

Education in chains

Anna Grotberg
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March 2015

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Reform

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Consultants in Parthenon-EY's education practice have completed more than 1,000 projects across 70 countries in the education sector. Projects span the full range of the education sector, including commercial and non-profit; pre-K through to post-secondary and continuous; schools, services, technology, systems, content, assessment, and more.

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Foreword

Over the course of our careers in the education sector we have had the chance to work with and analyse school groups across the world. In addition to our work as global education consultants, between us we have held positions as a school governor, a teacher, a P&L holder for an educational services provider and as education policy strategists. We have worked with academy chains in England; global, for-profit, private school groups; global, non-profit school groups; and public school districts in the U.S. We also have experience working on national policy, shaping the structure of English schools under both Tony Blair and Michael Gove. We have seen groups flourish and groups flounder. But we have also seen how, when well-managed and supported school groups flourish, they bring sustainability to school systems, and deliver better outcomes for pupils.

This is why the current state of the system is causing concern: the governance and management of state-funded English schools is a mess. Previous and ongoing policies promoting academies and free schools are well-intentioned: liberating schools, reducing bureaucracy, and increasing autonomy. However, mechanisms of governance and accountability are now too dependent on “willing amateurs”, on school governing bodies, and on an over-stretched and compliance-oriented Ofsted. Through our work, we have seen what is required to create high quality governance, performance, and support in schools. We strongly believe that our experience and the evidence shows this is best done in school groups that have clearly defined operating models. These operating models ensure a clear curriculum, pedagogy, management structure, and labour model, aligning these elements around a coherent vision for all schools in a group.

We believe that academy groups are the best way of achieving this. They should be supported to grow as quickly as they are able, providing they can demonstrate that a consistent operating model is being implemented. Schools should be encouraged to join successful academy groups with a range of incentives, including a lighter inspection burden, and more flexible access to capital via the group.

There is an emerging sense in England that enough work has been done on structure and it is time to focus on the teaching practice. We

do not accept this. The main purpose of this paper is to show that school structure and governance – specifically larger, more centralised and more professional school groups – is vital to a successful school system, and that this in itself will lead to improved teacher professionalism and student performance.

Matthew Robb and Anna Grotberg, Parthenon-EY

Executive summary

The move towards more freedom and autonomy for schools in England has created greater diversity in the school system. However, it has not achieved a generalised or sustained level of innovation, or spread best practice. This has left many schools trailing behind the best and many children unable to reach their full potential.

School groups offer a solution to this problem. In particular, they offer a more coherent governance system that addresses the key issues currently damaging the system: unclear governance; inexperienced governance; a lack of capabilities and professional development; and a lack of economies of scale and clear operating models.

Unclear governance: With the declining role of local authorities, school governance is shared with a whole range of bodies, not all of whom have clear roles. This results in confusion and, in practice, means that a large number of schools are independent of any expert guidance or support. Performance management is often a reactionary, fault-finding, or inspectorial conversation that only bites once a school is deemed to be “failing”.

School groups create an additional tier of governance automatically: the group governance structures sitting over and above the governance of the constituent schools, each layer with clear articulated roles and decision-making powers. This central governance enables a constant performance dialogue with the individual schools, creating a proactive, supportive and developmental managerial conversation which facilitates continual improvement.

Inexpert governance: The quality of school governing bodies is far too mixed. Governors often lack the core skills required to do the job of supporting school leaders and holding them to account. In addition, voluntary governors – many of whom have full-time jobs – lack the time needed to adequately fulfil this role.

School groups can offer expert governance across their network of schools via the group-level board and the corporate centre. Only a small number of people are needed to fulfil these roles, making it easier to identify and recruit highly skilled individuals. The individual school-level governing bodies are then free to focus on local needs, to

represent community and parent interests rather than try to drive up performance.

Lack of capabilities and professional development: Many head teachers do not have the necessary financial and commercial acumen to navigate the more autonomous schools landscape. Increasing numbers work in silos, without the support and challenge to improve their school's performance, and best practice teaching models are not shared and standardised across schools.

Schools within groups can benefit from the corporate centre's staff, who have considerable experience within their field, such as ICT, human resources, and financial professionals as well as educationalists, and are dedicated to their roles full-time. Excellent head teachers are also able to develop in their profession by undertaking group level leadership roles, and promising school-level head teachers can learn from these leaders.

