



National Audit Office

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## **Report**

by the Comptroller  
and Auditor General

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## **Department for Education**

# Converting maintained schools to academies

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Department for Education

# Converting maintained schools to academies

Report by the Comptroller and Auditor General

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National Audit Act 1983 for presentation to the House of  
Commons in accordance with Section 9 of the Act

Sir Amyas Morse KCB  
Comptroller and Auditor General  
National Audit Office

20 February 2018

This report examines whether the Department for Education (the Department) has an effective system for converting maintained schools to academies.

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## Key facts

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**6,996**

maintained schools had converted to academies at January 2018

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**1,101**

number of approved sponsors at January 2018

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**£81m**

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

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- 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.<sup>1</sup> 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.

<sup>1</sup> 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.<sup>2</sup> 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).

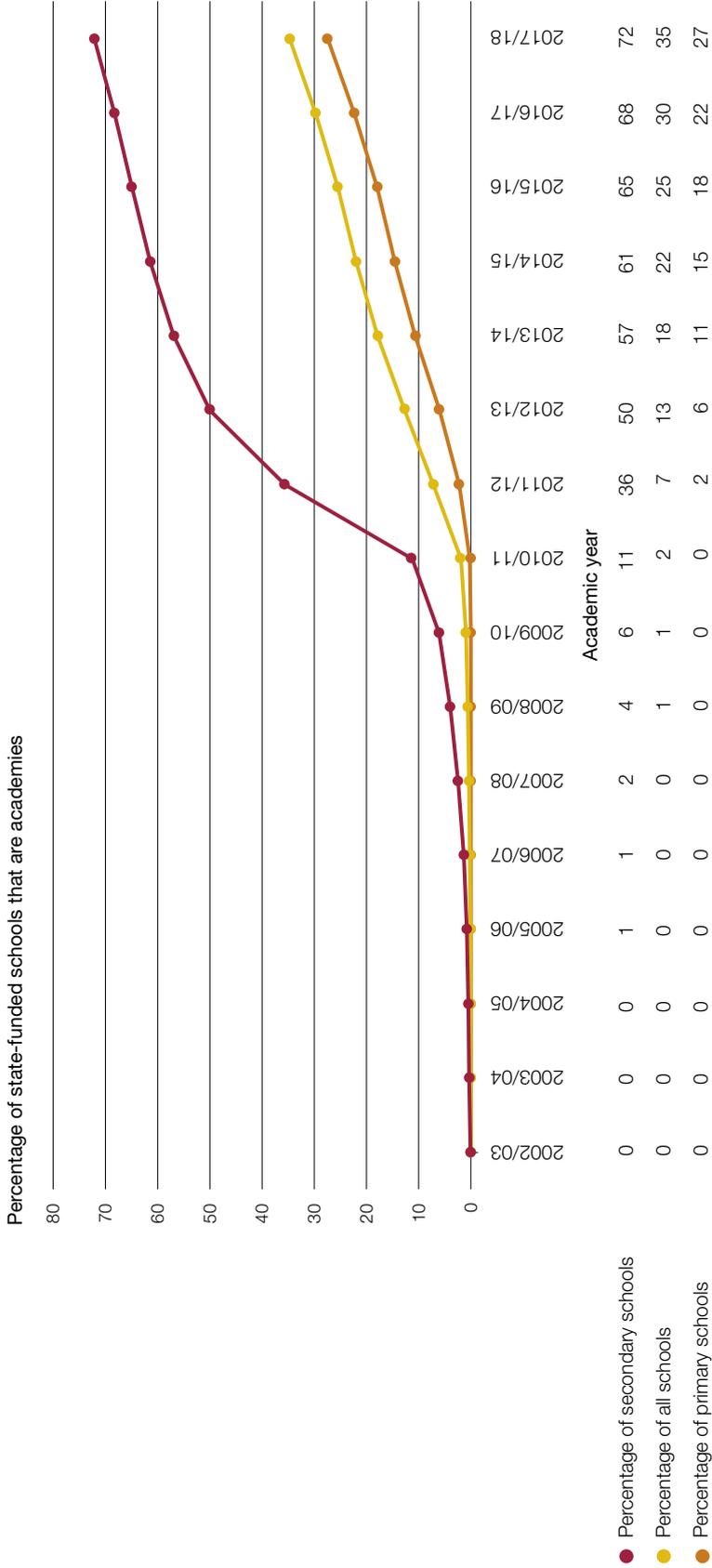
**13 The Department has not formally set out its current policy for converting schools to academies and the broader implications for the school system.** In its March 2016 white paper, the government set out that by 2020 every school would be, or would be in the process of becoming, an academy.<sup>3</sup> 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).

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

<sup>3</sup> 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%).<sup>4</sup> 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).

<sup>4</sup> 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.

# Part One

## The Department's approach and the number of academies

**1.1** This part of the report covers the Department for Education's (the Department's) approach to converting schools to academies, the responsibilities and accountabilities of the bodies involved in the conversion process, and the number of academies.

### Academies

**1.2** Academies are publicly funded independent state schools in England. Unlike maintained schools, which receive their funding via local authorities, academies are directly funded by the Department. Academies have more freedoms than maintained schools – for example they can set staff pay and conditions, and determine their own curriculum.

**1.3** Academies are run by academy trusts which are charitable companies limited by guarantee. The Secretary of State for Education, via the Education and Skills Funding Agency, holds academy trusts to account for complying with the terms of their funding agreement. The funding agreement sets the trust's operating framework and the conditions it must meet to receive public funding.<sup>5</sup> The Department provided revenue funding of £17.0 billion to academies in 2016-17, 35% of the total amount spent on schools.

**1.4** Academy trusts are also directly accountable to Parliament, via their appointed accounting officer (usually the chief executive). He or she has a personal responsibility to assure Parliament, and the public, that the trust is properly managing public funds and assets.

### The Department's approach

**1.5** The government's policy has developed since legislation introducing academy schools was passed in 2000 (**Figure 2** on pages 16 and 17). Although there have been changes in emphasis since then, the fundamental objective of the academies programme has remained to improve educational standards in schools.

<sup>5</sup> Department for Education, *Accounting Officer System Statement for the Department for Education*, August 2017.

**1.6** The Department expects the academies programme to contribute to school improvement by:

- requiring underperforming maintained schools to convert to academies with a sponsor that is successfully running a group of schools and has capacity and capability to provide expertise and support; and
- allowing successful maintained schools to convert to academies without a sponsor, and expecting them to contribute to wider school improvement.

**1.7** 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.<sup>6</sup> It believed that all schools becoming academies would “help to spread high standards across the country, put great leaders at the heart of our school system, and reduce unnecessary complexity and duplication”. Since the white paper, the government has modified its ambition and no longer expects all schools to become academies. This change means it is likely that there will continue to be a mix of academies and maintained schools for the foreseeable future. In October 2016 the Secretary of State for Education re-emphasised the role of academies in school improvement.<sup>7</sup> However, the Department has not formally set out its current policy for converting schools to academies and the broader implications for the school system.

## **Responsibilities and accountabilities**

**1.8** Converting a maintained school to an academy changes its legal status, removing it from local authority oversight and making it part of an independent charitable company. After the initial stages, many of the steps involved in conversion are similar for schools converting with or without a sponsor (**Figure 3** on pages 18 and 19). The process starts with the Department either approving an application from a school to convert voluntarily, or issuing a directive academy order triggered when Ofsted rates a school as inadequate.<sup>8</sup>

**1.9** Successfully converting schools to academies requires a large number of players to work together effectively. **Figure 4** on page 20 sets out the key responsibilities of the main organisations and people involved in the conversion process.

**1.10** The Department is ultimately accountable for securing value for money from spending on education services, including money spent on the conversion process and the academies programme in general. It coordinates the national approach to academy conversion, and is responsible for the strategy and operation of the academies programme, including issuing guidance and model documents.

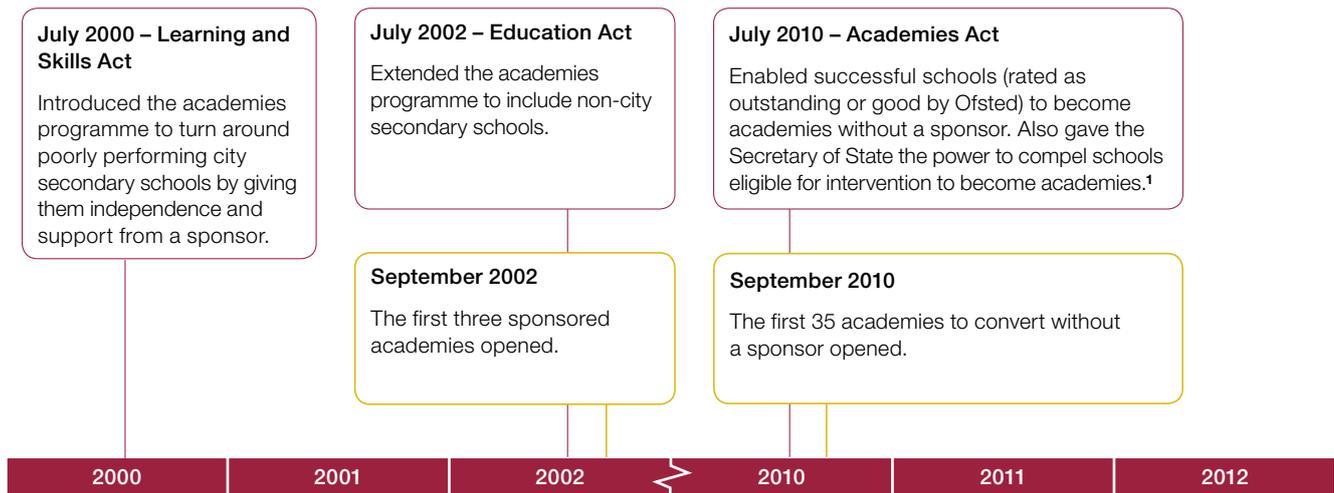
<sup>6</sup> Department for Education, *Educational Excellence Everywhere*, Cm 9230, March 2016.

<sup>7</sup> House of Commons written statement by the Secretary of State for Education, 27 October 2016.

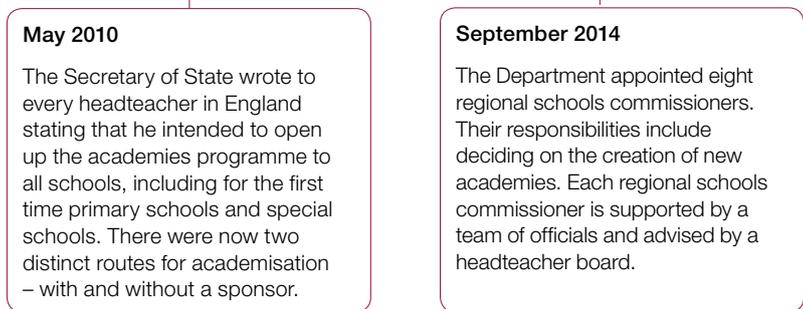
<sup>8</sup> Ofsted inspects the quality of education in schools and rates them as outstanding, good, requires improvement or inadequate.

