Understanding the Middle Tier

Comparative Costs of Academy and LA-maintained School Systems

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Glossary

AAR	Academy Annual Return
CEO	Chief Executive Officer
CFO	Chief Finance Officer
CFR	Consistent Financial Reporting
CMEC	Council of Ministers of Education, Canada
COO	Chief Operating Officer
CPD	continuing professional development
CTC	City Technology College
DCS	Director of Children's Services
DfE	Department for Education (England)
EHCP	Education Health and Care Plan
ESFA	Education and Skills Funding Agency
ESG	Education Services Grant
EW	Education welfare
EWO	Education welfare officer
FOI	Freedom of Information
FTE	full-time equivalent
FSM	free school meals
GAG	General Annual Grant
GDP	Gross Domestic Product
HEI	higher education providers for initial teacher education
HR	Human Resources
ITE	Institute of Technical Education (Singapore)
ITT	Initial teacher training
LA	Local Authority
LftM	Leading from the Middle – system improvement strategy
LGA	Local Government Association
LLE	Local Leader of Education
MAT	Multi-academy trust
MOE	Ministry of Education (Singapore)
NAO	National Audit Office
NCTL	National College of Teaching and Learning
NIE	National Institute of Education (Singapore)

NLE	National Leader of Education
NLG	National Leader of Governance
NQT	newly qualified teacher
NoR	Number on roll
OECD	Organisation for Economic Co-operation and Development
PAC	Public Accounts Committee
PISA	Programme for International Student Assessment
PTR	Pupil:teacher ratio
RAGF	Regional Academy Growth Fund
RSC	Regional Schools Commissioner
SAT	Single academy trust
SEN	Special educational needs
SEND	Special educational needs and disability
SLE	Specialist leader of education
SLP	School-led partnership
SIP	School improvement partner
SSA	School self-assessment (Ontario)
TSA	Teaching School Alliance
TSC	Teaching School Council
UTC	University Technical College
VfM	Value for money

Executive Summary

The LGA commissioned and part-funded this research to understand the comparative costs of the middle tiers in England. By 'middle tier' we mean the systems of support and accountability connecting publicly-funded local authority (LA) maintained schools and academies with the Department for Education (DfE).

The research

The research took place over five months (October 2018 to February 2019). As far as we are aware this is the first study of its kind; it has been conducted in a thorough and systematic manner, which is replicable. Our research had three broad components.

a. We analysed financial data for 2016/17, the most recent year with full information:

    - From top down – by exploring the main organisations forming the middle tier in England and how much they spent on LA schools and academies.

    - From bottom up – by examining the funding for and expenditure by LA schools and academies on middle tier functions, using published data sets and Freedom of Information requests.

    - We examined the salary of the highest paid person in 216 academy trusts, derived from published 2016/17 annual accounts.

b. We explored the issues around the middle tier in case studies of three contrasting geographical areas (a metropolitan district, a shire county and a London borough), by interviewing headteachers, local authority directors of education, multi-academy trust (MAT) CEOs, diocesan directors, heads of school-led partnerships and a regional schools commissioner.

c. We identified the key features of the middle tier in four leading education systems: Singapore, Finland, Estonia and Ontario.

Issues encountered

Our work took place at a time when it is frequently asserted that the current system of school oversight is, in the words of the Public Accounts Committee (2018): 'fragmented and incoherent, leading to inefficiency for government and confusion for schools'. Indeed, this is what we found.

Significant limitations in the available data hindered the identification of specific middle tier costs. The DfE does not publish information about the costs of middle tier functions performed by the Education and Skills Funding Agency (ESFA), National College of Teaching and Learning (NCTL)[1] and Regional Schools Commissioners (RSC). The analysis has therefore focused on identifying the differences in funding between the LA schools and academies and

[1] NCTL ceased to be a discrete agency of the DfE in 2018, although most of its work was continued by DfE.

attempting to use these as a proxy to highlight potential differences in costs. This has involved considering variations in characteristics that affect core funding as well as gathering information on specific funding streams for academies to reflect their additional responsibilities.

Our efforts were hampered by inconsistent categories of expenditure and grant funding in official financial returns. An important conclusion of our research is that the DfE needs to be more open and transparent about the funding of the ESFA, RSC, and NCTL middle tier functions.

Key Findings

The middle tier in high-performing education systems

The four high performing education systems we examined were Singapore, Estonia, Finland, and Ontario, which were respectively ranked first, third, fifth, and seventh in the 2015 PISA Science ratings (OECD, 2016). Each has a coherent middle tier, regardless of their differing extents of school autonomy or devolution of decision-making. They all offered a consistent view on the functions of the middle tier: that to maintain equity as well as excellence there needs to be an authoritative co-ordinating influence with local accountability.

In England, in contrast, we found that the current system was a 'muddle'. As a school-led partnership director remarked:

> *There needs to be glue to stick everything together in this disjointed system. The difficulty is in finding a body to have the glue role and who can manage conflicts of interest.*

The comparative costs of the middle tiers in the LA schools and academy systems

We found that the 'middle tier' oversight functions for academies cost **44%** more than for schools. The overall cost of the middle tier for academies in 2016/17 was £687.4m and for LA schools was £525.4m. Expressed in per-pupil terms, this is **£167.05** for academies and **£115.17** for LA schools.

The two key contributors to the higher academy costs were specific grants of £356.8m for MAT functions and academy system growth, and an estimated additional £106.6 for MAT-wide leadership posts funded by top-slicing of funding from their academies (see Table 9).

A third of academies in 2016/17 were stand-alone single academy trusts (SATs). As such, they arrange and pay for all middle tier functions as individual organisations.

<u>Multi-academy trusts</u>

Two-thirds of academies were in multi-academy trusts (MATs): there were 776 MATs in 2016/17. They are an important part of the middle tier as they are accountable for the governance, improvement, finances and support services for a group of academies.

The study sought to identify the additional costs for MATs of undertaking these roles by analysing data from a number of sources. After taking account of varying pupil characteristics

affecting formula funding between types of school and academy, we found a difference between LA schools and academies in the aggregate amount of their funding streams. This was attributable to additional functions carried out by MATs as well as the cost of conversion and growth of the academy system. This was most significant for large MATs (11+ schools).

Large MATs might be expected to gain from economies of scale, but the figures do not support this. As an analysis of income and expenditure shows, academies belonging to large MATs (11+ academies) had the highest cost per pupil. In the primary sector they were 6.5% higher than in a medium-size MAT (6-10 academies) and 7.7% higher than in a small MAT (2-5 academies). In the secondary sector, the difference was 10.4% higher than a medium MAT and 11.9% higher than a small MAT.

The high costs per-pupil suggests that large MATs have a disproportionately greater number of leadership posts. Secondary academies in large MATs have proportionately more leaders: 132.1 pupils per leader compared to 145.4 pupils per leader in LA schools.

Pupil-teacher ratios are broadly similar for LA schools and academies on average, despite LA schools having higher levels of pupils with special needs and eligible for free school meals. Secondary academies have a significantly lower rate of pupils eligible for FSM than their LA school counterparts: 12.3% compared to 19.5%.

Funding

Academy grant funding per-pupil is 4.4% higher than in LA schools in the primary sector and 1.8% lower in the secondary sector. However, one would expect academies to have comparatively lower levels of funding overall, because they have pupil characteristics that are less costly to support, i.e. lower levels of additional and special needs, and a very low proportion of rural schools.

There are differences between types of academies, but the overall characteristics reflect the fact that the majority of academies are converters, whose pupils tend to have lower needs.

The gap between academy funding related to the characteristics of their pupils and the total grants that they receive is therefore assumed to relate to: i) additional funding intended to support middle tier functions; and ii) stimulating the growth of MATs as a policy intention. (The patterns of pupil and school characteristics are explored in more detail in section 5.)

Expenditure

A similar relationship between finance and needs appears in our analysis of expenditure. Academy revenue expenditure per-pupil is 6.6% higher than in LA maintained schools in the primary sector and 1% lower in the secondary sector, broadly echoing the balance between the two systems in funding. It is possible to attribute a cost pressure for academies of approximately 0.3% relating to the impact of pay awards as a result of a different financial year. When average expenditure per-pupil is analysed by type of academy trust, it is possible to identify higher costs in MATs compared to both SATs and LA schools, particularly in the primary sector.

Most of the difference in expenditure between academies and LA schools and between different sizes of trusts is attributable to teaching costs. Unhelpfully, the available cost data do not disaggregate leadership posts. An examination of workforce census data nevertheless suggests that there are some cost differences which can be attributed to higher pay levels for headteachers and greater numbers of senior leaders in the academy system.

Leadership salaries

Our comparison of the top salaries in a sample of 216 out of 776 MATs recognised that we were often looking at very different jobs in a variety of organisational contexts – the work of the leader of a small MAT is quite different from that of a large MAT's CEO, for example.

The average MAT CEO salary in our sample was £113,958 with a per-pupil cost of £26.81. The large MATs (with 11+ academies) had an average highest salary of £146,056 with a per-pupil cost of £21.30. The great majority of salaries were clustered around a modal level of £80-90,000, but with a long tail of higher salaries. The highest salary of £440,000 was paid by Harris Federation, which was a long way beyond the second highest payer (Reach2, £240,000). There were nine MATs paying their leader £200,000 or more, but these were not all large: one (Brampton Manor) paid £200,000 for the CEO of just two academies with a very large number of pupils.

We could not discern any particular pattern or governing principle determining the differences in salary levels. This could become an expensive issue at system level, as leaders' salaries often set a benchmark and exert a pull on the pay expectations of colleagues around them.

In conclusion, the big picture illuminated by our research is how expensive running two middle tier systems is, with so many resources being channelled into senior leadership posts. We also found that an unintended consequence of school autonomy, system fragmentation, and funding restrictions has been the worsening of provision for vulnerable pupils. The poor service for pupils with special needs was noted consistently by headteachers in the case studies. The high performing international school systems, which prioritise equity for all pupils as well as sustaining high performance, provide a sharp contrast: they have a strong educator-led middle tier which ensures that resources are used to support the improvement of all students in all schools.

Recommendations

As a result of our research findings we make recommendations for consideration by policy-makers and others responsible for the oversight of the English education system.

- The main recommendation is for an urgent debate about the role of the middle tier, taking account of international best practice, to ensure greater collaboration, clarity of roles and coherence for the benefit of *all* schools and pupils. The review should include evidence-based consideration of which functions are best delivered at which level of the system (regional, sub-regional and local) and address the concerns listed below.

There are eight additional recommendations:

- There should be a comprehensive review of the cost effectiveness of the MAT model in undertaking the middle tier role to ensure it is fit for purpose.

- The setting of salaries of MAT CEOs should be subject to a framework e.g. the School Teachers' Review Body.

- Grants to pay for middle tier functions should be equitably distributed between academies and LA schools.

- School-led partnerships should be encouraged. They need to be accountable locally and financially sustainable so that they provide challenge as well as support for the improvement of all schools.

- There should be better systems of funding and accountability to ensure that the statutory duty to champion children, especially those with SEN and additional needs, is funded at an appropriate level and that those charged with fulfilling this duty are awarded adequate levels of authority.

- Access to effective CPD, sharing practice and school improvement services in a local area needs to be fairly distributed and strategically planned.

- The DfE and its agencies should work to secure greater transparency and consistency in the publication of financial information.

- There should be regular analyses of the costs of the middle tier, using the methodology that our research has developed.

1. Introduction

The Local Government Association (LGA) commissioned this research to understand the comparative costs of the middle tiers for maintained schools and academies. As of May 2019, 59.6% of schools were local authority (LA) maintained and 40.4% were academies and free schools[2]. Academies are publicly funded but, unlike maintained schools, they are independent of local authorities (LA).

Our research focusses on the costs rather than the effectiveness of the middle tiers for maintained schools and academies. At the time of our research there was no evidence of academies being better at raising standards than LA-maintained schools (Greany & Higham, 2018); and no evidence of multi-academy trusts (MATs) being more effective than local authorities, or *vice versa* (House of Commons Public Accounts Committee, 2018).

What is the 'middle tier'?

The 'middle tier' has been defined in different ways, but we are using it to mean *the systems of support and accountability connecting publicly-funded local authority (LA) maintained schools and academies with the DfE.*

Our research has found a complex and confusing picture. The Public Accounts Committee (PAC) report of July 2018[3] judged that

> The Department's arrangements for oversight of schools are fragmented and incoherent, leading to inefficiency for government and confusion for schools. A large number of disparate people and organisations—including the Department, regional schools commissioners, the Education and Skills Funding Agency, Ofsted, local authorities, education advisers, multi-academy trusts and church dioceses—are involved in supporting schools' conversion to become academies and overseeing their subsequent educational and financial performance.

Indeed, we found that the middle tier is made up of even more organisations (see Figure 1). Some have elements of statutory roles: LAs, the Education and Skills Funding Agency (ESFA), National College of Teaching and Learning (NCTL)[4] and Regional Schools Commissioners (RSC), multi-academy trusts (MATs) and Diocesan Boards for faith schools. There are in addition many service providers that trusts and LA schools can choose from. Some are state-subsidised, such as Teaching Schools and school-led partnerships (SLP), others have charitable status or are private companies.

Middle tier organisations may function at the local, the sub-regional, and/or the regional level. However, what is defined as a 'region' varies: England is divided into nine government

[2] https://www.gov.uk/government/publications/open-academies-and-academy-projects-in-development

[3] https://www.parliament.uk/business/committees/committees-a-z/commons-select/public-accounts-committee/inquiries/parliament-2017/converting-schools-academies-17-19/publications/

[4] NCTL ceased to be a discrete agency of the DfE in 2018, although most of its work was continued by DfE.

office regions but eight regions for Schools Commissioners and Teaching School Councils (TSC) – and diocesan areas are different to both.

Building on Cousin's (2019) functional analysis, we identified the following middle tier functions, derived from government documents and OECD analyses (OECD, 2018), under four main headings (see Table 1). In simple terms, these functions were mainly carried out by local authorities after the passage of the Education Act 1944 and prior to the policy of large-scale academisation.

Table 1: Functions that might be carried out by a Middle Tier organisation

Finance	Accountability	Access	People
Allocating finances Accounting Financial monitoring Finance returns Intervening in financial issues Audit Allocating grants Bidding for grants	Monitoring standards School improvement Complaints External Reviews Governance support & intervention Liaison with DfE agencies	Admissions & appeals Curriculum SEN Educational welfare Place planning Buildings & grounds	Recruitment Training and development Initial teacher training NQT induction Human resources

Inspection is not on our list because it is not carried out within the middle tier, but at a higher level. Ofsted, the national inspection agency for all schools, is funded by the Treasury and is directly responsible to Parliament, not the DfE.

There is a debate about the level at which these functions should be performed. For instance, we have excluded the provision of pupil transport as it is a statutory operational duty of LAs provided to certain pupils rather than schools. Cleaning and catering were also removed from our list as they are operational functions required in both systems to ensure pupils can access education on a daily basis rather than a function to secure support and accountability.

The research

The focus of the research was to undertake a comparison of the cost of the middle tier systems for LA schools and academies.

The project was funded by the Local Government Association (LGA) and some members of the team doing extra *pro bono* work. Led by Dr Sara Bubb (Sara Bubb Associates), Jonathan Crossley-Holland (Education Consultant) and Professor Peter Earley (UCL Institute of Education), other members of the project team were Julie Cordiner (Education Funding

Consultant); Dr Susan Cousin (Education Consultant) and Philip Allsop (Head of Academies Team, BHP Accountants). An advisory board[5] contributed to our thinking.

The research took place between October 2018 and February 2019. It had these strands:

- We explored the key features of the middle tier in four leading education systems through a literature review and interviews with knowledgeable people (see Appendix 4 for more detail).

- We analysed revenue and expenditure data for LA schools and academies, as well as middle tier organisations in one financial year, 2016/17 (see methodology below).

- We examined the salaries of chief executives of academy trusts, to understand more deeply the reasons for the higher leadership costs of academies.

- We built up case studies to examine issues around the middle tier in three contrasting geographical areas (a metropolitan area, a shire county and a London borough). We interviewed 11 headteachers (six schools and five academies), three local authority directors of education, five MAT CEOs, four Diocesan directors, two heads of school partnerships, and a regional schools commissioner. The areas were chosen as helpfully illustrative, rather than because they were representative: the metropolitan area had higher than average proportions of academies, the shire county lower than average, and the London borough was close to the national picture.

Methodology

The financial analysis involved identifying the expenditure by DfE's agencies (ESFA, RSCs and NCTL) and local authorities on middle tier functions. However, these bodies do not carry out all of the functions listed in Table 1 above, and the provision [by ESFA] of the Education Services Grant (ESG) recognises the transfer of some responsibilities from LAs to academies and MATs. It was therefore necessary to examine the cost of MATs as a strategic entity carrying out functions for academies equivalent to relevant aspects of the LA role.

Although financial benchmarking data provided a separate account of funding and costs held centrally by MATs, this was found to include operational activities such as cleaning and catering. It was therefore not possible to assume that all central expenditure represented a middle tier role.

The approach adopted by our team was to identify the differentials in funding and expenditure between LA schools, single academy trusts and academies in MATs. An attempt was made to separate out formula funding and other grants, in order to assess whether there were specific funding streams for academy trusts which would indicate the extent of their

[5] Debbie Barnes, ADCS; Geoff Barton (Julie McCulloch), ASCL; Leora Cruddas, Confederation of School Trusts; Christine Gilbert, former HMCI and Visiting Professor, UCL IOE; Ron Glatter, Open University; Toby Greany, University of Nottingham; Ian Keating, LGA; Emma Knights, NGA; and Paul Whiteman, NAHT.

middle tier responsibilities. This approach also enabled us to explore whether there were any differences in cost for varying sizes of MATs.

The analysis of funding and expenditure is drawn primarily from 2016/17 DfE financial benchmarking data sources[6], the latest year for which most of the information is available. Other elements were drawn from published reports and guidance by DfE and other bodies such as the National Audit Office. We made freedom of information (FOI) requests to LAs and the DfE where there were gaps in our trawl of publicly available documents, but those made to the DfE were rejected, a month after the statutory 20 working days period (request made on 30 October and refused on 27 December).

The detailed methodology and data sources are set out in Appendix 2, along with notes on key issues encountered by the study team in drawing conclusions from the available information. Appendix 3 provides the detailed analysis of costs.

Structure of this report

The rest of the report is presented as follows:

- In section 2 we share the findings from a review of literature and interviews about how the middle tier functions in selected high performing school systems, to set the context.

- In section 3 we explain the picture of the middle tier in England in 2016/17 and how funding flows between organisations. We explain some of the issues we found when we spoke with stakeholders in three contrasting geographical areas (a metropolitan area, a shire county and a London borough) and share views about the value for money that providers of different functions offered, with more detail shown in Appendix 1.

- In section 4 we analyse the costs of middle tier functions for LA schools and academies from top down, by examining the likely costs of the main providers.

- In section 5 we analyse the costs of middle tier functions from bottom up. We detail the numbers of academies and LA maintained schools in 2016/17, by phase, number, pupils and type, to support our further analysis by examining the likely costs of the main providers. We compare the funding for academies and LA schools and use our analyses to examine the differences – and then do the same for expenditure. This includes an analysis of pupil:teacher ratios and leadership costs.

- In section 6 we explore leadership costs further by examining the salaries of the highest paid person in MATs. We also consider that the impact of other senior salaries in MATs might be a topic for further study.

- In section 7 we draw together conclusions and make recommendations.

[6] https://schools-financial-benchmarking.service.gov.uk/Help/DataSources

2. The Role of the Middle Tier in High Performing School Systems

[See Appendix 4 for a more detailed review]

The OECD defines a successful system as one with both high achievement and high equity so we chose Singapore (1st in Pisa 2015 Science assessment), Estonia (3rd), Finland (5th) and Ontario (Canada 7th) to explore the middle tier, i.e. those levels of support and accountability between the state and the school. Although total expenditure on education as a percentage of Gross Domestic Product (GDP) was recorded (see table below), it did not prove possible to discover the proportion of spend on the middle tier and schools.

Table 2: High performing school systems

	Estonia	Finland	Ontario	Singapore
Expenditure on education as % of GDP	4.7%	5.7%	8%	3.6%
Number of schools	517	2,440	4,713	360
Number of students (000s)	153	540	2,154	522

All four share a belief in the value of education and its importance in the success of the country. All work to the principle of subsidiarity, where decisions are taken at the level closest to delivery. However, none has devolved decision-making to schools to the extent that England has.

The nature of the middle tier in each high performing school system

Estonia has a one-tier local government system combining a small state government with 79 municipalities which finance and manage education. Councils are elected by the residents of the municipality. A school's Board of Trustees includes parents, the local government, students, teachers, NGOs, and business representatives. The Board has a say in the recruitment of teachers and principals.

In Finland, the 311 local municipalities form the middle tier and raise 75% of the educational budget through local taxes. Decisions are made at this level on allocation of funding, local curricula and recruitment of personnel. Municipalities determine how much autonomy is passed on to schools, including recruitment responsibilities.

In the Canadian province of Ontario, 72 district school boards have the same governance structure, with a Director of Education, superintendents (experienced educators) responsible for clusters of schools, and school principals. Trustees are elected in municipal elections and represent parents and the community.

Singapore is a tightly coupled network, in which the Ministry of Education (MOE), National Institute of Education (NIE) and its 360 schools share responsibility and accountability in a

unified manner. District-based networks with a focus on the creation of local professional learning communities are organised by Directors who are appointed by the MOE.

How functions are performed

Finance

Only in Singapore does money go straight from the MOE to schools. In Estonia, education constitutes the single largest expenditure of local governments (between 35% and 38%). Local government supervises budget spend and carries out a range of functions e.g. keeps account of student numbers and attendance, school transport, school meals, appoints headteachers. In Finland, funding is allocated on a per-pupil formula agreed between the municipalities and the MOE annually. The latter has only a limited influence on budgetary decisions made by municipalities or schools. In Ontario, the Ministry allocates an annual budget to districts based on per-pupil funding. Boards have flexibility in allocating funding to schools, except for "enveloped" funds for specific purposes. Principals make decisions on school spend, including staffing and class sizes.

Accountability

There is wide variation in accountability systems, from the Estonian and Finnish systems which are built from the bottom up, to Singapore's highly centralised system. However, in all the systems, the middle tier forms a critical part of the accountability regime. Local officials know their schools well, from regular visits to schools by Superintendents (Ontario), the Director of Education (Finland) and the cluster lead (Singapore).

In all four systems, quality assurance is based on steering through information, support and funding rather than controlling; national school inspections have been abolished and the use of data to rank schools has been replaced with a school excellence model, whereby a school's improvement plan is agreed with the middle tier and monitored throughout the year.

All four systems pay attention to data collection which allows state, local government and schools to have an overview of the data, analyse them and make informed decisions. Schools receive their own results to be used for development purposes. There are no sanctions or ranking lists. All have rigorous teacher performance appraisal involving the local or district level to monitor performance against the school's annual plan.

School improvement is a continuous activity rather than an intervention after failure. System improvement is achieved through a combination of intelligent pressure and ongoing job-embedded professional support.

Access

Some of the most striking differences between England and the four high-performing systems include the degree of autonomy afforded professionals in the design and delivery of the curriculum, and the role of trained and experienced teachers, working in a supportive way across a district. Education officers with educational experience and additional qualifications at Masters level in 'Administration', are important factors in enhancing communication and building trust between schools and the middle tier.

School admissions decisions are a combination of parental choice, school selection and middle tier oversight, except in Singapore where they are managed centrally. In all systems, most students attend their local school. Support for children with special education needs (SEN) is seen as an integral part of the school system. All four systems share a philosophy of 'levelling up': they diagnose early and put in place strategies to enable success.

People

In Estonia, the school board has a say in appointments but most decisions taken at the school level (e.g. hiring, dismissal and salaries) are defined within a centrally set framework. The hiring and dismissal of school heads are decided at the local level, within a framework set by the central government. In Finland, LAs own schools and employ all the teachers, but typically, school principals have delegated authority to recruit the staff of their schools.

The Ontario College of Teachers regulates the teaching profession and governs its members, but supervision of school leaders and schools is the responsibility of the superintendents and directors of the 72 Boards of Education. In Singapore, all teachers are trained at the NIE and centrally appointed to schools.

All four systems operate strict control over the quality of applicants at their entry into teacher education and only the best candidates are accepted. Teacher performance appraisals are built on standards and usually include teaching observation by the Principal. Teachers are accorded high-status, and ongoing professional development is usually the responsibility of the school and local district (e.g. Singapore teachers undertake 100 hours per year to stay up to date in their field and improve their practice).

Conclusion

A strong message from the research into high performing systems is that to maintain equity as well as excellence there needs to be a coordinating influence across a locality or region. All four jurisdictions were consistent in their use of a coherent middle tier whatever the extent of devolution of decision-making.

The single reform strategy cited by all four is Fullan's 'Leadership from the Middle' (LftM), which is defined as "a deliberate strategy that increases the capacity and internal coherence of the middle as it becomes a more effective partner upward to the state and downward to its schools and communities, in pursuit of greater system performance" (Fullan, 2015: 24). The principle of LftM is that top-down leadership does not last due to lack of sustainable buy-in from professionals; bottom-up change (e.g. school autonomy) doesn't result in overall system improvement: some schools improve, others don't and the gap between high and low performers increases.

3. How England's Middle Tier Works

The main organisations providing middle tier functions in 2016/17 were the ESFA, RSC, NCTL (through Teaching School Alliances and ITT providers), LAs, Dioceses and MATs. The NCTL became part of the DfE in 2018. In 2016/17 it worked through Teaching Schools and their alliances for training and development and accrediting NLE, LLE, SLE and NLG for school improvement. It worked through approximately 150 school-led and 70 higher education (HEI) providers for initial teacher education.

