

Education Committee

Oral evidence: [Multi-Academy Trusts](#), HC 204

Wednesday 30 November 2016

Ordered by the House of Commons to be published on 30 November 2016

[Watch the meeting](#)

Members present: Neil Carmichael (Chair); Lucy Allan; Ian Austin; Marion Fellows; Suella Fernandes; Lucy Frazer; Lilian Greenwood; Ian Mearns; William Wragg.

Questions 378-433

Witnesses

I: **Lord Nash**, Parliamentary Under-Secretary of State for the School System, Department for Education, and **Peter Lauener**, Chief Executive, Education Funding Agency.

Written evidence from witnesses:

- Department for Education ([MAT0020](#))
- Department for Education ([MAT0059](#))

Examination of Witnesses

Witnesses: Lord Nash and Peter Lauener.

Q378 Chair: Good morning, and welcome to what will be the final session of our inquiry into multi-academy trusts. We are seeking to find out how we can make sure that multi-academy trusts are always fit for purpose and doing a good job. In other words, what does a good MAT look like? That is the question we are seeking to answer. We know that MATs are in the education landscape and we know that there are one or two that need to improve, and we know that some others might need to be revised in order to fulfil their tasks without blemish. That is the purpose of today's inquiry. We have Lord Nash, the Minister for MATs, in a sense, because his responsibilities include academies, and Peter Lauener, who is here perhaps for a third or fourth time in as many weeks. Welcome to you.

Peter Lauener: It is always a pleasure. Thank you.

Q379 Chair: Welcome to you, and we are going to ask a few questions of you both on the subject I have just outlined.

John, the Government's policy with regards to academy expansion has changed a few times in the last nine or 10 months. We all know the reasons why. Are we heading now to a period of stability?

Lord Nash: Yes. I think we have settled in a very good place, after some perhaps mixed messages. As you said, there have been a few changes. I think we have settled in a place where we have the ambition that every school has the opportunity to become an academy, most of them working in MATs, but it will be a consensual approach, apart from those schools that are inadequate and some coasting schools. That does seem to have been very well received by the system because we have more interest in schools converting to academy status now than ever before.

Q380 Chair: Great. The question arises from that answer: are you anticipating that for some time to come we will have a kind of mixed economy in education, with academies and maintained schools operating together, or do you see a steady drift towards academisation and, ultimately, full academisation?

Lord Nash: Yes and yes is the answer to that question. I think we will have a mixed economy for a while, but the trend is clear that more and more schools are seeing the benefits of working together in multi-academy trusts. As that becomes clearer across the system, there are not just financial benefits but substantial benefits for staff in terms of CPD and career development, and this is really becoming clear from a lot of MAT CEOs. I just had a breakfast with the Secretary of State and a number of top MAT CEOs, all saying how this has enabled them to retain their best staff much more easily and develop them. This is getting out in



HOUSE OF COMMONS

the system and I think, therefore, more and more schools will see the advantage of working together in these groups.

Q381 **Chair:** If you had a crystal ball, what would it be telling you about when full academisation might be a reality?

Lord Nash: I am a little old to engage in entirely hypothetical conversations, but I think there will come a point in the next maybe five or six years where a tipping point is reached and it becomes clear that we cannot maintain a dual system for much longer. Also, I think it will be sufficiently obvious to schools that working together in groups—it is acknowledged across the system that school-to-school support is the way to improve schools, and it is increasingly being acknowledged that the most rigorous, the most permanent, the most accountable, the most efficient and the most unified way of doing that is in one corporate vehicle, operating in tight geographic clusters, called multi-academy trusts.

Q382 **Chair:** Thank you. The change of pace may well have an impact on the supply of sponsors and indeed the spread of multi-academy trusts. Presumably, you would agree with that. Can you sketch out for the Committee how that might emerge in the next few years?

Lord Nash: We now have 500 MATs of between three and 10 schools, and over the next few years many of those will be expanding to maybe double figures, 15 schools. We are very much the driving force. We have a number of national MATs, most of them operating in geographic clusters, and they obviously have scope for capacity. Over the last few years, we have created hundreds of local regional MATs operating in tight geographic clusters, often behind one very strong school. I think it is there we will see a real drive for expansion.

Q383 **Chair:** This Committee has had a parental engagement session on this subject, and we will be including the findings from that in our report, but what do you think parents will be thinking about and doing in connection with multi-academy trusts as they expand and develop?

Lord Nash: Parents are absolutely central to the school system. Parents and children are our customers. I could say that multi-academy trusts are particularly good at engaging with their parents. We see many examples of schools that were failing for a long time, where parents had become disengaged because of the standards in the school, where, after the multi-academy trust has taken control, the relationships with parents increase dramatically, and attendance, for instance, at parents' evening shoots up to 90-95%.