**Figure 2**  
Development of the academies programme

**Legislation**

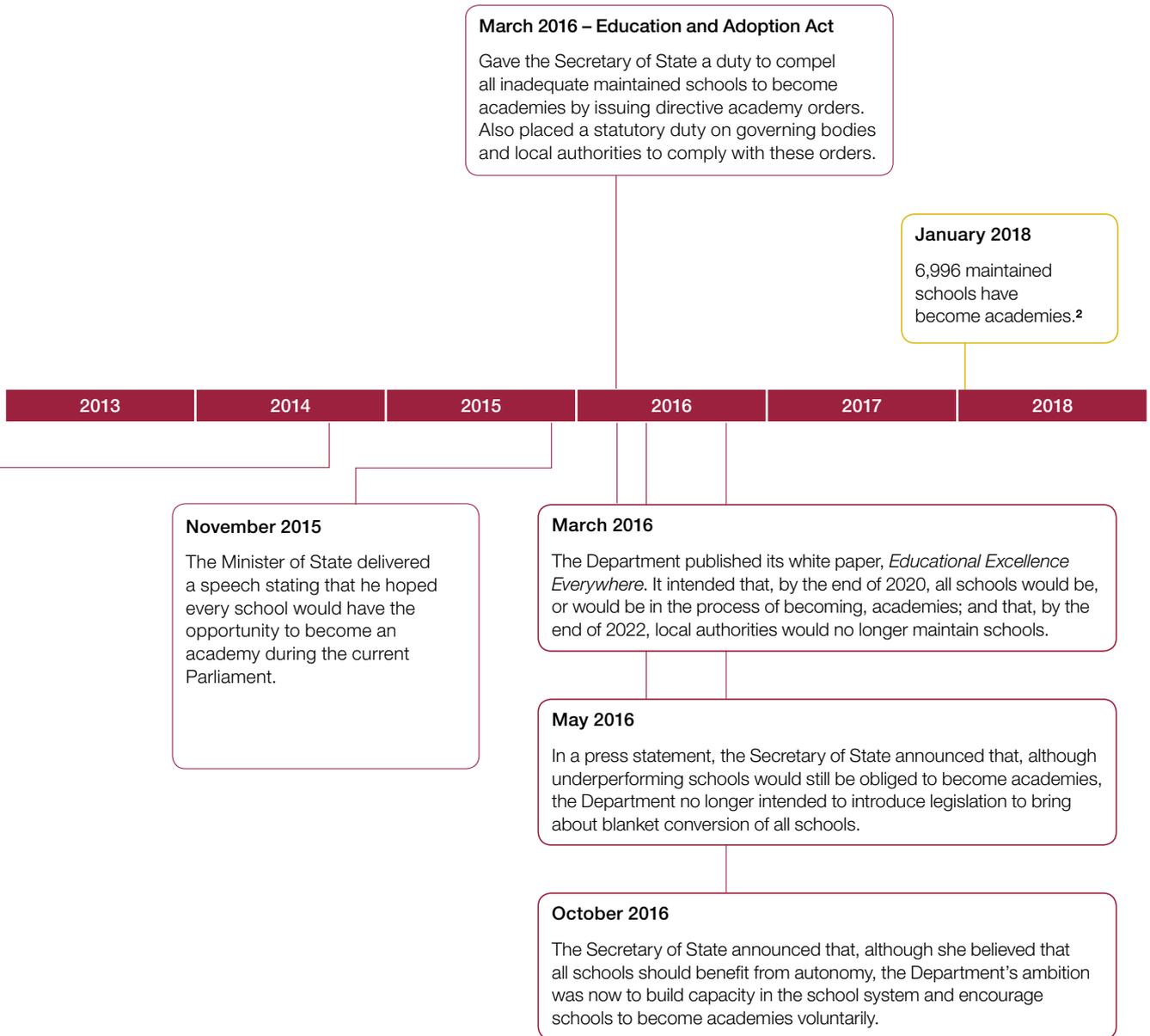


**Departmental announcements**



**Notes**

- 1 'Eligible for intervention' comprises schools either that Ofsted has rated as inadequate or that have received warning notices from their local authorities. Warning notices can be issued because pupil performance is unacceptably low, due to serious breakdown in how the school is managed or governed, or because the safety of pupils or staff is threatened.
- 2 The number of academies at January 2018 excludes free schools.



**Figure 3**

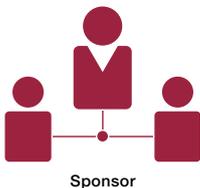
Key stages in schools becoming academies, as at January 2018

**Converting with a sponsor**



Ofsted rates the school as inadequate after an inspection

The Department issues a directive academy order within 10 working days



An individual or organisation applies to be a sponsor

The regional schools commissioner approves the sponsor application

**Converting without a sponsor**



The school's headteacher or chair of governors applies for the school to become an academy

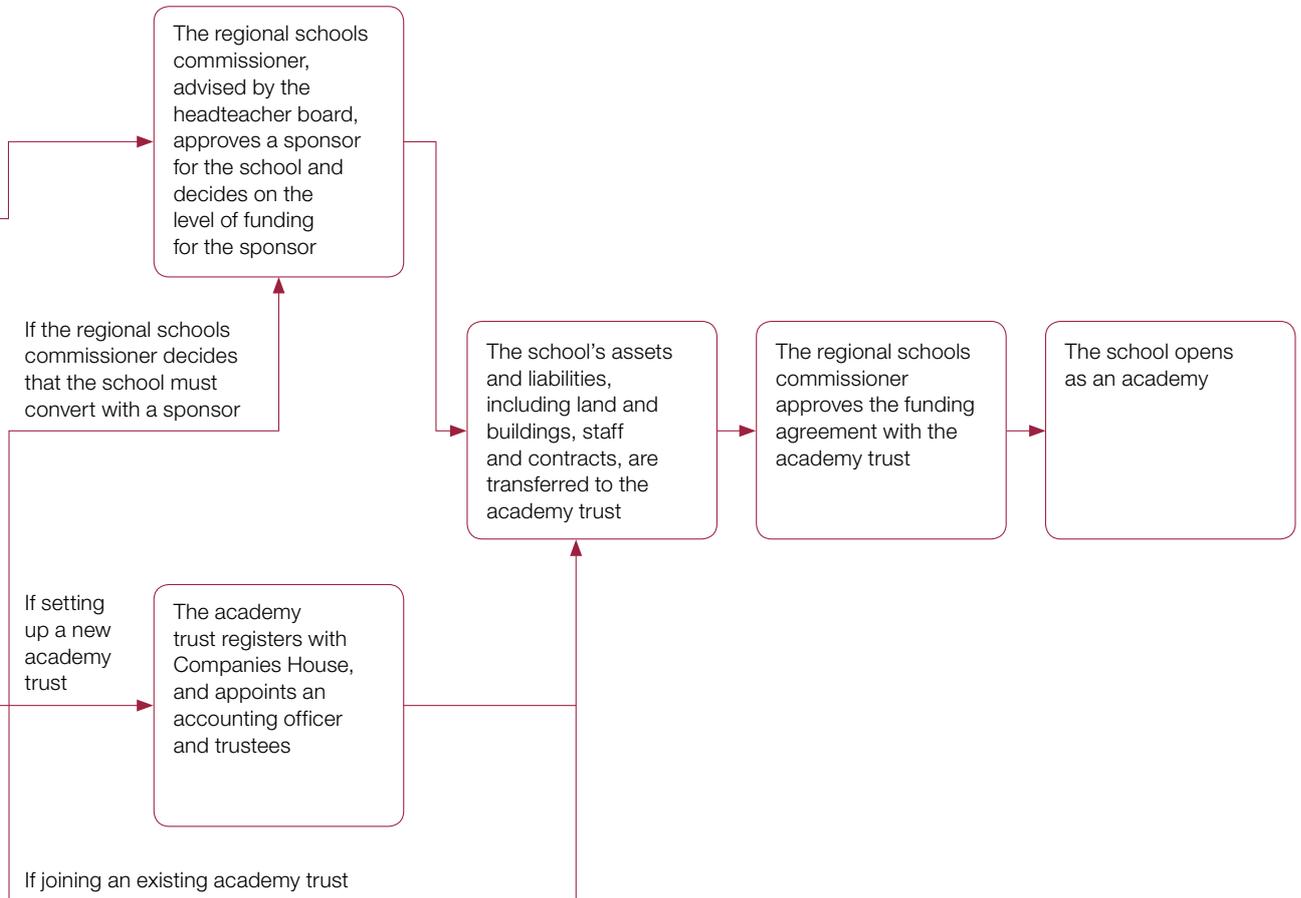
The regional schools commissioner, advised by the headteacher board, approves the application and proposed academy arrangements

The Department issues an academy order

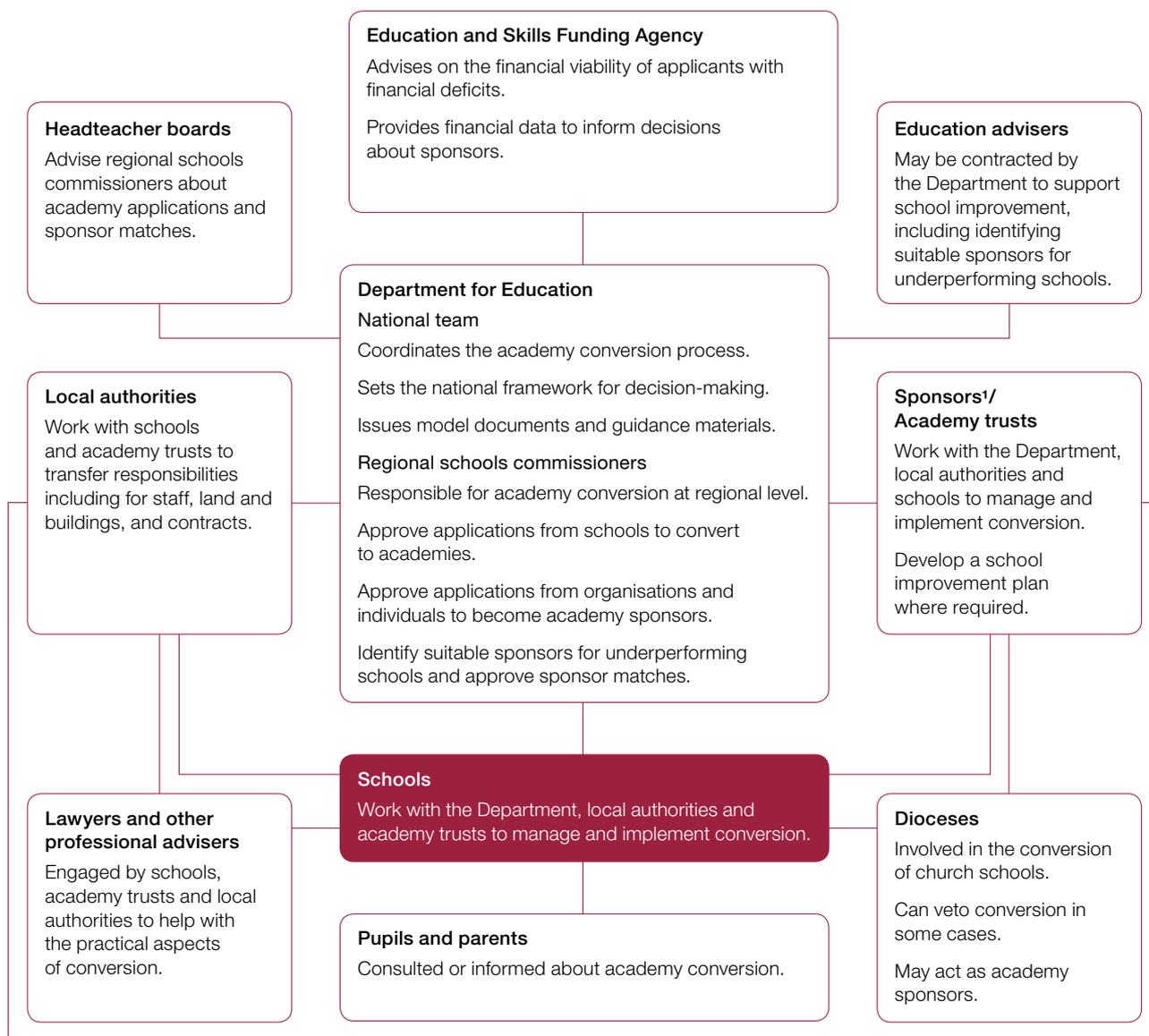
**Notes**

- 1 This is a simplified overview of the key stages in the conversion process.
- 2 The stages of a school receiving a directive academy order and a sponsor being approved do not necessarily take place concurrently.
- 3 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.

Source: National Audit Office



**Figure 4**  
Main organisations and people involved in the conversion process



**Notes**

- 1 If schools convert with a sponsor, the sponsor may also make changes, such as rebranding and site improvement.
- 2 Implementing conversion includes transferring ownership of assets and liabilities, reviewing and transferring contracts, transferring staff, setting up finance systems and preparing budgets. Unless a school is joining an existing academy trust it will set up a new academy trust, in which case additional tasks include registering the trust with Companies House, appointing trustees and auditors, and writing accounting policies.
- 3 When a school sets up a new academy trust, staff and governors at the school are responsible for the practical aspects of conversion. When a school joins an existing multi-academy trust, the level of involvement of the school varies.
- 4 Each of the eight regions has a headteacher board of four to eight members, generally current or former headteachers, academy trustees or business leaders. The board advises the regional schools commissioner, drawing on its members' local knowledge and professional expertise and experience.
- 5 Educational advisers support the academies programme by providing advice and guidance on a range of areas, including helping to match maintained schools with appropriate sponsors.