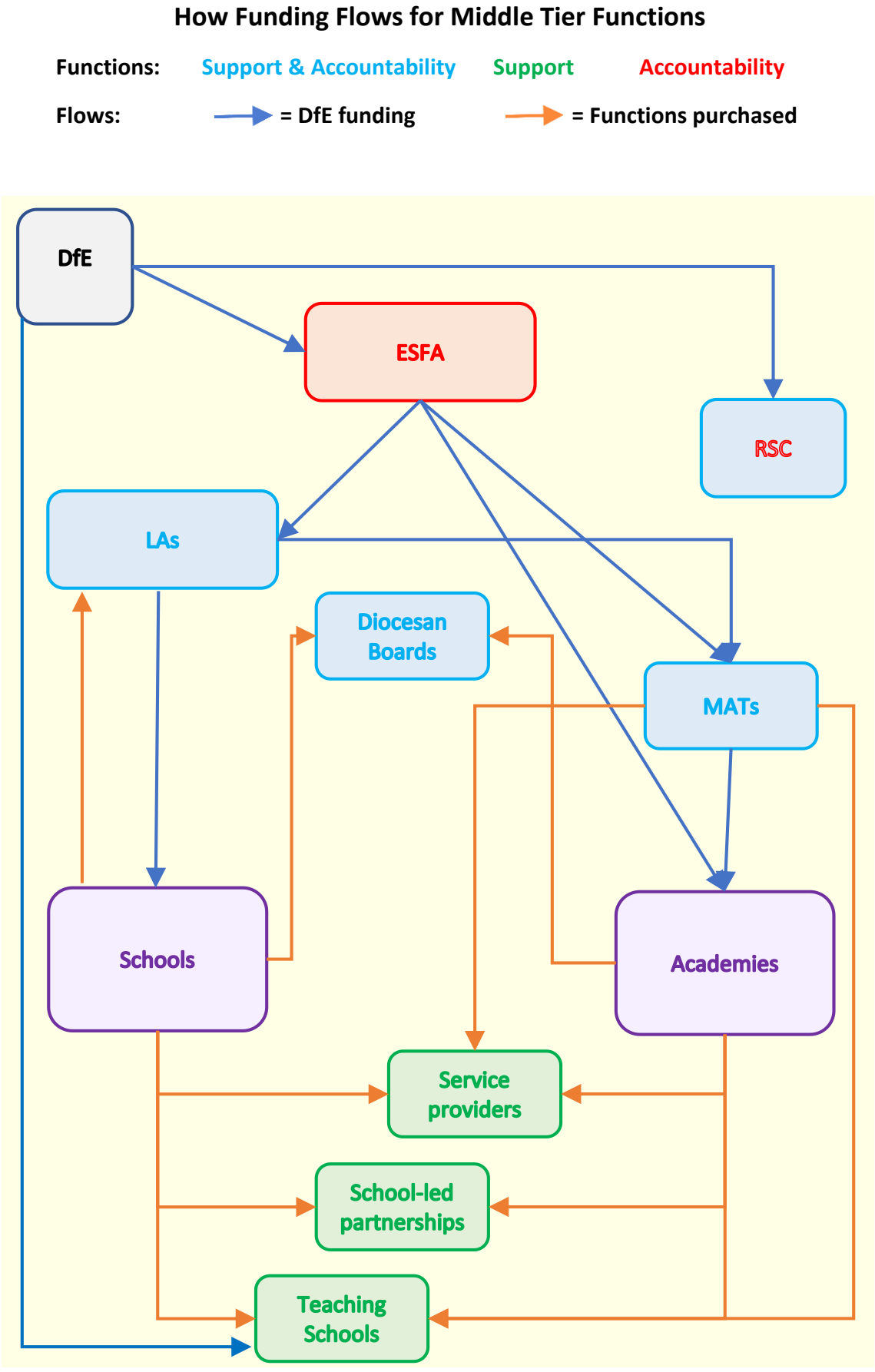
Figure 1 shows how funding for the middle tier flows from the DfE via LAs, ESFA, Teaching Schools and RSC and how schools, MATs and academies buy or are provided with functions. LAs give funding to their own schools, but also to MATs for early years, SEN, growth to meet basic need, and High Needs.

The table below shows which of these organisations provides which functions.

Table 3: Which main organisations provided middle tier functions

Finance	Accountability	Access	People
Allocating finances - ESFA, LA, MAT **Accounting -** ESFA, LA, MAT **Financial monitoring -** ESFA, LA, MAT, Dioceses **Finance returns** - ESFA, LA, MAT **Intervening in financial issues** - ESFA, LA, Diocese **Audit** - LA, MAT **Allocating grants** - ESFA **Bidding for grants** - LA, MAT	**Monitoring standards** - RSC, LA, Dioceses, MAT **School improvement** - NCTL, LA, MAT, **Complaints** - LA, ESFA, Dioceses **External Reviews -** ESFA, RSC, LA, MAT, Dioceses **Governance support** - LA, MAT, NCTL, Dioceses **Intervention -** LA, RSC, Dioceses **Liaison with DfE agencies** - MAT, LA, Diocese	**Admissions & appeals** - LA, MAT, Dioceses **Curriculum -** MAT, LA, Dioceses **SEN** - LA **Educational welfare** - LA **Place planning** - LA **Buildings & grounds** - MAT, LA, Dioceses	**Recruitment** - NCTL, MAT, LA **Training and development** - NCTL, MAT, LA **Initial teacher training** - NCTL **NQT induction -** NCTL, MAT, LA, Dioceses **HR -** LA, MAT, Dioceses

Figure 1: How funding for middle tier functions flows



How middle tier functions are provided

In our qualitative research into three case study areas, 11 headteachers were asked what organisations delivered which functions and to give their views on value for money. As Tables 24, 25 and 26 in Appendix 1 show, the picture was very complex, even in a close geographical area. Where LA schools and academies obtained services from varied considerably.

There was not a simple LA school/academy divide. Some LA schools expressed dissatisfaction with LA services and some academies expressed dissatisfaction with their MAT. LA schools used non-LA service providers a great deal, and across a wide variety of functions. The five academies in our case studies were all part of MATs, which provided the majority of services.

There was a concern about falling budgets, especially from LA schools, meaning that costs for middle tier functions needed to provide even greater value for money. Heads considered that some services were good but too expensive; others were not very good but cheap.

The time spent managing numerous contracts was a frequent concern. One maintained primary head said, "It takes about 20% of my time and much of the office staff's …We're always looking for best value for money and getting new providers – it's very time-consuming and there is little recourse when things go wrong". In a maintained secondary, managing the middle tier functions took much of the business manager's and some of an assistant head's time.

Most academy heads felt relieved that the MAT was managing those functions. They found it hard to judge value for money precisely as they were no longer directly involved in paying for services. Some heads were sceptical about whether their MAT had found the most cost-effective providers and others were frustrated that they could no longer choose providers. One academy head regretted losing the autonomy that he'd experienced in an LA school: "MAT members have to buy the MAT arrangements". He thought that this was a retrograde step, akin to the situation existing before the Local Management of Schools Act 1988.

Finance

The middle tier function of monitoring budgets to help financial planning was an area of concern. One maintained school head reported that their budget had not been monitored by the LA for a while, and the LA said that they only intervened if issues were flagged up. One Diocesan Director reported that because of his concern about their voluntary aided schools getting into financial difficulties, the Diocese was monitoring school budgets for the first time.

Accountability

A crucial objective for the school-led partnerships (SLP) we heard from in our research was to provide a universal school improvement service to complement the work of LA schools and academies themselves, and so prevent failure. One school-led partnership was funded by its LA to spend £900,000 on intervention in 2016/17. One SLP had a programme of peer challenge in primary schools, including early identification and intervention for those in need.

A single academy trust which was struggling with discipline had to have emergency support from the school-led partnership. Stakeholders were shocked that the RSC would not get

involved because the academy had not been labelled by Ofsted as failing. It confirmed the need for SATs to be part of a network.

A very large MAT had a significant school improvement team, including 72 teachers acting as specialist subject directors, in addition to the core corporate posts. This enabled it to take on failing schools. Its investment in school improvement in 2016/17 was substantial: 14% of the annual budget.

Access

SEN and Education Welfare (EW) were problems in each of the three case studies. To the extent that LAs appear to be more frequently involved in these functions than in almost any other function, except Admissions, this affected their general reputation. In all three areas, the LA was considered very underfunded for these functions: one head described it as 'woeful funding'. Alternative provision was considered an issue because there were not enough places, and it was expensive.

Among the generally negative views about the LA Educational Welfare service, one academy head said that there was no service. Although freely provided by the LA, some LA schools bought their own Educational Welfare Officer (EWO) or shared one with neighbouring schools.

We heard about the impact of some academies' zero tolerance of poor behaviour policies and off-rolling practices, which had caused bad feeling. A Diocesan Director of Education commented, "A big criticism of MATs is that they are not as inclusive as they should be and tend not to focus on their local communities, as other schools do".

The school-led companies had an emphasis on shared values, such as: all children and schools are our collective responsibility**;** every child and school are known**,** valued and supported to achieve; and no school is more important than an individual child's needs.

Heads preferred to use local companies for building and grounds maintenance. Some academy heads lost this where their MATs were not local. One head aired frustration with a PFI building beset with problems, scoring its maintenance on a scale of 1-4 for value for money as a shocking 5.

People

Staff recruitment was largely done by individual schools by buying advertising. Some heads considered HR systems expensive.

Training and development programmes led by LAs, SLPs and Teaching Schools ran on separate complex and confusing multi-level subscription models. There were some instances of LAs, SLPs and Teaching Schools competing with each other in running training programmes. This was also found to be the case in the national evaluation of Teaching Schools (Gu et al., 2015). Even when courses were subsidised, some did not recruit sufficiently and had to be cancelled, which caused annoyance and disappointment for all concerned. One SLP brokered school-led research groups through its Teaching Schools.

The case studies gave a picture of a muddled middle tier. Interviewees' comments provided an insight into what is concerning schools and academies. The organisations that work with them showed the complexity of middle tier arrangements and the precariousness of their funding.

4. Working out the Middle Tier Comparative Costs – from the top down

We will explore each main organisation in turn, identifying its middle tier functions. This gives us an opportunity to use information on overall costs and broad aggregates to make reasoned estimates concerning the cost of those functions.

Education and Skills Funding Agency[7]

The ESFA is accountable for £58 billion of funding for the education and training sector. Its website lists three broad areas of work:

- provides assurance that public funds are properly spent, achieves value for money for the tax payer and delivers the policies and priorities set by the Secretary of State
- regulates academies, further education and sixth-form colleges, and training providers, intervening where there is risk of failure or where there is evidence of mismanagement of public funds
- delivers major projects and operates key services in the education and skills sector, such as school capital programmes, the National Careers Service, the National Apprenticeship Service and the Learning Records Service.

Thus, the ESFA performs clear middle tier functions: they put in place funding agreements for academy trusts and ensure the proper use of public funds through financial assurance. Compliance checking and the collation and publication of statutory financial returns is likely to take significantly longer for the academy system because of the large number of trusts (over 3000 in 2016) compared to the 152 LAs. A key issue for the study to consider was the likely balance of costs between the two systems. We have estimated that the LA school/academy proportion of ESFA spending was 25/75 at most, and possibly closer to 20/80.

Where there are problems, ESFA makes formal or informal interventions. The latter include the brokerage of additional external support, visits by Education Advisers, or extra reporting requirements. The main formal interventions are converting LA schools to a sponsored academy; replacing a governing body with an interim executive board (IEB); and Warning Notices and Financial Notices to Improve (FNtI).

The ESFA total budget in 2016/17 was £64m. The staff budget was £52.6m for 1125 FTE staff. The National Audit Office report *Converting Schools to Academies*[8] identified a cost of £2.6m for ESFA's administrative cost of conversions.

[7] On 1 April 2017, the Education Funding Agency (EFA) and Skills Funding Agency (SFA) merged to become the Education and Skills Funding Agency (ESFA).

[8] National Audit Office HC 720, February 2018: https://www.nao.org.uk/report/converting-maintained-schools-to-academies/

Regional Schools Commissioners

During our case study interviews, a regional schools commissioner queried being classed as a middle tier organisation because he considered that RSC offices were outposts of the DfE. However, they fulfil functions around accountability, governance, school improvement and finance as can be seen in their responsibilities. In 2016/17 these were the following, which we have divided between academies and LA schools.

For the academy system

- Taking action where academies and free schools are underperforming
- Intervening in academies where governance is inadequate
- Encouraging and deciding on applications from sponsors to operate in a region
- Increasing the number of sponsors and taking action to improve poorly performing ones
- Advising on proposals for new free schools
- Advising on whether to cancel, defer or enter into funding agreements with free school projects
- Deciding upon applications to make significant changes to academies and free schools.

For the LA school system

- Deciding on applications from LA schools to convert to academy status [overlap with academy system]
- Improving underperforming LA schools by providing them with support from a strong sponsor.

The House of Commons Education Committee report[9] has more information on the role of Regional Schools Commissioners. The RSC cost £31.4m in 2016/17. As the table shows, there was a significant increase over three years as the RSC offices took on more functions from the DfE. We have estimated that the LA school/academy proportion of RSC spending was 10:90.

Table 4: Cost of Regional Schools Commissioners (FOI)

	2014/15 £m	2015/16 £m	2016/17 £m
RSC costs	4.7	26.3	31.2

[9] HC401 January 2016 https://www.parliament.uk/business/committees/committees-a-z/commons-select/education-committee/inquiries/parliament-2015/regional-schools-15-16/

National College of Teaching and Learning (NCTL)[10]

The NCTL's responsibilities in 2016/17 were teacher recruitment, initial teacher education, leadership development and qualifications, system leadership (NLE, SLE, NLG) and governor training. Apart from the national teacher recruitment campaigns, all of these are middle tier functions. In 2016/17 NCTL spent £431.3m[11], of which £317.716m was on grants, largely given through Teaching Schools. The NCTL accounts[12] (see table below) show grant expenditure on school improvement was £14.239m and £48.165m was spent on CPD and leadership, which totals £62.404m. The NCTL staff costs were £13.9m in total so we have estimated that 20% of this is likely to have been spent on this proportion of the grants.

Table 5: NCTL grant expenditure (NCTL, 2017)

National College for Teaching & Leadership — Annual Report and Accounts 2016-17

5. Grant expenditure

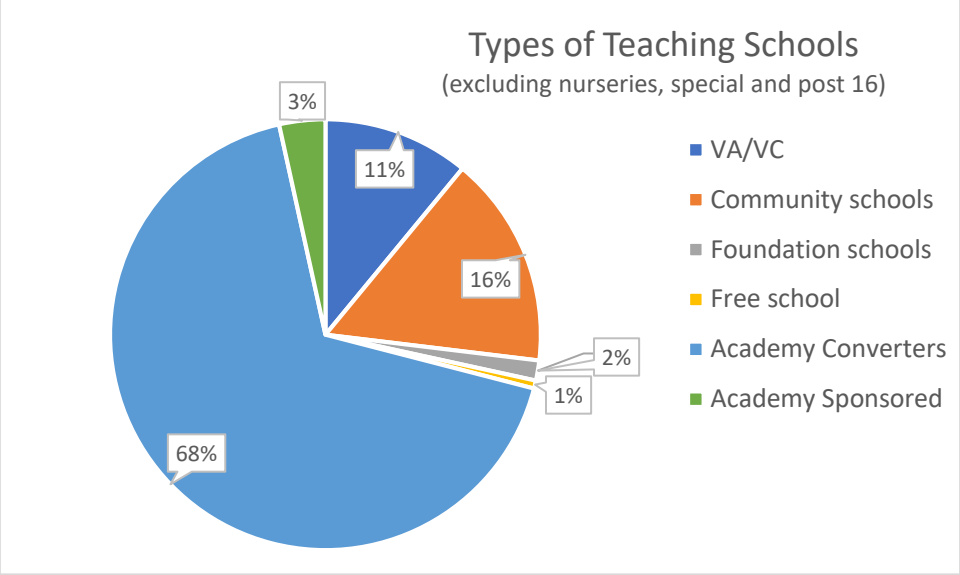
	2017 £000	2016 £000
Teacher recruitment	244,350	228,003
CPD and leadership	48,165	49,930
Educational psychology	2,211	1,917
School improvement	14,239	16,067
STEM	7,910	6,358
Repayment of teacher loans	661	2,205
School grants	180	526
	317,716	**305,006**

We were unable to find more detail on the LA school / academy split of this funding despite FOI requests to the DfE, but it is likely that the proportion is heavily weighted towards academies. NCTL gave grants through Teaching Schools, and we know from the online school-to-school support directory[13] that 72% of Teaching Schools are academies (see Figure 2). An evaluation by Gu *et al* (2015) also stated that 'Secondary and academy schools are overrepresented among teaching schools' (p45). We have thus estimated that the LA school/academy proportion of NCTL spending on school improvement and professional development was 28/72.

We found little reference to Teaching Schools in our case studies of three different areas. Just one of the 11 heads mentioned their role in relation to training and development: this was a primary academy which was also a Teaching School.

[10] NCTL ceased to be a discrete agency of the DfE in 2018, although most of its work was continued by DfE.
[11] www.parliament.uk/documents/commons-committees/Education/Department-for-Education-Main-Estimate-2016-17-Memorandum.pdf
[12] https://www.gov.uk/government/publications/nctl-annual-report-and-accounts-2016-to-2017
[13] http://apps.nationalcollege.org.uk/s2ssd_new/create_xls.cfm

Figure 2: Teaching Schools – by type of school



There may be advantages to academies through involvement in initial teacher education: developing staff and recruiting new teachers that they know to be of high quality. The total number of postgraduate new entrants on school-led routes was 15,061 in 2016/17, making up 56% of the total[14]. The number of school-centred providers has increased from 56 to 155 in the last five years and there are 70 higher-education institutions.

The newly qualified teacher (NQT) survey[15] shows that 28% of primary and 33% of secondary NQTs were teaching in a school they had trained in. People on school-based routes were more likely than HEI-led routes to find a job through training with a school (40% vs. 26%).

Local Authorities

LAs undertake some statutory duties for both LA maintained schools and academies. Some of these were recognised in a separate Retained Duties element of Education Services Grant in 2016/17, paid to LAs at a rate of £15 per pupil, a national rate which did not reflect actual spending. This meant that some costs were funded from general local government grants, business rates and domestic rates. Unfortunately, the Section 251 2016/17 outturn statement[16] does not provide a simple breakdown of the cost of duties between those performed only for LA schools and other strategic functions that relate to all schools and academies.

Expenditure related to funding returned to the LA by LA schools for specific services to be provided centrally ("de-delegation") was excluded as not being middle tier, because schools determine whether the services are provided by the LA or not, and this varies considerably

[14] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/572290/ITT_Census_1617_SFR_Final.pdf
[15] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/738037/NQT_2017_survey.pdf
[16] https://www.gov.uk/guidance/section-251-2016-to-2017

across the country. Where LAs provide traded services, these were included as income in the published data; to allow for this, the net expenditure has been used in the analysis.

An exercise was therefore undertaken to use the DfE's Annex A[17] guidance document on LA statutory duties to apportion the values for LA statutory functions between the two systems according to the scope of responsibility. Appendix 2 of our report outlines the method deployed to calculate a per capita cost of the respective functions.

This results in LA middle tier costs being attributed to the two systems as follows:

Table 6: LA middle tier costs per-pupil - from s251 outturn statement 2016/17

	LA schools £	Academies £
LA functions for LA schools only	£86.01	n/a
LA functions for LA schools and academies	£20.97	£20.97
Total LA middle tier costs	£106.98	£20.97

LAs incur additional costs when schools convert to academy status. These mainly relate to the requirement to facilitate academy conversions through transfers of staff and buildings, closure of accounts other than at the year end, and to write off deficits for schools that are subject to intervention with an Academy Order to join a sponsor.

The costs to LAs have been estimated using responses from LAs to FOI requests. Appendix 2 outlines the process by which an average cost of £6,580 per conversion was scaled up and reduced by charges to schools made by a small number of LAs. This produced a net cost of £5.867m. However, one LA gave an example where the true costs to support conversion of a school were nearly £5m. As well as the usual conversion costs, the LA had to pay £2m for capital funding and over £2m to cover a projected funding gap due to low pupil numbers.

Appendix 2 also explains the details of compulsory deficit write offs and discretionary retention of surpluses for schools in intervention that were issued with Academy Orders to join a sponsor. While 22 LAs wrote off deficits totalling £5.120m in 2016/17, two LAs retained large surpluses which brought the net figure down to £600k. The cost of deficit write-offs varies significantly depending on the number of interventions, the pattern of surpluses and deficits, and LA decisions on retaining surpluses instead of acceding to DfE's 'encouragement' to hand them over.

[17] https://www.gov.uk/government/publications/education-services-grant-2015-to-2016

From our case studies, we found a general view that the LAs were doing a difficult job in straitened circumstances. As one head said, "The LA is stretched. We're not getting much but we're not paying much".

MATs

MATs are part of the middle tier because they perform key functions such as governance, performance monitoring, school improvement, professional development, financial sustainability and provision of support services for their academies. Indeed, the transfer of Education Services Grant from LAs to academies on conversion (until its abolition for both systems in 2017/18) confirmed the policy intention that there should be a middle tier role for MATs.

Table 7: Total net expenditure per-pupil 2016/17 from financial benchmarking data

	Primary £	% variation from LA primary schools	Secondary £	% variation from LA secondary schools
LA schools	4,690		5,879	
SATs (1 academy)	4,641	-1.0%	5,526	-6.0%
Small MAT (2-5 academies)	4,919	+4.9%	5,759	-2.0%
Medium MAT (6-10 academies)	4,975	+6.1%	5,836	-0.7%
Large MAT (11+ academies)	5,297	+13.0%	6,443	+9.6%
Total MATs	5,054	+7.8%	5,960	+1.4%
All academies	5,001	+6.6%	5,820	-1.0%

The two systems operate on different financial years: April to March for LA schools and September to August for academies. We have established that academy expenditure is likely to be 0.3% higher than LA schools because of the timing of pay awards. However, there is no adjustment to academy funding to reflect this. The following table illustrates the patterns and shows the relevant pay awards.

Table 8: Impact of financial year variations and pay awards

	Summer 2016	Autumn 2016	Spring 2017	Summer 2017
LA school financial year				
Academy financial year				
Pay awards from April 2016				
Teachers		1%		
Support staff	1%			1%

An examination of formula funding levels and evidence of relevant pupil and school characteristics, such as free school meals, special needs and size of school (see section 5) indicate that average per-pupil funding and costs should be lower in academies on average. Within this, higher levels of need in sponsor-led academies were outweighed by lower needs in converter academies. The gap between needs-driven formula funding and total grant funding is assumed to relate to additional grants awarded to academies and MATs for middle tier functions and the growth of MATs as a policy intention.

The above considerations led us to conclude that leadership costs were an important measure of the extent of middle tier costs in a MAT, reflecting the additional functions transferred from the local authority.

Academies as a whole spent 58% more on administrative posts than LA schools, with the highest spending in large MAT academies. Roles such as Chief Executive Officer (CEO), Chief Operating Officer (COO), and Chief Financial Officer (CFO) are strategic posts in MATs and are likely to have greater levels of responsibility than their equivalents in an individual school or academy. From our case studies we found that some MATs were considered more efficient than others, meaning that heads judged their services to offer greater value for money (see tables in Appendix 1).

The five MAT CEOs interviewed were enthusiastic about the opportunities which the roles provided them. All were very focussed on developing the capacity of their MATs, which additional funding has enabled. Some had sophisticated structures, but others were thought to be spending a lot of time reinventing the wheel.

The CEOs commented on the importance of MAT size: not just the number of academies but the number of pupils. One spoke of the huge difference it made to move from three schools to five and then to eight in the ability to build central team capacity. The largest MAT, for example, had several Teaching Schools and 98 national and specialist leaders of education (NLEs and SLEs).

Diocesan Boards

Diocesan Boards play a middle tier role for their schools, academies and MATs, focussed on ensuring the retention of their denominational character through inspection, training, overseeing key appointments, ensuring admissions compliance and overseeing capital projects for their buildings. For the purposes of this study, the costs of Diocesan Boards are not included because they only receive government funding for their section 48 inspections; the rest comes from the Diocese and school subscriptions.

We interviewed four Diocesan Directors of Education (two Church of England and two Roman Catholic). They faced significant complexity working across many LAs (13 in one case) and RSC regions. They reported the importance of LA support for work with their voluntary aided schools because they had little capacity of their own. All said that this support was variable, and they were anxious about how long LAs would be able to provide it.

They were all involved with MATs. Two expressed concern about how they were developing, summed up by one: “When MATs start to be set up, schools do not know each other. They seemed to be focussed on ‘what is in it for us?’, which pulls against the Catholic ethos”.

School-led partnerships

School-led partnerships existed in two case study areas and were deemed to be successful in both. The middle tier functions they provided were:

- School Improvement – peer challenge including early identification and intervention for schools in need; school led research groups
- Liaison with LA and local agencies
- Professional Development – head teacher, senior leader and secondary subject network meetings; peer challenge
- SEN – provision for vulnerable students and the administration of the Fair Access Panel.

They acted not only as a provider, but a broker and commissioner of services for LA schools and academies. The Directors were clear that the services offered are those that schools need rather than “an historic pick up of local authority services”.

In 2016-17 everything was free but now each subscribing school or academy pays £1500 plus £4 per school-aged pupil. All schools and academies are shareholders in the company and over 90% subscribe.