MATs are very conscious of parent relationships because they are grand. Parents will be looking increasingly at performance of the schools, not just based on their local school, but of the whole MAT that they are in. We published in July some MAT performance measures, and we will be publishing those in January alongside our general statistical release on school performance. Parents will be looking at that too.



HOUSE OF COMMONS

Q384 Ian Mearns: I understand that there are currently between 25 and 30 schools that are still without a sponsor more than a year after being deemed inadequate by Ofsted. In your own report, published yesterday, there is a reference that between August 2014 and July 2015 the Department paused the growth of 14 sponsors. What obstacles has the Department faced in rebrokering inadequate academies, and is there a problem with some academy chains or MATs in terms of their need to be basically reorganised or rebrokered themselves?

Lord Nash: In relation to individual academies that are rebrokered, they may take some time to be rebrokered. A lot of these schools have long-term, endemic issues: they may be in areas of high intergenerational unemployment, where children are going home to families where no one works, quite possibly no one has ever worked. However good a job the school may do, they only have their pupils for a short period of the day. A sponsor may have had a shot at this school and may not have succeeded, so we need to rebroker it to somebody who can be more effective.

Q385 Ian Mearns: There are 26 schools that we know have not been rebrokered within a whole year.

Lord Nash: Yes. Sometimes these schools are suffering from long-term underinvestment in the buildings, which may have been going on for many years since before they were local authority-maintained schools. This is not an easy job. It is fair to say that quite a few schools that we have rebrokered as academies were rebrokerage from sponsors approved by the previous Labour Government. I do not make a thing of that because I take my hat off to the Labour Government for starting the academies programme, but it is not an easy job. There are some schools that will take some time to rebroker, and a new sponsor coming in, particularly if it is the second time around, will really want to do their due diligence and make sure that the school is financially secure.

Q386 Ian Mearns: Is there a danger, though, that some schools, from the perspective of sponsors and from existing academy chains and trusts, might become untouchable?

Lord Nash: I would like to think that that is not the case. If they are very short on roll, then sometimes that might be an issue, and very reluctantly, occasionally, closure may be an option. I would like to think that we will find a solution to these issues, and sometimes the solution may be involving a local employer, as we have done on several occasions, where they are the biggest employer in the area.

Q387 Ian Mearns: How many multi-academy trusts are under notice that they cannot expand at the moment?

Lord Nash: We do not quite have a blacklist like that, but we do pause trusts quite often. As you have probably discussed before in this Committee, we are developing our MAT growth checks to ensure that all MATs do not expand unless they have the capacity. Obviously, MATs may



HOUSE OF COMMONS

take on one or two schools, and it is not right that they expand and do any more for the next year or so. It has to be phased growth.

Q388 Ian Mearns: The report that was produced yesterday notifies us that 14 sponsors had been notified by the Department between 2014 and 2015. Could you provide us with the current figure of how many MATs are currently paused from that perspective?

Lord Nash: In terms of absolutely paused, it is a similar figure, but we look at every single MAT and decide whether or not it is appropriate for them to take on any more schools at that time.

Q389 Ian Mearns: How many academies are awaiting brokerage at the moment? Do you have any figures on that?

Lord Nash: I think it is a similar one. Have you got that there?

Peter Lauener: No. I do not have a precise number.

Lord Nash: I do not have the precise figure but I can write to you with it.

Q390 Chair: Can you let us know?

Lord Nash: Yes.

Chair: Thank you. That would be great.

Q391 Lucy Frazer: How should Ofsted inspect a MAT?

Lord Nash: Currently—we should start with the current position—Ofsted, if they are concerned about a MAT's performance, will do batch inspections of a group of schools in the MAT. They will discuss with those schools the school improvement support they get from the centre, and they may even discuss with some of the other schools in the MAT the school improvement support they get from the centre. We have taken the view that it is not part of the skillset of HMI to analyse the finances or governance or organisation structure of a MAT, particularly a large MAT, and we have agreed with Ofsted that if we have particular concerns about the performance of a MAT, we may do a joint inspection, whereas the EFA may look at the finance and governance and, at the same time, Ofsted will look at the number of schools. We are continuing to review this. It may be that there is a more refined way of doing it with Ofsted, but I think it is important to understand that Ofsted's job is to look at school improvement, not at finances and governance, which is the EFA's job.

Q392 Lucy Frazer: When the Secretary of State said that there might be a smarter way of doing it than you are doing it at the moment, what might she have been thinking there?

Lord Nash: Ofsted have been asked for some time whether they would have a framework of how they inspect MATs, and that is certainly something we will be discussing with the new chief inspector, but I do think it is important to understand, certainly as they are currently



HOUSE OF COMMONS

configured, that it would not be fair to ask somebody who has been an HMI all their life to suddenly start opining on the competence of the managing team at the centre of a trust and not on school improvement matters, on finance matters, or the board structure or the organisational, regional structure.

Q393 **Lucy Frazer:** That is a fair point. When you say that is in the remit of the EFA, is that the regional schools commissioners?