**1.11** The Department works through eight regional teams, each led by a regional schools commissioner. Regional schools commissioners coordinate the process of approving applications from maintained schools to convert to academies. They are civil servants who act on behalf of the Secretary of State and are accountable to the national schools commissioner. Each regional schools commissioner is supported by a team of officials and advised by a headteacher board.

**1.12** The Education and Skills Funding Agency is responsible for the financial regulation and oversight of academy trusts after conversion. During the conversion process, it advises regional schools commissioners on the financial viability of any school that has a deficit of more than 3% of its income before converting, and on the financial health of prospective sponsors.

**1.13** Local authorities and school governors have a statutory duty to comply with directive academy orders that the Department issues to inadequate schools. Their role in voluntary conversions, though not set out in statute, is very similar. Local authorities liaise with regional schools commissioners, schools and academy trusts to transfer the school's assets and liabilities to the academy trust. This includes agreeing a lease for the land and buildings occupied by the school. A commercial transfer agreement between the local authority, the school governing body and the academy trust records the assets and liabilities (such as existing contracts and staff) that the academy trust is acquiring.

**1.14** The Department has a memorandum of understanding with the Church of England and the Catholic Church regarding their rights and responsibilities for converting church schools to academies. At January 2018, 1,134 schools wholly or partly controlled by the Church of England were academies (24% of all Church of England schools), along with 508 schools controlled by the Catholic Church (26%). Dioceses have the right to veto voluntary applications to convert, and regional schools commissioners must consult with the Church on proposed sponsors when schools have been directed to convert. Catholic schools cannot join multi-academy trusts that are not wholly Catholic. Dioceses must also give their consent for the use of school land and buildings owned by the Church.

## **The number of schools that have converted**

**1.15** The total number of academy schools has grown steadily since 2010 (see Figure 1 on page 8). A higher proportion of secondary schools than primary schools have become academies. Despite this, there are almost twice as many primary academies as secondary academies because just over three-quarters of all schools are primary schools. At January 2018:

- There were 7,472 academy schools (35% of all state-funded schools) in 2,700 academy trusts, comprising 6,996 that had converted from maintained schools and 476 that were set up as free schools. Of the 7,472 academies, 4,594 were primary schools (27% of all primary schools), 2,474 were secondary schools (72% of all secondary schools) and 404 were special schools or alternative providers (30% of all special schools and alternative providers). An estimated 3.8 million pupils (47% of the total) were being taught in academies.
- There were 14,066 state-funded schools that continued to be supported and overseen (maintained) by local authorities. Of these, 12,174 were primary schools (73% of all primary schools), 960 were secondary schools (28% of all secondary schools) and 932 were special schools or alternative providers (70% of all special schools and alternative providers).

**1.16** Most schools that converted from maintained schools to academies did so without a sponsor. Figure 5 shows that between September 2010 and August 2017:

- 4,674 mainly high-performing schools converted without a sponsor. The number of schools converting in this way was highest in 2016/17 after the Department announced its intention that all schools would become academies.
- 1,573 mainly underperforming schools converted with a sponsor. Ofsted rated 739 (47%) of these schools as inadequate before converting and 628 (40%) as requires improvement.

**1.17** Some maintained schools that Ofsted has rated as good or outstanding have converted with a sponsor (**Figure 5** on pages 24 and 25), meaning that they attracted a higher rate of grant funding (see paragraph 2.16). Between September 2010 and August 2017, 193 schools rated as good, and eight schools rated as outstanding, converted with a sponsor. The Department told us that this situation may arise where it considers that a school has challenges that mean it would particularly benefit from the support of a sponsor, such as declining educational performance since inspection, or poor financial performance.

**1.18** 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 (**Figure 6** on page 26). The Department is supportive of the growth in multi-academy trusts as a means of encouraging more formal collaboration between schools, both to improve educational standards and to secure efficiencies and economies of scale.<sup>9</sup> The Department told us that it now approves single-academy trusts only in exceptional circumstances.

**1.19** The Department has allowed some academy trusts to open with only one school but with the legal status of a multi-academy trust, conditional on the trust committing to taking on additional schools after opening. At January 2018, 261 multi-academy trusts had one member. Of these, 150 had been operating for three years or longer. There is a risk that these trusts will not be realising the benefits of being a multi-academy trust that were intended when they were created. A further 1,367 academies were in single academy trusts.

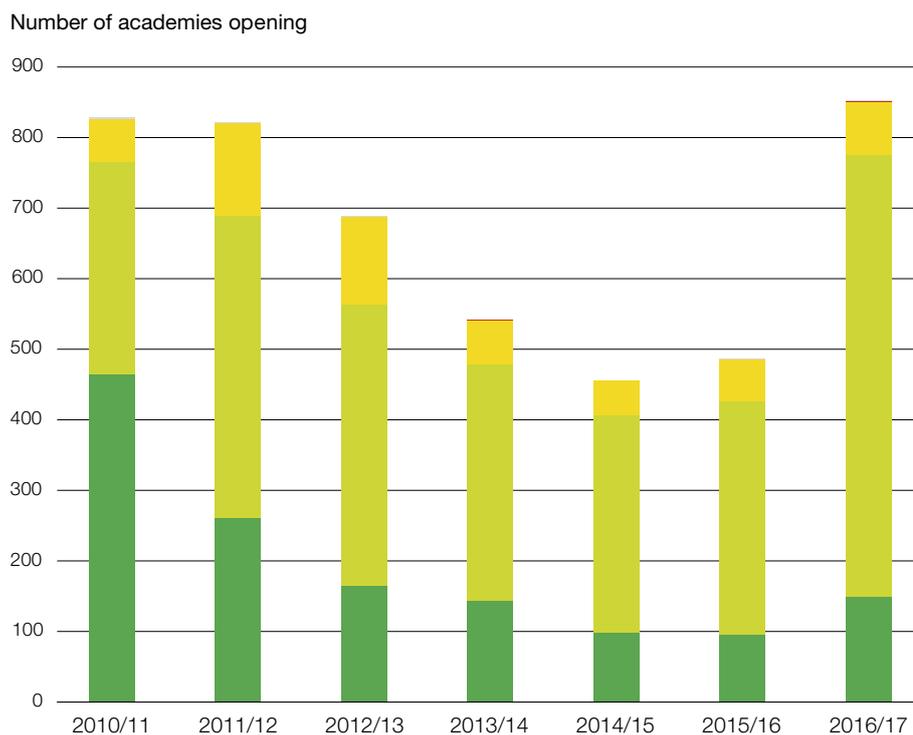
<sup>9</sup> Department for Education, *Multi-academy trusts: Good practice guidance and expectations for growth*, December 2016.

**Figure 5**

Ofsted ratings of schools that have become academies, 2010/11 to 2016/17

Most academies were previously rated as outstanding or good maintained schools, and converted without a sponsor

**Schools becoming academies without a sponsor**

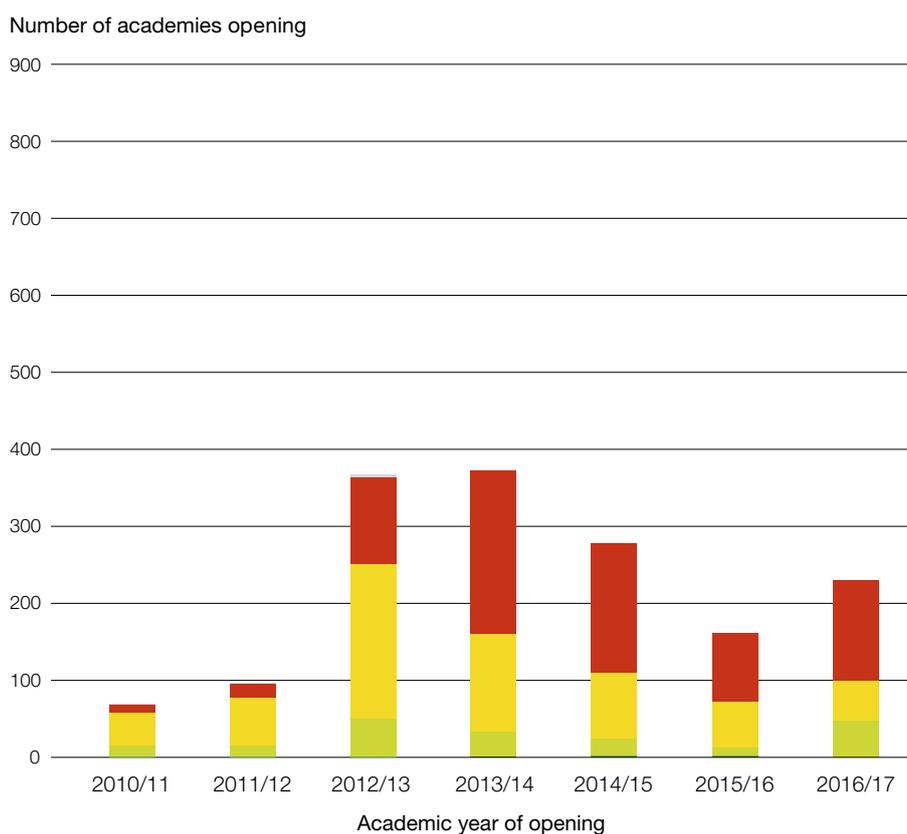


	Academic year of opening						
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
No inspection data	2	1	1	0	0	1	1
Inadequate	1	0	0	1	0	0	1
Satisfactory/requires improvement	60	131	125	62	48	58	75
Good	302	428	397	336	309	332	626
Outstanding	464	261	166	143	98	95	149
<b>Total</b>	<b>829</b>	<b>821</b>	<b>689</b>	<b>542</b>	<b>455</b>	<b>486</b>	<b>852</b>

**Figure 5** *continued*

Ofsted ratings of schools that have become academies, 2010/11 to 2016/17

**Schools becoming academies with a sponsor**



	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
No inspection data	1	1	3	0	0	0	0
Inadequate	10	18	113	212	168	88	130
Satisfactory/requires improvement	42	62	200	126	86	59	53
Good	15	15	50	33	22	11	47
Outstanding	1	1	1	1	2	2	0
<b>Total</b>	<b>69</b>	<b>97</b>	<b>367</b>	<b>372</b>	<b>278</b>	<b>160</b>	<b>230</b>

**Notes**

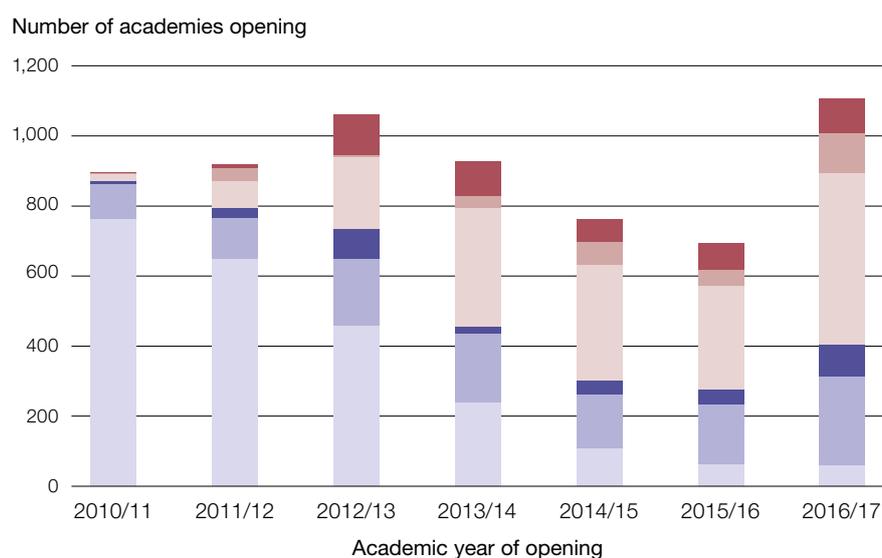
- 1 This figure shows all academies that opened between September 2010 and August 2017, apart from 118 academies that had no predecessor school.
- 2 The Ofsted inspection rating is the last inspection of the maintained school before it became an academy.
- 3 From September 2012, Ofsted replaced the satisfactory rating with the requires improvement rating.