One director said, “There needs to be glue to stick everything together in this disjointed system” and felt that the school-led partnership was that adhesive. We have not included them in the costings since they receive no money from DfE but are reliant on school subscriptions and the LA commissioning them to carry out functions. Although successful, both felt precarious financially, which inhibited their strategic development.

The costs of the main organisations’ middle tier functions

Discovering the costs of these organisations’ middle tier functions has been challenging. FOI requests in relation to ESFA, NCTL, MATs and RSC were turned down by the DfE, either because the information was not available, or because it would take too long to collate. In order to overcome these obstacles, we undertook a process of identifying reasonable assumptions on which to base apportionment of expenditure for the two systems. These are explained below the table and in detail in Appendix 2.

Drawing together the different components of middle tier functions produces the following costs per pupil, based on numbers of academies in the January 2017 census.

Table 9: Summary of middle tier organisations' costs 2016/17 – FOIs and reports

Cost category (*estimate)	**Total costs 2016/17**			**Costs per pupil**	
	LA schools £m	*Acad-emies* £m	*Total* £m	*LA schools* £	*Acad-emies* £
Grants paid directly to academy trusts for middle tier functions (breakdown in Table 13)		356.8	356.8		94.53
Academy conversion costs DfE and ESFA		14.6	14.6		3.87
ESFA reimbursement of converter deficits		1.4	1.4		0.37
Local authority conversion costs		5.9	5.9		1.55
Regional Schools Commissioners – 10:90 LA school/academy split*	3.1	28.1	31.2	0.68	7.44
Education and Skills Funding Agency – 25:75 LA school/academy split*	16.0	48.0	64.0	3.51	12.72
National College for Teaching and Leadership 28:72 LA school/academy split*	18.3	46.9	65.2	4.00	12.44
Local authority statutory duties	488.1	79.1	567.2	106.98	20.97
MAT middle tier 2.5%* funded from academy top-slicing		106.6	106.6		13.17
Grand totals	**525.4**	**687.4**	**1,212.8**	**115.17**	**167.05**

As the table shows, the estimated cost per-pupil for the middle tier in 2016/17 was £167.05 for academies and for LA schools £115.17 per pupil – a difference of **44%.** Key contributors to the higher academy estimate were specific grants of £94.53 for MAT functions and academy system growth, which are shown in detail in Table 13.

An estimated 2.5% (£340.3m or £90.17 per-pupil) was identified for middle tier costs for MATs funded by top-slicing of grant from their academies. DfE has confirmed that top-slicing is not shown in the financial benchmarking files, either for the academy contributions or the income to trusts. The size and way in which top-slicing occurs varies but is typically 4-5%. We have been conservative in estimating that 2.5% is spent on middle tier functions.

However, the Education Services Grant can also be applied to this expenditure. Since this grant (£233.7m for academies) is already included within the specific grants line at the top of the table, a deduction was made of the relevant per-pupil rate of £77 per pupil in order to avoid double-counting the grant. The MAT middle tier line therefore represents a cautious net cost of £106.6m or £13.17 per pupil as the top-sliced element. Depending on the use of Education Services Grant, in reality it could be much higher.

The LA costs of writing off deficits for schools compelled to become sponsor-led academies through intervention have not been included in the table, because of the variability of deficits and potentially atypical retention of surpluses in 2016/17.

In the absence of any information on NCTL's detailed cost breakdown, items considered to be middle tier functions (school improvement, CPD leadership and 20% of staff costs - the latter being calculated in line with the proportion of total costs that these functions represent) have been estimated to follow the direction of funding for Teaching Schools, of which 72% are located in academies. It is not known how much of this funding is passed on to LA schools. The members of the TSAs we looked at in the case studies were predominantly academies.

We estimate that the balance between the RSC functions was 10% for LA schools and 90% for academies. Our initial estimate was 5:95 but an interview with one RSC suggested 15:85 for LA schools, so we compromised.

5. Working out the Middle Tier Comparative Costs – from the bottom up

Having attempted to find the comparative costs of the middle tier from examining the main organisations, we then analysed costs from the LA schools' and academies' angle.

Classifying LA schools and academies

This was conducted by classifying mainstream primary and secondary[18] schools and academies in 2016/17 into a set of groupings to fully understand patterns of funding and expenditure. The trust size categories are based on the DfE and the NAO definitions:

- single academy trusts (SATs) (1 academy)
- small MATs (2-5 academies)
- medium MATs (6-10 academies)
- large MATs (11 or more academies)

This classification helped in considering whether there were differences in funding and costs between MATs of varying sizes, as a basis for exploring middle tier costs. The table below identifies the number of schools in each category within our data set: 70% were LA schools and 30% were academies. A third of academies were stand-alone, and two-thirds were in MATs.

Table 10: Mainstream schools and academies included in the study (2016/17)

	Primary		Secondary		Total	
	Number	% of total	Number	% of total	Number	% of total
LA schools	12,544	78	1,030	31	13,574	70
SATs	882	5	1,125	34	2,007	9
Small MAT	1,138	7	582	18	1,720	9
Medium MAT	679	4	229	7	908	5
Large MAT	903	6	340	10	1,243	6
Total MATs	2,720	17	1,151	35	3,871	20
All academies	3,602	22	2,276	69	5,878	30
Schools + academies	16,146	100	3,306	100	19,452	100

[18] Nursery schools, special schools and Pupil Referral Units were excluded, because their higher unit costs would skew the results.

Another important dimension in understanding the funding and cost differences is the type of academy, because of distinct variations in pupil characteristics. Table 11 shows the breakdown between converter, sponsored, free schools and other types (UTCs and studio schools). Table 12 shows the corresponding breakdown of the academies' pupils, revealing differences in size of school and academy across the categories.

Table 11 shows that in our data set, 34% of academies were stand-alone trusts with 28% being converters. Only 36% were in MATs containing more than five schools. In total 65% of academies were converters, and 28% were sponsor-led: this pattern was broadly similar for both primary and secondary schools. This has an important impact on formula funding; the higher levels of need and funding in sponsor-led academies are outweighed by converters.

Primary academies tend to belong to MATs: three times as many as there were in SATs. The ratio was close to 1:1 for secondary academies. Given the larger absolute number of primary academies, however, the overall ratio was about 2:1.

Within MATs, converter academies were most likely to belong to a small MAT (19% of all academies); sponsor-led academies tended to belong to a large one (12% of all). The pattern is broadly the same in both primary and secondary phases.

Although primary academies accounted for 61% of all academies, they only had 33% of all academy pupils. There were twice as many primary pupils in converter academies as there were in sponsor-led academies.

The position is reversed in the secondary phase, reflecting the much larger size of academy. While they represent 39% of all academies, they have 67% of the pupils, and the ratio between types of academy shows the number of pupils in secondary converters being three times as many as in sponsor-led secondary academies.

Table 11: Numbers of academies by type, expressed as a percentage of all academies

All academies	Converters	Sponsor-led	Free/other	Total
SATS	28%	3%	3%	34%
Small MAT	19%	8%	2%	29%
Medium MAT	9%	5%	1%	15%
Large MAT	8%	12%	1%	21%
Total MATs	37%	25%	3%	66%
Total academies	65%	28%	7%	100%
Primary academies				
SATS	13%	1%	1%	15%
Small MAT	13%	5%	1%	19%
Medium MAT	7%	4%	0%	12%
Large MAT	7%	8%	0%	15%
Total MATs	27%	17%	2%	46%
Total primary	40%	18%	3%	61%
Secondary academies				
SATS	15%	2%	2%	19%
Small MAT	6%	3%	1%	10%
Medium MAT	2%	1%	0%	4%
Large MAT	1%	4%	0%	6%
Total MATs	9%	8%	2%	20%
Total secondary	24%	10%	4%	39%

Table 12: Pupil numbers by academy type, as a percentage of all academy pupils

All academy pupils	Converters	Sponsor-led	Free/other	Total
SATs	37%	4%	2%	43%
Small MAT	20%	7%	1%	28%
Medium MAT	8%	4%	0%	13%
Large MAT	6%	11%	0%	17%
Total MATs	34%	22%	2%	57%
Total pupils	71%	25%	3%	100%
Primary pupils				
SATs	8%	1%	0%	9%
Small MAT	8%	3%	0%	11%
Medium MAT	4%	2%	0%	6%
Large MAT	3%	4%	0%	8%
Total MATs	15%	9%	1%	25%
Total primary	22%	10%	1%	33%
Secondary academies				
SATs	30%	3%	1%	34%
Small MAT	12%	4%	0%	17%
Medium MAT	4%	2%	0%	7%
Large MAT	2%	6%	0%	9%
Total MATs	19%	13%	1%	33%
Total secondary	49%	16%	2%	67%

Comparison of funding for LA schools and academies

Funding streams

There are some sources of funding outside of LA school budget shares and academy General Annual Grant. LAs can retain growth funding, temporary falling rolls funding and other central funds with the permission of the Schools Forum; all types of school and academy can receive allocations from these funds if they meet the eligibility criteria. Other costs specific to the academy system are incurred by ESFA, RSCs and LAs in relation to their middle tier roles.

Academy grant funding includes a number of adjustments made by ESFA for items which do not apply to LA schools. These include retrospective adjustments (positive or negative) for academies funded on estimated rolls, funding for deficits either as loans or negotiated grants, Education Services Grant and associated protection for historic reductions, post-opening grants and funding to cover costs of staff restructuring as part of financial recovery plans. Of these, we have been unable to quantify estimated roll adjustments and staff restructuring costs.

While some LAs may operate funds for LA schools in financial difficulty, it is not possible to quantify these; they are combined with other contingencies in Section 251 returns. LAs usually offer Licensed Deficits, which involve permission to set a deficit budget (underwritten from general school balances) rather than additional funding.

In 2016/17, specific funding streams for SATs and MATs can be broadly categorised as follows:

- Spending by DfE and LAs on converting schools to academies
- Building capacity in the academy sector, e.g. sponsor growth
- Intervention, e.g. re-brokering costs
- Education Services Grant, including transitional protection against reductions
- Support for academies in financial difficulty.

There is no single reliable and complete source for these items. While DfE's accounts included overarching figures, they were not sufficiently detailed. The table below outlines known and estimated values for these grants, which form part of the per-pupil funding outlined in Table 7 because they were paid directly to single or multi-academy trusts. Most of the items depended on the number of conversions in a year but the most significant in value terms, the Education Services Grant, applied to all academies. This was removed in September 2017 from academies and LAs.

The Education Services Grant was paid in 2016/17 at a rate of £77 per pupil. Academies received this directly, but LA schools did not, because it was paid to their LA to carry out functions on their behalf. ESG funding allocations to LAs are reflected in their levels of expenditure relating to middle tier functions in Table 7.

Table 13: Grants in 2016/17 paid directly to academies and MATs

Grant	£m
Pre-opening grant for conversions without sponsor	33.600
Pre- and post-opening (start-up) grants – with sponsor	31.500
Sponsor and other capacity funding	6.600
Regional Academy Growth Funding	30.059
Re-brokering grants	8.400
Education Services Grant	233.650
Education Services Grant protection	8.821
Deficit funding (paid to 14 academies)	4.126
Total	356.756

There are limits to how far the available information explains the differentials between academy and LA school total funding shown in Table 14 below. Dividing the specific grants paid directly to academies in Table 13 of £356.756m by the DfE's 3-19 academy population produces an additional £94.53 per-pupil for academies, but we have no way of knowing the primary/secondary split of every grant.

Total grant funding per-pupil in 2016/17

The table below identifies the total grant funding per-pupil from the government in 2016/17 for each of the categories of mainstream schools and academies, including funding held at trust level. More detail about the methodology can be found in Appendix 2.

Table 14: Total grant funding per pupil for schools and academies in the study

	Primary £ per pupil	Secondary £ per pupil
LA schools	4,682.88	5,796.91
SATs	4,655.85	5,534.73
Small MAT	4,908.80	5,695.95
Medium MAT	4,859.21	5,709.48
Large MAT	5,119.20	6,227.62
Total MATs	4,964.98	5,842.43
All academies	4,888.85	5,694.59
Academy variation against LA schools	**+4.4%**	**-1.8%**

The overall conclusion is that compared to LA schools, grant funding per-pupil for academies is 4.4% higher in the primary sector, and 1.8% lower in the secondary sector. However, academies in large MATs have substantially higher funding than any other group, particularly in the secondary sector.

The LA formula is the basis for core funding in all schools and academies; this is shown in the table below and explained in more detail in Appendix 2. These are national figures (i.e. including schools that converted during the year), rather than the financial benchmarking selection used in the study. It was not possible to achieve a match with individual schools and academies in our data set, due to inconsistent identifiers between the two DfE files, and therefore we were unable to allocate all-through schools to the two sectors. It was also not possible to replicate our groupings of SATs and academies in different sized MATs.

Table 15: Formula funding 2016/17 (national tables)

	Per-pupil funding		
	Primary	Secondary	All-through
LA schools	£ 4,090	£ 5,366	£ 5,549
Converter academies	£ 3,872	£ 4,933	£ 5,064
Sponsor-led academies	£ 4,268	£ 5,658	£ 5,357
Free schools/UTCs/Studio/CTCs	£ 4,581	£ 5,781	£ 4,623
All academies	£ 4,013	£ 5,127	£ 5,172
LA schools and academies	£ 4,074	£ 5,211	£ 5,249
Academy variation to LA schools	-1.9%	-4.4%	-6.8%

This clearly shows academy funding that is attributable to pupil and school characteristics is much lower than the pattern shown in total funding in Table 14, when compared against LA schools. There is an element of local decision-making on priorities for funding, but all schools and academies in a single LA area are funded using the same formula. Within the formula, there are London weightings, yet these do not appear to provide the boost to academy funding that might have been expected.

It is important to identify these variations, because they explain an element of the differences in funding and spending across different types of academies compared to LA schools. Academy funding relating to pupil and school characteristics was considerably lower than LA schools, in contrast to the much narrower differential for total funding shown in Table 14. This confirms that academies were receiving more through other specific grants related to middle tier functions and academy growth. The next section explains some of the main reasons for the differences in formula funding, which also drive some of the spending decisions by schools and academies.

Reasons for differences in funding and spending

Pupils entitled to free school meals

Entitlement to free school meals (FSM) is a key element in explaining differences in funding between schools. The table below shows the incidence of FSM eligibility for primary and secondary sectors in each category.

Table 16: Percentages of FSM in primary and secondary LA schools and academies

	Free school meals	
	Primary	Secondary
LA schools	14.3%	19.5%
Converter academies	12.9%	9.3%
Sponsored academies	22.9%	21.0%
Other: Free/UTCs/Studio	13.3%	13.8%
All academies	15.8%	12.3%
Academy differential	+1.5%	-7.2%

In the primary phase, academy pupils have slightly higher FSM eligibility, but those in secondary academies have a significantly lower rate than their LA school counterparts. It is important to note, however, the extent to which sponsored and converter academies differ in this regard. Sponsored academies (which comprised 28% of academies in 2016/17) have higher rates of FSM eligibility than any other category and converter academies (the majority at 64.5% of academies) have much lower rates. The effect of this is sufficient to give sponsored academies higher rates than their LA counterparts, significantly so in the case of primary academies.

Pupils with special educational needs

Pupils with special educational needs (SEN) can have a significant impact on a school's funding and need to spend. LAs have to treat all schools and academies equally when allocating SEN funding, meaning that levels of grant are clearly caused by individual pupils' needs.

Table 17: Funding per-pupil with SEN (source: DfE financial benchmarking files)

	SEN funding	
	Primary £	Secondary £
LA schools	121.40	111.80
SATs	104.22	75.25
Small MAT	96.31	82.49
Medium MAT	100.11	81.74
Large MAT	81.25	85.12
Total MATs	92.35	83.04
Academies	95.58	79.43
Academy differential	-21.3%	-29.0%

The main element within the SEN funding category is 'top-up' funding paid by LAs to schools after the first £10,000 of support costs have been paid from core school budgets. Top-ups are paid for pupils with and without EHCPs, in SEN units and mainstream classes. These results

from our data set suggest that the level of SEN need in LA schools is significantly higher than in academies.

Low prior attainment is one of the factors that can also influence school funding allocations. We were unable to identify this element, as it was not possible to cross-reference the formula file to the financial benchmarking file for our categories of academy. However, there is a strong correlation with SEN; a majority of local authorities identify 100% of the low prior attainment factor as contributing to the notional SEN budget.

Rural schools

The average pupil size of academies was higher than that of LA schools.

Table 18: Average size of academies and schools

	Academies	LA schools
Primary	299	269
Secondary	944	916

This is one of the reasons for the higher level of formula funding allocated to LA schools. One significant element of this is the number of rural schools.

Rural schools benefit from sparsity funding in addition to the lump sum in formula funding. Compared to larger urban schools with a similar pupil profile, their funding is often spread over fewer pupils, so all other things being equal, per-pupil funding will be higher. Appendix 2 describes the methodology used to identify rural schools and academies. The results of the analysis are outlined in the table below.

Table 19: Number and proportion of rural LA schools and academies

	Rural Primary	Rural Secondary	Total	% of rural schools
LA schools	3,806	663	4,469	80%
SATs	184	170	354	6%
Small MAT	233	81	314	6%
Medium MAT	167	34	201	4%
Large MAT	205	32	237	4%
Total MATs	605	147	752	13%
All academies	789	317	1,106	20%
All rural schools and academies	4,595	980	5,575	100%

As the table shows, just 20% of rural schools were academies: a high proportion have remained with LAs (83% primary and 68% secondary). The additional funding allocated for sparsity and the effect of the lump sum suggests that LA schools in rural areas are more likely to attract higher per-pupil funding than academies. It also suggests that MATs, which have a much lower number of rural schools, would face fewer challenges and expenses than LAs when it comes to delivering services in rural settings (see p85 for further explanation)

Comparison of expenditure for LA schools and academies

In the light of the pupil profile and school characteristics data explained in the previous section, academies have a lower overall need to spend, particularly in secondary as the formula funding comparison in Table 14 shows. It seems reasonable, therefore, to surmise that it is middle tier functions which are causing a different result (the analysis of specific grant funding for academies in Table 12 provides a guide to these elements).

Overall, the data showed costs were much higher in academies that were part of large MATs, while primary SATs were much closer in cost to LA primary schools, and secondary SATs had the lowest costs in the sector. Even allowing for higher needs in sponsor-led academies within this group, this strongly suggests there were additional middle tier costs in large MATs. This may be because they require larger leadership cadres to manage, deliver services to, and maintain quality in, the schools under their care. Appendix 3 provides a detailed analysis of the different expenditure categories within the financial benchmarking data for 2016/17.

The expenditure on teaching staff is 2.8% higher in primary academies and 2.4% lower in secondary academies than in their LA school counterparts. However, when averaging the per-pupil expenditure, it is 18.3% higher in academies. This is because there are far more academies than LA schools in the secondary sector, where costs are higher due to smaller class sizes, subject specialisms and more management roles.

The published data do not provide a breakdown of costs for staff paid as teachers to help us identify how much of the difference is due to leadership and management, some of which could relate to middle tier functions. However, the fact that DfE found it necessary to write to 88 trusts with at least one member of staff paid £150,000 or more[19] strongly suggests that executive pay levels are part of the differential. This is explored further in Section 6.

The difference in expenditure on education support staff is also interesting: it was 20% lower in academies than LA schools. Primary academies spent 2.3% per pupil less than primary LA schools on support staff, and secondary academies spent 11.5% less than their LA counterparts. Lower levels of SEN in academies may explain this difference.

There is a contrast in administrative and clerical staff expenditure, where primary academy per-pupil spending is 48.9% higher than primary LA schools and secondary academies spend 16.8% more than their LA counterparts.

The level of independence in academies suggests they may need higher capacity to develop, maintain and support their own systems such as payroll, finance, procurement, asset

[19] https://www.gov.uk/government/publications/letters-to-academy-trusts-about-levels-of-executive-pay

management and data systems. Academies also have additional duties arising from being their own admissions authorities, although this is also true for foundation LA maintained and voluntary-aided schools.

Academies in large MATs consistently have the highest level of administrative expenditure per pupil. The Kreston Academies Benchmark Report 2018 identifies higher salary trends for Chief Financial Officers and School Business Managers for larger trusts. Secondary schools have a wider range of administrative staff, such as examinations officers, librarians and data technicians, so the higher number of academies in this sector is also likely to influence the cost.

Pupil:teacher ratios and leadership costs

A key question for our research is the proportion of funding that is spent on front-line teachers and on leadership. This is particularly important in assessing the cost of the MAT model. The difficulty in reaching conclusions is that the published data does not provide the required breakdown between the cost of classroom teachers and leadership posts.

This part of the analysis therefore draws on the DfE's workforce census data for 2016[20] to explore the issues further, which has the benefit of triangulating the analysis with the results achieved by looking at funding and expenditure. This is a snapshot at the date of the November 2016 census, causing minor differences from the benchmarking files which relate to actual spending on staff throughout the financial/academic year.

Table 20: Pupil:teacher ratios - Workforce Census November 2016

	Pupil:Teacher ratios	
	Primary	Secondary
LA schools	20.5	15.4
Converter academies	21.1	15.8
Sponsored academies	20.7	15.3
Free schools	19.8	15.3
UTCs/Studio schools		13.8
Total academies	20.9	15.6

There was relatively little variation in the pupil:teacher ratio (PTR) between LA schools and most types of academy, despite the differences in funding and expenditure. One would expect classroom teacher capacity to be influenced by the requirement for smaller classes where deprivation and SEN were higher (i.e. in LA schools), but academy ratios were not significantly different. Leadership capacity was therefore explored further.

[20] https://www.gov.uk/government/statistics/school-workforce-in-england-november-2016

Leadership costs

Although leadership costs are not identified separately in the financial benchmarking files, it was possible to map the number of leaders in the workforce census for November 2016 to the individual schools and academies in the study data set and calculate a ratio of the number of pupils per leader. A lower number in the table below indicates more leaders.

Table 21: Pupil:Leader ratios in November 2016 Workforce Census for study data set

	Pupil:Leader ratios	
	Primary	Secondary
LA schools	114.1	145.4
SATs	121.5	153.2
Small MAT	113.1	134.9
Medium MAT	113.6	129.6
Large MAT	111.8	132.1
Total MATs	112.8	133.0
All academies	115.0	142.6

This indicates that there were comparable numbers of pupils per leadership post between primary academies and LA primary schools, except for SATs, where there appear to be proportionately fewer leaders. In the secondary phase, secondary academies in MATs had significantly higher numbers of leaders than LA schools. One reason may be that it is possible for a wider range of teaching staff to be on the leadership pay scale in academies; they do not have to abide by the *School Teachers Pay and Conditions Document*[21].

The school workforce census identified differences in average salary (excluding on-costs) for classroom teachers, senior leadership posts (including heads), and for headteachers as a separate group, including executive heads.

Table 22: Average salaries for teaching staff – Workforce Census November 2016

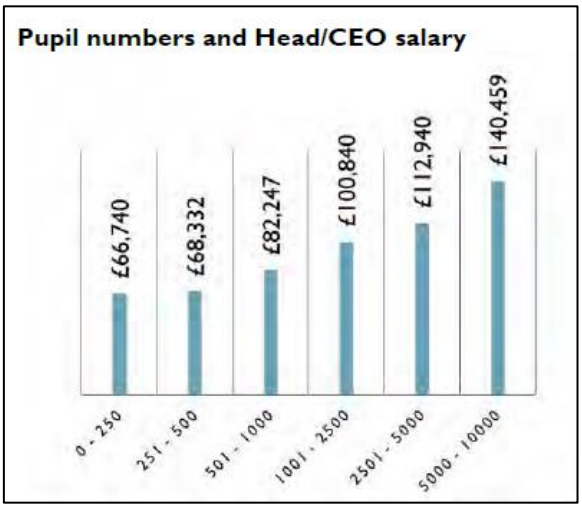
	Primary schools		Secondary schools	
	LA schools £	Academies £	LA schools £	Academies £
Classroom teachers	34,600	33,200	38,000	37,300
Leadership teachers	52,400	51,100	58,700	57,800
Headteachers	60,700	62,500	85,800	89,900

Only headteacher posts showed higher rates of pay for academies according to these data. The gap may increase if there is a trend towards larger trusts; the Kreston Academies

[21] https://dera.ioe.ac.uk/27049/1/STPCD_2016_guidance.pdf

Benchmark Report 2018 highlighted a clear pattern of CEO salaries in relation to overall pupil numbers.

Table 23: Pupil numbers and Head/CEO salary – Kreston, 2018



The workforce census and financial benchmarking data did not provide information on the cost of executive leaders who were not teachers; these are likely to be a significant element within higher academy administrative and clerical costs.

6. Salaries of Academy Trust Leaders

To understand more deeply the reasons for the higher leadership costs of academies, we examined the salaries of chief executives of multi-academy trusts.

People with responsibility for academy trusts earn salaries that are large by national average standards. Perhaps understandably, the majority of public attention, usually disparaging, is captured by a few outliers – such as very large salaries, apparently underweight responsibilities, or seemingly ineffectual discharge of their duties. This is not of course a sound basis for policy critique, although there are legitimate specific questions to be dealt with in some cases. The issue is whether MAT governance processes are adequate for identifying, challenging, and dealing with such questions.

In light of these contexts, there is great interest in the salaries of the top person in trusts, both directly and as an assumed proxy for the overall costs of the management groups involved in supporting them. The chief officers are each accountable within their respective systems for the governance, financial viability, pupil performance and safeguarding of the schools they oversee.

