parts working effectively together. This will be crucial to secure value for money and provide children with access to good end-to-end schooling.

Recommendations

- a** **Now it no longer expects all schools to become academies, the Department should articulate its vision for the school system.** Specifically it should set out how it sees academies, maintained schools and local authorities working together to provide an integrated, efficient and effective school system across all parts of the country.
- b** **The Department should reinforce and consistently apply tests of financial risk and due diligence to all academies and trustees, building on those used for prospective sponsors.** This would provide greater assurance about the individuals taking responsibility for handling large amounts of public money.
- c** **The Department and the Education and Skills Funding Agency should improve how they share knowledge and expertise.** There is scope for the Department to involve the Agency more in assessing financial risk during the conversion process and for both organisations to consolidate the information that they currently hold in multiple databases.
- d** **The Department should take more effective action to speed up the process of converting inadequate schools.** Converting schools to academies is the Department's main intervention for underperforming maintained schools. At present, two-thirds are taking more than nine months to open as academies.
- e** **The Department should improve its understanding of the factors limiting academy sponsors' capacity to expand, or discouraging new sponsors from taking on underperforming schools.** It should also evaluate the impact of the funding it has provided to build sponsor capacity. It should use this information to target initiatives to develop capacity in the local areas where need is greatest.