Lord Nash: No. It is Peter Lauener's Education Funding Agency.

Q394 **Lucy Frazer:** Where do the regional schools commissioners come in?

Lord Nash: They will look always at the organisational structure of the MAT, together with EFA, and they will look at the strength of the board to make sure that the governance is secure. We have been strengthening MAT boards substantially over the last few years. We started something called the Academy Ambassadors Programme to recruit pro bono from business and the professions people as non-executive directors of MAT boards. This programme has been remarkably successful. We have already made 350 placements of people who are prepared to sit pro bono on multi-academy trust boards. We reckon there is probably a similar number of people who have been found through local connections. That is quite a philanthropical support for the academies movement from business and the professions, and that is working particularly well.

We recently did some work to see what feedback we were getting from the chief executives of MATs on the support they got from those directors, and it has been very helpful.

Q395 **Lucy Frazer:** That sounds like an excellent idea, but just coming back to the inspection of the structures. You quite rightly said it would not be within an HMI Ofsted inspector's role or knowledge to inspect the structure, because their knowledge is about schools, but does that not equally apply to the regional schools commissioners, who are largely drawn from schools? What knowledge would they have of inspecting a structure, which is essentially a business?

Lord Nash: Yes. Their job is not really to inspect. Their job is to look at Ofsted's analysis and look at the results and form conclusions about how the school or the MAT can be improved. As we have just said, we are talking about MAT growth-readiness checks. We are conducting 30 pilots at the moment. These essentially will be peer-reviewed from very experienced MAT chief executives or MAT finance directors of the structure and the organisation of smaller, more emerging MATs.

Q396 **Lucy Frazer:** That would be to grow. What about just assessing whether the MAT structure is a good one? Is there a gap at the moment in who is assessing the governance of the structures, if they are not growing or if they are stable?



HOUSE OF COMMONS

Lord Nash: I do not think so. Between the EFA and the regional schools commissioners, who are very experienced at looking at these issues, I do not think there is a gap, no.

Peter Lauener: Could I just add that we have an extensive monitoring system looking at financial issues in all academies, including multi-academy trusts, and we share all that information and any concerns we have with regional schools commissioners so they always have an up-to-date assessment of any points of concern that we might have?

Q397 **Lucy Frazer:** There might not be a gap, but can we improve it? It is a growing system. We do not need to criticise if there is not a structure in place. We need to think about how we can improve it. When we look at the area reviews, for example, what we learn is a number of colleges are failing financially. If a college is failing financially, then that affects the teaching in the school because resources and thoughts are elsewhere. How do we ensure that the MATs do not suffer from the corporate structures and the business-making decisions that are being taken by the MAT? Are we happy that we have resolved this?

Lord Nash: One of the things I think will come out of the MAT growth-readiness checks are issues like this, and it may be there will be cases where we may feel that we need to have consultants or suggest that the MAT has a firm of consultants to do this kind of analysis. I would say, broadly speaking, we have the competence to do it.

Peter Lauener: Again, if I could add, because I am responsible also for the area review process and the proposals coming out of it, I do see quite a lot of similarity in some of the problems being identified in area reviews in terms of colleges in financial difficulties, where we get cases where MATs have financial issues or individual academies have financial issues. It very often comes down to poor financial planning and poor governance. We always do seek to make sure that we have highlighted these for the trusts concerned, and we do regular reviews of data and finances. There is a lot of material now published on the Department's website, resources for all schools to use to assess their own financial health and to benchmark their results.

Q398 **Lucy Frazer:** Is that purely a data exercise? You are looking at the accounts, I assume.

Peter Lauener: Increasingly, we have the benefit, I think it is, of having a lot of financial data on academies, and that allows us to use data analytics to spot any oddities in terms of the proportion of spending going on different things, but it is not just about that. When we identify issues from whatever source, we would visit the academies concerned and, as I am sure the Committee is aware, we publish financial reviews of various kinds and financial notices to improve, and indeed we also publish financial notices of concern in the further education sector. There is a lot of material that people can use to benchmark, compare themselves and spot the things they should be doing.



HOUSE OF COMMONS

I also write occasionally to academy trust accounting officers, drawing attention to recent findings from reviews. Sometimes these are things they should be aware of, and sometimes there are mistakes others have made that they do not want to fall into.

Lord Nash: We also may ask the trust to have an independent governance review.

Q399 **Lucy Frazer:** Who conducts that?

Lord Nash: We would ask them to find an experienced chair of a governing body or somebody else to look at the governance of the trust and advise the school, and we would see—

Q400 **Lucy Frazer:** Independent governors. What background would that inspector—

Lord Nash: They would often be experienced governors themselves.

Q401 **Lucy Frazer:** Governor, you mean like a governor of a school?

Lord Nash: Yes, or it might be—

Q402 **Lucy Frazer:** It is not really a business assessment, is it?