We can see that large MATs have a certain organisational distance between their leaders and their schools, which might be analogous to that between LA leaders and maintained schools. By contrast, the leaders of small and some medium-sized MATs carry out a great deal of hands-on direct work with individual schools, teachers, pupils and parents; in some cases, they function as executive headteachers.

There is considerable variety in the characteristics of the people who might be identified as the leader of a MAT, not least because academy trusts are a unique blend of company, charity and educational institution. Often, although not always, a MAT's size and provenance play a part. For example, as mentioned above, some small MATs are effectively led by executive headteachers, and some large MATs are led by full-time senior professional managers. There are other models, however. We have found, for example, that some MATs may be headed by a distinguished part-timer, or a seconded administrator paid by a third party: this can be the case when, for example, a MAT is associated with a diocese, a university or an existing charity. It is extremely difficult in some of these cases to establish the real cost of a specific leader's services, although it is often clear that the MAT is probably receiving them at a relatively preferential rate.

In some cases, it is evident that the officer who leads the MAT's daily operations is not the named CEO of the organisation, and we have been forced to assume that that role is played by the person receiving the highest pay disclosed in their MAT's accounts. We are clear that there may be a few occasions when this misleads us into recording the salary of a headteacher rather than the CEO, but we think that in most cases this is unlikely to misrepresent the true cost materially.

Methodology

We approached this study by reviewing a stratified sample of MATs, designed to focus attention on the large MATs. This entailed looking at all large MATs, and a statistically

representative selection of medium-sized and small-sized MATs, derived from lists published by the DfE. As the table below shows, we analysed 216 annual accounts, representing 20% of trusts.

Table 24: The number of organisations in the salaries sample

Organisations	Total entities	Number sampled	Proportion sampled
Large MATs 11+ schools	54	54	100%
Medium MATs 6-10 schools	112	23	25%
Small MATs 2-5 schools	607	94	16%
Sub-total	773	171	22%
Trusts with only one school	303	45	15%
Total MATs	**1,076**	**216**	**20%**

We found that 45 of the 216 sampled trusts had only one school, but had been classified as MATs, possibly on the basis of planned expansion. The top salary ranged from £40,000 for a primary with 401 pupils to £140,000 for a secondary with 1,921 pupils. The average salary was £88,461. We decided to treat these as equivalent to single academy trusts for the time being, and hence not of further relevance to our present work.

We found information on top salaries in the MATs by searching their audited accounts for the year ended 31 August 2017, which we obtained from the Companies House website[22]. Helpfully, the format of, and disclosures in, these accounts are governed by companies and charities legislation, UK Financial Reporting Standards, and Academies Accounts Directions issued by the Education and Skills Funding Agency. This has led to a high degree of standardisation, uniformity, and hence comparability in MATs' financial reporting.

Annual salaries were usually expressed within a £5,000 or £10,000 range rather than as an exact figure. Wherever this was the case, we used the number from the bottom of the range. Pension contributions received and on-costs payable by the employers were not included in our figures so that we were comparing like with like.

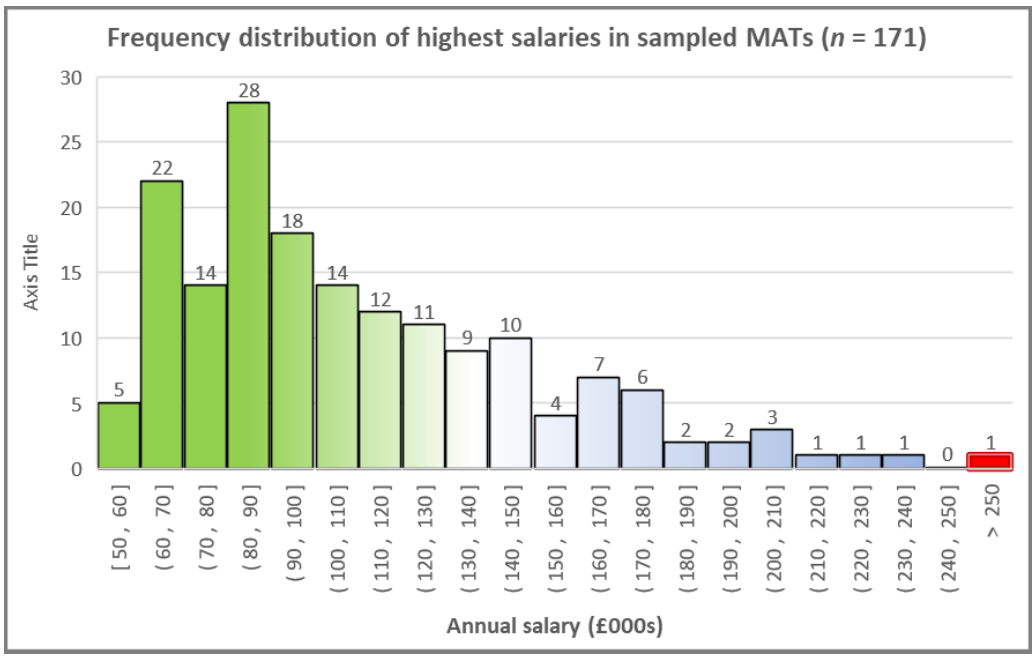
Although we believe it is problematic to control for many of the differences between all the organisations concerned and the responsibilities of their leaders, we believe it is right that we should factor in some indication of the scale of their respective tasks. We have used numbers of schools and numbers of pupils within these leaders' accountabilities as the means of doing this.

[22] https://beta.companieshouse.gov.uk/search/companies?q=

Findings

The distribution of top salaries in our sample was as shown in this chart.

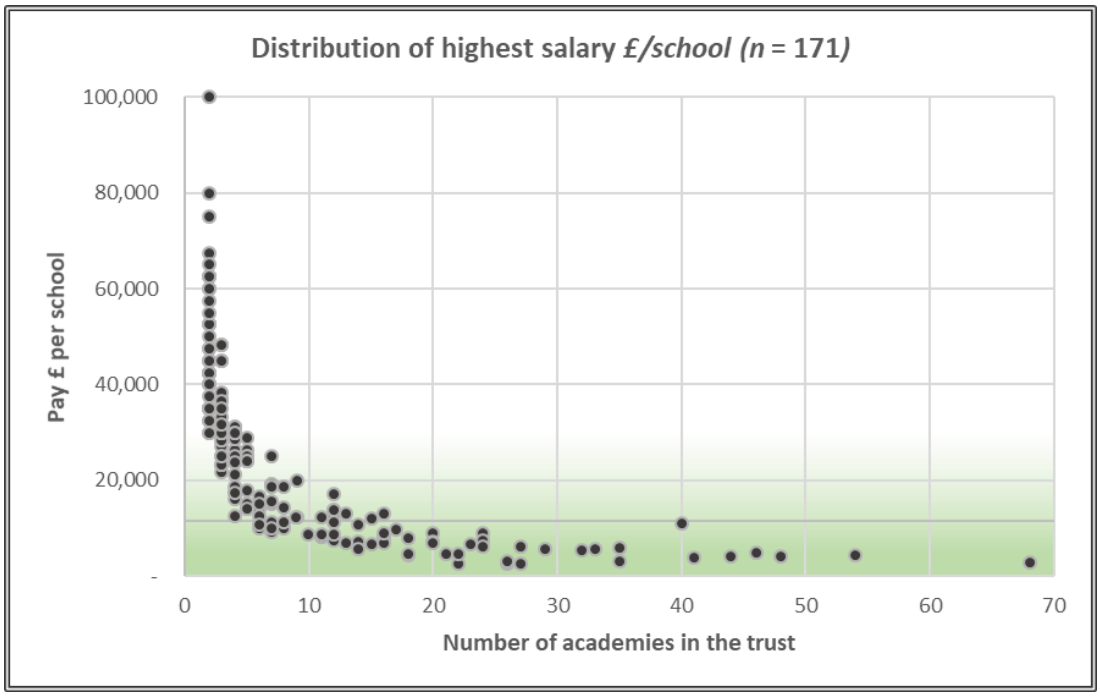
Table 25: Highest salaries in MATs – frequency distribution



The average of the highest salary in each trust in our sample of 171 MATs was £113,958. It is also informative to note that the great majority of salaries are clustered around the modal level of £80-90,000, but with a long tail of higher salaries, as seen in the figure above. Nine MATs were paying £200,000 or more, although Harris Federation (£440,000) is a uniquely distant outlier. Of the nine paying £200,000+, only five are in the top ten largest (by number of academies) trusts. Five of the largest ten trusts pay less than £200,000.

To expose more clearly the patterns and anomalies in these data, it is helpful to compare salaries on per-academy and per-pupil bases. The total sample averages for these figures are £11,683 per-academy and £26.81 per-pupil respectively: in each of the graphs that follow, we have used green shading to indicate the areas – and hence the data points – that fall reasonably close to these averages, as an aid to identifying outliers. The complete sample of all 171 MATs gives the following picture.

Table 26: Highest salaries compared to the number of academies in MATs



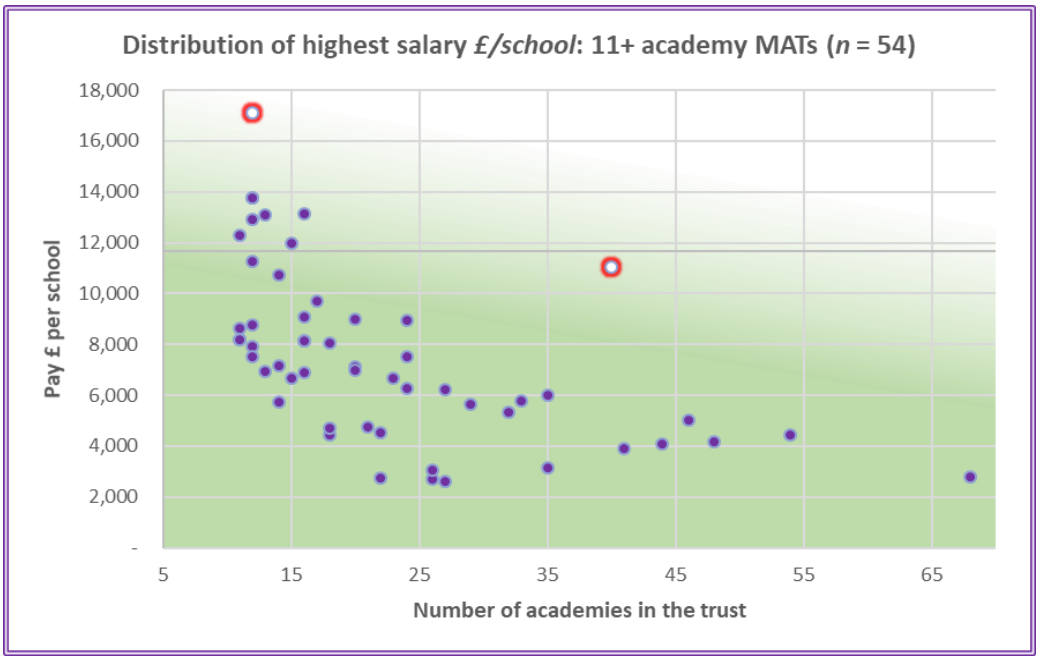
It has also been instructive to analyse these data according to the MAT size categories we have used in our report. The table below shows the average of CEO salaries by size of MAT.

Table 27: Average of CEO salaries by organisation category

Organisation	Average CEO salary £		
	Salary £	Per-school £	Per-pupil £
Large MATs (11+ schools)	146,056	7,500	21.30
Medium MATs (6-10 schools)	104,348	14,350	45.65
Small MATs (2-5 schools)	97,870	36,562	85.00
All MATs	113,958	11,683	26.81
Trusts with only 1 school	88,461	88,461	

We might make an initial assumption that the duties of a chief officer, and the professional profile of the person required to fill the role, may vary a great deal between the smallest and the largest MATs. For example, one might imagine the head of a large (11+ academies) MAT to be a full-time senior administrator, managing schools only indirectly, using a significant team of colleagues, many of whom are likely to be highly paid in their own right. One might expect that, while such a team might (in the absence of other economies of scale effects) expand in step with the number of academies and pupils in the MAT, the leader's individual salary will not. To this extent, a larger MAT should provide better value for each pound of its leader's salary, and broadly that is what is found, as seen in the charts below.

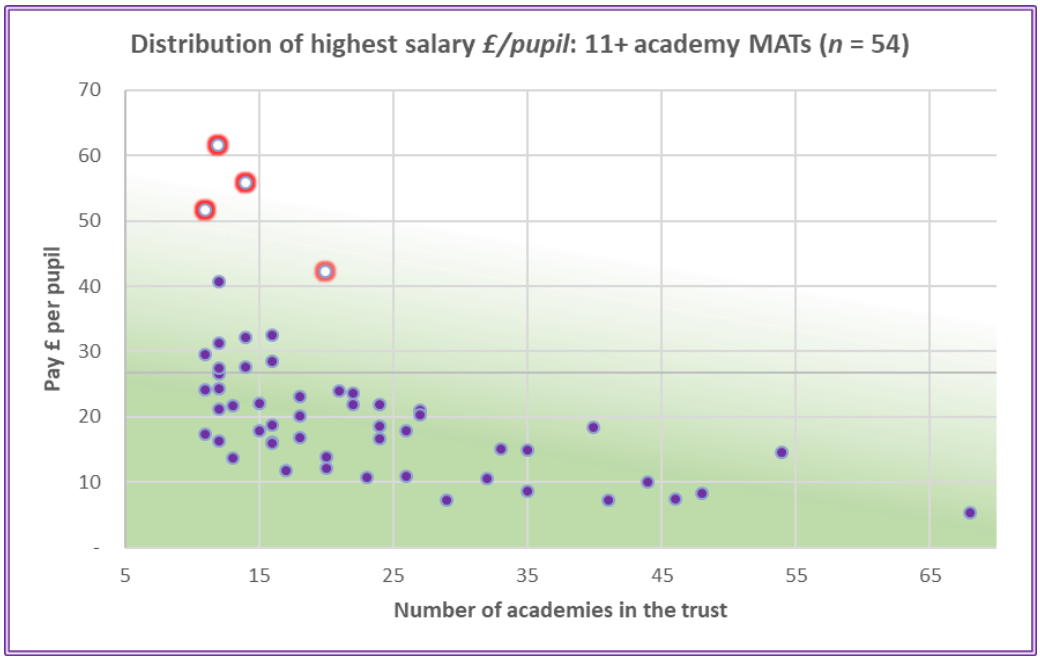
Table 28: Per-academy cost of highest salaries in large MATs (11+ academies)



It should be emphasised that 47 of the 54 large MATs achieve "better" than the £11,683 per-academy average for the all-MATs sample, including even one of the outliers (Harris Federation) highlighted above. It nevertheless remains hard to explain why the executive leader of Harris (40 academies) is paid at a rate of £11,000 per-academy, when the leaders of Delta (44 academies) and Kemnal (41 academies) each receive around £4,000 per-academy. The other highlighted outlier is Aspirations Academies Trust which paid its leader £205,000 - £17,083 for each of its 12 academies. This demonstrates that there may be arrangements in some smaller or lesser-known MATs that are equally egregious.

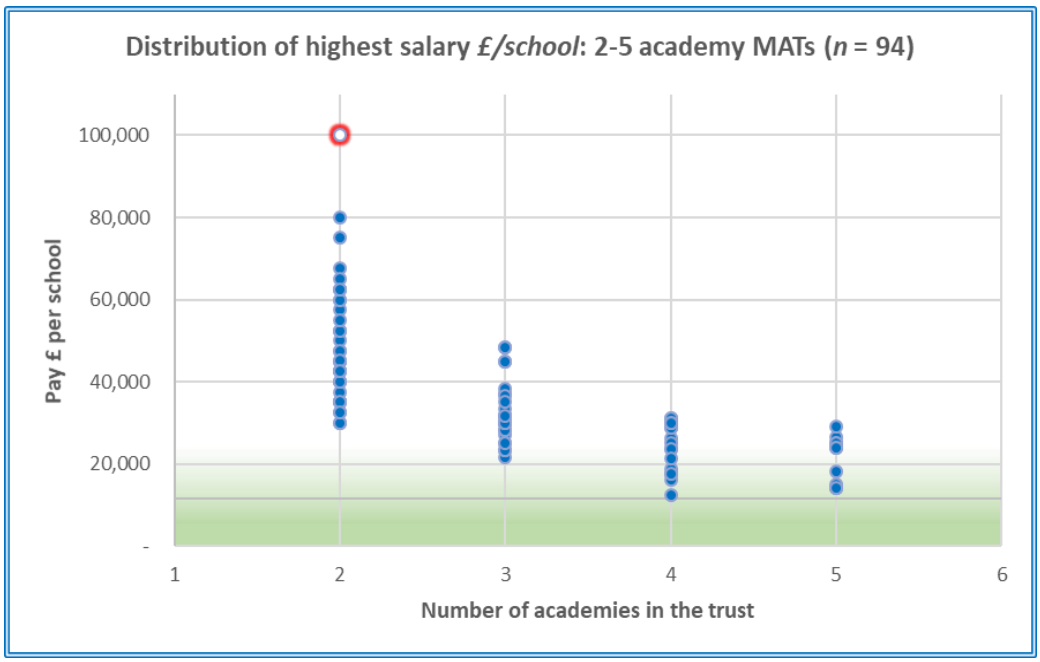
A similar pattern emerges from the large MATs on the per-pupil basis, below. Less than a quarter of the MATs exhibit costs greater than the all-MATs sample average of £26.81 per-pupil, and those that might be described as outliers are less distant from the main curve than in the previous graph. None of these outliers is the same as those featured in the per-academy graph. In this instance, we might surmise that the factors at play in the relatively smaller MATs are not only high salaries, but also some small academy sizes.

Table 29: Per-pupil cost of highest salary in large MATs (11+ academies)



The effect of academy size is illustrated in the following suite of graphs relating to the small (2-5 academies) MATs. First, however, it is interesting to see that, even across a very small MAT size range, the graphs below exhibit broadly the same pattern as those showing the large MATs. Nevertheless, only a few of these small MATs achieve costs on either the per-academy or per-pupil basis that are close to the all-MATs sample average.

Table 30: Per-academy cost of highest salary in small MATs (2-5 academies)

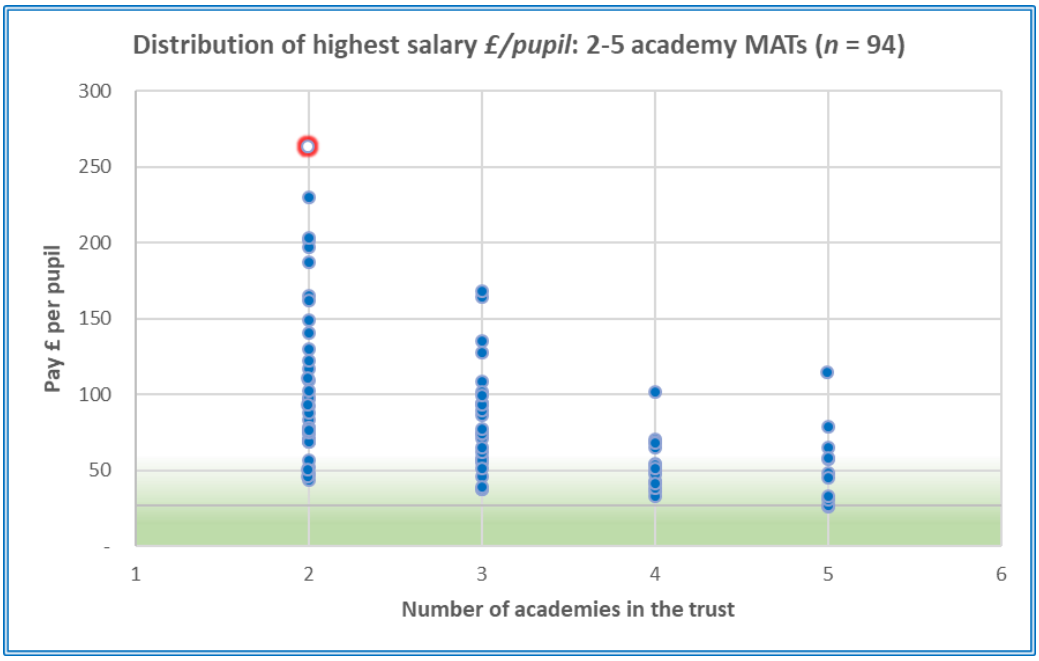


The outlier MAT highlighted above is Brampton Manor Trust. Although this salary does appear expensive on the per-academy basis, it is one of most cost-effective amongst small MATs on the per-pupil measure. This occurs because, although the executive head of Brampton Manor

manages only two academies (in return for one of the highest of all MAT salaries), their combined headcount is approximately 4,000 pupils. This case reminds us that some of the headline salary figures may require a second look before they are regarded as, for example, excessive, or a manifestation of top-heavy management structures.

The leader of a small MAT is often effectively an executive head teacher, with hands-on direct responsibilities towards teaching and other in-school staff, pupils, and parents. This makes it a different kind of job from that of a large MAT CEO. Nevertheless, while some might argue that such a role is worthy of the highest salaries, it is not inevitable that it will make for better value for money. The outlier in the graph below is Ashley Hill, whose executive head is not paid an exceptional salary (£85k), but whose two academies have only 323 pupils to absorb the cost.

Table 31: Per-pupil cost of highest salary in small MATs (2-5 academies)



The majority of middle-sized MATs with 6-10 academies each lie reasonably close to the all-MAT averages on both the per-academy and per-pupil bases. The outlier highlighted in the per-pupil graph is another example of a trust with disproportionately low average pupil numbers in each of its academies (all small rural primaries).

Table 32: Per-academy cost of highest salary in medium-sized MATs (6-10 academies)

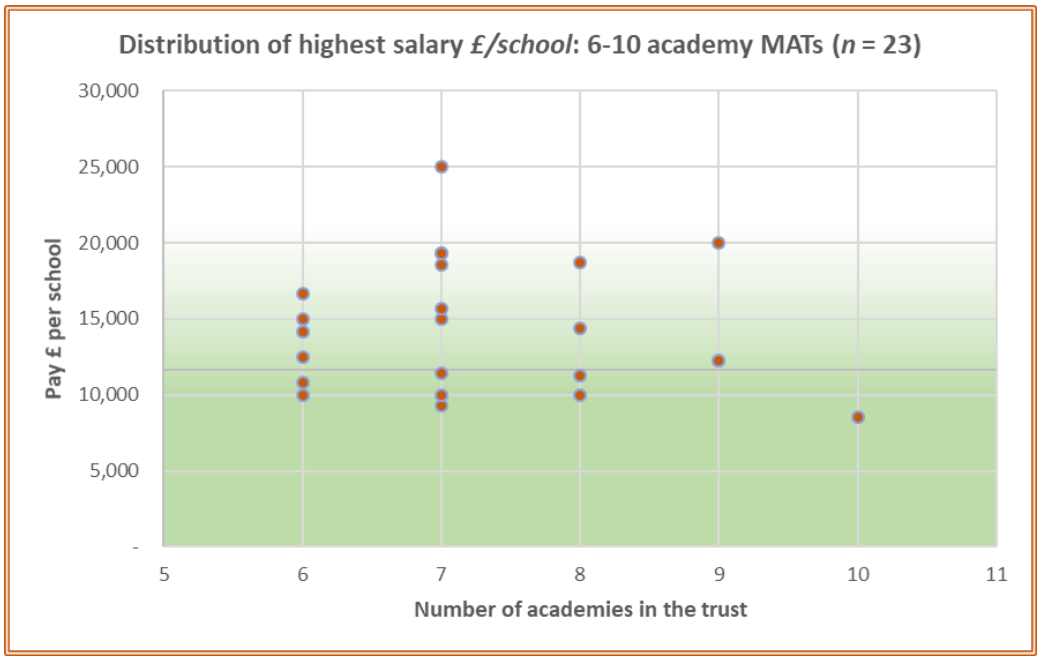
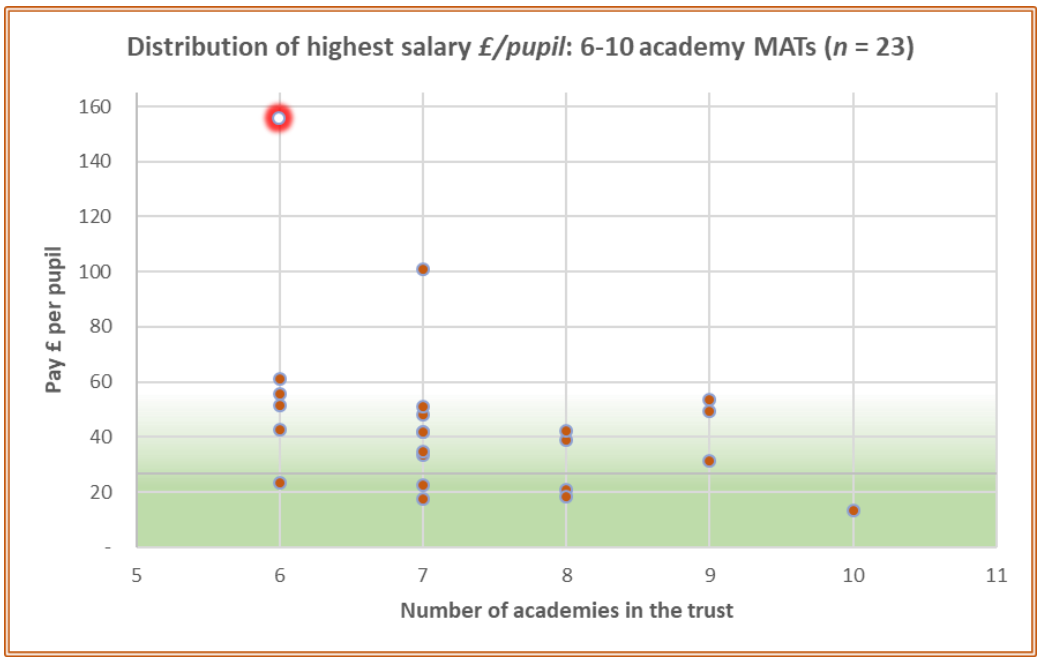


Table 33: Per-pupil cost of highest salary in middle-sized MATs (6-10 academies)



Staff paid over £60,000

Although we looked at the single highest-paid person in each organisation, it is important to recognise that the size and cost of their management superstructures extend much further, and we speculate that a great variety of practices might also be found in this wider context. In most organisations the overall leader will be assisted by a number of other senior people, and the latter's individual remuneration will be in some way proportionate to the top salary. During our current study we have noted that the trusts' accounts identify the numbers of staff

paid more than £60,000. In the large trusts (11+ academies) these range from two people, for the Oxford Diocesan Schools Trust with 26 academies, to 188 for Harris Federation with 40 academies.

