

Forty-Seventh Report of Session 2021-22

Department for Education

Academies Sector Annual Report and Accounts 2019/20

Introduction from the Committee

The Academy Sector Annual Report and Accounts (SARA) presents the consolidated financial results of academy trusts, of which there were 2,743 open at 31 August 2020. Academy trusts may be formed of one or more academy school. Academy trusts are charitable bodies and have more freedoms and responsibilities than local authority maintained schools. For example, they are responsible for setting staff pay and conditions, determining their own curriculum, and are directly responsible for their financial and educational performance. Academy trusts are required to produce a set of accounts annually that are subject to external audit. Academy trusts are directly funded, and accountable to, the Department for Education via the Education and Skills Funding Agency. The sector reported £31.3 billion of income during 2019/20, including £26.8 billion of grants from the Department.

The Department aims for all schools to be part of a family of academy trusts. The academies sector continues to expand, with 9,200 academy schools open during the year to 31 July 2020, compared with 8,728 in the previous year. More of these schools are joining other academies to form multi-academy trusts. The average number of academies in a multi-academy trust was six during 2019/20. The biggest multi-academy, the United Learning Trust, now stands at 76 schools. The COVID-19 pandemic has slowed growth in the sector, which is taking longer for maintained schools to convert to academies.

The 2019/20 SARA is the fifth set of sector accounts. The Comptroller and Auditor General has qualified their opinion of previous accounts due to uncertainty over the valuation of land and buildings within the academy estate. The Department has since introduced its own programme of revaluations using qualified surveyors, which has addressed these historic issues and ensured the accuracy of the £56.3 billion value of land and buildings held within the academy estate.

Based on a report by the National Audit Office, the Committee took evidence on 25 January 2022 from the Department for Education and the Education and Skills Funding Agency. The Committee published its report on 25 March 2022. This is the government's response to the Committee's report.

Relevant reports

- DfE report: [Academy schools sector in England: consolidated annual report and accounts, 2019/20](#) which includes the Parliamentary Accountability and NAO Audit Report – Session 2021-22 (HC 851)
- PAC report: [Academies Sector Annual Report and Accounts 2019/20](#) – Session 2021-22 (HC 994)

Government response to the Committee

1: PAC conclusion: The Department for Education has not yet set out how it will deliver its ambition to establish a fully academised school sector that best supports pupils.

1: PAC recommendation: When the Department publishes its Schools White Paper it should be clear about its plan for full academisation. The plan should clearly set out the Department's overall timetable, milestones and measures of success for academisation, and how the Department will:

- **Ensure academisation achieves the intended outcomes for all pupils across all regions;**
- **Have a plan to support schools that may be less attractive to sponsors; and**
- **Ensure clear and effective due diligence prior to a maintained school converting to an academy, that takes into account geographic variations and access to learning provision.**

1.1 The government agrees with the Committee's recommendation.

Target implementation date: Summer 2022

1.2 The Department for Education (the department) published the Schools White Paper, [Opportunity for all](#), on 28 March 2022. The fourth chapter sets out a clear timeframe to achieve a fully trust-led system, with all schools to be in or joining a strong multi-academy trust (MAT) by 2030.

1.3 This will be achieved through growth of strong trusts and the establishment of new ones, including trusts established by local authorities (LAs). The department will take a single regulatory approach, launching a regulatory review in May 2022 and, for the first time, setting out the definition of a strong trust. The success of MATs in delivering against the definition of a strong trust as set out in the Schools White Paper will be the basis for transparent assessments of their potential for growth.

1.4 The department will set out plans which will provide further detail on the pathway to a fully trust-led system, after further engagement with the sector.

1.5 The department is working with Falcon Education Academies Trust and St Joseph's Catholic MAT to pilot a new approach for schools that, for various reasons, cannot be placed with a strong MAT sponsor. The White Paper sets out policies to remove barriers that are preventing schools from benefiting from the support of a strong trust. LAs will be able to establish new strong trusts, and church and faith schools will have their unique ethos protected as they join or form trusts. Regional Directors will engage local partners to determine the best way to develop a strong trust landscape that suits their area – investing up to £86 million over the next three areas in building trust capacity, focused particularly in Education Investment Areas.