Lord Nash: It might be. It could be a multi-academy trust. It could be a non-executive director who we had confidence in.

Peter Lauener: Or it could be one of the audit firms. There have been quite a few of these. There are national leaders of governance that could lead these. You need a bespoke solution, depending on the nature of the governance concerned.

Q403 **Lucy Frazer:** While it is really important that we have accountability and we assess, what we often hear, particularly about Ofsted, is the amount of pressure that puts on the school. We have just been exploring international comparisons, where I think what we have learnt is that trusting people is really important, not intervening and letting them get on with it. Is there too much? When you have the regional schools commissioners, you have the EFA, you have Ofsted, you have the governance, so the thing you have just mentioned where you have independent analysis, is that the right balance?

Lord Nash: We are constantly looking at the balance, but the evidence seems to be that where you have the right balance of autonomy and accountability, it works particularly well. I would say there is the right balance at the moment, but I am sure we will be discussing these issues with the new chief inspector early in the new year to explore whether or not things cannot be improved.

Q404 **Chair:** Peter, you talked about poor governance and lack of financial planning being at the heart of the problems, and you rightly noted that similar characteristics had been identified in the FE sector through the area review. The question arises—and it is really at the heart of Lucy's



line of questioning—what kind of model do you think would be appropriate to recommend to avoid these problems in terms of lack of transparency and lack of clarity between the role of an executive board and the role of governance?

Peter Lauener: One of the things I often refer to when I am talking on platforms to academies is that people should read the reports that we publish because they are a really good insight. They almost form a checklist of things that people should be assuring themselves about. Similarly, in the further education sector, not for today, but a lot of information is in the public domain and there will be more and more coming through as proposals come out of the area reviews. There will be a lot of information for people to look at and say, “These are recommendations that have come out of issues identified and we should learn from those”.

At the same time, you do not want to get it out of perspective because we are talking about a small number of cases in relation to the overall number of academies and academy trusts.

Q405 **Chair:** For those people looking at the MATs from afar, the distinction between the executive role and the governor role is not always clear. It came up last night at an all-party group meeting about governors, the lack of effective framework for MATs to operate under. Do you think some kind of framework should be set out in more detail than just simply recommendations?

Lord Nash: I think you know, Neil, that the NGA has done a lot of work on that.

Chair: I do.

Lord Nash: In fact, it has published its own material on that governance, which has been really helpful and really thorough. It all comes down to an effective and clear scheme of delegation between the centre and the local governing body. It is absolutely right that there have been cases on inspection where there has been confusion whether it is caused by Ofsted or whether it is caused by the MAT itself, and we have been in constant dialogue with Ofsted about improving this. I am satisfied it has got much, much better, but obviously we will have to get it better when it needs to be. The NGA has done some excellent work on this, but we do not want to be Stalinist in the way we say, “Every MAT has to be run like this”. We think that this is all part of autonomy and different models, each of which may be successful.

Peter Lauener: The key contractual and legal frameworks are set out in the academies’ financial handbook, which also, by the way, by way of putting things over in an easy-to-read way, draws on material provided by the Charity Commission. There is a lot of good material for trusts and governing bodies to look at.

Q406 **Lucy Allan:** Just digging a little bit deeper into what Lucy was saying



HOUSE OF COMMONS

earlier about the financial management, the Committee had a recent session on financial management at the Department for Education, and it highlighted that there were 25 financial notices to improve in the current year compared to seven notices in 2015. I wondered from that, is it the conclusion that the Government are struggling to cope with the growing problem of financial mismanagement in MATs?

Lord Nash: I think you have to get this in perspective. The Audit Commission found 206 cases of fraud in local authority-maintained schools in one year, 2013-14. As you will know, academies are subject to a much more stringent system of financial scrutiny than local authority-maintained schools. They have to publish annual third-party audited accounts, which local authority-maintained schools do not have to do. Nobody in a governance connection with an academy can make a profit out of providing services, where that can be possible in a local authority-maintained school. Academies are charities and companies, so subject to those laws. They have to have an accounting officer; they also have to be DFA. Where we put the system under much tighter scrutiny, it is inevitable, bearing in mind what the Audit Commission found, sadly, that we will find areas of poor practice, which—

Q407 **Lucy Allan:** Will that continue to increase?

Lord Nash: We are hoping it will decrease, thanks to the very good work that Peter and EFA do, and publishing their financial notices to improve in their reports sends a message out to the system. It is also in some cases people just not adjusting to the new scrutiny, and it is not anything malicious.

We do a lot of work in the Department, as Peter has mentioned, on financial toolkits. We have a good website with this on. We have done a lot of work with a number of groups, particularly Outwood Grange, on curriculum-led financial planning, which is a bottom-up analysis of how a school is run, which can be very helpful in driving financial efficiencies through a school and making sure that much more money is spent in the classroom. Outwood Grange provides this material free to anybody who wants it. We are doing a great deal of work in this area.