To illustrate the potential disparities in this regard: Cabot Learning Federation and CfBT Schools Trust had the same number of academies (16), pupils (c.8,000), and top salary (£130,000), yet Cabot had 29 people paid over £60,000, and CfBT had 64, as shown in the table below. The total salary spend on these posts in CfBT (£4,480,000) was well over double that found in Cabot (£1,980,000) and much higher than the previous year (£2,830,000).

Table 34: Staff (excluding highest salary) paid more than £60,000 in MATs of a similar size

Salary bracket £	CfBT no. of staff	Salary Cost £	Cabot no. of staff	Salary Cost £
60,000	35	2,100,000	11	2,100,000
70,000	9	630,000	9	630,000
80,000	9	720,000	4	720,000
90,000	4	360,000	3	360,000
100,000	2	200,000	1	100,000
110,000	1	110,000	-	-
120,000	3	360,000	-	-
Total	**64**	**£4,480,000**	**29**	**£1,980,000**

Conclusion

On the basis of our research, the overall MAT (2-68 academies) average highest salary was £113,958 with an average per-pupil cost of £26.81. The large MATs, with 11+ academies, had an average highest salary of £146,056 with an average per-pupil cost of £21.30. There is wide disparity between the top salaries for MATs, and it is hard to see a rationale to justify such differences.

It is nevertheless difficult to devise a simple test that can declare specific institutions or people as "excessively expensive", although there are some obvious instances that do invite questions. Some of the highest-paid CEOs in large MATs have neither "executive head teacher"-style jobs, nor wide-ranging statutory duties and accountabilities. The work involved in these cases is more closely analogous to that of corporate managers in the private sector, but even large MATs are comparatively small organisations by such standards. Salary comparisons with commercial companies of similar scale might therefore be an interesting future exercise.

The bigger picture illuminated by our research is the high actual and higher potential cost of the MAT model. Of course, when schools join a MAT, the latter's unit costs are thereby reduced – but the absolute costs are very high, and there are a lot of MATs. Leadership salary

levels appear to have little relationship to organisational size – there are examples of very high pay across the MAT size range.

It is very expensive for so many MATs to pay such high salaries to their leader, but the effect is multiplied by the upwards pull effect this has on the salaries and expectations of their colleagues and recruits. This applies not only to administrators, but to senior educators. The OECD country report (2018: 6) found that 'headteachers in England earn more than twice the salary of teachers', the highest premium across the OECD.

The delivery of schooling in England through a mixture of LAs, maintained schools, academies, and MATs is a democratic policy choice, and it is principally measured, rightly, according to the outcomes it achieves for children. The issues discussed in this paper have the capacity to discredit this mixed economy on cost or governance grounds, and policy makers need to address them. Neither LAs nor MATs operate in a self-righting free market environment, so scrutiny and potential regulation are needed.

7. Conclusions and recommendations

The LGA commissioned this research to better understand the comparative costs of the middle tiers in England and to make recommendations about possible ways forward. As far as we are aware this is the first study of this kind; it has been conducted in a rigorous and thorough manner. The detailing of precise methodology means that it is also replicable.

Significant limitations in the available data hindered us in identifying specific middle tier costs. The analysis has therefore focused on identifying the differences in funding between the LA schools and academies and trying to explain them. This has involved considering variations in characteristics that affect core funding as well as gathering information on specific funding streams for academies to reflect their additional responsibilities.

An important finding of our research is that the DfE needs to be more open and transparent about the funding of the ESFA, RSC and NCTL middle tier functions. There should also be consistent categories of expenditure and grant funding in DfE and ESFA's published accounts and school/academy financial returns.

We encountered particular difficulties in finding data to help us address the following five areas:

- quantifying the costs of running MATs and the spend on the front-line
- calculating a breakdown of the costs of the DfE agencies
- separating out the cost of leadership (to include system leadership roles such as MAT CEOs and COOs) as an indication of middle tier functions across MATs
- identifying the type and value of all specific grants paid to academies and MATs
- establishing comparisons between academy and LA maintained school costs.

We acknowledge the accounting challenges facing the organisations involved. Not only is the institutional landscape a complicated and inconsistent one (Public Accounts Committee 2017), but there are many intrinsically difficult and subjective judgements required. For example, a number of LAs pointed out that their officers worked across several functions, projects, and schools, which was one reason why their costs were not easily re-charged to academies even when that would have been appropriate. The same is probably true of DfE officials dealing with academies policy. We have pointed out elsewhere the problem of ascertaining the split between some senior academy staff's teaching and leadership functions.

These points may help to explain the lack of data gathered via the FOI process from the DfE, but we raise them here to highlight the need for transparency: funding authorities need to acknowledge and rectify the information deficit in this area. A thorough approach will require broad agreement between all concerned on the organisational boundaries, technical standards and operational processes required to deal with the issue.

The study undertook research into four leading international systems (Singapore, Estonia, Finland and Ontario) to provide a benchmark against which to look at the English middle tier arrangements. They offered a strong and unified view on the functions of the middle tier; namely that to maintain equity as well as excellence there needs to be a coordinating influence across a locality or region.

The English system by comparison is fragmented and lacked coherence. Heads of both academies and maintained schools in the case studies spoke of the need for greater collaboration. Some of the features of deep partnerships present in the leading international systems exist in well-run MATs and LAs, as evidenced by the case studies. But the system is seen as a 'muddle'. As a school-led partnership director remarked: 'There needs to be glue to stick everything together in this disjointed system. The difficulty is in finding a body to have the glue role and who can manage conflicts of interest'.

One unintended consequence of school autonomy, system fragmentation, and funding restrictions has been the worsening of provision for vulnerable pupils that we found in the case studies of three areas. The poor service for pupils with special needs was mentioned by many people we interviewed. The rise in off-rolling has been reported nationally by Ofsted and the Children's Commissioner. The four leading international systems, which prioritise equity for all pupils as well as sustaining high performance, provide a sharp contrast. They all have a strong, educator-led, middle tier which ensures that resources are used to support the improvement of all students in all schools. Three of the four systems have locally elected boards to ensure that the interests of parents and the wider community are represented.

Recommendations

As a result of the research we would like to make the following recommendations for consideration by policy-makers and others responsible for the oversight of the English education system.

The main recommendation is for an urgent debate about the role of the middle tier, taking account of international best practice, to ensure greater collaboration, clarity of roles and coherence for the benefit of *all* schools and pupils. The review should include evidence-based consideration of which functions are best delivered at which level of the system (regional, sub-regional and local) and address the concerns listed below.

There should be a comprehensive review of the cost effectiveness of the MAT model in undertaking the middle tier role to ensure it is fit for purpose.

- The grants to pay for middle tier functions should be equitably distributed between academies and LA schools, according to need.

- There should be improved funding and accountability to ensure the fulfilment of the statutory duty to champion children, especially vulnerable learners and those with SEN.

- School-led partnerships should be encouraged. They need to be accountable locally and financially sustainable so that they provide challenge as well as support for the improvement of all schools.

- Access to effective CPD, sharing practice and school improvement services in a local area needs to be fairly distributed and strategically planned.

- The DfE and its agencies should have the confidence to allow greater transparency and consistency in the publication of financial information. It should also comply with the Freedom of Information Act.

- There should be regular analyses of the costs of the middle tier, based on the methodology that our research has developed.

Appendix 1: Case studies

The provision of middle tier functions for schools in three areas, and heads' perceptions of value for money

Value for Money (VfM): 1 =very good, 2 =good, 3 =OK, 4 =not good

Table 35: Case Study A - Metropolitan district with high number of academies

	Primary School		Primary Academy		Secondary School		Secondary Academy	
NoR 2016/17	600		420		1600		940	
FSM	20%		25%		32%		40%	
Ofsted	Outstanding		Good		Good		Requires improvement	
Functions	Provider	VfM	Provider	VfM	Provider	VfM	Provider	VfM
School improvement. Monitoring school performance. Intervention	School Partnership	4	MAT Some bespoke School partnership	2 2 2	School Partnership Own SIP	2 1	MAT	1
Liaison with DfE and its agencies	Online news	1	MAT	2	LA	3	MAT	2
Liaison with LA and local agencies	Inhouse		MAT	1	LA	3	School	2
Professional development	Inhouse, school network, buy bespoke.	1	MAT; inhouse; consultants Teaching school	2	Inhouse Buy bespoke	2	MAT	1
Governance: Support Intervention	School Partnership	2	School Partnership	1	Inhouse LA	1 4	MAT LA	2 3
SEN	LA	4	LA	4	Inhouse LA	1 2	LA	3

	Primary School		Primary Academy		Secondary School		Secondary Academy	
Education Welfare	School shares an EWO	2	Own EWO	1	Inhouse LA	2 4	LA	4
Admissions	LA	2	LA	2	LA	1	LA	2
Finance: **Monitoring** **Audit** **Intervention**	 School LA	 2 2	 MAT MAT arranged	 1 3	 Inhouse LA	 2	 MAT	 1
Grants	School	3	MAT	1	None	n/a	MAT	2
HR	LA private provider	4	LA private provider	3	LA private provider	3	MAT	1
Payroll	LA private provider	4	LA private provider	3	Inhouse	2	MAT	1
Staff recruitment	Inhouse	2	Inhouse	2	Inhouse TES	2 3	MAT	1
IT systems	Private provider	2	MAT	1	Private provider	2	MAT	2
Catering	Private provider	2	MAT inhouse	1	Inhouse PFI company	3 1	MAT	4
Cleaning	Inhouse	2	Inhouse	2	Inhouse PFI company	2 2	MAT	4
Buildings	LA private provider	3	Inhouse MAT	2	PFI Inhouse	5! 2	MAT	2
Grounds	Private providers	2	Inhouse MAT	2	Inhouse	2	Local provider	1

Table 36: Case Study B - Shire county with lower than average number of academies

	Primary School		Primary Academy		Secondary School		Secondary Academy	
NoR 2016/17	470		400		1800		1300	
FSM	5%		13%		9%		14%	
Ofsted	Good		Good		Good		Good	
Functions	Provider	VfM	Provider	VfM	Provider	VfM	Provider	VfM
School improvement. Monitoring school performance. Intervention	LA	2	MAT	2	Inhouse LA PiXL	2 2 2	MAT	2
Liaison with DfE and its agencies	LA	1	MAT	2	LA	1	MAT	2
Liaison with LA and local agencies	Inhouse	2	Inhouse MAT	2	Inhouse	1	Inhouse	3
Professional development	LA	2	MAT	2	Inhouse, network with other schools	1	MAT + PiXL	2
Governance: Support Intervention	LA	2	MAT	3	Inhouse LA	2 2	MAT	2
SEN	LA	4	LA	4	LA	3	LA	3
Education Welfare	LA	3	LA	2	Inhouse	1	No service	4
Admissions	LA	1	MAT	2	LA	2	LA	4
Finance: Monitoring Audit Intervention	LA	1	MAT	1	LA LA	2 2	MAT	1
Grants	LA and Inhouse	2	Inhouse. MAT	3	N/A		MAT	3

	Primary School		Primary Academy		Secondary School		Secondary Academy	
HR	LA	1	MAT	1	Inhouse LA	1 2	MAT	1
Payroll	LA	2	MAT	4	LA	2	LA	2
Staff recruitment	Inhouse	1	Inhouse	1	Inhouse	1	MAT	2
IT systems	LA Private provider	3 2	Private provider	1	Inhouse Private provider	2 2	School partnership Private provider	3
Catering	LA	2	Private provider	3	Private provider	2	Private contract	2
Cleaning	Inhouse	1	Private provider	3	Private provider	2	MAT	3
Buildings	LA	2	MAT	2	Inhouse LA	2 1	LA	2
Grounds	LA - big grounds	3	MAT	2	LA	2	Private provider	3

Table 37: Case Study C - London borough with broadly average number of academies

	Primary School		Secondary School		Secondary Academy	
NoR 2016/17	900		1800		1200	
FSM	16%		34%		11%	
Ofsted	Good		Outstanding		Outstanding	
Functions	Provider	VfM	Provider	VfM	Provider	VfM
School improvement. Monitoring school performance. Intervention	LA school partnership LA	1 3	LA LA School Partnership	2 2	Independent SIP LA School Partnership	2 2
Liaison with DfE and its agencies	LA DfE online communication	3 2	LA	2	MAT	
Liaison with LA and local agencies	Inhouse LA	2 4	Inhouse & LA	2	Inhouse	2
Professional development	LA Private providers Local cluster	3 2	Inhouse plus ASCL and PiXL	2	Inhouse MAT PiXL	2 2 2
Governance: Support Intervention	LA	2	LA	2	Inhouse MAT	2 3
SEN	LA	4	LA	3	LA	3
Education Welfare	LA	4	LA	3	LA	2
Admissions	LA	2	LA	2	LA, Diocese	3

	Primary School		Secondary School		Secondary Academy	
Finance: Monitoring **Audit** **Intervention**	Private provider LA	1 4	LA LA	3 3	Inhouse MAT	3 3
Grants	LA	3	LA	4	MAT	2
HR	LA	3	LA	2	LA	?
Payroll	LA	2	LA	3	Private provider	3
Staff recruitment	Inhouse	2	Inhouse	2	Inhouse	2
IT systems	Private provider	2	Private provider	3	Private provider	3
Catering	Private provider		Private provider	3	Private provider	2
Cleaning	Inhouse private provider	3	Private provider	3	Private provider	2
Buildings	LA	3	LA	3	Private provider	2
Grounds	Private provider	2	Private provider	2	Private provider	2

Appendix 2: Methodology for financial analysis

This appendix outlines the methodology and the sources of key information. It highlights inconsistencies and issues with the available data, which have affected the ability to identify key differences in the cost of functions such as leadership between academies and LA schools.

Overall approach

Data sources

Several different layers of information were used in the study to narrow down the reasons for differences between academies and LA schools for both grant funding and net expenditure. The analysis was based on the financial year 2016/17, as this was the most recent year for which actual expenditure records were available at the time of the study. In summary, the main categories are:

a) Details of funding streams from the gov.uk website and National Audit Office (NAO) reports

b) Freedom of Information (FOI) requests from the website WhatDoTheyKnow.com[23] and requests submitted to local authorities, the Department for Education (DfE), ESFA and RSCs, both for this study and by individual members of the study team as personal research

c) Statutory accounts for the DfE and ESFA, consolidated accounts for academies and the DfE Main Estimate 2016/17, all published by the government

d) DfE publication of statutory returns by local authorities on education expenditure, such as Section 251 statements, school census returns and SEN statistics

e) Detailed expenditure returns for LA maintained schools (Consistent Financial Reporting Return - CFR) and academies/Multi-Academy Trusts (Academy Accounts Return - AAR) published on the DfE school financial benchmarking website

f) Other reports in the public domain.

Local authorities, DfE, ESFA, NCTL and RSCs have an obvious role in the middle tier. Evidence on their costs has been gathered from published information but our attempts to obtain a more detailed breakdown of costs by these bodies were unsuccessful. The Department did not appear to know how its staff are deployed between the two systems and were unwilling to provide an apportionment.

The DfE, ESFA and RSCs tend to focus on the later stages of intervention and therefore do not carry out the full range of functions for academies. It was therefore considered important for the study to explore how far academies themselves carry out part of the middle tier function (the reason for Education Services Grant being transferred from LAs to academies). This would

[23] https://www.whatdotheyknow.com/

include areas such as school improvement, estates management, staff and leadership development and strategic financial leadership. This is particularly likely in Multi-Academy Trusts (MATs), which have oversight and centralised functions across a group of academies and can cover more schools and a wider geographic area than some local authorities.

These functions are expected to be reflected in specific funding streams available to academies and MATs. In order to examine this question, a detailed analysis was undertaken of school, academy and MAT financial information for 2016/17.

Comparison of funding and net expenditure – academies and LA schools

The relevant data at individual academy, trust and LA school level were found through a link labelled Data Sources on the DfE's school financial benchmarking website[24]. They are based on the Consistent Financial Reporting (CFR) returns from LA schools and the Academy Annual Return (AAR) on actual expenditure. The academy file contained two worksheets, one for individual academies and another for funding and expenditure at trust level.

A methodology was developed using the following steps (for costs, read grant funding and net expenditure):

- Nursery schools, special schools and academies, Alternative Provision academies and Pupil Referral Units were excluded, because their much higher unit costs would skew the results and make conclusions less meaningful.

- Schools and academies were flagged for inclusion if they were open for the full year 2016/17 for that particular status and had pupils on roll. This avoided overstating costs due to different financial years, e.g. if a school had been an LA school for 12 months and converted on 1st April, it would show an extra 5 months of costs as an academy.

- Trusts with central costs which closed, where academies moved to another trust, were kept in the data to achieve a full year of central costs for their academies.

- Empty trusts, i.e. trusts with no academies, were excluded.

- 345 LA mainstream schools and 899 mainstream academies were excluded on the above basis because they either opened, closed or converted during the year or recorded zero pupils.

- The total for mainstream schools and academies before our exclusions (20,696) was checked against SFR28-2017 'Schools, Pupils and their Characteristics' for January 2017[25] (20,194). The latter is a mid-year snapshot, whereas the cost files represent the position at March 2017 for schools and August 2017 for academies.

[24] https://schools-financial-benchmarking.service.gov.uk/Help/DataSources. Please note that the 2016/17 LA school file has been overwritten with data for 2017/18 since the analysis was undertaken.
[25] https://www.gov.uk/government/statistics/schools-pupils-and-their-characteristics-january-2017

This comparison provided reassurance on the completeness of the database on which our research is based.

- The data set included 291 MATs which only had one academy. These were re-defined as SATs for our analysis, as their spending was considered to be out of line with MAT characteristics. Only 29 had any central costs, averaging only £154k each. We know that the government encourages single academies to set up as MATs in anticipation of growth.

- Filters were applied to analyse the data by LA schools, Single Academy Trusts (SATs), and academies in MATs defined as small (2 to 5 academies), medium (6 to 10 academies and large (11+), which are categories used by DfE and NAO.

- Filters were also applied to analyse each type by primary or secondary sector.

- Costs of all-through schools were apportioned on the basis of primary and secondary pupil numbers by matching each school's National Curriculum year groups in the underlying data file for SFR 28/2017, Schools, Pupils and their Characteristics January 2017[26].

- The costs were expressed both in cash terms and as a cost per pupil.

- The categories chosen for the high-level analysis were grant funding and net expenditure (gross expenditure less self-generated income). It was considered important to isolate grant funding when examining differences between academies and LA schools; including self-generated income would cause too much variation.

Some shortcomings in the quality of the published data had to be addressed:

a) Duplicate entries were found for MATs.

b) Some designations of academies were inaccurate, for example all-through academies with only secondary aged pupils.

c) Some trusts with central expenditure showed zero pupils. Where these were known to be empty MATs, they were excluded. Where the individual academy worksheet showed academies in that MAT with pupil numbers, implying it was an error, the costs were apportioned rata to overall costs for each group.

d) The DfE's calculation of net expenditure for academies did not balance to the sum of the individual columns. This was queried and was found to relate to a change in the data for one trust.

Further issues were identified which acted as limiting factors on the ability of the study to draw firm conclusions:

[26] https://www.gov.uk/government/statistics/schools-pupils-and-their-characteristics-january-2017

a) Central trust-level costs were not restricted to strategic functions related to middle tier responsibilities, but also included operational costs. This reflects centralisation being adopted as a means of achieving efficiencies.

b) Central trust-level costs, by their nature, were not attributed to primary and secondary sectors and needed to be apportioned according to pupil numbers for the relevant academies. In order to account for the much higher proportion of secondary academies compared to secondary LA schools in the analysis, it was necessary to apply a weighting to secondary pupils. The 2016/17 national sector ratio of 1:1.29 within local authority funding formulae was felt to be an appropriate weighting to use for this purpose.

c) The expenditure headings in the respective returns for academies and LA schools are not consistent. For example, LA school submissions show Pupil Premium, Ethnic Minority Grants and Sixth Form Funding separately, but this is not the case for academies.

It was important to identify the core formula funding element from other grants which are more variable between the two systems. Formula funding should be broadly similar for schools and academies with the same characteristics (except for academies which are funded on estimated pupil numbers). There are variations between local authority areas in the priority given to particular factors such as deprivation and law prior attainment (hence the move towards a National Funding Formula), but this is smoothed out by taking a national average approach.

The DfE's published file of 2016/17 formula funding allocations at provider level[27] was analysed to identify the core funding for LA schools and different types of academy. This only covers pre-16 funding but is a way of identifying the significant element of total funding that reflects pupil characteristics. The data includes allocations based on estimated pupil numbers for academies with this arrangement in their funding agreement.

It was not possible to achieve an exact match with the study data set because of inconsistent identifiers between the two DfE files. The analysis produced in Table 14 in the main report therefore relates to the full national set of schools and academies, including those that switched between the two systems during the year.

The analysis was further developed to examine the differences in key characteristics known to have the most significant impact on funding and spending between the two systems. A separate exercise was then undertaken to identify the full range of grants made available specifically to academies, in an attempt to explain other elements of the differences in funding.

No breakdown is available between the cost of classroom teaching staff and leadership posts. This was a major drawback in attempts to identify the extent of any middle tier function within multi-academy trusts. In order to address this, the study examined pupil:teacher ratios

[27] https://www.gov.uk/government/publications/schools-block-funding-allocations-2016-to-2017

published in the Workforce Census for November 2016[28] and also used this data to calculate pupil:leader ratios for each category of school. Both are outlined in the main report.

The academy data does not include any indication of the level of top-slice taken by MATs. This means that trust level central expenditure is overstated, because the income from the top slice is not shown; however, the net effect is neutral because the individual academy data does not include their payments to the MAT.

Middle Tier Organisations' Comparative Costs

Middle Tier Functions

The Accounting Officer System Statement published in August 2017[29] is a useful document for understanding the government's view of the middle tier roles of the DfE and its agencies, ESFA and RSCs.

There is a detailed breakdown at Annex A of the DfE Main Estimate 2016/17, but it is not possible to identify specific middle tier functions within each of these items. They include administration costs as well as direct payments to education settings. Key items of interest have been extracted in the following table from Annex A of the Main Estimate:

Table 38: DfE main estimate 2016/17 budgeted expenditure Annex A p18-19

	2016/17 Main Estimate Budgets £m
Activities to support all functions	312.2
Administration	237.4
Capital	50.0
Other Resource	24.8
School Infrastructure & Funding of Education (Department)	187.5
Resource	185.5
Capital	2.0
Education Funding Agency	8,371.6
Administration	64.0
Programmes	5,833.8
Capital	2,473.8
J. Grants to LA schools via EFA	33,298.7
Programmes	31,171.1
Capital	2,127.6
K. Grants to academies via EFA	16,138.1
Programmes	15,527.5
Capital	610.6

[28] https://www.gov.uk/government/statistics/school-workforce-in-england-november-2016
[29] https://www.gov.uk/government/publications/department-for-education-accounting-officer-system-statement

The ESFA plays a major role in the administration of funding to academies, monitoring their financial performance and ensuring accountability. However, it also works closely with local authorities on general school funding and high needs funding. The Agency's annual report and accounts for 2016/17 is useful in providing insight into their role and functions, with evidence of overall costs, but specific functions are not identified and our FOI request for more information was refused.

Table 9 in the main report outlines our attempts to apportion costs for middle tier organisations where information has not been forthcoming. The assumption made is that the total ESFA costs of £64m from their published accounts should be apportioned 25% to LA schools and 75% to academies. This is based on an examination of their functions and the fact that the Agency has to deal with recoupment of funding, payments and returns from only 152 LAs (e.g. Section 251 budget and outturn statements and the Authority Proforma Tool for funding formulae) but over 3,000 academy trusts (e.g. Budget Forecast Return, Budget Forecast Return Outturn and financial statements).

Spending on converting schools to academies

The National Audit Office (NAO) report *Converting Schools to Academies*[30] provides a breakdown of DfE and ESFA costs for academy conversion, both in terms of the Department's and Agency's costs and the pre- and post-opening grants to academies. The following table shows an extract from its report.

Table 39: DfE and ESFA costs for conversions 2016/17 (NAO report Figure 9 p36)

	£m
DfE central administration costs	**12.0**
One-off transitional costs for new academies:	
Pre-opening grant for conversions without sponsor	33.6
Pre- and post-opening (start-up) grants - conversions with sponsor	31.5
	65.1
ESFA spending:	
Funding for TUPE transfers	2.5
Financial management and governance self-assessment	0.1
Repayments of deficits to LAs for conversions without sponsor	1.4
	4.0
Total spending on converting schools to academies	**81.1**

The equivalent of the £81.1m total spending on conversions was £63.9m in 2014/15 and £39.6m in 2015/16. The NAO states that this was broadly consistent with changes in the number of academy conversions.