2: PAC conclusion: The Department does not fully understand the causes of variability within the financial performance of academy schools, and consequently may not know how to best protect the education for pupils taught in financially struggling academies.

2: PAC recommendation: The Department should systematically investigate, and better disclose within the next Academy Sector Annual Reports and Accounts, the underlying reason for the variation in the financial health of academies.

It should, within six months write to us to explain how it will improve its understanding of the variation in the financial health of academy schools and determine whether further interventions are required to support the financial sustainability of academy schools.

2.1 The government disagrees with the Committee's recommendation.

2.2 The national funding formula, introduced in 2018-19, distributes funding to schools fairly, regardless of geographical location. The formula does not discriminate between maintained schools and academies. The formula is updated annually based on schools' and pupils' characteristics.

2.3 The primary responsibility for the financial management of academy schools rests with their academy trust, with a clear framework set out in academy trusts' Funding Agreements, the Academy Trust Handbook and Academies Accounts Direction. Academy trusts' accountability is rigorous, with trusts' audited accounts providing information on the financial health of the trust and individual academy costs.

2.4 The department is not able to introduce significant new analysis into the 2021-22 Academies Sector Annual Report and Accounts (SARA), as its contents are already being finalised. The department has committed to undertake research into the impact of financial pressures on schools, in its response to recommendation 3 of the [Committee's Forty-Second report on the Financial Sustainability of Schools in England](#). The 2022-23 SARA will include the outcomes of this research.

2.5 The department already has an effective assurance programme for academy trusts: trusts must submit their audited accounts and auditor reports, three-year budget forecasts, information about related party transactions and new trusts financial management and governance self-assessments.

2.6 The department uses this information, along with other local intelligence to monitor academy trusts' overall financial health. Given the complexity of these factors, this is undertaken on an individual basis. In each case, the department takes a risk-based approach, working with the individual academy trusts to support and intervene proportionately on the rare occasions when needed.

3: PAC conclusion: The Department still does not understand well enough the conditions of the school estate, meaning it does not know whether pupils have access to the learning facilities they need.

3: PAC recommendation: The Department should, within the next year, collect and publish data on pupils' access to learning facilities, and the condition of such amenities, for example IT provision, science and technology labs, arts facilities and associated equipment. The Department should report how much capital investment is required to provide all pupils with access to such core facilities.

3.1 The government disagrees with the Committee's recommendation.

3.2 The department has noted the Committee's recommendation. The department recently piloted central delivery of Net Capacity Assessments (NCA), which assess the teaching space (size, type and use of rooms) in individual schools. It is developing plans to roll-out centralised delivery of NCA across secondary and special schools from 2023. As well as providing a more up-to-date and accurate picture of capacity, there will be opportunities to explore joining-up NCA and condition data to improve the department's intelligence on the quality of provision across the estate.

3.3 All new buildings delivered by the department provide suitable accommodation built to high standards. The department recognises that the suitability of buildings can be a particular challenge for pupils with special educational needs and disabilities (SEND). £2.6 billion has been committed over the next three years to provide new places and make existing provision suitable and accessible for children and young people with SEND or who require alternative provision.

3.4 The department, however, continues to prioritise ensuring sufficient school places and that the estate remains in a safe, operational condition. That is why both departmental and local authority resources are focused on collecting essential data to support these priorities. In addition to collecting annual school capacity data, the department has significantly improved its understanding of the condition of the school estate, collecting consistent, comparable data through the Property Data Survey (2012-2014) and the Condition Data Collection (2017-19). The department has published summary findings from these surveys and shared detailed reports with schools and their responsible bodies. The Condition Data Collection 2 is collecting updated data through to 2026.

4: PAC conclusion: We continue to be concerned about the Department's understanding of asbestos within the school estate.

4: PAC recommendation: The Department should urgently chase the remaining 7% of schools who are yet to respond to the asbestos management survey. The Department should write to the Committee within six months setting out its full understanding of asbestos across the estate, detailing the asbestos risk arising from the non-responders, along with its plans to manage the asbestos risk in schools.