Peter Lauener: Could I just add, if you take the financial notices to improve that we have published—2012, we have published 41—28 of these are financial issues. Just as Lord Nash described, I think there is a tighter regime so that any academy trust setting a deficit has to notify us in an established procedure, so it allows us to tackle these issues early. Twenty-eight for financial issues, nine for governance and compliance issues, and four for instances of irregularity or possible fraud.

Q408 **Lucy Allan:** Would you say that data that I have just cited tell us more about the EFA's interventions than they do about actual financial mismanagement?

Peter Lauener: I saw the reference to that yearly trend, so I went back and looked at it. I do not think it indicates a worsening trend at all. We



HOUSE OF COMMONS

have been—and I make no apologies for this—gradually tightening the arrangements and making clearer about when we expect issues to be flagged for our concern, and people have been getting used to the way that should work. I do not think it causes a lot of concern as there has been a sudden peak in the financial abilities to improve.

Having said that, of course, because they cover financial deficit issues, a lot of schools are facing tough financial circumstances, and we referred earlier to the tools that are available on websites, and I think that is making people look harder at their underlying finances. We have encouraged people to prepare three-year plans. We get annual budget forecasts from academy trusts. The system is rigorous, it has been built step by step, and I think it is a supportive system for academy trusts.

Q409 Lucy Allan: Do you think, as was being discussed earlier, that this is perhaps a function of a highly autonomous school system, and inevitably will lead to these kinds of issues?

Peter Lauener: I do not think it is a function of an autonomous system leading to these issues. Most academy trusts, EFA people never visit. We get data returns, we analyse these and we look at financial statements from external auditors, but the number that we actually visit is very small.

Lord Nash: I would say—maybe this is less autonomy, if you like—we do put academies under tighter financial scrutiny.

Q410 Suella Fernandes: A supplementary to financial regulation and management of MATs. At the moment, the company or the trust at the heart of a MAT cannot run to operate a profit, to maintain a profit in terms of private interests. What is your view on that, and do you think there is scope to move the boundary and lift that restriction to enable a profit?

Lord Nash: I do not think that is on any political agenda with anybody, no.

Q411 Ian Mearns: Has there not, though, been a significant increase in related-party transactions with the growth of academy trusts? In other words, while there is not any profit being made, business is being done through related-party transactions, and there has also been a significant growth in the remuneration of academy trustees and directors, which has been evidenced by your Department's own data on the issue.

Lord Nash: The answer to your first question is we do not know because local authority schools are under such a relatively light touch, and if we were all governors of a local authority school and you ran the local cleaning company, Mr Mearns, and you could provide cleaning services more cheaply than anybody else—

Q412 Ian Mearns: I did, Lord Nash. I was deputy leader of the council and we ran the local cleaning company.



HOUSE OF COMMONS

Lord Nash: If you had done a management buy-out of that cleaning company and were running it, and you were going to provide those services cheaper than anybody else but for a profit, you could do that, and we have no way of knowing how often that is happening around the country. As an academy, you could only do it at cost. You could not do it at a profit. It is a much tighter rule. Some people might argue it is slightly unfair on you. That is why we have visibility on these transactions.

On the question of pay—and, as I said, I have just been to a breakfast with the Secretary of State and some of the top MAT chief executives in the country—the first point to make is people should not underestimate what a tough job this is. I have looked at schools, particularly where many of them are underperforming in very difficult areas, and have been challenging and underperforming for years. Secondly, we have to get our top leaders in education to paint on a broader canvas. We have to have a career structure that enables the best people to do more than run one school. If, in business—and I am sure it is the same in local authorities—your top people could only run one store or one factory or one outlet, we would not have enough good people. We have to give these people the opportunity to paint on a broader canvas, and many of them are doing it extremely well. The actual pay is the responsibility of the trust itself, but we do keep a close eye on this. I recently wrote to the chairs of all trusts, reminding them of their responsibilities in regard to pay and other matters, and, as I have said, we will be publishing annually MAT performance figures so we will have clear visibility on the relationship between pay and performance. Where we see that relationship to be inappropriate, we will be bringing this to the attention of the directors of the trust.

Q413 Ian Mearns: Even local authority-maintained schools have to have a register of related party transactions, and that is a public document. I am still a governor of a primary school in Gateshead, and I have to sign a register and say anything where I have a related-party transaction.

Lord Nash: Maybe the Education Select Committee would like to pay someone to go through all those registers, which I think would be a massive task, to try to calculate what that looks like, but we do not have a national register of that. Many local authorities I doubt have a local register of it, so we do not have visibility on that.

Peter Lauener: Could I add that in relation to academy trusts, the academy trusts are obliged to publish their registers of business interests on their website? There was a recent BBC analysis of some trusts that found that some had not done that, and we have written to all the ones that had not published on their website their registered business interests to make sure that they comply.