[30] National Audit Office HC 720, February 2018: https://www.nao.org.uk/report/converting-maintained-schools-to-academies/

Details of the methodology for pre- and post-opening grants to academies in Table 28 are given in a DfE guidance note dated March 2016[31]. In summary, a pre-opening grant for non-sponsored conversions is £25,000, but up to £15,000 extra can be paid for PFI schools. For sponsored academies, pre-opening grants are paid to the sponsoring trust and can vary between £70,000 to £150,000, including the £25,000 conversion support grant; the additional grant must be spent on school improvement.

Re-brokerage payments and post-opening grants may be one-off, but they occur every year for different academies to different degrees, depending on the number of conversions and re-brokering activity.

Building capacity in academy trusts

The funding streams to improve capacity within the academy system have developed in an ad-hoc way, so there is no consistent time series of grants for this aspect. The following extract from Figure 9 of the NAO report shows those that were available in 2016/17.

Table 40: Funding to improve sponsor capacity 2016/17 (NAO report Figure 9 p36)

	£m
Sponsor and other capacity funding	6.600
Regional Academy Growth Funding	30.059
Total £m	36.659

The Regional Academy Growth Fund (RAGF) covered developing new/existing sponsor capacity, regional hubs for existing high-performing sponsors and MAT expansion; 350 bids were successful with an average allocation of £85,882 per trust.

Intervention: re-brokering

Funding is available to cover the costs of an academy causing concern when transferring to a new sponsor. There are three levels of re-brokering grant:

a) basic, fast track level (£70,000 primary, £80,000 secondary);

b) intermediate (£90,000 primary, £115,000 secondary)

c) full level (£110,000 primary, £150,000 secondary).

The basis of re-brokering payments is outlined in a document 'Academy transfers and funding'[32] published by DfE in July 2018, accompanied by individual allocations. The following tables outline the details.

[31] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/511128/sponsored_academies_funding_advice_for_sponsors.pdf

[32] https://www.gov.uk/government/statistics/academy-transfers-and-funding-england-financial-year-2017-to-2018

Table 41: Extracts from DfE Academy Transfers and Funding document July 2018

Financial year	Number of academies where grant funding was provided	Number of academies where no grant funding was provided	Total number of academies that have moved trust	Percentage of academies where grant funding was provided	Percentage of academies where no grant funding was provided	Number of academies in England as at 31 March	Percentage of academies that moved trust in England
2013-14 (r)	2	19	**21**	10%	90%	3,908	0.5%
2014-15 (r)	40	24	**64**	63%	38%	4,902	1.3%
2015-16 (r)	34	58	**92**	37%	63%	5,553	1.7%
2016-17 (r)	60	136	**196**	31%	69%	6,518	3.0%
2017-18	49	206	**255**	19%	81%	7,613	3.3%
Total	**185**	**443**	**628**	**29%**	**71%**		

Source: Education & Skills Funding Agency (ESFA) Management Information and Academies Regional Delivery Group (ARDG) Management Information.

(r) figures have been revised from previous publication.

Financial year	Number of academies where grant funding was provided	Grant funding provided in 2013-14 £	Grant funding provided in 2014-15 £	Grant funding provided in 2015-16 £	Grant funding provided in 2016-17 £	Grant funding provided in 2017-18 £	Total grant funding provided £
2013-14	2	74,400	121,200	271,700	0	0	467,300
2014-15 (r)	40	491,700	3,532,500	343,800	105,000	29,500	4,502,500
2015-16	34	0	337,400	3,627,400	801,800	0	4,766,600
2016-17 (r)	60	0	0	0	6,297,700	464,000	6,761,700
2017-18	49	0	0	0	1,195,500	5,199,200	6,394,700
Total	**185**	**566,000**	**3,991,100**	**4,242,900**	**8,400,000**	**5,692,700**	**22,892,700**

Source: Education & Skills Funding Agency (ESFA) Management Information and Academies Regional Delivery Group (ARDG) Management Information

(r) figures have been revised from previous publication.
[1] Funding figures are calculated using figures that have been rounded to nearest £100. There may be discrepancies between the sum of constituent items and totals as shown.

Sector-led improvement

A search on the gov.uk website has identified a range of other grants specifically for academy sector-led improvement which were applicable in the years before and after 2016/17, but not available during that year. They include:

- the MAT Development Programme (£200k in 2017/18, 25 MATs at £8k each)
- the MAT CEO Development Course (£133k for an unspecified year)
- a Northern Hub Fund (£9.5m in 2015/16, which has attracted some controversy)
- the MAT Development and Improvement Fund (£53m set aside in 2017/18; actual allocations not yet published).

School improvement grants are available to schools and academies but can vary across financial years. The main source of the information recorded below is an existing FOI request

submitted via www.whatdotheyknow.com[33]. It is not possible to identify the recipients of all of these grants, so they are presented here for information only.

Table 42: School improvement funding for LA schools and academies

		2014/15	2015/16	2016/17	2017/18
		£m	£m	£m	£m
Leadership Equality and Diversity Fund	Supports schools to develop local solutions that help teachers covered by at least one of the protected characteristics progress into leadership	0.708	0.887	1.232	0.806
Leadership Targeted Support Fund	Encourage greater numbers of teachers to reduce their development gaps and gain confidence to move into leadership positions	0.894	0.876	0.767	0.474
Women Leading in Education: Coaching Pledge	To allow existing leaders to pledge to coach aspiring female leaders				0.140
Women Leading in Education: Regional Network Grants	To support regional networks in encouraging female aspiring leaders			0.092	0.092
Legacy National Professional Qualifications	Provision of NPQ	£23.63m across the period 2013/14 to 2017/18			
Reformed National Professional Qualifications	Updating of NPQ				3.750
High Potential Programmes	Help schools retain and develop high-potential middle leaders in order to improve schools and their outcomes	£30.6m across the period 2014/15 to 2017/18			

[33] Samantha Fernandez FOI https://www.whatdotheyknow.com/request/grants_contracts_and_academy_fin

		2014/15	2015/16	2016/17	2017/18
		£m	£m	£m	£m
Teaching and Leadership Innovation Fund – Round 1	To support and increase great teaching and leadership in schools.				4.750
Strategic School Improvement Fund (2017/18 only)	Help schools needing improvement to use their resources most effectively and to deliver more good school places. An emergency fund continues.				56.981

Costs incurred by local authorities when schools convert to academy status

As the number of academies has increased, additional costs of conversion have emerged in terms of the work that has to be done by local authorities. These are mainly for HR and legal input to transfer staff, land and buildings. This can be significant where there are Private Finance Initiative contracts or other atypical contractual arrangements. A separate closure of accounts is needed for conversions other than on 1st April.

Through FOI requests, we identified a total of 645 conversions in 114 of the 128 LAs that responded, but not all were able to provide costs. However, 47 LAs reported a total of £2,335,901 across 355 conversions: **an average of £6,580 per conversion**.

Extrapolating this across the 1,046 academies opening in 2016/17, according to DfE's list of open academies[34], suggests a total cost to LAs in the region of **£6.883m**.

Due to cuts in government grants for statutory services, a trend has developed of LAs making charges to recover the costs. A Schools Week article on 21st September 2018[35] highlighted that 69 out of 120 councils were now charging.

Responses to our FOI request identified that 34 LAs generated £1,123,722 across 279 conversions, indicating an **average charge of £4,028**.

Where schools voluntarily convert to academy status, they take surpluses and deficits with them. This includes schools that choose to join a sponsor. However, where a school is compelled to become a sponsored academy through intervention and has a deficit, the local authority has to write it off because it is classified as a school closure.

In 2016/17, 22 of the LAs that answered this question in the FOI request **wrote off deficits totalling £5,120,056** for schools forced to become sponsored academies.

[34] https://www.gov.uk/government/publications/open-academies-and-academy-projects-in-development
[35] https://schoolsweek.co.uk/schools-forced-to-shell-out-3-8-million-in-council-conversion-fees/

The regulations allow LAs to retain surpluses for these schools, but DfE encourages LAs to pay surpluses to the trust. Six LAs retained revenue surpluses totalling **£4,519,609**. However, just two authorities represented 75% of this, retaining £2.039m and £1.328m respectively.

In any given year, these results can be dramatically different, due to the number of schools forced into academy conversions through intervention, the incidence of surpluses and deficits in them, and LA decisions on whether to retain surpluses. Write-offs have therefore been omitted from our summary table.

Costing Local Authority middle tier functions

The costs of statutory functions of LAs relating to the middle tier have been derived from net expenditure (i.e. net of any income from schools) in the S251 outturn statement for 2016/17. The functions undertaken by LAs were examined to identify which could be classified as middle tier. Items were excluded where services were traded or voted by Schools Forum, i.e. where funding was delegated and schools had a choice over how to obtain the services.

The category of services which can be regarded as middle tier is the set of statutory LA functions which LAs must undertake and cannot delegate. Some of these statutory functions were funded from Education Services Grant (ESG) in 2016/17. This was the last full year of the grant, which was in two parts:

- General ESG (functions undertaken for LA maintained schools only) at £77 per-pupil for mainstream schools, £327.25 per special school place and £288.75 per place in Pupil Referral Units.

- Retained Duties (functions performed for both LA schools and academies) at £15 per pupil. These are usually at a strategic level, such as senior leadership of education in the whole area, ensuring sufficient places across all types of school, statutory returns and other legal obligations.

The DFE outlined a breakdown between the General and Retained Duties functions in a document titled Annex A[36]. This provides a greater degree of clarity on the functions that the local authority must do for all schools and academies and those which it undertakes for LA maintained schools only. It is essential reading to fully understand the distinctions between the two categories.

The per capita cost was calculated for the respective functions, using the 3-19 population data from the January 2017 census[37]. These were originally used by DfE to calculate per capita costs in the benchmarking tables for S251 planned (budgeted) expenditure in 2017/18; they have been used here as the closest match for actual spending, because DfE does not publish per capita information for year-end data. The relevant population has been used to match the scope of responsibility, i.e. LA schools only or both LA schools and academies.

[36] https://www.gov.uk/government/publications/education-services-grant-2015-to-2016
[37] https://www.gov.uk/guidance/section-251-2017-to-2018

Table 43: LA Statutory Functions from s251 outturn statement 2016/17

Line ref.	Description	LA middle tier for LA schools		LA middle tier: LA schools and academies	
		Net ex-penditure £000s	£ per capita	Net ex-penditure £000s	£ per capita
2.0.1	Therapies and other health related services			10,830	1.30
2.0.2	Central support services (pupil support, music, arts and outdoor education)			39,457	4.73
2.0.3	Education welfare service			55,020	6.60
2.0.4	School improvement	134,338	29.45		
2.0.5	Asset Management – education	43,282	9.49		
2.0.6	Statutory/Regulatory duties – education	214,770	47.08		
2.0.7	Premature retirement/redundancy costs			22,384	2.69
2.0.8	Monitoring national curriculum assessment			4,511	0.54
2.1.3	Parent partnership, guidance and information			20,920	2.51
2.1.9	Supply of school places			21,674	2.60
	Total	392,390	86.01	174,796	20.97

The education welfare service mainly consists of the same duties for both LA schools and academies, with only one additional element for LA schools, described in Annex A as '*the right to inspect school registers (Education (Pupil Registration) (England) Regulations 2006)*'. Since funding cuts have eaten away at any discretionary LA functions, this right is unlikely to be widely exercised, given the availability of technological approaches.

The line for Statutory and Regulatory Duties is more complex. DfE's Annex A indicates that the functions relating to LA schools are far more significant. It seems sensible to categorise this line and the school improvement line as LA middle tier, on the basis that there will be some activity by RSCs relating to LA schools, which cannot be quantified but is likely to balance this out.

There are two statutory functions relating to SEN which are operational, focused on individual pupils irrespective of school governance, and based on assessed need to meet LA statutory responsibilities for children with SEN. Home to school transport is also delivered to individual pupils meeting statutory criteria. For these reasons, they have not been included in the calculation of LA middle tier responsibilities. Schools can purchase Education Psychology time but this is a traded service, not a LA middle tier function.

We can add together the per-pupil totals for both sets of functions as the LA middle tier cost for LA schools and only attribute retained duties to academies, as follows:

Table 44: LA middle tier costs per-pupil from S251 outturn statement 2016/17

	LA schools	Academies
LA functions for LA schools only	£86.01	
LA functions for LA schools and academies	£20.97	£20.97
Total LA middle tier costs	£106.98	£20.97

Assessing middle tier function costs in MATs

Due to the lack of evidence on specific costs which can be classed as middle tier, the Study examined alternative sources of information to indicate the type of functions involved. The DfE's Academy Trust Survey 2017[38] highlights relevant features.

Table 45: Academy regional and hub management structures (DfE 2017, Table 10)

As would be expected, regional or hub management structures become more common as trusts grow. Table 10 shows that all but two of the trusts with 11 or more academies who completed the survey have a regional or hub management structure.

Table 10: Whether there is a regional or hub management structure to support accountability for MATs of difference sizes

	2 to 5	6 to 10	11+
Yes	36%	63%	87%
No	64%	38%	13%
Base	204	48	15

The finance area in a MAT is an area of significant activity. Trusts have to prepare accounts on a very different basis to LA schools, complying with charity accounting rules and preparing balance sheets, which an LA school is not required to do. The 2017 Academy Trust Survey (DfE 2017) explored the Finance Director role:

Table 9 shows that the vast majority of MATs have a qualified finance director who works across the whole trust. Half of the "empty" MATs have a full-time finance director and a quarter have one part-time. As the number of schools in a trust increases so too does the likelihood of a full-time finance director being appointed increase, with almost all Trust boards made up of six or more schools having a full-time finance director.

[38] https://www.gov.uk/government/publications/academy-trust-survey-2017

Table 46: Qualified academy Finance Director roles (DfE 2017, Table 9)

Table 9: Whether the MAT has a qualified finance director who works across the trust

	All MAT	1	2 to 5	6 to 10	11+
Yes - Full-time	71%	53%	69%	96%	93%
Yes - Part-time	16%	24%	18%	2%	7%
Summary: Yes	87%	76%	87%	98%	100%
No	13%	24%	13%	2%	0%
Base	326	59	204	48	15

Where GAG is pooled by a MAT and redistributed, regular review is needed to ensure individual academies are resourced adequately and contingencies are allocated where specific needs arise during the year, as happens with central funds and services in LAs. The 2017 Academy Survey showed that 18% of the 267 respondents were pooling GAG and 31% intended to do so in the future.

A key consideration, given the above, was whether it was possible to define a cost for senior leadership posts which worked across the MAT on functions akin to those performed by LAs for their maintained schools. However, calculating this with any accuracy was extremely difficult because of the quality of the published data. Central expenditure for each MAT does not separate out senior leadership costs. Furthermore, a number of MATs, including one in a case study, charge schools for core school improvement services which are provided by staff on the central team and this would not be accounted for in the central services return.

As has been noted in the main report, some of this was funded by Education Services Grant which had already been included in Table 9 within the grants paid directly to academy trusts for middle tier functions. A deduction equivalent to the per-pupil amount for academy ESG was therefore made to reflect this.

A further difficulty is the variation in the pay of CEOs and other senior staff. Others pay much more, as evidenced by letters from the ESFA to 92 MATs with multiple staff who were paid between £100,000 and £150,000; 56 of them had fewer than 10 schools, and some had as few as two. They also wrote to 87 MATs that had a member of staff on over £150,000[39]. The Academies Financial Handbook 2017 paragraph 2.3.5 states that "the board of trustees must ensure that their decisions about levels of executive pay follow a robust evidence-based process and are reflective of the individual's role and responsibilities" (AFH, September 2017 p2.3.5).

There is also a large variation in the degree to which Trusts centralise services and so increase the central funding. Two MATs in the case studies have developed significant central capacity to support school improvement. Indeed, it is likely that central costs will increase as Trusts mature and exploit the advantages of working collaboratively. BHP Kreston, which audits 320

[39] https://www.gov.uk/government/publications/letters-to-academy-trusts-about-levels-of-executive-pay

MATs, mostly of small and medium size, reported that in their experience almost all have a CEO and Chief Financial Officer.

The proposed 2.5% which has been used as average level for the core additional costs of MATs can only be a rough estimate, because of the limitations of the data. Further investigation is recommended.

Comparing funding for academies and LA maintained schools

Core funding consists of LA maintained school budget shares and the equivalent element within academy General Annual Grant (GAG). Both are determined by LA funding formulae, at least until direct funding is introduced through the 'Hard' National Funding Formula (NFF), for which the implementation date is unknown.

The majority of academy GAG is therefore calculated on the same basis as LA school allocations in the same area. The ESFA recoups the amount due to academies from the LA Dedicated Schools Grant (DSG) and pays it to academies, together with other sources of funding. However, MATs receive all GAG for the academies in the trust and can pool it and redistribute it according to priorities.

To aid understanding of the impact of pupil profiles on core funding, the table below shows the proportion of total formula allocations directed to the main pupil-led elements in 2016/17, as reported in the DfE publication of Schools Block funding formulae[40].

Table 47: Proportion of pupil-led funding allocated to key factors in LA formulae

	% of total
Primary basic entitlement	40.7%
KS3 basic entitlement	20.8%
KS4 basic entitlement	15.5%
Total basic entitlement	76.8%
Free School Meals	4.5%
IDACI (area-based deprivation)	3.1%
Looked After Children	0.1%
English as an Additional Language	0.9%
Pupil mobility	0.1%
Low prior attainment	4.3%
Total additional needs	13.0%
Non-pupil led (lump sum, sparsity, premises etc)	10.2%
Total formula allocations	100.0%

[40] https://www.gov.uk/guidance/schools-block-funding-formulae-2016-to-2017

These are the national proportions before transitional protection. There are significant variations at individual LA level; for example, primary basic entitlement ranges from 33.3% of the total in Halton to 51.5% in Reading.

The national average ratio of per-pupil funding in 2016/17 was 1:1.29 in favour of secondary schools (secondary per-pupil funding 29% higher than primary). However, individual LA ratios ranged from 1:1.18 to 1:1.57, with a median of 1:1.30. Trusts with academies in different LA areas will see varying rates of grant. The Study team considers that these are unlikely to cause significant differences in the results because LA schools and academies within an area are treated equally.

SEN funding

Funding for special educational needs can be a significant element for some schools. Three main elements of funding were applicable to both systems in 2016/17:

a) The notional SEN budget within core formula funding, calculated by each LA by deeming a proportion of specific factors as representing funding for pupils with low-level SEN in mainstream classes. This is not extra funding; it is within the budget share/core element of GAG. Mainstream schools and academies alike have to fund up to the first £10,000 from their total budget.

b) £10,000 per place for SEN units and resource bases commissioned by the LA.

c) Top-ups for units, resource bases and pupils in mainstream classes to cover any costs of support above the first £10,000. This is the variable element, which can be awarded to pupils with EHCPs and those on SEN Support if the cost threshold is exceeded. Schools that are particularly inclusive, where the cost of support exceeds the notional SEN budget, can be given extra top-ups.

Published data on the number of Education Health and Care Plans (EHCPs) and pupils with SEN Support were examined and found to be relatively close between the two systems. However, when these were compared with the financial benchmarking data, it was evident that pure numbers of pupils did not reflect the levels of need. SEN funding payments to LA schools were considerably higher than to academies. The data on SEN Support for pupils with lower levels of SEN is not verified and relies on schools setting a flag in the census return.

The SEN funding element within the Study's data set was therefore used to isolate the impact of SEN on funding for schools and academies. This represents the top-up payments (item c above), where local authorities have to verify the level of need before making any payments to schools for individual pupils.

According to the ESFA's remittance advice guidance, funding of £10,000 per place in SEN units and resource bases in mainstream schools are included in pre-16 grants in the 2016/17 benchmarking files, not in the SEN funding heading. Section 251 returns did not show planned expenditure on units and resource bases separately until 2018/19, so it has not previously been possible to identify it.

The share of SEN funding between LA schools and academies is not an exact match, for the following reasons:

a) We have excluded schools and academies that were not open for the full year in the analysis, but some will have received SEN allocations which are recorded in the outturn statement.

b) The S251 outturn statement relies on LA finance officers reporting the correct allocations to the individual lines for schools and academies from local records. The balance between the two types of school may not match the CFR and AAR returns; the latter is not prepared by LAs.

School characteristics – rural schools

We were able to identify the rural school characteristic for academies, where the financial benchmarking file contained a flag for rural or urban schools. In the case of 43 academies, no designation was recorded, so these were excluded.

However, the LA schools' file did not have the same flag. DfE published a list of primary rural schools in 2018[41], but there is no corresponding list for the secondary sector. A report on Rural Education Statistics[42] has been published, compiled from various sources by the Department for Environment, Food & Rural Affairs. This includes Ofsted inspection results for rural secondary schools in England at 30th September 2016.

The above report does not specify whether the schools are LA maintained or academies. The number of rural secondary LA schools was therefore deduced by subtracting the known number of rural secondary academies from the total (both inspected and not inspected).

To illustrate the impact of small schools on per-pupil funding, we can apply the National Funding Formula unit values to two hypothetical primary schools of different sizes with the same proportions of pupils with additional needs. School A has 100 pupils and attracts sparsity funding of £20,000 (based on the example in DfE's operational guidance). School B has 600 pupils so does not attract sparsity funding.

To model a formula result, we can assume both have eligibility of 10% for FSM, 12% for Ever 6 FSM, 5% for EAL and 10% low prior attainment, and both have a lump sum of £110,000. Under these hypothetical conditions, School A's per-pupil funding would be £4,284, 26.1% higher than the corresponding £3,167 for School B. This is mainly due to the lump sum and sparsity allocations being spread over fewer pupils. However, not all are rural schools are small schools, so the financial impact will be more mixed overall.

Education Services Grant protection

General Education Services Grant (ESG) was paid to academies, to recognise their middle tier functions equivalent to those performed by LAs for maintained schools.

[41] https://www.gov.uk/government/publications/rural-primary-schools-designation
[42] https://www.gov.uk/government/statistics/rural-education

Historically, ESG reflected actual spending levels reported by LAs, but in 2013/14 a national General ESG rate of £116 was established for local authorities and academies, with an additional £34 per-pupil for academies. PRUs and special schools were awarded higher rates. The government then started to reduce the grants to achieve savings, and by 2016/17 the rate had reduced to £77 per pupil.

The core academy ESG allocations are included in the DfE's 2016/17 funding allocations file at provider level, totalling £233.65m. From 2013/14 onwards, academies were given protection to compensate for their reduction, tapering down over time according to the significance of the previous year's ESG plus protection. Academy GAG guidance explains:

Extract from DfE Funding Allocation Pack 2016 to 2017

> The percentage protection for an academy is determined by its level of ESG per pupil (ESG + ESG protection) in the 2015 to 2016 academic year. For academies that had no ESG protection the level of ESG per pupil would be £87; for others with ESG protection, the level of ESG per pupil will be higher.
>
> The tapered protection is applied as follows:
>
> - if the academy received up to and including £87 of ESG per pupil the protection rate will be -1% of the academy's total allocation
> - if the academy received up to and including £140 of ESG per pupil the first £87 will be protected at -1% and the amount above £87 will be protected at -2% of the academy's total allocation
> - if the academy received more than £140 ESG per pupil the first £87 will be protected at -1%, any amount above £87 and up to and including £140 will be protected at -2%, and any amount above £140 will be protected at -3% of the academy's total allocation

An FOI request was made in 2017 to obtain details of protection payments, which identified £50.845m in 2014/15, £62.555 in 2015/16 and £8.821m in 2016/17.

The reason for the higher protection payments in 2015/16 is that new academies were awarded funding as if they had been an academy in the previous year. The protection funding has since tapered down further and is now likely to be very low.

Support for schools and academies in financial difficulty

The DfE's Remittance Advice Guide[43] provides a detailed list of funding items within academy GAG statements, some of which relate to measures taken to assist academies in financial difficulty. These include retrospective adjustments for academies funded on estimated rolls, and funding to cover costs of staff restructuring as part of financial recovery plans.

Support is available for both LA schools and academies in financial difficulty. In the DfE response to the results of consultation to change the basis of LA loan schemes, the following statement was made:

[43] https://www.gov.uk/government/publications/academies-payments-information-remittance-advice-notes/academies-remittance-advice-guide

'in exceptional cases, such as those where additional funding is absolutely necessary to stabilise the school's finances and ensure minimal disruption to pupils' education, the ESFA can provide a grant.'

The DfE's remittance guide advice refers to this as deficit funding and says: '*This is a grant we might be able to give if you face financial failure (eligibility criteria apply)*.' In a response to an FOI request on this matter, DfE provided a spreadsheet of grants made to 14 academies during 2016/17. They totalled £4.126m, which DfE pointed out represented 0.03% of the total GAG for that year. Individual allocations ranged from £51,000 to £704,895 per academy trust.

However, in oral evidence to the Public Accounts Committee on 23 January 2017, Peter Lauener, Chief Executive of the Education Funding Agency, told MPs '*In 2011-12, when we provided deficit funding, 100% of it was nonrepayable. In 2015-16, close to 85% of the deficit funding was repayable.*' He did not make clear the circumstances in which grants could still be paid rather than loans.

A separate FOI[44] obtained information that in 2016/17, DfE had made advances of over £16m to academies in deficit, but could not say by when these would have to be repaid.

Local authorities also have the ability to provide funding for LA maintained schools in financial difficulty. However, this is merged with other contingencies in the Section 251 outturn statements, so it is not possible to identify the specific amounts spent.