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

**Figure 6**

## Number of academies opening by academy trust size, 2010/11 to 2016/17

Since 2010/11, maintained schools converting to academies have increasingly formed or joined multi-academy trusts



	Academic year of opening						
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Joining a trust of eleven or more academies	1	11	115	97	63	76	98
Joining a trust of six to ten academies	3	38	7	34	66	44	115
Joining a trust of one to five academies	22	75	206	339	330	298	489
New trust of six or more academies	8	29	85	20	40	41	89
New trust of two to five academies	99	118	189	197	152	170	254
New trust of one academy	763	649	460	239	110	64	61

**Notes**

- 1 The size of each new academy trust is calculated at the end of the academic year in which the academy opened.
- 2 The size of each existing academy trust is calculated at the end of the academic year before the year in which the academy joined.  
If more than one school joined the same academy trust in the same year, some schools may have joined academy trusts that were, by that date, larger than they had been at the end of the previous academic year.

Source: National Audit Office analysis of Department for Education data

## Geographical variation

**1.20** The proportion of schools that are academies varies significantly across England (**Figure 7** on pages 28 and 29). All local authority areas contain both maintained schools and academies.<sup>10</sup> At January 2018:

- the proportion of all mainstream schools that were academies ranged from 6% in Lancashire, Lewisham and North Tyneside to 93% in Bromley;
- the proportion of secondary schools that were academies ranged from 8% in Bury to 100% in nine local authorities, while the proportion of primary schools that were academies ranged from 1% in Sefton to 93% in Poole; and
- 23 local authorities (15%) had 150 or more maintained schools, while 55 local authorities (37%) had fewer than 50 maintained schools.

**1.21** The varying rate of academy conversion means that the mix of schools within each local authority area differs significantly, and therefore so does the extent of individual local authorities' responsibilities for supporting and overseeing maintained schools. Regardless of the balance between maintained schools and academies, local authorities retain important responsibilities, including a statutory duty to provide enough school places and to arrange school transport for pupils who have to travel beyond a certain distance to school. We have reported previously that responsibilities and accountabilities are not fully aligned as local authorities retain over-arching responsibilities but do not control, for example, the number of places in academy schools.<sup>11</sup>

**1.22** In most local authority areas, the majority of secondary schools have become academies. In nine local authorities, there are no maintained secondary schools, and in about half of local authorities (77) there are fewer than five maintained secondary schools. This leaves local authorities with responsibility for most primary schools and specialist education (such as special schools or alternative providers) but few secondary schools. This makes it more difficult for them to take an integrated whole-system approach to their children's education.

**1.23** Local authorities provide services such as human resources, finance and other support functions for maintained schools in their area. These are services that academy trusts provide for themselves. The Department withdrew, from 2017-18, the 'general funding rate' for local authorities and academies for school support services that it previously paid through the Education Services Grant. This general funding rate was worth £77 per pupil in 2016-17. The Education Funding Agency's guidance recognised in February 2017 that local authorities would need to find alternative sources of revenue to fund their support and oversight of maintained schools.<sup>12</sup> The Department has made provision for local authorities to retain a proportion of their maintained school budgets in order to pay for these services. The budgets available for maintained schools would be reduced as a result of this. The Department continues to fund local authorities for statutory duties in respect of all schools, such as school places, admissions and transport.

<sup>10</sup> This analysis excludes the City of London and Isles of Scilly, each of which has only one school. It also excludes special schools and alternative providers.

<sup>11</sup> Comptroller and Auditor General, *Capital funding for schools*, Session 2016-17, HC 1014, National Audit Office, February 2017.

<sup>12</sup> Education Funding Agency, *Schools revenue funding 2017 to 2018 operational guide*, updated February 2017.

## Figure 7

Proportion of schools that were academies, including free schools, by local authority area, at January 2018

The proportion of schools that are academies tends to be lowest in the North and in London

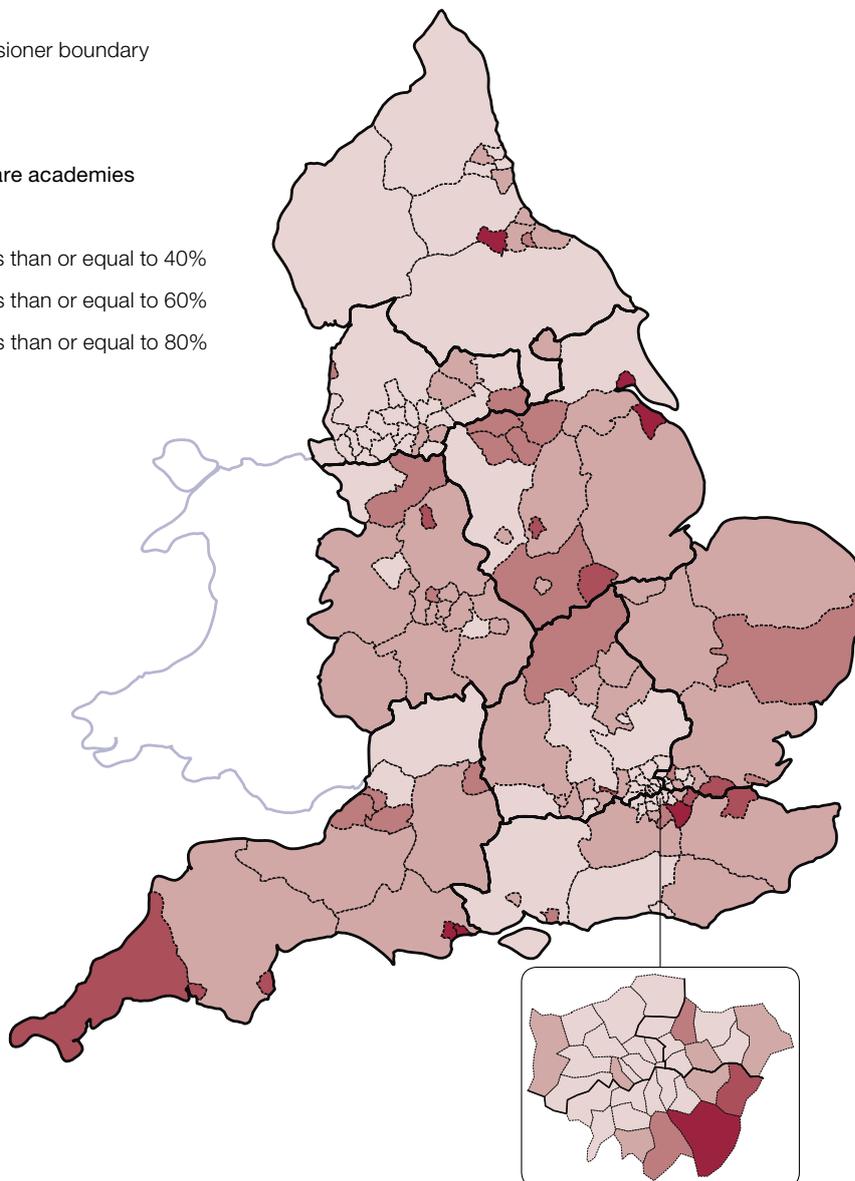
### a) Primary schools

Boundary type

- Regional schools commissioner boundary
- Local authority boundary

Percentage of schools that are academies

- Less than or equal to 20%
- Greater than 20% and less than or equal to 40%
- Greater than 40% and less than or equal to 60%
- Greater than 60% and less than or equal to 80%
- Greater than 80%
- No schools

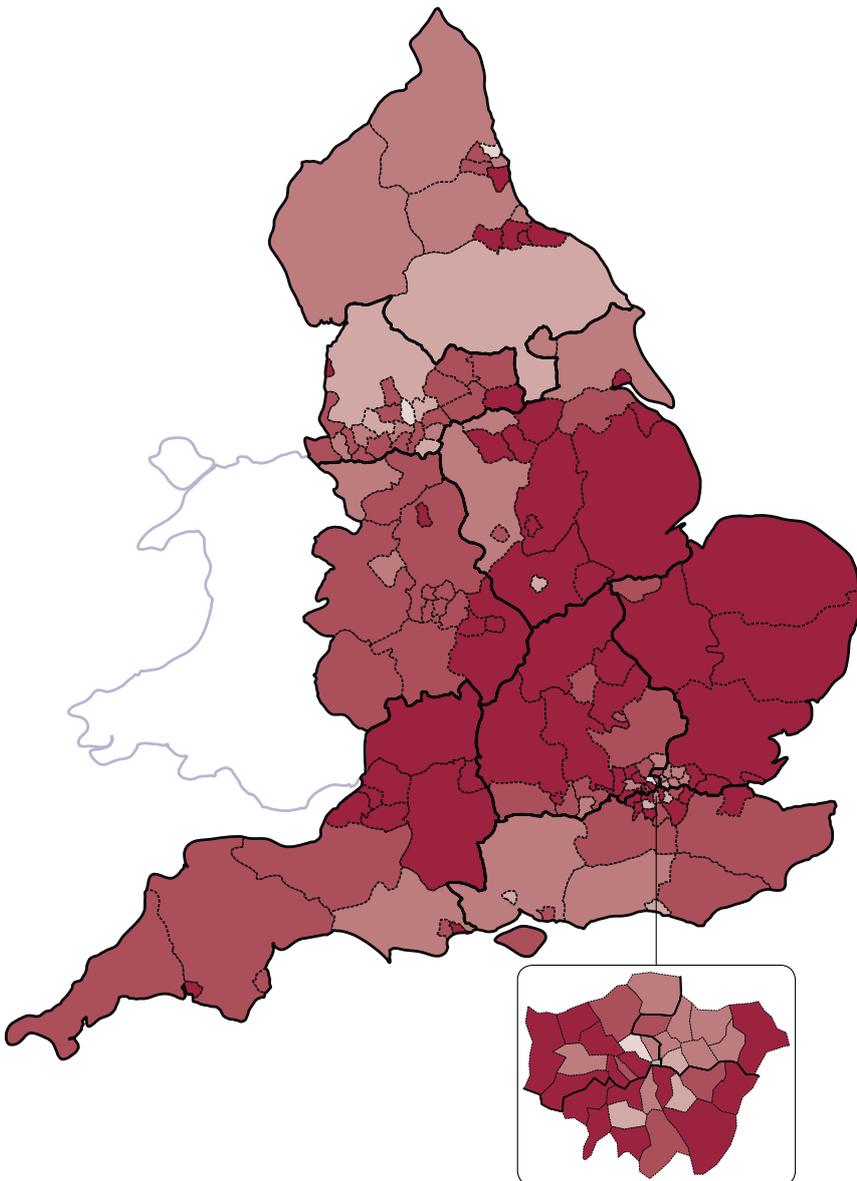


#### Notes

- 1 This analysis includes the 16,768 primary and 3,434 secondary schools that were open at January 2018. It excludes 984 special schools and 352 alternative providers.
- 2 The City of London has no secondary schools.

Source: National Audit Office analysis of Department for Education data

b) Secondary schools



## Part Two

### The conversion process

**2.1** This part of the report covers the robustness of the conversion process, the cost of converting schools to academies, and the speed with which schools have converted.

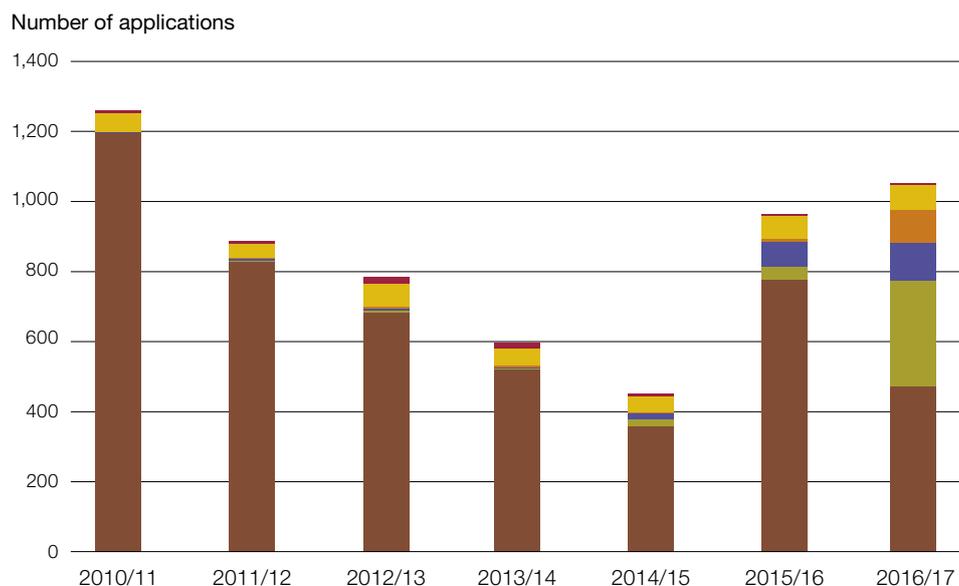
**2.2** Between September 2014 and August 2017:

- The Department for Education (the Department) received 2,463 applications from schools to convert to academies without a sponsor. At January 2018, regional schools commissioners had made decisions about 2,173 of these applications, approving 1,964 (90.4%), deferring 196 (9.0%) and rejecting 13 (0.6%) (**Figure 8**). Schools themselves had withdrawn 183 applications and 107 had not reached approval stage. Two regional schools commissioners told us that they increasingly defer applications, with the aim of working with schools to ensure they are ready for conversion.
- A further 714 schools started the process to convert to academies with a sponsor. At January 2018, regional schools commissioners had approved all of these cases, and subsequently deferred ten (1.4%).