If I could add a point on the related-party transactions, the identification of related-party transactions is a matter of good governance. When we review the external financial statements that come in every year, within



HOUSE OF COMMONS

four months of the end of the financial year—we are just about to enter the busy period for the 2015-16 financial statements—we only found 26 transactions across all the academy trusts that we ultimately had concerns about and that we thought warranted further investigation. The identification of a larger number is not a concern in itself. What is a concern is that any related-party transactions comply with the very rigorous arrangements set out in the academies financial handbook, including at-costs. When we investigate and analyse them, we will always follow up if there is any suggestion that they do not comply.

Q414 Lucy Frazer: Following Ian's question, which raised a very interesting question about pay, there is a mood at the moment that this is wrong that you should have a big disparity between those at the top and those at the bottom. In a sector that is largely state-led and where we have a problem recruiting teachers, and respect and trust sometimes correlates to pay, is it right and should we be doing something about the fact that there is a disparity and we are not really looking at controlling it other than through performance?

Lord Nash: The mean average for pay between academy and state sector for heads is pretty similar.

Q415 Lucy Frazer: I am not comparing the independent sector. I am comparing the teachers with the heads or even the executive head of the MAT.

Lord Nash: Yes. I do think—Government, as you say, have published appraisals on this—that the relationship between the average pay or the lowest pay in an organisation and the top people is an important one, and it is quite clear in the corporate sector, where sometimes that relationship is 100 times or more, that maybe that should come under more scrutiny. I do not think we are anything like that in the education sector. We are miles away from that. As I say, this is about autonomy, and there have been a few cases where some people have thought that the pay is a bit high, but we will enable the sector to compare performance with pay. Where we think it is out of line, we will be doing all we can to bring it back in line.

Q416 Lucy Frazer: What does that mean?

Lord Nash: There are relatively few, isolated incidents. In any organisation of this size you are going to get some poor practice. We are not going to have a perfect system where everybody gets paid exactly what some computer app could calculate they are worth. Generally, I would say we are in a good place. What it means is that if we felt someone was being overpaid, we do not have the power, unless there is particularly an issue with the school, to stop it. We do not have a blanket power of approval, but we would be certainly putting pressure on the board of directors, and we might even be suggesting that they might want to enhance the independence of their board of directors to ensure



that this was not continued or at least was not replicated elsewhere in the group.

Peter Lauener: Again, could I just add very quickly that I am well aware that this Committee wrote to the Department after the last hearing on financial management, urging us to look at elevating the degree of transparency in the sector account as we prepare the—let me get my years right—2015-16 sector account for publication next summer? We will be looking very seriously at that and coming back with proposals, as you have asked.

Chair: That will be good news, Peter. Thank you very much. We look forward to that.

Q417 **William Wragg:** I am going to carry on the theme of talking about money, and public money at that. The Education Funding Agency's ability—or indeed inability—to oversee multi-academy trusts' expenditure has been raised by several witnesses to our inquiry, including the Local Government Association, and the National Audit Office has commented on specific cases. I wonder, does the EFA's oversight of trusts rely too heavily on whistleblowers?

Peter Lauener: I do not think it does. We take whistleblowers very seriously, and we always seek to treat whistleblowers with confidence. We will always investigate allegations made by whistleblowers. Like any organisation, whistleblowers are a valuable source of information, but we certainly do not just rely on whistleblowers coming up and identifying problems. I have referred already to the extent to which we are using the data that we have, and the financial data in particular, and indeed data on governance where the returns come in on time, as a way of identifying sources of concern. Sometimes, interestingly, we find that these things come together, so there have been occasions where we have written raising concerns to academy trusts—again, these are small numbers—and then that has prompted a whistleblower. I would not say that we rely too much on whistleblowers.

If we just waited for whistleblowers to come out, that would be ridiculous, but there is a whole system of looking at financial statements, collating concerns across the country, we have a monthly review of our academies of concern list, and we bring all that together in a system of assurance.

Q418 **William Wragg:** Nonetheless, if I develop it slightly further, the responsiveness of regional schools commissioners has been questioned in this area. Why do you think that regional schools commissioners are not picking up on the problems quickly?

Lord Nash: I would say they generally are. I have specific examples. Please let me know and I will take it up with the relevant regional schools commissioners, but I would say that they are generally on this very well.

Q419 **William Wragg:** I take it back, then, from regional schools commissioners, and talk about the EFA. The National Office has said that



HOUSE OF COMMONS

the EFA does not routinely follow up issues to do with related-party transactions. That is the National Audit Office that has said that.

Peter Lauener: Sorry, I do not recall that precise reference.

Q420 **William Wragg:** It was particularly in the case of Perry Beeches that the National Audit Office said that the EFA does not routinely follow up with academies to ensure that related-party transactions have been disclosed, nor do they have the capacity to be able to carry out these checks.