[44] https://www.localschoolsnetwork.org.uk/2018/05/exclusive-16m-lent-to-academies-to-achieve-financial-stability-in-201617-foi-reveals

Appendix 3: Detailed financial analysis

As outlined in the main report, overall net expenditure was extracted from financial benchmarking data and separated by sector. Central MAT costs were apportioned between the sectors on a weighted pupil basis.

Table 48: Total net expenditure per-pupil 2016/17 (repeat of Table 7)

	Primary	Variation from Primary LA schools	Secondary	Variation from Secondary LA schools
LA schools	**£4,689.81**		**£5,878.53**	
SATS	£4,640.65	-1.0%.	£5,525.64	-6.0%
Small MAT	£4,919.11	+4.9%	£5,758.41	-2.0%
Medium MAT	£4,975.25	+6.1%	£5,835.59	-0.7%
Large MAT	£5,297.46	+13.0%	£6,442.72	+9.6%
Total MATs	£5,054.23	+7.8%	£5,959.65	+1.4%
All academies	**£5,000.72**	**+6.6%**	**£5,819.82**	**-1.0%**

There is an element of inflationary pressure for academies due to the timing of pay awards. However, it is important to note that this only applies to expenditure. ESFA does not make any adjustment to academy funding to reflect the impact of inflation.

The following table illustrates the patterns and shows the relevant pay awards.

Table 49: Impact of financial year variations and pay awards

	Summer 2016	Autumn 2016	Spring 2017	Summer 2017
LA school financial year				
Academy financial year				
Pay awards from April 2016				
Teachers		1%		
Support staff	1%			1%

This works out at an additional 0.4% pressure on pay for academies if they implemented the recommendations, essentially the difference in costs between the summer term 2016 for LA schools and the summer term 2017 for academies. Since pay represents between 76% and 80% of net expenditure according to the financial benchmarking data set, overall this represents an additional 0.3% cost for academies. It is recommended that this is simply noted,

as it is not possible to determine whether each group fully implemented the pay awards or not.

The Apprenticeship Levy was introduced in April 2017 and could impact on some academies for one term, but it only applies to employers with a pay bill over £2m. The 0.5% levy depends on trusts' individual tax registration and some can be recouped by drawing on funding to employ apprentices.

Staffing costs

A breakdown of the net expenditure was undertaken, with a focus on the three main areas of teachers, educational support staff and administrative and clerical roles.

It is important to recognise that spending, like funding, is impacted by the profile of pupils. The size of a MAT is less relevant than the nature of the academies within it. As the table below shows, converter academies predominate in most small MATs. Larger MATs are more likely to be asked to act as sponsors for failing schools, which require intensive and costly support.

Table 50: Make up of SAT/MAT groupings

Primary academies	Make up of each SAT/MAT grouping			
	Converter	Sponsor-led	Free/ other	Total
SATS	84%	7%	9%	100%
Small MAT	69%	27%	5%	100%
Medium MAT	64%	33%	3%	100%
Large MAT	45%	52%	3%	100%
Total MATs	60%	37%	4%	100%
Total academies	66%	30%	5%	100%
Secondary academies	Converter	Sponsor-led	Free/ other	Total
SATS	79%	10%	11%	100%
Small MAT	63%	28%	9%	100%
Medium MAT	54%	36%	10%	100%
Large MAT	21%	71%	8%	100%
Total MATs	49%	42%	9%	100%
Total academies	64%	26%	10%	100%

Teaching staff costs recorded in the financial benchmarking data combine both classroom teaching salaries and the costs of leadership and management. The Academies Accounts Return (AAR) asks for a breakdown between classroom teachers and senior leadership team members without teaching responsibilities, but this has not been replicated in the published benchmarking data.

In collating the costs, directly employed supply staff and agency supply spending were both included, to account for different approaches in commissioning them.

Table 51: Teaching costs per-pupil (including supply)

	Primary	Variation from Primary LA schools	Primary % of net expend-iture	Secondary	Variation from Secondary LA schools	Secondary % of net expend-iture
LA schools	**£2,341.90**		**50%**	**£3,476.10**		**59%**
SATS	£2,337.46	-0.2%	50%	£3,333.30	-4.1%	60%
Small MAT	£2,418.85	+3.3%	49%	£3,339.92	-1.9%	59%
Medium MAT	£2,373.62	+1.4%	48%	£3,258.82	-3.6%	57%
Large MAT	£2,504.54	+6.9%	47%	£3,542.20	+3.7%	56%
Total MATs	£2,435.52	+4.0%	48%	£3,377.61	-0.7%	58%
All academies	**£2,407.49**	**+2.8%**	**48%**	**£3,354.39**	**-2.4%**	**58%**

This grouping includes leadership costs, which are aggregated with teaching costs in the benchmarking files. In the primary sector, academies spend 2.8% more per-pupil and teaching staff, although their FSM eligibility is only 1.5% higher than LA schools and SEN funding is 21.3% lower. One would normally assume that lower additional and special needs enable slightly larger class sizes, meaning fewer teachers can be employed. There are also far more rural schools among LA maintained primary schools, which would lead us to expect LA costs to be higher. In the secondary sector, academies spend 2.4% less on teaching staff but FSM eligibility is 7.2% lower than in LA schools and SEN funding is 29% lower.

This suggests there is an element of higher costs which are related to the middle tier role. DfE has written to trusts with high executive salaries[45], an indication that there are issues about the rates of pay in a number of cases. In the raw data, there was a wide variation in the amount of teaching staff costs that are centralised in different sizes of MATs. It is likely that these are related to executive and cross-MAT senior leaders, but it is impossible to substantiate this from the published data.

Education support staff costs were also examined. There may be differences in classification of different types of staff between educational support and other non-teaching staff categories (admin, premises, and catering), but we would not expect these inconsistencies to be isolated in a particular type of school.

[45] https://www.gov.uk/government/publications/letters-to-academy-trusts-about-levels-of-executive-pay

Table 52: Education support staff costs per pupil

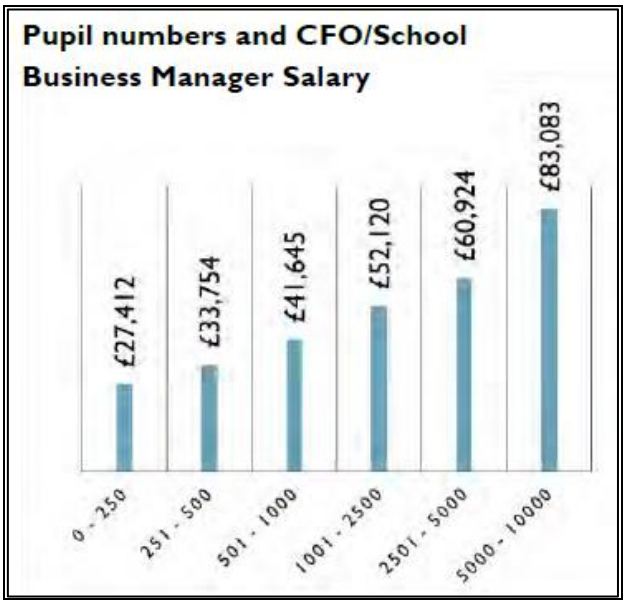
	Primary £	Variation from Primary LA schools	Primary % of net expend-iture	Secondary £	Variation from Secondary LA schools	Secondary % of net expend-iture
LA schools	**900.07**		**19%**	**638.07**		**11%**
SATS	831.57	-7.6%	18%	533.73	-16.4%	10%
Small MAT	881.01	-2.1%	18%	586.28	-8.1%	10%
Medium MAT	937.58	+4.2%	19%	595.61	-6.7%	10%
Large MAT	891.97	-0.9%	17%	616.77	-3.3%	10%
Total MATs	897.38	-0.3%	18%	596.79	-6.5%	10%
All academies	**879.21**	**-2.3%**	**18%**	**564.94**	**-11.5%**	**10%**

This category of staff mainly represents teaching assistants engaged in supporting pupils with SEN or additional needs, either individually or in small groups. Costs are much higher per-pupil in the primary sector, presumably due to smaller average school size. Primary academies in medium MATs stand out as having relatively high levels of education support staff costs. In the secondary sector, SATs are well below all other categories of school and academy; the dominance of converter academies with relatively low needs is likely to mean lower levels of support are needed.

Administrative and clerical staff is an area of expenditure where we would expect to see evidence of strategic non-teaching staff costs in academies, sometimes in CEO positions and frequently for roles such as the COO and CFO. There will also be leads for areas such as HR, data, estates and ICT, and additional staff needed to carry out the admissions authority duties. Unfortunately, it is not possible to separate out the level of ordinary admin staffing costs that are included in the centralised MAT costs.

However, The Kreston Academies Benchmark Report 2018 identifies rising salaries of Chief Financial Officers or School Business Managers correlating with the size of a trust:

Table 53: Salaries of Chief Financial Officers / School Business Managers (Kreston, 2018)



The table below indicates the overall per-pupil costs for administrative staffing.

Table 54: Administrative and clerical staff costs per pupil

	Primary	Variation from Primary LA schools	Primary % of net expend-iture	Secondary	Variation from Secondary LA schools	Secondary % of net expend-iture
LA schools	**£230.97**		**5%**	**£395.21**		**7%**
SATS	£297.45	+28.8%	6%	£404.95	+2.5%	7%
Small MAT	£341.08	+47.7%	7%	£493.32	+24.8%	9%
Medium MAT	£346.81	+50.2%	7%	£463.47	+17.3%	8%
Large MAT	£418.07	+81.0%	8%	£598.47	+51.4%	9%
Total MATs	£364.95	+58.0%	7%	£517.20	+30.9%	9%
All academies	**£343.99**	**+48.9%**	**7%**	**£461.41**	**+16.8%**	**8%**

The amounts themselves are relatively low compared to other costs such as teaching staff, but there are stark differences in percentage terms between academies and LA schools. The lack of granularity of the data prevents a thorough understanding of these differences. In this area of expenditure, a relatively high proportion of costs are centralised by MATs as they try to streamline systems and processes to become more efficient.

When a pure average across both sectors is calculated without any weighting, the academy costs for administrative and clerical staff per-pupil are 58.2% higher than in LA schools.

Possible reasons for the very different results in the categories of educational support and admin and clerical staff include:

a) there could be a genuinely higher level of SEN support required in LA schools than in academies, and lower levels of need in SATs than MATs, as suggested by the data on pupil characteristics in the main report;

b) the level of independence in academies means that they are more likely to run their own systems such as payroll, finance, data and admissions systems and therefore need more admin staff to develop, maintain and support their use;

c) the geographical spread of some of the larger academy chains could limit their ability to centralise back office functions - large MATs have the highest level of administrative expenditure per pupil by far;

d) secondary schools have a wider range of administrative staff, such as examinations officers, librarians and data technicians, so the higher number of academies in this sector is likely to influence the cost.

Other categories of staff expenditure have been analysed in the table below at LA school and SAT/MAT level. A detailed breakdown by sector has not been attempted, because they are less substantial and there is no particular pattern.

Table 55: Other staff costs per pupil

£ per pupil	Premises staff	Catering staff	Other staff	Expenses and training	Staff insurance
LA schools	**113.81**	**23.19**	**100.28**	**59.12**	**36.77**
Academies	128.23	44.98	110.31	47.24	6.79
Central costs	4.02	0.99	14.16	8.29	0.74
All academies	**132.25**	**45.97**	**124.46**	**55.53**	**7.53**
Academy difference	+16.2%	+98.3%	+24.1%	-6.1%	-79.5%

Premises and catering are two areas where schools and academies can choose to procure managed services instead of directly employing staff, so it is difficult to draw conclusions from the data. Elements of staff insurance for academies may be covered by the Risk Protection Arrangement (RPA) which is operated by DfE and deducted at source from grant payments where academies choose to take part in the scheme.

Non-pay costs

There are relatively minor differences in most non-pay expenditure. The most substantial elements are learning resources (an unweighted average for academies of around 16% above

LA school per-pupil costs) and administrative supplies, where academy costs of £233 per-pupil were four times higher than LA school costs of £58 per pupil.

However, LA schools spent more on bought-in professional services, at £216 per-pupil overall, compared to the total for academies across consultancy, ICT, legal & professional and auditors' fees of £183. The different groupings in school and academy expenditure returns make it difficult to be precise about the classification used, but this approximation seems reasonable considering the level of expenditure.

Income

Self-generated income per-pupil is shown in the table below. This comes from a range of activities, including donations and fundraising; lettings; facilities and services provided to other schools, organisations or the public; and contributions for visits.

As already noted, income is unpredictable because every school and academy chooses how far to pursue a strategy of income generation, and the availability of assets such as buildings and grounds can give some an advantage over others.

Table 56: Self-generated income per pupil

£ per pupil	Primary	Secondary	Average	MAT central	Total
LA schools	**284.58**	**313.42**	**290.87**		**290.87**
SATS	292.18	332.07	323.82	1.91	325.74
Small MAT	212.68	281.13	254.38	80.32	334.69
Medium MAT	190.45	245.40	220.24	30.02	250.26
Large MAT	174.03	207.50	191.66	42.62	234.28
Total MATs	195.01	253.76	228.52	58.20	286.71
All academies	**220.79**	**293.75**	**269.37**	**37.27**	**306.65**
Academy differential					**+5.4%**

The data above show that academies are generating more income than LA schools. This may be due to having greater control over their facilities and a more entrepreneurial mindset. Some leaders and governors are reluctant to engage in income generation, but this will probably need to change if the level of school funding does not improve.

Appendix 4: How the middle tier functions in high performing school systems

International comparisons of educational systems are beset with conceptual and practical difficulties: differences of culture, geography and scale mean any conclusions must be offered with a degree of tentativeness. There is, however, a growing literature on how high-performing systems achieve their success and this report attempts to draw on both published and professional insights in order to contribute to informed reflection on the English system.

This summary concentrates on the operation of the 'middle tier' (those levels of an education system between that of the State and that of the school) in four jurisdictions. Definitions of levels of governance used are those given by the OECD, (OECD, 2018: 416). In England, levels include regional, sub-regional and local. For other common features of high-performing education systems, see Schleicher (2018).

Rationale for choice of jurisdiction

Four jurisdictions were chosen for this study: Ontario (Canada), Estonia, Finland and Singapore. Choice of jurisdiction was based on performance in the Programme for International Student Assessment (PISA), a worldwide study by the Organisation for Economic Co-operation and Development (OECD) in member and non-member nations, intended to evaluate educational systems by measuring 15-year old school pupils' scholastic performance in mathematics, science and reading.

The OECD define a successful system as one with both high achievement and high equity. These four countries persistently perform at the top of the league tables in all three subjects and are among only seven jurisdictions that have at least nine out of ten 15-year olds master the baseline level of proficiency in all three subjects (OECD, 2016: 4). Singapore came top in all three subjects in 2015 and Finland, Estonia and Canada are the only non-Asian nations to reach any of the top 5 rankings across all three subjects. An indication of the equity of a system is the percentage of *resilient* students, defined as those *"in the bottom quarter of the PISA index of economic, social and cultural status in the country of assessment [who] perform in the top quarter of students among all countries, after accounting for socio-economic status* (OECD, 2013: 194). Across all OECD jurisdictions, 6.5% of the entire student population is resilient (i.e. they beat the socioeconomic odds that are stacked against them when compared with similar students in other countries). The highest scorers on this measure are Canada with 8.3% resilient students and Finland with 8.1%.

The following information is based on OECD summaries of PISA data; published studies of high-performing education systems; data from government websites of the four jurisdictions and interviews with Directors of Education.

Analytic approach

Building on the conceptual approach of Cousin (2019), the research attempted to establish at which level high-performing jurisdictions located the oversight, commissioning and delivery of four main functions: allocating and monitoring finances; ensuring accountability, monitoring quality and supporting improvement; school management, curriculum and

teaching and learning (or access issues); and teacher and leader training, recruitment, development and retention (people issues). The latter includes human resources management, initial teacher training and continuing professional development (CPD). Important aspects of ensuring accountability to students, parents and the community are establishing frameworks for and ensuring compliance with admissions processes and support for special educational needs (SEN).

The analysis builds on the OECD's concept of 'functional decentralisation', which takes into account the fact that *"decision-making may be decentralised in certain activities and centralised in others"* (OECD, 2018: 412) and attempts to specify which of these functions are the province of a middle tier in high-performing systems. In doing so, the research goes beyond measurements of decentralisation to outline the ways in which structured middle tiers do or do not add value to education systems.

In considering the applicability of comparisons with Singapore, often described as a highly-centralised system, it should be remembered that 'State' in this country is responsible for only 360 schools and that there is a very close connection between policy, research and practice: *"the system in itself is very porous, in the sense that professionals can and do move between research, policy making, administration and teaching practice, often multiple times in their careers"* (Schleicher, 2018: 123).

Any system governance arrangement needs to balance tensions between consistency and flexibility, excellence and equity, competition and collaboration, innovation and compliance, measurable outcomes and wider educational purposes. The report aims to identify how high-performing jurisdictions have responded to these challenges and to capture the solutions or trade-offs including where accountability rests. Schleicher (2018) reports a trend across OECD countries towards decentralisation; however, no other country has devolved decision-making to schools to the extent that England has. A significant difference is the choice of which functions are granted school autonomy.

Education funding

The jurisdictions vary in scale and levels of funding (see table below). The OECD (2018) claims that there is no positive correlation between spending and educational outcomes. Education spending in the UK is the 3rd highest across the OECD, at 6.2% of GDP but its position in the 2015 PISA tests was 15th in Science, 22nd in Reading and 27th in mathematics. A breakdown of the spend indicates some important differences in the proportions spent on phase of education and public versus private expenditure on education. The UK spends more than twice as much on tertiary education as it does on primary and 71% of tertiary spend comes from private not public sources, the second highest private expenditure on tertiary education after the US and the lowest public expenditure on tertiary spending across the OECD. There is an increasing trend across the OECD of reducing public expenditure and increasing household and private expenditure on education (OECD, 2018). However, in the high-performing systems, Estonia spent about the same share (1.4%) of its GDP on primary and secondary education (compared to 1.5% and 2% respectively on average across OECD countries), while expenditure on tertiary education reached 1.8% of GDP (compared to 1.5% on average across OECD countries). In Estonia, 85% of the expenditure on education (from

primary to tertiary level) is covered by public sources. Only 2.4% of spend on education in Finland comes from private sources (Sahlberg, 2015: 84).

All four jurisdictions share a belief in the value of education as a public good and its importance in the success of the country; Estonia, Finland and Singapore have seen education as part of nation-building, for example:

"Education is highly valued in Estonian society – throughout history it has been considered as the cornerstone for individual success, as well as the main driver of the nation's development. "(Estonia Lifelong Learning Strategy 2020, Republic of Estonia Ministry of Education and Research, 2014: 5).

Table 57: Characteristics of selected overseas education jurisdictions

	Estonia	Finland	Ontario	Singapore
Expenditure on education as % of GDP (OECD average 5%)	4.7%	5.7%	8%	3.6%
Number of schools	517	2,440	4,713	360
Number of students	153,300	540,000	2,153,778	522,000

The nature of the 'middle tier' in each jurisdiction

Estonia combines a small state government with a commitment to the local governance of schooling; local governments play a critical role in financing and managing Estonia's school education. There is a one-tier local government system with, since 2017, 79 local government units including 15 towns and 64 rural municipalities. Each municipality is a unit of self-government. All local issues are resolved and regulated by local governments, which operate independently in accordance with the law. These municipal councils are elected by the residents of the municipality by secret ballot for a term of four years. Democratic representation is via a school's Board of Trustees which by law has to include a minimum of five members from parents, the local government, the student body, teachers, NGOs, and business representatives. The school management reports to the Board of Trustees, which has a say in the recruitment of teachers and principals. The system consists of state, municipal, public, and private institutions. In 2017/2018 there were 530 general education schools– 351 elementary and basic schools (1–9th grade), 164 upper secondary schools (10-12th grade) and 15 adult upper secondary schools. Estonia has some of the smallest secondary school classes in the developed world, a feature shared with Finland. Education is publicly funded; there is relatively little private funding. Estonia's GDP is far below the OECD average and teachers earn relatively low pay. Experts from Finland advised Estonia on education reforms in the 1990s. A key similarity in the success of both countries' education systems, also shared with Canada, is the strong sense of equity in their education systems, demonstrated in the small differences between the results of affluent students and those of

disadvantaged students. In Estonia, Finland and Canada, the impact of socio-economic status is conspicuously weaker than in most other countries.

In Finland, a two-tier system operates at the national level. The Ministry of Education and Culture is responsible for: education policy and priorities; preparation of legislation; the minimum time allocation; state funding including the size of state subsidies to municipalities (25% of the annual education budget). The Finnish National Agency for Education is responsible for the implementation of the policy aims, developing educational objectives, content and methods for early childhood, pre-primary, basic, upper secondary and adult education. It sets national core curricula and qualification requirements; provides support for evidence-based policy-making and internationalisation; implements reform and development and services for learners. The 311 local municipalities form the middle tier and raise 75% of the educational budget through local taxes. Decisions are made at this level on allocation of funding, local curricula and recruitment of personnel. Municipalities have the autonomy to delegate the decision-making power to schools. Municipal elections take place every four years and voter turnout is high (between 67.8% – 82.6%). Educational autonomy is high at all levels. Local authorities determine how much autonomy (for example, in budget management, acquisitions and recruitment) is passed on to schools. Educational leadership in municipal education offices is without exception in the hands of professional educators who have experience in working in the field of education and have additional qualifications at Masters level in Administration, an important factor in enhancing communication and building trust between schools and the middle tier.

There is no national structure for education across Canada. Education falls within the jurisdictional responsibilities of Departments/Ministries of Education for each of ten provinces and three territories. The exceptions are for First Nations Peoples living on reserves and the children of employees of the Armed Forces, which remain under federal jurisdiction. Despite provincial/territorial jurisdiction, education runs similarly across Canada[46]. The Ministers of Education co-operate within the Council of Ministers of Education, Canada (CMEC) an intergovernmental organisation founded in 1967. In the province of Ontario, 72 district school boards have the same governance structure, with a Director of Education, superintendents (experienced educators) responsible for clusters of schools, and school principals. Trustees are elected in municipal elections and represent parents and the community.

The Singapore system has been described as having a "tightly coupled" network, in which the three key bodies of Education (the Ministry of Education (MOE), National Institute of Education (NIE) and schools) share responsibility and accountability and are closely aligned (OECD, 2010). Singapore's population is approximately 74% Chinese, 13%, Malay, 9% Indian and 3% other; there is no common language. Singapore recognises and teaches four official languages – Chinese, English, Malay and Tamil – although English is the language of government and, since 1978, the medium of teaching in schools (this evolution from four languages to English was a result of parental choice, rather than government decree.) Singapore's 522,000 students receive a minimum of 10 years of education in one of the country's 360 schools, six years of primary education, and four to five years of secondary

[46] https://www.cicic.ca/1301/Ministries-Departments-responsible-for-education-in-Canada/index.canada

education, followed by two years at junior college, polytechnic or the Institute for Technical Education. In 1987, "Towards Excellence in Education" was the first initiative introduced to move the Singapore education system from a highly centralised one with tight control over schools, to one which allowed more autonomy to schools (Gopinathan, 2011; Cheo, 2009), on the basis that greater autonomy would stimulate educational innovation and enable schools to respond more promptly to the needs and aspirations of pupils and parents (MOE, 1987). District-based networks with a focus on the creation of local professional learning communities are organised by Directors who are appointed by the MOE.

Allocating and monitoring finances

Only in Singapore does money go straight from the MOE to schools.

In Estonia, education constitutes the single largest expenditure of local governments (between 35% and 38% of all local spending). Local governments fully finance pre-primary education – including teachers' salaries – out of their general revenues. For primary, secondary, and special education they receive earmarked grants from the national government to support the salary costs of educational personnel, their professional development, school lunches, and textbooks. There are no charges to students for textbooks, school lunches, or transportation. Annual funding is per capita, adjusted for rural areas. Local governments cover the entirety of the costs incurred by their primary and secondary schools and determine the respective budgets, how to allocate funding to individual schools, including that originating from the earmarked grants from the state. Other operating costs such as buildings maintenance, support staff, non-pedagogical staff or heating are covered by the municipalities' own resources. Local government supervises budget spend and health and safety of premises; the e-state (total accounts, purchases, salaries, etc.) means fraud is *"not practicable".* They keep account of the number of compulsory school-age children, ensure school attendance control, make arrangements for school transport and the provision of school meals; appoint headteachers; forecast the need for teachers and assist educational institutions in recruitment; ensure that teachers have living quarters and other benefits prescribed by legislation; organise the provision of vocational information for children and young people and make appropriate recommendations to them; and keep records of disabled persons and organise teaching for them.

In Finland, funding is allocated on a per-pupil formula agreed between the municipalities and the MOE annually. The State provides additional funding for national MOE programmes including ITC, innovations and extra money for immigrant students or those in areas of high deprivation. The central government has only a limited influence on budgetary decisions made by municipalities or schools.

In Ontario, the Ministry of Education allocates an annual budget to districts based on per-pupil funding (Grants for Student Needs) for compulsory education (ages 4-18). The province provides funding to school boards based on the number of students in a board, the number of schools, the percentage of high needs special education students, the number of students who have either English or French as their second language, and a board's unique geographical needs (a high number of small schools, very far apart, for example). Boards have flexibility in allocating funding to schools, except for "enveloped" funds for special education,

student achievement in the Learning Opportunities Grant, and for capital expenditures. Principals make decisions on school spend including staffing and class sizes[47].