4.1 The government agrees with the Committee's recommendation.

Target implementation date: September 2022

4.2 The asbestos management survey (AMAP) was a voluntary survey launched in 2018. The vast majority of schools chose to participate in the process. The department followed up several times throughout the process with those who had not responded. It published a report of overall findings in 2019 which did not identify any systemic issues with the management of asbestos across the estate. In July 2021, the department wrote again to the remaining non-responders, and AMAP closed in November 2021. The department is sharing details of remaining non-responders with its regional teams and the Health and Safety Executive (HSE) to inform their risk-based approach to compliance, including their future programme of inspections.

4.3 In addition, all schools in England are currently being visited through the second Condition Data Collection programme (CDC2), which includes a preliminary meeting to check whether schools are complying with the Control of Asbestos Regulations 2012. A comprehensive picture of this information across all schools in England will be available when final CDC2 data is published. In the meantime, the department will give a progress update to the Committee in September 2022.

5: PAC conclusion: We are concerned that the Education and Skills Funding Agency's decision to use public money to prop up trusts in difficulty fails to address poor financial management within academy trusts.

5: PAC recommendation: The Education and Skills Funding Agency should within the Treasury Minute response, set out the criteria it uses to determine whether it is appropriate to provide additional funding to academy trusts in difficulty, or to write-off an academy's debt.

5.1 The government agrees with the Committee's recommendation.

Recommendation implemented

5.2 Local authorities provide a support mechanism for maintained schools in financial difficulty, while the department is responsible for supporting academies in financial difficulty.

5.3 Academy trusts are responsible for managing their own finances and should have the leadership and management capability to resolve any issues themselves. The Education and Skills Funding Agency (ESFA) works closely with academy trusts and will support and challenge them to find the best outcome. Before any additional support is provided, the department expects academy trusts to make use of all support and tools and have a plan to address financial concerns.

5.4 In the most serious cases, and as a last resort, the ESFA may provide additional funding to preserve education provision. Academy trusts are expected to repay any additional funding once they have reached a stable financial position, and non-repayable funding is only used where there is no other means to protect pupils' interests.

5.5 Provision of additional financial support is transparent. A [framework for receiving additional financial support](#) was published in November 2019. This framework sets out the different types of financial support available to academy trusts and for each type:

- the eligibility criteria;
- the potential conditions of funding; and
- how the conditions of funding may vary depending on the value of funding.

5.6 Annual data on the provision of financial support, against this framework, is published alongside the Academy Sector Annual Report and Accounts, with further details set out in the ESFA annual accounts.

6: PAC conclusion: We are concerned that the Department's approach to monitoring the skills and experience of academy leaders, and the lack of remedial action for leaders of failing academies, risks further failures across the sector.

6.: PAC recommendation: The Department should write to the Committee within six months detailing how it will better identify and address cases of failed leadership within academies. This should include how it will ensure the necessary lessons are learned to avoid similar incidents from occurring in future elsewhere in the sector.

6.1 The government agrees with the Committee's recommendation.

Target implementation date: September 2022

6.2 There is already a robust regime in place for prohibiting unsuitable individuals from participating in the management of independent schools, including academies. The government will also be making regulations under section 19(7)(c) of the [Skills and Post-16 Education Act 2022](#) to prevent trust leaders judged to be unfit from moving to elsewhere in the education system. Where an individual is currently subject to a direction prohibiting them from participating in the management of an independent school they are also excluded from accessing a range of ESFA funding in accordance with the published [Funding higher risk organisations and subcontractors policy](#).

6.3 In that document, the department has continued to improve its mechanisms for assessing the risk of trust failure. Furthermore, the Schools White Paper sets out plans for the better regulation of trusts, including a set of statutory standards underpinned by new intervention powers. The White Paper announced the launch of a regulatory review in May

2022 looking at all aspects of trust accountability and regulation. In conducting the review, the department will have regard to the issues raised by the Committee. The department will write to the Committee by September 2022 with a full response.