Peter Lauener: I do not recall the precise context in which that was said, but I described earlier the process that we do follow through each year, where we look at all financial statements when related-party transactions are disclosed. We look at any concerns raised by auditors. We whittle it down to those where we are not happy with the disclosure. We will then go back to all those academy trusts and raise and challenge and, in some cases, investigate. I think that is quite a rigorous, comprehensive system.

Q421 **William Wragg:** Indeed, and the NAO says that where there is cause for concern, more detailed reviews are carried out. It says specifically that the EFA does not follow up routinely with academies to ensure related transactions have been disclosed.

Peter Lauener: I see, so this is the larger number of transactions that might be disclosed in audited accounts, and I described the process for identifying any of concern. What we do not do—and I make no apologies for this—is go back through every single related-party transaction that might be disclosed because, as I said earlier, it is an item of good governance that these transactions are disclosed. As I also said, we oblige academy trusts to publish registered business interests on their websites, so there is a high degree of transparency about this, but we do not follow up every single business register or every single related-party transaction. What is important is that we have a system for identifying causes of concern. In the case of Perry Beeches, of course we published a report about that, a financial notice to improve, and we are keeping very closely in touch with the trust as they put in place much stronger financial management and governance arrangements.

Q422 **Ian Austin:** I am interested to hear Lord Nash, what you think distinguishes the best-performing multi-academy trusts from the others. What is it that they do more successfully than others? What research have you carried out or plan to carry out into the characteristics or structures of the best-performing multi-academy trusts?

Lord Nash: A very important question. We will be publishing shortly a detailed document on the characteristics of high-performing multi-academy trusts, but if I could just give you my top lines.

Successful multi-academy trusts are run by tough people who put children first. They have a sense of pace and urgency. They have strong governance and financial control. They are well organised, with good



HOUSE OF COMMONS

geographic focus, with a good balance between strong and weak schools, clear reporting lines and good performance management. Good financial control and high-quality finance people to ensure that much more money is available in the classroom. They have well developed CPD programmes, good leadership development structures; they identify their rising stars and develop their careers. They have very good staff retention. They have standardised procedures, providing supportive materials to help teachers' workload and support consistent teaching. They engage in wider system discussions to share good practice. They have high expectations. They believe in stretching all pupils. They understand education is not just about exams; it is about developing children's resilience and their mental toughness. They have good connections with the world of work. They have behaviour management strategies that are clear, effective, consistently applied and easily understood by staff and pupils, and they have an absolutely clear central vision and ethos.

Q423 Ian Austin: Why is it that some multi-academy trusts are doing those things well and others are not? What more do you propose to do about the ones that are not doing it?

Lord Nash: The important point is that we now have enough multi-academy trusts doing this really well that we have a gold standard or a standard that everybody wants to aspire to. It is clear that when this is done well, this is the best way of running schools, in our view. We will be publishing this document shortly, which is the category list of best-performing MATs, and it will also show how regional schools commissioners will be holding MATs to account as they develop against these kinds of standards.

We are having a lot of sessions between groups where the high-performing MATs share their good practice with the emerging MATs. I have already referred to Outwood Grange making available all their sophisticated financial planning technology for free. We are developing leadership programmes. We have already had 150 people go on the Future Leaders Executive Educators course, which is for MAT CEOs, and the Church of England is also using this for 25 of its MATs. We now have Salford University, Cranfield Business School, King's London, and a combination of the IOE and Deloitte themselves starting to do their own MAT leadership development courses. The regional schools commissioners run many sessions where people share good practice and the more experienced MATs come in.

We are also developing the concept of mentoring MATs. These good MATs will be mentoring the emerging MATs, and we will be expanding that substantially.

Q424 Ian Austin: Do you have any views on the background or profession of people who can lead MATs most effectively? Do you think that someone has to have been involved in education, as a head teacher perhaps?



HOUSE OF COMMONS

Lord Nash: The vast majority are former head teachers, and of course moving from being a head teacher at one school to running a group of schools is quite a big ask, and often running one school is quite an event-driven task. That is why we have invested so heavily in leadership development programmes. We also, through Roger Pope's group of experienced leadership, will be redeveloping the NPQH qualifications. I think it is possible for somebody in a larger MAT, probably, who has very good experience of running a big organisation, to run a MAT, but they would obviously need very good educationalists alongside them.

Q425 **Ian Austin:** If you think about the list of things, the characteristics of successful MATs that you listed, any good, really outstanding school would be doing all those. They are characteristics of outstanding schools, are they not?

Lord Nash: Many of them are, I agree, but having a much more sophisticated CPD programme, leadership development programmes, high-quality finance people, driving economies of scale, tougher purchasing—

Q426 **Ian Austin:** Do you think traditional LEAs have been too big to ensure individual schools have been doing all those things, whereas MATs—they are bigger than an individual school, obviously, but smaller than an LEA, typically—are more able to ensure that schools are doing all that?