**Figure 8**

Status of applications to become an academy without a sponsor, 2010/11 to 2016/17

Regional schools commissioners rarely reject schools' applications to convert without a sponsor but may defer weaker applications



	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Application declined	8	7	19	16	6	4	3
Application withdrawn/incomplete	55	38	66	48	46	66	71
Decision not yet made	0	4	4	5	2	9	96
Application deferred/on hold	1	6	7	4	18	70	108
Application approved, academy school not yet opened	2	2	4	3	19	37	301
Application approved, academy school opened	1,194	828	684	520	359	777	471

**Note**

1 This figure shows the status, at January 2018, of applications made between 1 September 2010 and 31 August 2017. This means that, for example, where applications were previously deferred but have since been processed, they do not show as deferred.

Source: National Audit Office analysis of Department for Education data

## **Robustness of the conversion process**

**2.3** 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. The Department has tracked since 2014/15 a performance indicator on the number and proportion of schools in each region that are academies, and since 2015/16 a performance indicator on the number of applications to become academies in each region.

**2.4** The Department has sought to minimise unnecessary costs and administrative burdens on schools. At the same time, the conversion process needs to balance a range of different priorities: giving academies the best prospect of improving or maintaining educational attainment; securing financial sustainability; protecting public funds; and ensuring robust governance and accountability arrangements.

**2.5** The Education and Skills Funding Agency (the Agency) monitors academies, and maintains a list of academy trusts and schools that it has serious concerns about due to financial, governance and compliance, or regularity issues.<sup>13</sup> Our analysis indicated that, between November 2014 and January 2018, 93 academies that had converted from maintained schools and 54 multi-academy trusts running academies that had converted from maintained schools featured on the serious concerns report.<sup>14</sup> These included a small number that experienced very significant issues, such as Durand Academy Trust (on which we reported in 2014)<sup>15</sup> and Wakefield City Academies Trust. Our analysis also indicated that, between November 2014 and January 2018, the Agency added:

- 10 academy schools to its serious concerns report within 24 months of opening (eight due to financial issues and two due to regularity issues); and
- 16 academy trusts to its serious concerns report within 12 months of a maintained school converting and joining the trust (seven due to financial issues, four due to governance and compliance issues, and five due to regularity issues).

<sup>13</sup> The Education and Skills Funding Agency assesses the level of risk in academy schools and academy trusts as black, red, amber-red, amber-green or green. The academies of serious concern report contains details of black and red cases.

<sup>14</sup> A number of academy trusts containing only free schools have also featured on the serious concerns report. These are not included in our analysis. Our analysis also excludes nine academy schools that were on the serious concerns report for one month only because they submitted their accounts late.

<sup>15</sup> Comptroller and Auditor General, *Investigation into the Education Funding Agency's oversight of related party transactions at Durand Academy*, Session 2014-15, HC 782, National Audit Office, November 2014.

## Strengths of the process

**2.6** The Department has recently taken steps to address weaknesses that were present earlier in the academies programme:

- We saw evidence that, since the introduction of regional schools commissioners in September 2014, the Department has improved the way it documents and assesses the financial health of prospective academies.<sup>16</sup> Before then, a national operations board assessed applications for academy status. The information it considered included no financial forecast data and, until 2011, no financial data at all.
- During 2017, the Agency developed a standard automated template to inform headteacher boards' assessment of academy trusts' financial resilience and risk.
- The design of the Department's assessment of prospective sponsors appears rigorous. Sponsors must provide evidence of trustees' capability in a range of areas, including leadership, school improvement and finance.
- The Department strengthened the standards of governance it expects from academy trusts by issuing revised model articles of association in December 2014. The revisions sought to strengthen governance and reduce the risk of conflicts of interest, for example by preventing a member from also having an executive role.
- Academy trustees must have the right skills and knowledge to manage schools' financial and educational performance, and be trusted to manage large sums of public money.<sup>17</sup> The Department reinforced its guidance on governance in January 2017 by publishing an accompanying competency framework for trusts and headteacher boards to use.<sup>18</sup>
- The Department provides detailed guidance, timelines and model documents to help schools and sponsors manage the administrative aspects of the conversion process.

<sup>16</sup> Academy trusts' financial responsibilities are set out in the *Academies financial handbook*, published annually by the Education and Skills Funding Agency (last updated July 2017).

<sup>17</sup> Department for Education, *Governance handbook for academies, multi-academy trusts and maintained schools*, January 2017.

<sup>18</sup> Department for Education, *A competency framework for governance: the knowledge, skills and behaviours needed for effective governance in maintained schools, academies and multi-academy trusts*, January 2017.

## Where there is scope for improvement

**2.7** We identified a number of areas where there is scope to make the conversion process more effective, particularly in identifying risks:

- The Department considers that multi-academy trusts and schools should take responsibility for identifying and assessing the financial risk of the liabilities they are taking on. It has issued limited guidance on the checks it recommends they should carry out. In addition, headteacher boards do not routinely consider, or necessarily have access to, information on potential liabilities relating to, for example, staffing issues and existing contracts for services.
- The Agency provides financial advice to headteacher boards only when schools have a projected deficit on conversion of more than 3% of revenue. The Agency is not usually involved where schools project longer-term deficits. From November 2014 to January 2018, regional schools commissioners approved seven schools to convert and join multi-academy trusts that were on the Agency's serious concerns report.
- 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, but not for all schools converting without a sponsor as it considers these to be lower risk. It conducts due diligence tests for a small sample of schools converting without a sponsor. The Department told us that the tests it carries out focus on counter-extremism and also consider other publicly available information. Furthermore it expects multi-academy trusts to ensure that trustees and senior leaders are suitable people to run a charitable company and handle public money. The Department told us that, towards the end of 2017, the checks on a sample of schools converting without a sponsor were not centrally commissioned every month, because early checks identified few issues and the Department decided to redirect resources to other areas.
- Not all schools are fully aware of the changes to governance and accountability that are involved in becoming academies. The House of Commons Education Committee concluded in February 2017 that schools joining multi-academy trusts had done so without fully understanding how their governance and accountability would change.<sup>19</sup> A number of stakeholders we spoke to, including finance professionals working in the academies sector, also told us that some schools are not sufficiently aware of the significance of their new financial responsibilities as part of academy trusts and that, as a result, they do not have all the systems they need in place before opening.

<sup>19</sup> House of Commons Education Committee, *Multi-academy trusts*, Seventh Report of Session 2016-17, HC 204, February 2017.

- The Department and the Agency use a variety of documents and multiple databases to store information about academies, risking duplication, error or omission. The Department has started a project aimed at streamlining data recording and sharing.

## How much conversion costs

**2.8** The Department's spending on conversion has fluctuated considerably year-on-year. In 2016-17, the Department spent £81.0 million on converting schools to academies (including relevant central administration costs). This represented an increase of £41.5 million compared with 2015-16 and £17.1 million compared with 2014-15 (**Figure 9** overleaf). 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 were unable to analyse in detail the changes in spending. In the first nine months of 2017-18, the Department spent £37.6 million on converting schools to academies.

**2.9** The first two financial years of the programme were more expensive than subsequent years. In our 2012 report, we estimated that the Department's spending on one-off transition costs for new academies was £176 million in 2010-11 and £162 million in 2011-12.<sup>20</sup> Between April 2010 and December 2017, the Department spent £745.4 million on the one-off transitional costs of converting schools to academies.

**2.10** In addition to one-off transitional costs and central administration costs, the Department spent £37.7 million in 2016-17 on initiatives designed to build capacity in the academies sector.

**2.11** The Department does not routinely collect data on whether its funding covers the amounts that schools and sponsors spend on conversion, or on the costs incurred by local authorities in supporting the process.

<sup>20</sup> Comptroller and Auditor General, *Managing the expansion of the Academies Programme*, Session 2012-13, HC 682, National Audit Office, November 2012.

**Figure 9**

The Department's spending on converting schools to academies and building capacity in the academies sector, 2014-15 to 2016-17

	2014-15 (£m)	2015-16 (£m)	2016-17 (£m)
<b>Spending on converting schools to academies</b>			
<b>Departmental spending:</b>			
Central administration costs of implementing academy conversion	9.0	7.5	12.0
<b>One-off transitional costs for new academies</b>			
Pre-opening funding to academies converting without a sponsor	24.3	13.5	33.6
Pre- and post-opening funding to academies converting with a sponsor	26.2	13.8	31.5
<b>Sub-total</b>	<b>50.5</b>	<b>27.3</b>	<b>65.1</b>
<b>Education and Skills Funding Agency spending:</b>			
Funding for Transfer of Undertakings (Protection of Employment) <sup>1</sup>	2.4	2.6	2.5
Financial management and governance self-assessment <sup>2</sup>	0.1	0.1	0.1
Repayment of deficits for schools converting without a sponsor <sup>3</sup>	1.9	2.1	1.4
<b>Sub-total</b>	<b>4.4</b>	<b>4.7</b>	<b>4.0</b>
<b>Total spending on converting schools to academies</b>	<b>63.9</b>	<b>39.5</b>	<b>81.0</b>
<b>Spending on building capacity in the academies sector</b>			
Sponsor and other capacity funding	11.8	15.5	6.6
Regional Academy Growth Fund	0.0	0.0	31.1
<b>Total spending on building capacity in the academies sector</b>	<b>11.8</b>	<b>15.5</b>	<b>37.7</b>
<b>Total</b>	<b>75.7</b>	<b>55.0</b>	<b>118.7</b>

**Notes**

- 1 TUPE regulations preserve employees' terms and conditions when a business or undertaking is transferred to a new employer. When schools convert to academies, staff are entitled to the same pay and conditions as they previously received. TUPE grants contribute to statutory redundancy costs for staff arising from their employment at the school before conversion, where the academy's funding agreement provides that the Education and Skills Funding Agency "shall" or "may" pay up to 50% of these costs.
- 2 All newly opened academies must complete a financial management and governance self-assessment within four months of opening. The cost shown is for staff time to review returns and to validate a sample selected as part of the Education and Skills Funding Agency's annual assurance work.
- 3 The Education and Skills Funding Agency repays deficits at the point of conversion and recoups the money over time through a reduction in academies' funding.
- 4 Totals may not sum due to rounding.

Source: National Audit Office analysis of Department for Education data

## Funding for schools

**2.12** The Department provides each school converting without a sponsor with a one-off flat-rate £25,000 grant. In addition, where schools have private finance initiative contracts, it may award additional funding of up to £15,000.

**2.13** If the Department's funding does not cover all costs, the school must make up the difference. It may transfer any unused element of the grant to its academy trust. The best evidence on how much schools actually spend on conversion is from two surveys:

- A survey by the Department in February 2014 found that, on average, schools spent £33,000. Legal costs accounted for the largest share of spending (£14,400 on average), with new systems (£6,000) and finance and administration (£5,200) also representing substantial costs.<sup>21</sup>
- A survey by the National Association of Head Teachers in October 2016 found that 28% of respondents spent more than £25,000 on conversion. Just over half of schools (52%) reported that the £25,000 support grant was 'about right'.<sup>22</sup>

**2.14** Schools and other stakeholders told us that, in addition to cash costs, a school's senior leaders and finance or business management staff spend substantial amounts of time on the conversion process.

## Funding for sponsors

**2.15** For schools converting with a sponsor the Department gives funding directly to the sponsoring academy trust rather than to the school. It provides substantially more money for schools converting with a sponsor, per academy, than for schools converting without a sponsor. Sponsoring academy trusts receive funding before, and in some cases after, the academy opens. Regional schools commissioners decide the level of pre-opening funding, based on three tiers, depending on their assessment of the challenges faced by the school.<sup>23</sup> Secondary schools receive more funding than primary schools.