Apart from in Singapore, therefore, with only 360 schools, elected local governments have a crucial role in allocating and monitoring funding.

Ensuring accountability, monitoring quality and supporting improvement

There is wide variation in accountability systems, from Estonian and Finnish systems, built from the bottom up, to Singapore's highly centralised system. However, in all the systems, a middle tier of education professionals forms a critical part of the accountability and monitoring regime. Local officials know their schools well, from regular visits to schools by Superintendents (Ontario), the Director of Education (Finland), the cluster lead (Singapore). While these roles differ in the balance of accountability and support, in all four systems, quality assurance is based on steering rather than control. National school inspections have been abolished and the use of data to rank schools has been replaced with a school excellence or self-evaluation model, whereby a school's improvement plan is agreed with the middle tier and monitored throughout the year. The ideology is to steer through information, support and funding.

All four systems pay attention to data collection, e.g. Singapore's MOE data systems, the School Cockpit and Student Hub (OECD, 2010: 170); Estonia's Education Information System (EHIS, in Estonian). The data systems allow state, local government and educational institutions to have an overview of the data on the education system, analyse them and make informed decisions. Data typically include outcomes of the school against the national curriculum, collected by the state, local authority and by school exams. In Estonia, for example, national assessments are collected in statistically selected schools at grades 3, 4, 6 and 7; competitions, Olympiads, international studies (PISA, TIMSS, etc.) are also recorded and analysed by the local government.

In Finland, there is a test every year on a random sample of schools, either in mother tongue and literature or in mathematics. Other subjects are evaluated according to the evaluation plan of the Ministry of Education and Culture. Not only academic subjects are evaluated but also subjects such as arts and crafts and cross-curricular themes. From the schools' perspective, the evaluations are not onerous as they are sample-based. The education providers receive their own results to be used for development purposes. The main aim of the national evaluations of learning outcomes is to follow at national level how well the objectives have been reached as set in the core curricula and qualification. There are no sanctions, ranking lists or external inspections. Most systems have an external "standardized" assessment of student learning at the end of compulsory schooling e.g. the National Matriculation Examination in Finland at the end of compulsory education, age 16. Nearly all (93%) of the age cohort complete this the first time; there is the option to take a further year to improve the grade. 95% of the age population continues into further education. The 'drop-

[47] https://peopleforeducation.ca/public-education-in-ontario/how-education-is-funded

out' rate is 0.2%. National assessment in Singapore is at the end of primary school and secondary school.

As well as national evaluations of learning outcomes, there is a strong focus on self-evaluation of schools. In Finland, for example, the National Board of Education's (1999) *A Framework for Evaluating Educational Outcomes in Finland* and the national Law on Education in 1998 stipulate the requirements and basic principles of student assessment and school evaluation. The municipality's responsibility is to plan and implement any necessary evaluations within and of their schools, based on their own and nationally expressed needs and encourage cooperation between schools and protect schools, teachers, and children from 'unhealthy competition'. Each school in Finland agrees a school evaluation and improvement plan with their municipal authority, which is monitored and discussed, in a collaborative and supportive way. In Ontario, Superintendents (teacher trained) visit their schools a minimum of three times per year. All four systems have rigorous teacher performance appraisal involving the local or district level to monitor performance against the school's annual excellence plan.

Singapore too abolished national inspections together with the use of data to rank schools and moved to a school excellence model. It was felt that no single accountability model could fit all schools. Singapore's "thinking schools – learning nation" reform organised schools into geographic clusters that were given more autonomy, with successful principals appointed as "cluster superintendents" to mentor others and promote innovation (OECD, 2010: 163). This autonomy came with new forms of accountability: each school sets its own goals and annually assesses its progress towards them (Schleicher, 2018: 46). *"Singapore runs on performance management"* (OECD, 2010: 173). Teachers, principals, MOE and NIE staff and students all have incentives to work hard, with annual goals, identified support to meet them and assessment on whether they have been met. Data on student performance are included in teacher and principal assessments, along with a range of other measures, such as contribution to school and community, and judgements by a number of senior practitioners.

The ongoing close monitoring of schools by local authorities has two main advantages: the first is that it is cost effective; for example, the total annual national budget for assessment in Finland is less than $5 M. (Sahlberg, 2015: 95). The second is that school improvement is a continuous activity rather than an intervention after failure.

<u>School Improvement</u>

In Estonia, a team of specialists from the local government will decide the nature of any support required, following scrutiny of results carried out with the school. Recommended measures may involve external specialists.

In Finland, school improvement is seen as on-going, not as 'intervention'. Three hours a week of collaboration, school improvement, or other collegial activities are included in each teacher's basic contract. At school level, the Director of Education visits the school and discusses issues and solutions. The educational culture in Finland assists any teachers who cannot perform according to expectations, typically giving less time in the classroom to provide more time to work with their colleagues and find better ways to help their students become successful. The questions of teacher effectiveness or the consequences of being an ineffective teacher were described by the interviewee as *"not relevant"* in Finland and the

question of 'sanctions' as "*alien"*. Teachers have time to work together during the school day and to understand how their colleagues teach. This is seen as an important condition to enable teachers to reflect on their own teaching and also for building a sense of professional leadership and shared accountability between teachers.

In Ontario, system improvement is achieved through a combination of intelligent pressure and ongoing job-embedded professional support (Dobryakova *et al.,* 2018). Standards are set at provincial level: the Education Quality and Accountability Office (EQAO) designs, administers and reports on the provincial assessments for Grades 3, 6, 9 and 10. Provinces provide clear policy direction, but local districts have discretion to guide changes to suit local contexts. Similarly, districts may give individual schools a degree of autonomy in deciding how to follow or interpret various policy guidance.

Singapore claim they do not have poorly-performing schools. The success is attributed to the "tight-loose-tight" system, explained clearly by (Toh et al., 2016: 2): "The education system in Singapore has over the years accorded increased autonomy to schools…[however] schools remain rooted to the system of central coordination by the Ministry of Education (MOE) to ensure that the education ends are met (Ng, 2010). Centralisation forces are thus concomitantly coupled to school autonomy initiatives [in a] unique quality that Ng terms 'centralised-decentralisation'….decentralisation reforms are initiated by the Ministry and while schools have the autonomy to decide on administrative procedures and tasks independently, all schools must conform to the rationale and intents of national policies. School autonomy is characterised by school leaders' empowerment to broadly set its own direction, vision and mission, autonomy over a certain percentage of students to be enrolled into the school via school-based merit criteria, as well as full autonomy over choice of pedagogy to deliver the national curriculum…. Education is too significant a part of the societal project in Singapore to be left totally to the devices of schools…. and there is accumulating cross-country evidence that a combination of monitoring and autonomy is beneficial for educational efficiency."

<u>Admissions</u>

School admissions are administered by the State (Singapore) or middle-tier. In practice, decisions are a combination of parental choice, school selection and LA (or, in Singapore, State) oversight.

In Estonia, parents have the deciding say in the choice of school for their children. However, if they apply to an oversubscribed school, the LA will allocate them the school nearest home. Schools may also set entrance exams. Local governments are authorised to establish, re-arrange and close general education schools.

In Finland, too, most general and vocational upper-secondary schools are under municipal administration, and municipalities determine policies regarding provision and access. Some municipalities are introducing limits to the proportion of immigrant students who attend each school, to avoid segregation. However, this does not mean that local authorities have complete freedom; curricula, teachers' professional requirements, and expectations regarding overall pedagogical environments are fairly unified throughout the country and create a common culture of schooling in Finland (Sahlberg, 2015: 49).

In Ontario, most students attend their local school. In Singapore, admissions are managed centrally, with the requirement for all schools to have a mixed locality base. Students take a national test at the end of primary education: the Primary School Leaving Examination (includes English, mathematics, mother-tongue language and science). Based on the results of this examination, students are admitted to different pathways: express (60% of students), normal academic (25%) or normal technical (15%) course in secondary school. After 10 years of general education, students go to post-secondary education, either junior colleges (31% of students), polytechnics (43%) or ITE (22%). Nearly a third (30%) go to university.

Special Educational Needs

The four systems share a philosophy of 'levelling up'. Finland was first to move from streaming in the 1970s, by requiring all students to meet the standards they had previously expected only their elite students to meet. Support for children with special educational needs (SEN) is seen as an integral part of the school system. Children with special needs are included in mainstream education and many children receive individual attention in school. Equal opportunity is translated as enabling all students to be successful. SEN is part of all teacher training curricula and municipalities and schools employ experts trained to support SEN. The implications for teaching and learning and teacher training were that the teachers needed to have a range of teaching methods and the ability to design learning environments suited to different pupils. Career guidance and counselling for all in both lower and upper-secondary education is seen as an important factor in low rates of grade repetition and dropout (Välijärvi and Sahlberg, 2008). Intensified or special support was received by 17.5% of comprehensive school pupils in 2017. Intensified support was received by 54,300, or 9.7% of comprehensive school pupils and special support by 43,100, or 7.7% of comprehensive school pupils (OSF, 2018).

In Estonia, teaching students with special educational needs (SEN) is also based on the principle of inclusive education. Most SEN is provided for in mainstream schools, with 13 municipally-run special education schools for more extreme disabilities. SEN students are the responsibility of the Municipality. Every child has the right to study at a school near home and to experience success through support according to individual needs.

In Ontario, there is a central drive and ring-fenced grants to ensure districts are culturally responsive and establish supportive structures to increase educational outcomes; equal access and the success of all students is overseen at district level. All districts were given money to employ a Student Success leader to coordinate local efforts to share strategies for struggling students and the high school graduation rate increased from 68% to 79%.

Inclusivity now underpins Singapore's approach too. They have moved from a system of streaming to use a wide range of strategies to make sure struggling students are diagnosed early and given additional help to get them back on track. PISA 2015 results show that Singapore has still to reach the levels of equity achieved by Canada and Finland, but Schleicher (2018) reports that the government's economic and education policies have increased social mobility. Singapore has developed a system of local town and community councils to identify families in need and provide a range of support, including financial assistance and input from psychologists, social workers and special needs teachers. In addition, each of the ethnic communities has a self-help community group, the Malay *Mendaki*, Indian *Sinda* and Chinese

CDAC. These organisations are funded by members of each community and support children in need. Children who require additional support in learning to read are identified through screening tests at the start of first grade. These children are provided with daily systematic intervention by teachers in small groups (8-10 students) in learning support programmes so that they do not fall behind. About 12-14% of children need such support for reading. The curriculum includes phonics and English language development since many of the children speak languages other than English at home. Learning support programmes also exist in mathematics. In addition, while most preschools in Singapore are privately funded, the government provides funding support to preschools that cater for low-income students (OECD, 2010: 167). Like Estonia, Finland and Canada, there is a focus on "levelling up", so that students in the lowest stream receive high-quality teaching. Generous resources are devoted to vocational and technical training.

A clear message from the OECD analysis is that: "one of the patterns observed among the highest-performing countries is the gradual move from a system in which students were streamed into different types of secondary schools, with curricula demanding various levels of cognitive skills, to a system in which all students go to secondary schools with similarly demanding curricula" (Schleicher, 2018: 10).

School management, curriculum and teaching and learning

Some of the most striking differences between these four high-performing systems and the English education system include the degree of autonomy afforded professionals in the design and delivery of the curriculum, and the role of trained and experienced teachers (who also have a qualification in 'Administration') working in a supportive way across a district., e.g. Singapore's cluster Superintendents are successful former principals who work across geographical areas to mentor others and to promote innovation.

In Estonia, schools make a significant contribution to defining the curricula. A substantial part of the compulsory teaching time is allocated to flexible subjects. At the primary level, 12% of compulsory teaching time is allocated to subjects chosen by schools, compared to 5% on average across OECD countries. In public lower secondary education, schools take most decisions (58%), considerably more than on average across OECD countries (34%). Schools are responsible for at least half of the decisions regarding the organisation of teaching, planning and structures and resource management. Class sizes, staffing patterns or decisions about teachers' actual salaries are left entirely to school directors. LAs have an advisory and supervisory role in issues pertaining to the organisation of study.

In Finland, the curriculum is reviewed nationally every 10 years. The Finnish National Agency for Education (2018) describe a combination of "central steering, local decisions" with the State setting educational priorities, minimum time allocation to national core curricula and the size of state subsidies, while decisions are made locally on local educational priorities, local curricula, the allocation of subsidies, class sizes, recruitment, teacher evaluation and recruitment.

"Educational autonomy is high at all levels. Education providers are responsible for practical teaching arrangements as well as the effectiveness and quality of their education. There are, for example, no regulations governing class size and education providers [LAs] and schools

are free to determine how to group pupils and students. Local authorities determine how much autonomy is passed on to schools. The schools have the right to provide educational services according to their own administrative arrangements and visions, as long as the basic functions, determined by law, are carried out. In many cases for example budget management, acquisitions and recruitment are the responsibility of the schools. Teachers have pedagogical autonomy. They can decide themselves the methods of teaching". (Dobryakova, et al., Chapter 7).

Both Finland and Singapore have a 'Teach Less, Learn More' policy. Teachers teach less and students spend less time studying. Outside of school hours, students in Finland spend time in youth and sports associations rather than attending private tutoring or doing what the interviewee called "onerous homework". In 2004, Singapore's Prime Minister Lee Hsien Loong introduced the idea of "Teach Less, Learn More", an initiative also described by Salhberg (2015: 83) as a crucial factor in moving forwards the Finnish system. In Singapore, it was integrated into the reform plan, as the next step under the 'Thinking Schools, Learning Nation' umbrella. Curriculum content was reduced across subjects to free up 10% to 20% of curriculum time as 'white space', to engage students more deeply in learning. Teachers have the liberty to use this 'white space' to customise lessons to develop innovative pedagogies and programmes that are more finely tailored to the needs of their students (MOE, 2010). The MOE promote an integrated curriculum and introduced a framework for 21st century competencies, categorised into three broad areas: Communication, Collaboration and Information Skills; Critical and Inventive Thinking Skills; and Civic, Global awareness and Cross-cultural skills (MOE, 2014). For core subjects, however, (mathematics, science, technical education and languages), centralised curriculum development has produced programmes and ensured that teachers are well-trained to teach them.

Ontario works to a frame of competencies and education policy, which provincial governments have the flexibility to customise. School districts have further flexibility to customise to local needs and work closely with schools to implement. Ontario has a clear philosophy that successful adoption and implementation of policy requires a formal structure, a strategic planning process, and the implementation and monitoring and impact of action plans at a system level and in all schools. The *School Effectiveness Framework K-12* (2013) provides a focused structure for monitoring school improvement, teaching strategies and student achievement by implementing the School Self-Assessment (SSA) monitoring process three times a year. The SSA process brings school leaders together with their school staff and Board staff to formally review the School Improvement Plan and to assess data and evidence of impact. Three times a year, school teams meet to review data and conduct school learning walks to observe visible learning and engage student voices.

Teacher and leader training, recruitment, development and retention

Initial Teacher Training

All four countries operate strict control over the quality of applicants at their entry into teacher education and only the best candidates will be accepted. Both Singapore and Finland have many more applicants than are accepted. In Singapore, the National Institute of Education (NIE), is the country's only educator training institution. The number of accepted students accurately corresponds with the needs in the labour market after their graduation.

Teachers are appointed to schools with the aim of ensuring that all schools have a fair share of the best teachers (Schleicher, 2018: 129).

In Finland, all teachers are educated to Masters level, (5 years of HE) with teacher training programmes offered at eight research universities. Only one in 100 applicants pass the rigorous selection process (Sahlberg, 2015: 100). Teachers are trusted to design curricula and assessment because the ITT curriculum includes: educational psychology and sociology, curriculum theory, student assessment, special needs education, and didactics (pedagogical content knowledge) in their selected subject areas.

In Ontario, there is a newly mandated two-year pre-service teaching programme for candidates with an undergraduate degree to train as teachers at one of 13 designated Universities[48]. The expanded programme was designed to ensure teacher candidates are able to develop pedagogical strategies that offer opportunities to promote deep learning and 21st century competencies. Around 4,500 ITEs are trained per year. High teacher retention and falling student numbers have led to an over-supply with new teachers taking up to five years to gain a permanent post. (Edge, *et al.,* 2017: 81). Teacher performance appraisals are built on Standards of Practice and include teaching observation by the Principal.

Leaders in Estonia have training at the University of Tartu and the University of Tallinn (on a specific MA programme). However, Estonia is predicting a teacher shortage as 48% of teachers are over the age of 50 and recruitment is low, perhaps a symptom of relatively low wages.

Teacher pay is the only element of funding which the OECD link to system performance. Heads in England earn more than twice the salary of teachers and other tertiary educated workers, the highest premium for school headteachers across the OECD. Teachers in the UK earn less than the OECD average at all levels of education. In contrast to the trend across the OECD, teachers' statuary salaries in England fell in real terms between 2005 and 2017 (by 10%): *"The teaching workforce in the UK is one of the youngest among all OECD countries and starting salaries from pre-primary to upper secondary are below the OECD average"* (OECD, 2018, UK Country note, p. 6). Teachers in English primary schools are the youngest of any country in the OECD; in lower secondary, they are the second youngest after Turkey.

Financial remuneration is one element which contributes to the relatively low correlation between socioeconomic background and educational outcome. In half of the OECD countries and economies with available data there is extra pay for working in unpopular areas.

Results from the Teaching and Learning International Survey (TALIS) show that teachers in these four jurisdictions have high-status in society, all ranking above England which was placed 11th on this measure (OECD, 2013).

[48] http://edu.gov.on.ca/eng/general/list/faculty.html

Professional Development

In Estonia, each school has an annual development plan and free training courses are offered by the State and professional subject associations. Experienced school leaders receive both mentor training and coaching training.

The Finnish state budget allocates normally about $30–40m each year to the professional development of teachers and school principals through various forms of university courses and in-service training. However, the balance between classroom teaching and professional collaboration with other teachers in Finland means that all teachers experience collaborative learning with their peers. LAs in Finland devote an equal amount of annual funding as the State to professional development. Teachers are entitled to three CPD days annually, funded and planned by the LEA. Teachers' induction and further CPD are variable, the responsibility of the school and LEA (Sahlberg, 2015: 100).

Ongoing professional learning opportunities are seen as a central facet of every teacher's job in Ontario, supporting the growth of an innovative culture of learning, encouraging risk taking and promoting continuous learning, collaboration and capacity-building. (Pellegrino and Hilton, 2012; Jensen *et al*, 2016). An annual learning plan is mandatory for teachers. School districts emphasise the value of technology-enabled teaching and learning (Ontario Ministry of Education, 2016; CODE website) and offer a variety of grants to assist teachers and leaders to work together on projects, such as the 2017-18 Teacher Learning and Leadership Program (TLLP)[49]. Additional, non-mandatory qualifications accredited by the Ontario College of Teachers, a self-regulating professional body, require 120 hours of professional learning.

Singapore introduced the GROW package (Growth, Recognition, Opportunity and Well-being) in 2007. Teachers are entitled to 100 hours of professional development per year to stay up to date in their field and improve their practice. In-service courses are designed and offered by the NIE and the Academy of Singapore teachers; supply/demand issues mean State funded courses are often cancelled. Thirty-five teachers per year are selected for leadership training. As in Ontario, principals move schools every few years (OECD, 2010: 170).

Human Resources

Greater local autonomy over managing teachers is associated with stronger alignment of teachers' competencies to local needs and more equitable allocation of teachers across schools, thus supporting the most disadvantaged with a better-qualified teaching workforce (OECD, 2018b).

In Estonia, the school board has a say in appointments. The salaries of teachers and principals are paid by the local government, from state allocated nationally agreed funds, to which the local government can add. Schools in Estonia are responsible for half of the decisions regarding personnel management. However, most of the decisions taken at the school level are within a framework set by a higher authority and not in full autonomy. Hiring, dismissal and salaries are all defined within a centrally set framework. Schools only have full autonomy over the conditions of service. Similarly, the hiring, and dismissal of school heads are decided

[49] http://edu.gov.on.ca/eng/teacher/tllp.html

at the local level, within a framework set by the central government. Salary levels of school heads are also determined locally, in full autonomy.

In Finland, LAs own schools and employ all the teachers, but typically, school principals have delegated authority to recruit the staff of their schools. The same salary scheme is applied in all parts of the country and is determined in a national labour contract which the Trade Union of Education negotiates with the Local Government Employers (a body which promotes the interests of Finland's municipalities and joint municipal authorities on the labour market). Factors affecting pay include: type of school; a personal bonus decided by the Principal that depends on overall job performance (including feedback from parents, colleagues, and the principal but not student achievement); extra pay for additional hours on top of the minimum required teaching load together with other possible compensation. Finally, teachers may receive a performance bonus awarded to their school or cluster of schools as a collective reward for especially successful work accomplished together. The role of the Trade Union of Education in Finland (OAJ), established in 1973, has been both a negotiator of the terms of teachers' employment contracts and an advocate for education (www.oaj.fi). The union represents teachers at various school levels and institutes, ranging from kindergarten teachers to instructors in vocational schools, and to school principals and lecturers in universities. More than 95% of teachers in Finland are OAJ members. All public service professionals have the same pension system. Professionals and employers contribute 50/50 to pensions, at about 1.3% of monthly salary. There is concern that future pension pots may not fund future pensions.

The Ontario College of Teachers, established by the provincial government in 1996, regulates the teaching profession and governs its members. Supervision of school leaders and schools are the responsibility of the superintendents and directors of the 72 Boards of Education (Council of Ontario Directors of Education (CODE)[50].

The leadership functions of the middle tier

There is a consistent message across all four jurisdictions that a high-performing system needs to be designed. A single reform strategy was cited by all four either in interviews or published work: Fullan's 'Leadership from the Middle' (LftM). LftM is defined as *"a deliberate strategy that increases the capacity and internal coherence of the middle as it becomes a more effective partner upward to the state and downward to its schools and communities, in pursuit of greater system performance*" (Fullan, 2015: 24).

Published material on each of the four jurisdictions cite the use of Fullan's (2006, 2009, 2015) model of system change (Sahlberg, 2015: 55; Toh *et al.*, 2016: 6). Fullan warned: "*we don't want the inadequacies of tightly controlled centralization being replaced with the equal flaws of school and community autonomy"* (2006: 96). He is clear that "schools as a group cannot move forward unless the district is part of the solution. The district is a crucial part of the infrastructure with respect to leadership development, capacity-building, mobilization and use of data and intervention" (Fullan, 2009: 155).

[50] http://www.ontariodirectors.ca

Fullan has been studying whole system change since his evaluation of England's literacy and numeracy strategy from 1998-2002, the lessons from which were applied to Ontario's reform strategy from 2003 (Fullan, 2015: 24). The principle of LftM is that top-down leadership doesn't last due to lack of sustainable buy-in from professionals; bottom-up change (e.g. school autonomy) doesn't result in overall system improvement: some schools improve, others don't and the gap between high and low performers grows wider (this is most clearly the case in New Zealand which abolished regional authorities in 1989 and created individual school autonomy and which has been working with Fullan since 2013 to implement a LftM remedy). Toh *et al.* (2016) explain how this principle applies in a relatively centralised system: *"the MOE acknowledge that a top-down paternalistic approach may not take into consideration the contextualised needs of the school, but are also clear that a bottom-up approach by pockets of schools, whilst building efficient and spontaneous collaborative structures, may not be consolidated into systemic insights".* Fullan's reform from the middle, they propose, enables socio-technological structures to be put in place and accelerates capacity building, social traction as well as accountability mechanisms. At the system level, in Singapore, the "middle" refers to the cluster-equivalent influences that facilitate networking, sharing and collaboration between schools and the optimal use of resources.

In summary, LftM achieves the strongest system coherence, capacity and commitment, resulting in sustained improvement. It is notable that Ofsted's (2010) evaluation of the London Challenge concluded that the regional leadership was a key factor in its success.

Mourshed *et al.'s* (2010) study for McKinsey of high performing school systems also reinforced the need for the middle tier to adopt a more structured role. Hill (2012: 3) found common features in London, New York and Ontario included leadership and alignment between the State, regions and schools: *"the impact of individual policies aimed at improving school student performance will be more effective if they are coordinated and steered at a sub-regional level".* Hargreaves cited Bunt and Harris (2010) "*It is not enough to assume that scaling back government bureaucracy and control will allow local innovation to flourish. Policy-makers need an effective approach to 'mass localism'"* (Hargreaves, 2010: 9).

Conclusions

Finland, Estonia, Ontario and Singapore share a cultural belief in the value of education and its importance in the success of the country. They operate meritocracies where hard work and effort are rewarded with success. Major yet similar changes were made to system governance in the 2000s, in Canada, Estonia, Finland and Singapore, in attempts to encourage innovation and creativity. While all work to the principle of subsidiarity, where decisions are taken at the level closest to delivery, none have devolved decision-making to schools to the extent that England has, maintaining a focus on the need for monitoring and improvement. All four cite Fullan's LftM as a component of their success.

Finally, it would be foolish to take any snap-shot of a country, identify its characteristics and attempt to reproduce these in a different culture. Experts in all countries stress both their active seeking-out of best practice internationally and their commitment to integrating such practice within their own context, aligned with their own values, which, they emphasise, are part of a shared vision for their country. In addition, education systems are evolving, adaptive eco-systems, subject to fluctuations in response to factors outside of education. A strong

message from the research, however, is that, as systems become more decentralised, to maintain equity as well as excellence, there needs to be a coordinating influence across a locality or region. As Schleicher (2018: 183) expressed it: *'The more flexibility in the system, the stronger public policy needs to be'*. For choice to benefit all learners, there needs to be a concerted and consistent coordinating effort at a local level.

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