Lord Nash: They may be more nimble. Of course, it is not one tight corporate structure. It is bigger and it is more light-touch. The answer to your question may well be yes.

Q427 **Ian Austin:** Do you think it is possible for a multi-academy trust to provide an approach—for example, could a group of schools in a multi-academy trust work together to provide facilities for pupils across the trust who might appreciate education—the hardest-to-reach children, for example, could be educated in a particular way, with all the schools working together, in a way that individual schools could not themselves do?

Lord Nash: Yes. We have seen multi-academy trusts set up AP provision, alternative provision, for their hard-to-reach pupils.

Q428 **Suella Fernandes:** Do you agree that there are parts of the country where there has been chronic underachievement in schools, where there is lack of choice in the offer to parents and children, and in those areas, there is a real obstacle to achieving improvement? How do you think MATs can achieve that problem that we are facing?

Lord Nash: Yes. You are absolutely right, and it is one of the things that we have failed as a country to focus on these areas, and there are too many of them: coastal towns, former mining villages. We must focus on these areas. This is very much what our opportunity areas are about, bringing together a whole group of people in a collaborative effort to try to crack these problems.



HOUSE OF COMMONS

Ian asked what the characteristics of a high-performing MAT were, and I think the key to this is tough people who are determined and who set very high expectations, no excuses. As I said earlier, it is difficult if children are going home to families where no one works, where the career expectations of children are very limited, but the only way we can break that cycle is through education. It is absolutely clear that groups like Outwood Grange and Inspiration Trust, who have taken over schools in areas just like that, have had remarkable success at raising the aspirations and attainments of their pupils. It can be done, but it requires a great deal of determination.

Q429 **Suella Fernandes:** Do you think it is that choice that then engenders competition in a school area that can be linked to overall improvement in standards?

Lord Nash: Yes. We definitely have cases of rising tides lifting all boats, definitely.

Q430 **Lilian Greenwood:** Just very quickly, among the characteristics that you described, one of them was a balance between strong and weak schools within a MAT. That suggests there is a constant drive for expansion, because if you bring all the schools in the MAT up to a good standard, then if you are going to have a balance, that inevitably means taking on further schools. I wondered whether you had a view about whether there is an optimum size for MATs and whether there is a maximum size for MATs, which in some way picks up what Suella was saying about the need for competition. Potentially, you could get MATs that are almost the size of a local education authority. I wondered what you thought about that.

Lord Nash: Your point about that is a good one. There obviously are MATs where all the schools are good and they, for the moment, have decided they do not want to take on any more schools, or it is just, because of their geographic focus, there are not any schools nearby. Where they are expanding, they have that balance. Of course, it is theoretically possible. It is more pace than size, it is more geographic focus than size, and it is more capacity. In theory, in 25 years' time you could have a MAT with hundreds of schools in it. I think it is unlikely, but it could be done, and it could be well done, if they were very geographically focused and they had not expanded too quickly. As I said earlier, although we have some excellent national groups of MATs that will expand quite substantially over the next few years, we will also see a great deal of expansion from these MATs on two, three or four schools up into 10 schools, who are very well wired in their local communities, know their local schools, and are well placed to bring them together in a family.

Q431 **Suella Fernandes:** Do you think it does not matter if, for example, in a geographic area, a single MAT potentially is responsible for all the schools in that area?



HOUSE OF COMMONS

Lord Nash: There are some areas where, because of geography and the relatively limited number of schools, you may have some dominance by one provider. It may just be the way it is because you do not want to take somebody there to run one school miles away from their operation just for the sake of having choice. We obviously would like to see, wherever possible—and the regional schools commissioners are very charged with this—that wherever we can achieve it, there is choice in the area.

Q432 **Chair:** Do you think horizontal or vertical integration is the most appropriate?

Lord Nash: I think that both can work. Certainly, we see many secondary schools wanting to buddy up with their primary schools to get to know the families, to get to know the pupils earlier and to have more consistent practices. We do have some very good examples of primary MATs, and we are very focused on that, like REAch2, First Federation in the west country, but generally we see more vertical integration, although, going forward, as we have only about 20% of primaries currently in academies, we will see increasingly more primaries come together in horizontal integration. Clearly, the arguments for working together in small primaries—the economies of scale and sharing good practice—are in my view stronger for primaries than they are for secondaries.

Q433 **Chair:** Peter, do you have a comment on that question?

Peter Lauener: It is one of the most interesting developments at the moment that we are seeing some horizontal, some vertical. I have certainly talked to trust chief executives who are very keen on the vertical for the reasons Lord Nash set out. I think it would be very interesting to watch that as it comes in to see what lessons we learn from each of the kinds of integration.

Chair: Thank you very much indeed for coming along today. We have had an interesting discussion and I am very grateful, as we all are, for your answers. Thank you.