- The grant paid before academies open ranges from £70,000 to £150,000. This includes the £25,000 conversion support grant for schools. The additional funding must be spent on school improvement, such as providing support to school leaders, improving systems, teacher training and redesigning the curriculum.
- For schools deemed to be the most challenging to improve (known as 'full sponsored' academies), the sponsoring academy trust also receives a one-off grant after opening, ranging from £10,000 to £80,200. The amount depends on the phase of the school and number of pupils. The grant may be used in any way and can fund, for example, new uniforms, books and equipment, and teacher training and recruitment. Some 'full sponsored' academies are also eligible for £40,000 (primary) or £80,000 (secondary) to spend on light capital works intended to improve the learning environment for pupils or to make a visual statement that the school has become an academy.

21 The Department surveyed 185 of 436 schools that converted without a sponsor between January and November 2014; 58 schools responded, a response rate of 31%.

22 The National Association of Head Teachers surveyed 155 of its member academies in October 2016; 109 members responded, a response rate of 70%.

23 The Department assesses cases as 'full sponsored', 'intermediate' or 'fast-track', with a different funding rate for each tier.

**2.16** The Department's internal guidance sets out a range of factors for determining which tier of funding a school converting with a sponsor should attract. Our analysis shows that the level of funding does not necessarily depend on the school's previous Ofsted rating. Some academies whose predecessor schools were rated as good or outstanding converted as 'full sponsored' academies, meaning that the sponsoring academy trust was eligible for additional funding. Between September 2010 and August 2017, of 201 good or outstanding schools which converted with a sponsor, the Department awarded the maximum tier funding ('full sponsored') to 66 schools, the middle tier ('intermediate') to 4 schools, and the minimum tier ('fast track') to 131 schools.

### Local authority costs

**2.17** Local authorities incur costs when their maintained schools become academies. As well as staff time, they buy external services such as legal support. A survey by the Local Government Association in 2016 showed that local authorities' spending on staff time and legal fees varied depending on the phase and type of academy.<sup>24</sup> The survey indicated that average spending per school was:

- £6,400 for primary schools converting with a sponsor, and £6,900 for primary schools converting without a sponsor; and
- £8,400 for secondary schools converting with a sponsor, and £7,300 for secondary schools converting without a sponsor.

**2.18** Local authorities and other stakeholders we spoke to noted that constraints on local authorities' resources may limit the number of conversions they can process. Some local authorities have started to charge schools fees for conversion. Publicly available information suggests that the fees range from around £2,500 to £20,000 per school.

**2.19** In January 2017, the Department invited local authorities to bid for a share of £1.5 million to build their capacity to support academy conversion, and 63 of the 152 local authorities applied for funding. The Department approved grants to 33 local authorities, averaging just over £45,000 each. Based on the average cost of conversion reported in the Local Government Association's 2016 survey, this amount might fund local authorities' costs for approximately seven conversions. At the time of our work, the Department did not plan to provide any further funding for local authorities.

**2.20** When a maintained school converts with a sponsor, any accumulated financial deficit remains with the local authority on conversion. This approach provides the local authority with an incentive to work with the school to bring spending under control and reduce the deficit where possible. Some schools will have deficits and some will have surpluses. The Local Government Association's 2016 survey indicated that the average value of deficits remaining with local authorities on conversion was £5,400 for primary schools and £120,300 for secondary schools. We estimate that, based on these averages, the total cost to local authorities of sponsored academy deficits may have been approximately £7.8 million in 2016-17.

<sup>24</sup> The Local Government Association surveyed local authorities from May to July 2016; 77 of 152 local authorities responded, a response rate of 51%.

## How long conversion takes

**2.21** How long it takes a school to become an academy varies substantially, and issues such as land transfers or complex private finance initiative contracts can take some time to resolve.

### Schools converting without a sponsor

**2.22** Schools converting without a sponsor, and which opened in 2016/17, took on average 10.7 months between applying to become an academy and opening as an academy. However, it took over three years for 39 (5%) of these 851 academies to open. The small sample of schools we visited indicated that it could take time, for example, to resolve land issues or secure the agreement of the diocese.

**2.23** The Department aims for schools converting without a sponsor to open as academies within 12 months of their application being approved. Performance against this measure, for academies that the Department approved in 2015/16, was 85% nationally. Performance ranged from 76% in the South East and South London to 92% in the East of England and North East London.

### Schools directed to convert with a sponsor

**2.24** 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. However, a proportion of underperforming schools have taken longer than this to convert (**Figure 10** overleaf):

- 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 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. Across the country, the proportion taking longer than nine months ranged from 80% in the North to 33% in the East of England and North East London. For the 96 schools that had opened as academies by January 2018 the average length of time between being rated as inadequate and opening was 8.5 months.

**Figure 10**

## Time it takes for inadequate maintained schools to become academies

It has taken longer than the Department's aim of nine months to convert many inadequate maintained schools to academies

Regional schools commissioner area	Maintained schools rated as inadequate at April 2016		Maintained schools rated as inadequate between April 2016 and March 2017	
	Percentage that did not open as an academy within nine months of April 2016 (%)	For schools that had opened by January 2018, the average time between the inadequate rating and opening as an academy (months)	Percentage that did not open as an academy within nine months of the inadequate rating (%)	For schools that had opened by January 2018, the average time between the inadequate rating and opening as an academy (months)
East Midlands and Humber	56	19.5	44	7.3
East of England and North East London	11	14.7	33	8.2
Lancashire and West Yorkshire	79	20.9	79	9.8
North	67	17.7	80	8.2
North West London and South Central	69	17.7	57	8.7
South East and South London	56	12.6	73	9.1
South West	50	11.3	50	7.8
West Midlands	70	22.1	77	9.4
<b>National</b>	<b>59</b>	<b>17.9</b>	<b>63</b>	<b>8.5</b>
Number of schools	153	118	166	96

**Notes**

- 1 The Department measures the time taken to convert from the publication date of Ofsted's inspection report. It assumes this is 56 days after the end of the inspection.
- 2 This analysis excludes 103 schools rated as inadequate by Ofsted during the nine months April 2017 to December 2017, of which 14 had opened by January 2018.
- 3 This analysis excludes 18 inadequate maintained schools because they had permanently closed, merged with another maintained school, or improved to become good or outstanding without converting to academy status.

Source: National Audit Office analysis of Department for Education data

**2.25** We estimate that, at January 2018, approximately 37,000 children were being taught in maintained schools that Ofsted had rated as inadequate more than nine months before. Ofsted told us that it was concerned about how long it was taking to convert some maintained schools that it had rated as inadequate. Ofsted would normally carry out a first monitoring visit to an inadequate school after four to six months, but it does not normally monitor schools that have been directed to convert. Schools that have been directed to convert will not have a full reinspection for at least two years after opening as academies.<sup>25</sup> This means that it can be a long time before an independent judgement is made about whether the quality of education has improved in schools directed to become academies.

**2.26** The Department told us that action to improve an underperforming school can start while the conversion process is still ongoing. For example, the regional schools commissioner may name the sponsor for an underperforming school as soon as the match has been approved. This means that sponsors can start working with schools before they become academies.

<sup>25</sup> Ofsted may carry out a monitoring visit to a maintained school rated as inadequate or requires improvement while the school is in the process of becoming an academy. Monitoring visits are not full inspections, but are designed to assess progress and review the effectiveness of safeguarding.

## Part Three

### Sponsors and multi-academy trusts

**3.1** This part of the report covers sponsors and multi-academy trusts, which play an important role in converting schools to academies.

#### **Finding sponsors for underperforming schools**

**3.2** The Department for Education's (the Department's) ability to match underperforming schools with appropriate sponsors is one of the main challenges in converting schools to academies. Finding a suitable sponsor promptly is important to address the issues that led Ofsted to rate a school as inadequate, such as weak leadership or poor standards of education, and ensure that pupils are not taught in underperforming schools for longer than necessary.

**3.3** To become a sponsor, candidates apply to the Department, providing information about their track record in school improvement, governance and staffing, and capacity and capability. At January 2018, the Department had approved 1,101 sponsors, including nearly two-thirds of the 1,324 existing multi-academy trusts. Of the approved sponsors, 690 (63%) were actively sponsoring academies. Many sponsors support more than one school.

**3.4** The Department is likely to face a challenge in finding enough suitable sponsors in the coming years. In August 2016, it estimated that 2,700 more schools might need a sponsor by 2020. (To put this into context, between 2010/11 and 2016/17, some 1,500 schools converted with a sponsor.) This means that, unless the Department increases the number of active sponsors by encouraging inactive sponsors to take on schools or by approving new sponsors and matching them with schools, the existing active sponsors would each need to take on an average of just under four additional schools.

**3.5** In March 2017, a review by the Department's internal auditors concluded that there were broadly effective systems for the sponsorship of maintained schools that had been directed to become academies. Regional schools commissioners match schools with sponsors by approaching existing approved sponsors, or by encouraging high-performing multi-academy trusts to become sponsors. Factors that regional schools commissioners consider in matching schools and sponsors include the school's ethos and the sponsor's areas of expertise and capacity to implement school improvement.

**3.6** If sponsors take on schools that they do not have capacity to support, or there is evidence that the relationship between a sponsor and a school is failing, regional schools commissioners are responsible for intervening to identify alternative arrangements. The number of schools moving to a new sponsor ('re-brokerage') has increased each year since 2011/12, rising to 204 academies in 2016/17. Some of these schools asked to move to a new trust voluntarily, but 79 were re-brokered because of intervention by regional schools commissioners and 26 because the sponsor had closed.

### Schools' attractiveness to sponsors and multi-academy trusts

**3.7** The difficulties faced by the most challenged schools can make them less attractive to prospective sponsors. Common challenges include:

- falling pupil numbers, leading to a drop in funding that makes schools less likely to be financially viable;
- difficulties in recruiting or retaining teachers;
- the need to make staff changes as part of recovery plans;
- the need to renegotiate private finance initiative agreements with private sector contractors, the local authority and the school; and
- deteriorating school buildings that may be costly to fix, or disagreements about liabilities associated with maintaining the school estate.

**3.8** The longer a school is without effective leadership and management, and a permanent sponsor, the greater the risk that these issues will become more pressing and harder to resolve. For example, uncertainty about the future may make staff more likely to leave, and schools in financial difficulty may accumulate larger deficits. If finding a permanent sponsor for a school proves especially challenging, the regional schools commissioner may engage a sponsor to act as a school improvement partner on a short-term basis.

**3.9** Small primary schools can face particular issues in converting to academies. Their low pupil numbers may make them financially unviable on their own. Stakeholders we spoke to raised concerns about the ability of small schools to achieve economies of scale at a time when schools need to make efficiency savings. In addition, the smallest primary schools may not have enough staff with the required skills to fulfil the financial and legal responsibilities of setting up an academy trust. At the time of our work, the Department was carrying out a review aimed at identifying and sharing good practice from successful multi-academy trusts that comprise small schools.

**3.10** Primary schools in rural areas are especially challenging to convert, as their relative geographical isolation can make it more difficult for a multi-academy trust to provide support. At December 2017, the Department had designated 3,806 maintained primary schools as rural (31% of maintained primary schools at that date).

### Availability of sponsors

**3.11** The Department considers that, where possible, sponsors should be located close to the schools they support because that allows easier sharing of resources, including teaching and support staff, and more efficient oversight of the schools by the trust. Schools, sponsors and regional schools commissioners we spoke to agreed that underperforming schools benefited most when high-performing schools in their multi-academy trust were nearby. The Department has not placed any upper limit on distance or travel time between schools.

**3.12** In some parts of the country there are few sponsors with a regional presence. As a result, the Department has matched some schools with sponsors that are some distance from the school. Our analysis indicated that, at January 2018, 242 (12%) of 1,958 sponsored academies were more than 50 miles from their sponsor.<sup>26</sup> 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 North West London and South Central England.

**3.13** Our analysis also indicated that underperforming maintained schools in some parts of the country have less access to potential sponsors than in others (**Figure 11** on pages 46 and 47). This suggests that the Department may find it difficult to identify appropriate sponsors for underperforming schools in some local areas. For example, there are relatively few sponsors near each underperforming primary school in the north of England. In addition, there are fewer sponsors near each underperforming primary school than each underperforming secondary school. This analysis does not indicate sponsors' capacity or willingness to support additional schools.