Lack of economies of scale and school operating models: Individual and small groups of schools do not have the economies of scale necessary to invest in their development and improvement. Few schools have a comprehensive and holistic blueprint for running their school, and when they do, the scale of the group is too small to drive improvement across the school system.

Large school groups are able to make significant cost savings in procurement and shared staffing. The development of an effective operating model, which requires the sort of investment only large groups can make, provides a mechanism for reaching a much larger number of pupils with high quality education.

In our view, a school system in which more schools belong to large groups with strong corporate centres will provide better education for many more pupils. They will create the right structures to harness the best, and drive high performance across the system. However, this system will not develop on its own. Currently, only half of academies are part of a group, and the majority of these are in a group of ten schools or fewer. Our view is that the following actions should be taken to encourage schools to join groups:

- The government should expect most schools to join groups.

- > The government should strengthen the ability of school groups to develop strategic corporate centres. It should expect school groups to invest between 8 and 10 per cent of the group's revenue in their corporate centre.
- > Individual schools that are part of high performing school groups should be exempt from Ofsted inspection. The school group should be inspected instead.
- > The government should devolve school capital budgets to competent school groups.

1 Introduction

Over the past decades there has been a drive to give schools more autonomy with a view to driving up standards and, latterly, rewarding success. This has resulted in greater diversity of provision, but has not achieved a high level of innovation or the spread of best practice across the system. In practice, many schools are without the support and infrastructure required to innovate. Though there have been important gains in this model, the benefits of a school-led approach are not being fully realised.

High performing organisations, in any sector, need strong governance and a clear operating model. Strong governance means clear lines of accountability and oversight, and the appropriate skills to perform that oversight. A clear operating model articulates how an organisation's strategy will be delivered, and how the organisation's work is done; it is driven by strong governance. The absence of these two critical components in many schools is one of the key reasons why we are not seeing higher levels of performance and too many children are left receiving a suboptimal education.

- Governance – The schools system is a hotchpotch of different accountability and governance models and suffers from a severe deficit of necessary skills.
- Operating model – The absence of a clear operating model in many schools means that teachers and head teachers are lacking the professional support needed to develop excellence.

School group

School group refers to any organisation of multiple schools that has common governance and line management, whether public or private. This includes academy chains, private school companies, hard federations and other models and multi-academy trusts (MATs).

From our work with public, public-private, and private schools, and the wider private sector, we believe that there is a compelling case for using school groups to improve outcomes. Effective school groups are defined by a common governance structure and operating model, which can be continuously improved through the investment made possible by the economies of scale that groups enable. We are

agnostic about the exact form of the school group. For example, it could be an academy chain, hard federation, or all-through school. The key point is that the school group provides the sort of strong governance and clear operating model that characterises high performing organisations, and that the size of the group is such that economies of scale can be realised.

The rise of academies

The latest Department for Education (DfE) data shows 4,714 open academies (Figure 1).¹ This makes up more than half of all secondary schools and around 15 per cent of primary schools.² In addition, there are 871 open academy applications, 450 of which have been approved to date.³ With the increasing academisation of the school system, getting the governance right becomes increasingly important.

However, despite the accelerated increase in the number of academies over this Parliament, nearly half are standalone schools. Where they are part of a group, it is on a small scale. Figure 1 shows that 84 per cent of academies either are standalone schools or belong to a multi-academy trust (MAT) of ten schools or less. Just 7 per cent of academies are in a group of over 30 schools. As more, and larger, school groups are formed, the optimal size for any given operating model will become clearer; our experience suggests that most of the current groups are too small to realise economies of scale.