### Sponsors' and multi-academy trusts' capacity to expand

**3.14** Before allowing a multi-academy trust to take on a new school, the Department needs to be confident that the trust is managing its existing schools effectively, has the capacity and capability to grow, and can offer the support that the school needs. Regional schools commissioners meet multi-academy trusts within their region to discuss their potential for growth.

**3.15** Over recent years the Department has adopted a range of approaches to assessing multi-academy trusts' readiness to expand, which help inform regional schools commissioners' assessments of multi-academy trusts. These include:

- from 2012/13 to 2015/16, assessing the risk associated with individual sponsors by grading them against a framework (paragraph 3.18);
- in 2015/16, surveying multi-academy trusts to collect information about their ambition to expand (paragraph 3.17);

<sup>26</sup> We calculated the distance between a sponsored academy and its sponsor using the closer of the sponsor's headquarters and the nearest outstanding school in the same academy chain.

- from 2015/16 to 2017/18, piloting 'growth checks' in which multi-academy trusts visited other trusts to assess their readiness to expand; and
- in 2017/18, piloting an approach that collates more consistently between regions educational, financial and demographic data to assess multi-academy trusts' capacity to support additional schools (paragraph 3.18).

We saw limited evidence that the Department has evaluated the effectiveness of its various approaches and taken account of the learning.

**3.16** A number of approved sponsors are not currently in a position to take on new schools because they lack capacity or there are concerns about their existing schools. At January 2018, the Department held a list of 107 such sponsors (10% of approved sponsors):

- 95 sponsors had asked to be put on hold while they consolidated or built capacity to expand; and
- the Department had 'paused' 12 sponsors while they resolved significant educational, financial or governance concerns.

The review by the Department's internal auditors (paragraph 3.5) identified inconsistent data-keeping on capacity and capability, meaning there may be other sponsors that are not in a position to support new schools.

**3.17** Multi-academy trusts' plans to take on new schools are limited and vary across the country. In July 2016, the Department surveyed academy trusts, asking about their plans for 2016/17 to 2018/19.<sup>27</sup> Only 35% of academy trusts responded to the survey. The Department used the survey results to inform regional schools commissioners' assessments of capacity for growth at local level. Our analysis of the Department's survey data indicated that:

- No trusts reported that they were planning to sponsor any new secondary schools in 15 local authority areas (10% of the total) and any new primary schools in 9 local authority areas (6%).<sup>28</sup>
- In 66% of local authority areas (100 of 152), there was capacity across all respondents to sponsor a maximum of two additional secondary academies.
- In 39% of local authority areas (60 of 152), there was capacity across all respondents to sponsor a maximum of two additional primary academies.

<sup>27</sup> In July 2016, the Department conducted a national survey of academy trusts to measure the ambition of existing sponsors and other academy trusts to take on more schools over the next three years (2016/17 to 2018/19). The Department did not include in the survey the nine large multi-academy trusts overseen at national level because these trusts are in regular contact with the national schools commissioner.

<sup>28</sup> Our analysis shared capacity evenly between local authority areas. The actual number of sponsors available in a particular local authority area may be higher or lower. Some responses were partial, meaning that there may be unreported capacity.

**Figure 11**

Availability of sponsors near underperforming maintained schools by local authority area, at January 2018

There are generally fewer sponsors near each underperforming maintained primary school than near each underperforming secondary school, particularly in the north of England

**a) Sponsors near underperforming primary schools**

Boundary type

— Regional schools commissioner boundary

--- Local authority boundary

Number of underperforming maintained schools for every sponsor

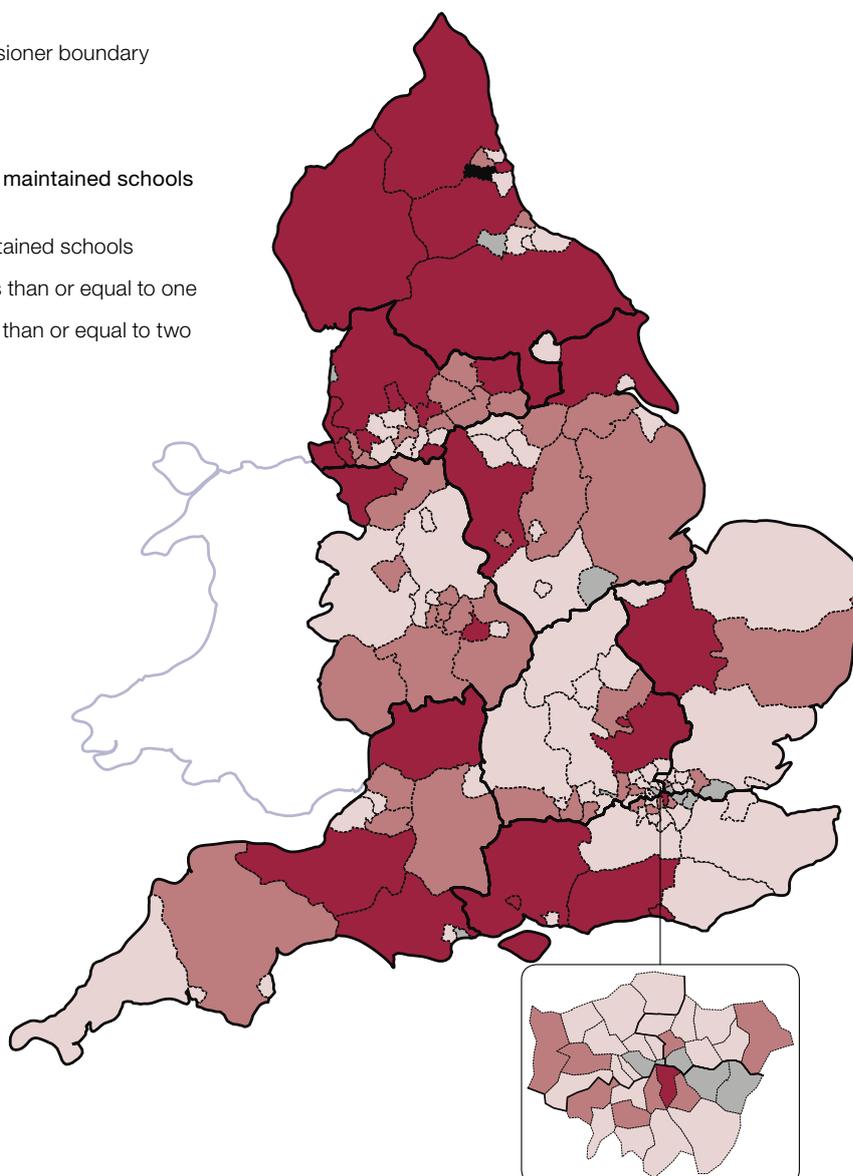
■ No underperforming maintained schools

■ Greater than zero and less than or equal to one

■ Greater than one and less than or equal to two

■ Greater than two

■ No sponsors

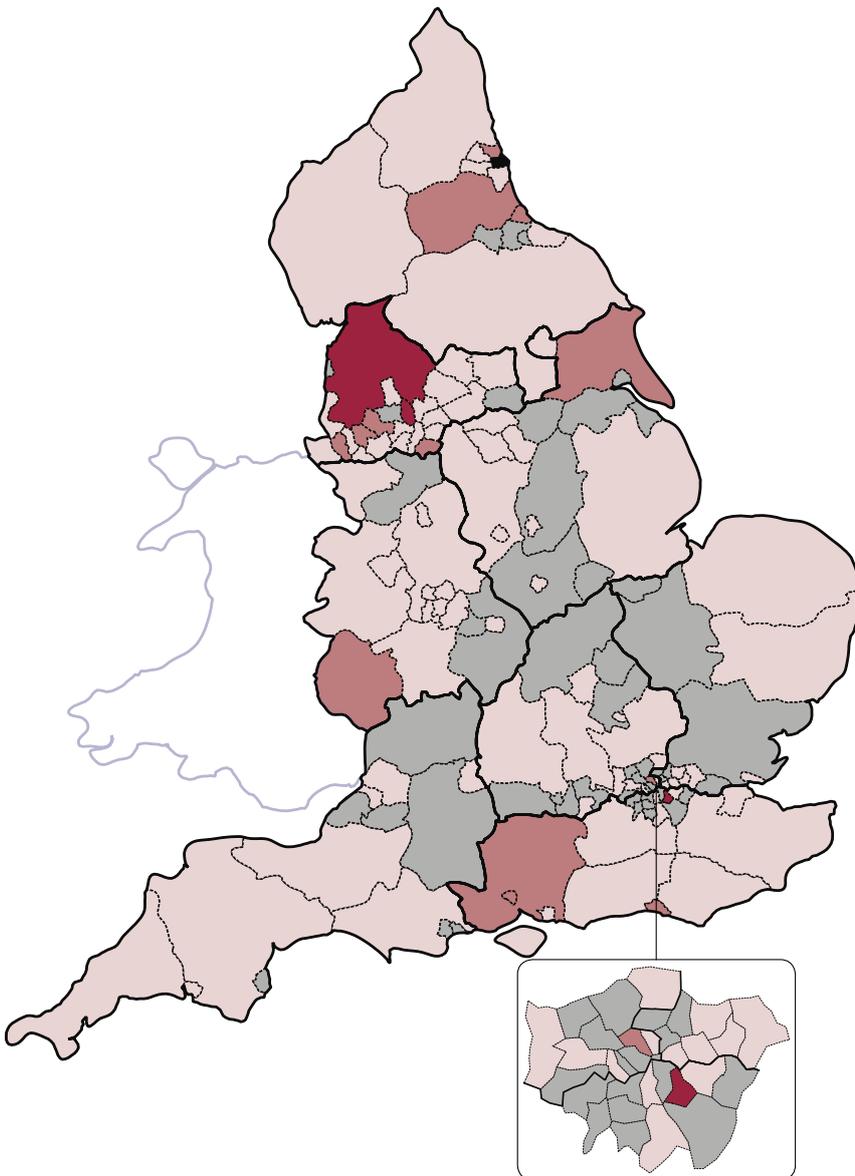


**Notes**

- 1 The colour of each local authority area on the map is determined by the ratio of i) the number of underperforming maintained schools in that local authority to ii) the number of sponsors that were supporting an academy of the relevant phase in the same local authority area at January 2018. In the City of London there were no sponsors and no underperforming maintained schools.
- 2 Underperforming maintained schools are those that remained open at January 2018 and were rated as inadequate or requires improvement by Ofsted, or had not met the Department's 'floor standards' for academic performance. A total of 1,296 primary schools and 274 secondary schools met these criteria.
- 3 This analysis does not reflect sponsors' willingness, capacity, capability or suitability to take on underperforming schools.

Source: National Audit Office analysis of Department for Education data

b) Sponsors near underperforming secondary schools



**3.18** The strength of sponsors also varies, limiting their capability to support more schools. The Department's guidance notes that underperforming schools require a strong sponsor with a good track record of school improvement, financial management and governance, and leadership.<sup>29</sup> Between May 2013 and 2015/16, the Department graded sponsors to indicate their current performance and their readiness to take on more schools. The most recent data show that the Department rated 137 sponsors (15%) as high risk and 510 sponsors (55%) as moderate risk.<sup>30</sup> In October 2017, the Department introduced a more systematic data-driven national assessment. As part of this approach, the Department intends that regional schools commissioners will use the data in conjunction with local intelligence to determine whether multi-academy trusts have capacity to expand.

### **Building capacity in sponsors and multi-academy trusts**

**3.19** The small sample of schools and academy trusts that we spoke to told us that economies of scale can be achieved only when a trust reaches a certain size, though there was no clear view on what that size should be. The Department considers that trusts can operate successfully at different sizes and is not seeking to impose or favour any particular size, beyond noting in its guidance that where trusts want to remain small (for example below 1,200 pupils for primary trusts and 2,000 for mixed or secondary trusts), regional schools commissioners may recognise the financial limitations and be more cautious. Its research indicates that academy trusts with more pupils are generally more financially resilient than smaller trusts.

**3.20** The Department has had a series of programmes to provide funding to support multi-academy trusts to develop (**Figure 12**). In December 2017, the Department began a research project to evaluate the Regional Academy Growth Fund which was paid out in 2016-17. However, we have not seen evidence that the Department has evaluated its earlier funding programmes to determine what impact they have had on sponsor capacity, assess their relative cost-effectiveness and inform future decisions on funding.

<sup>29</sup> Department for Education, *Multi-academy trusts: Good practice guidance and expectations for growth*, December 2016.

<sup>30</sup> The Department told us that these data may not be complete as some regional schools commissioners stopped updating the data once a new assessment method started to be piloted.

## Figure 12

### The Department's programmes to improve capacity in academy trusts

We estimate that the Department made available £146 million between 2012-13 and 2017-18 for programmes to build capacity in academy trusts and, at January 2018, had spent £84 million

Programme	Aim	Funding available	Spending
<b>Multi-academy Trust Development and Improvement Fund</b> (launched 2017-18)	To enable multi-academy trusts to take on and improve schools that need help with raising attainment for disadvantaged pupils or that Ofsted has rated as inadequate or requires improvement.	£53m in 2017-18	£0m in 2017-18 <sup>1</sup>
<b>Regional Academy Growth Fund</b> (launched 2016-17)	To develop new and existing sponsor capacity, expand multi-academy trusts and develop new regional hubs for existing high-performing sponsors.	£31m in 2016-17	£31m in 2016-17
<b>Northern Fund</b> (launched 2015-16)	To increase sponsor capacity in disadvantaged parts of the north of England, as part of the Northern Powerhouse initiative.	£10m in 2015-16	£9m in 2015-16
<b>Sponsor Capacity Fund</b> (launched 2012-13)	To support sponsors to take on at least one additional school.	£52m, 2012-13 to 2016-17	£44m, 2012-13 to 2016-17
<b>Total</b>		<b>£146m</b>	<b>£84m</b>

#### Note

1 At January 2018, the Department had allocated more than £45 million from the Multi-academy Trust Development and Improvement Fund but no funding had been paid out. The Department told us that it expected to pay out the funding during February 2018.

Source: National Audit Office analysis of Department for Education information

# Appendix One

## Our audit approach

**1** This report examines whether the Department for Education (the Department) has an effective system for converting maintained schools to academies. We assessed:

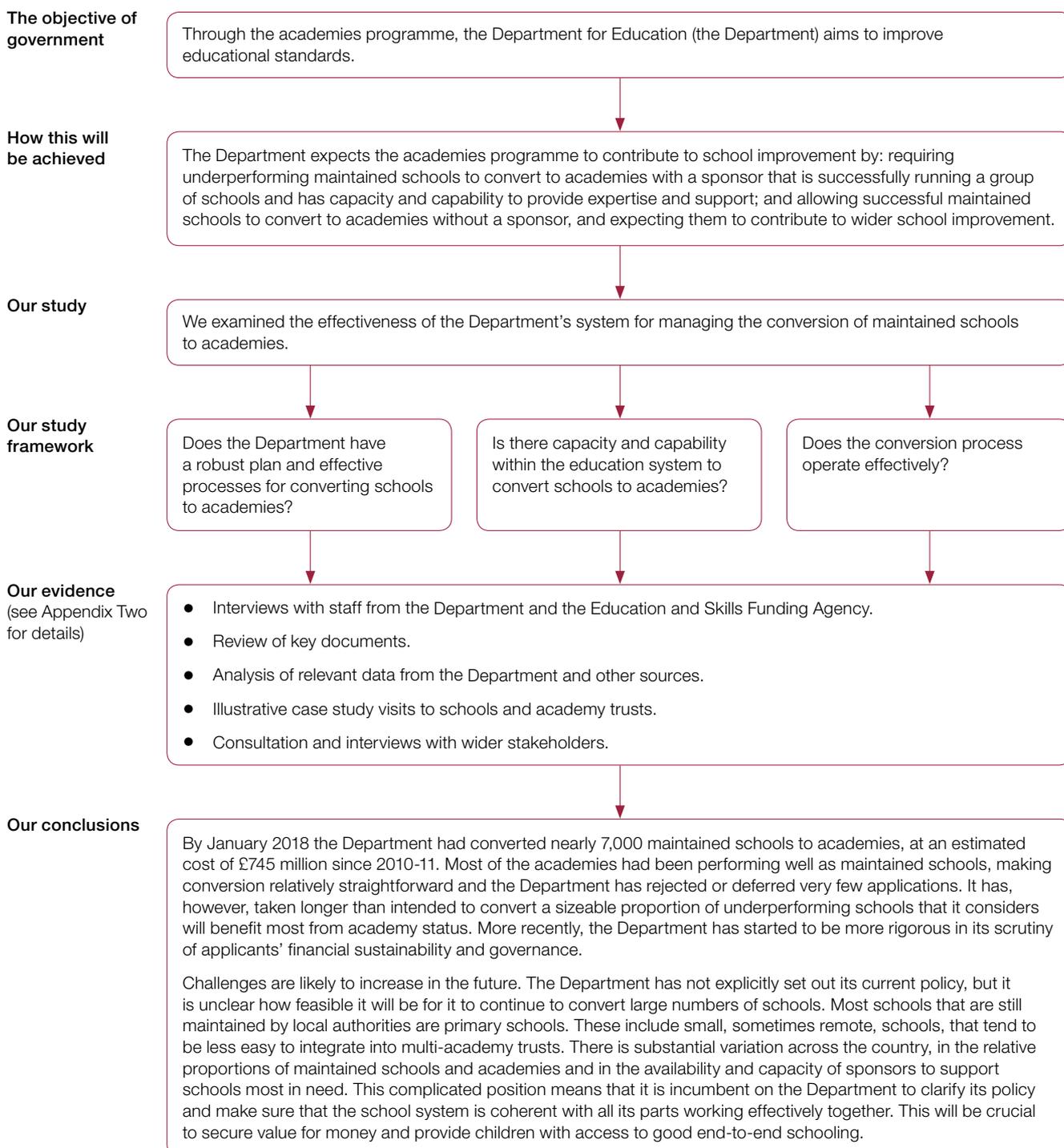
- the Department's plan and processes for converting schools to academies;
- capacity and capability within the education system to convert schools to academies; and
- the effectiveness of the conversion process.

**2** We applied an analytical framework with evaluative criteria, which considered what arrangements would be optimal for achieving the Department's aims. By 'optimal', we mean the most desirable possible, while acknowledging expressed or implied constraints.

**3** Our audit approach is summarised in **Figure 13**. Our evidence base is described in Appendix Two.

**Figure 13**

**Our audit approach**



# Appendix Two

## Our evidence base

**1** We reached our independent conclusions on the value for money of the Department for Education's (the Department's) system for converting maintained schools to academies by analysing evidence collected between February 2017 and January 2018. Our audit approach is outlined in Appendix One.

**2 We interviewed staff from the Department and the Education and Skills Funding Agency.** The people we interviewed at the Department included staff tasked with strategic oversight and national coordination of the academies programme, and staff responsible for implementing academy conversion, including the national schools commissioner and four regional schools commissioners. The people we interviewed at the Education and Skills Funding Agency included national staff who monitor financial and governance risk in academies, and regional staff responsible for the oversight of academies.

**3 We reviewed key documents.** The documents included:

- The Department's 2016 white paper, *Educational Excellence Everywhere*,<sup>31</sup> subsequent policy documents, and speeches and written statements by the Secretary of State for Education. We used these to understand the Department's policy and approach to converting schools to academies.
- The Department's published documents and model templates to guide schools, sponsors and academy trusts through the conversion process. We used these to understand and map the conversion process. We also reviewed the Department's published documents on academy trusts' responsibilities including the *Academies financial handbook*,<sup>32</sup> the *Governance handbook for academies, multi-academy trusts and maintained schools*,<sup>33</sup> and *Multi-academy trusts: Good practice guidance and expectations for growth*.<sup>34</sup> We used these to understand the Department's expectations for academies' financial management and governance.
- The Department's internal guidance for regional schools commissioners and their teams, such as desk instructions for decision-making about converting schools to academies and due diligence guidance.
- A Government Internal Audit Agency report on the Department's arrangements for academy sponsorship and brokerage.

<sup>31</sup> Department for Education, *Educational Excellence Everywhere*, Cm 9230, March 2016.

<sup>32</sup> Education and Skills Funding Agency, *Academies financial handbook*, July 2017.

<sup>33</sup> Department for Education, *Governance handbook for academies, multi-academy trusts and maintained schools*, January 2017.

<sup>34</sup> Department for Education, *Multi-academy trusts: Good practice guidance and expectations for growth*, December 2016.

- Published reports from other bodies on academy conversion and sponsorship. We used these to provide independent evidence and commentary on the responsibilities and accountabilities of stakeholders in the conversion process, the characteristics of successful multi-academy trusts and the availability of suitable sponsors. These included reports by the House of Commons Education Committee, the Education Policy Institute and the National Foundation for Educational Research.

#### **4 We analysed the following data from the Department:**

- Data on open academies and academies in the pipeline. We used these data to understand the numbers and types of academies and maintained schools, their geographical spread across England, and the size of academy trusts that new academies create or join. We excluded free schools from certain analyses because they are set up as new academies and so do not go through the process of converting from maintained to academy status.
- Management information on conversion. We used these data to understand the number of applications to convert to academies that are approved and rejected, the time taken to convert schools to academies, and the rate at which academies have been re-brokered to alternative sponsors after opening.
- Data on spending. We used these data to establish how much the Department has spent on converting schools to academies and to assess the variation in spending against the number of schools converting. We also used survey data to understand how much schools spend on conversion and the key components of their spending.
- The Education and Skills Funding Agency's record of academies of most concern. We used these data to calculate the number of academies added to the serious concerns report soon after opening due to financial, governance and compliance, and regularity issues.
- Data on academy sponsors. We used data on approved sponsors, grading of sponsors and sponsors not currently in a position to take on new schools to understand sponsor availability and capacity at national level. We used data from the Department's survey to assess, for each local authority area, multi-academy trusts' plans to sponsor new academies. We used data on schools' inspection outcomes, performance at national assessments, and location to assess the availability of sponsors near underperforming maintained schools.

#### **5 We analysed data from a survey conducted by the Local Government**

**Association.** We used these data to estimate how much local authorities spend on converting schools to academies.

**6 We analysed data on Ofsted school inspection outcomes.** We used these data to understand how schools' Ofsted ratings correlated with their conversion route and the level of sponsorship funding provided where applicable. We also interviewed staff from Ofsted responsible for school inspection policy and for data and analysis.

**7 We reviewed documents relating to conversion held by the Department for a sample of 35 academies.** The schools were selected because they had encountered difficulties soon after opening as academies. They included academies with financial notices to improve, academies on the Education and Skills Funding Agency's serious concerns report, academies for which the Education and Skills Funding Agency has published financial management and governance reviews or investigation reports, and academies that have closed.

**8 We carried out illustrative case study visits to four primary schools and two secondary schools, and a case study telephone call to one secondary school, in different parts of England.** The schools were randomly selected from a list of all primary schools and secondary schools in England that had recently opened as academies or were in the process of converting (as at November 2016). We selected a sample to include both primary schools and secondary schools, schools converting with and without a sponsor, and open academies and 'in the pipeline' schools from different regions. We interviewed school leaders, school business managers and, where relevant, representatives of the sponsor or multi-academy trust. These interviews helped us to understand:

- schools' experiences of the conversion process and the key challenges they faced;
- whether responsibilities and accountabilities for conversion are clear;
- the resources and skills within schools and sponsors for implementing conversion and for fulfilling responsibilities after conversion; and
- the level and quality of the support and guidance that schools receive from the Department during the conversion process.

**9 We observed two meetings of regional headteacher boards.** We used these observations to understand the information available to inform headteacher boards' advice to regional schools commissioners, and how headteacher boards assess conversion and sponsorship applications.

**10 We spoke to four local authorities, and three bodies representing local authorities, about their experiences of, and views on, converting schools to academies.** The local authorities were selected to include a range of academy conversion rates and to ensure a geographical spread. We also spoke to the Association of Directors of Children's Services, the Local Government Association and London Councils.

**11 We spoke to a number of organisations able to provide an informed perspective on issues relating to converting schools to academies.** These included:

- Ark (a multi-academy trust);
- Academy Ambassadors;
- the Catholic Education Service;
- the Centre for Economic Performance (part of the London School of Economics);
- the Centre for Education Economics;
- the Chartered Institute of Public Finance and Accountancy;
- the Church of England Education Office;
- Flying High Trust (a multi-academy trust);
- the National Association for School Business Managers (now the Institute of School Business Leadership); and
- a number of companies providing professional services to schools during the conversion process.

**12 We received written submissions from four teaching unions on issues relating to converting schools to academies.** Submissions were received from the Association of School and College Leaders, the Association of Teachers and Lecturers, the National Association of Head Teachers, and the National Union of Teachers.

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