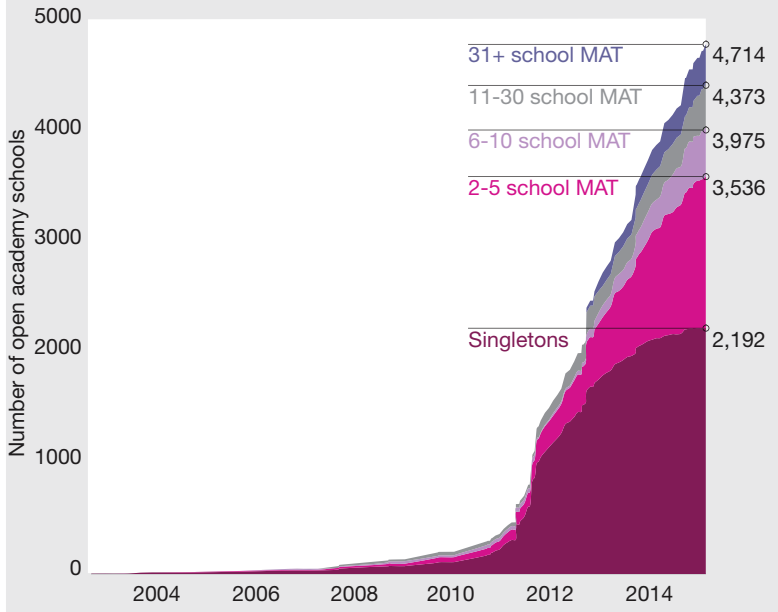
1 Department for Education (2015), *Edubase: March 2015*.

2 Department for Education (2014), *Schools, pupils and their characteristics: January 2014*.

3 Department for Education (2015), *Open academies and projects awaiting approval: March 2015*.

Figure 1: Rise of academy schools by size of academy trust

Source: Department for Education (2015): *Edubase: March 2015.*



Oversight of the group

In this system of school groups there is still a role for the newly created Regional Schools Commissioners (RSCs). RSCs would intervene in a failing school group or, if the group is unable to turn around in sufficient time, assist those schools in finding new groups if they so choose.

While the accountability for turning around a single failing school within a group would lie with that group, the RSC would establish a timetable for turning the school around and engage the group in a series of conversations about their overall operating model. The Director of School Standards (DSSs) proposed by the Labour Party could play a similar role. However, the challenge is whether 80 DSSs could intervene in groups that are likely to span several regions.

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The case for reform

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2.1 Unclear governance

On the face of it, the devolution of responsibilities to schools should create clear lines of accountability. The head teacher has the resources and mandate to drive up performance, and should be held accountable for doing so. However, under the current system, governance is executed or shared by a whole range of bodies, not all of whom have clear roles (see box below). Most schools have multiple layers of governance: the executive (school leader), school governing body, and some combination of academy chain, central government, local authority, or diocese.

A large number of schools – both academies and community schools – are, in practice, lacking guidance and support. They depend entirely on the capability of the senior leadership, and whatever community or parent engagement is available. Schools lack a constant performance dialogue that is proactive, supportive and developmental. The current accountability system is instead reactionary, fault-finding, and inspectorial; additionally, it only takes place once a school is deemed to be “failing”.

In contrast, clearly articulated decision-making roles at each level of governance within a school group can provide the sort of expert internal support and performance management that drives improved outcomes.

Multiple models of governance

Community schools

Local authorities retain responsibility for just under half of all schools (community schools).⁴ However, in practice, secondary schools almost everywhere have a high degree of autonomy, and primary schools can find themselves anywhere on a spectrum of support to abandonment. The 2011 Education Act gave all schools greater autonomy over behaviour policies and, since September 2013, all state-funded schools have been able to set their own staff pay policy, with a requirement on schools to show how teacher pay links to performance.⁵ With the Education Services Grant transferred

⁴ Department for Education (2014), *Ibid.*

⁵ Department for Education (2013), “New advice to help schools set performance related pay”, Press release, 16 April.

directly to academy schools, local authorities no longer have the economies of scale to deliver school improvement services to community schools.⁶ As a result, they have fewer resources to provide external support and management, help schools improve, and develop a coherent vision for education.

Academies and free schools

Central government directly oversees academies and free schools, which may be single schools, small groups of schools, or larger multi-academy groups. For the purposes of this paper, free schools are taken as a form of academy, as they are legally the same. The newly appointed RSCs have responsibility to monitor the performance of existing academies and encourage the creation of new academies, but they do not support academies in their development.⁷ Intervention only happens when there are major issues with governance. For example, five separate official investigations were launched following an anonymous letter that was sent to the leader of Birmingham City Council implicating both community and academy schools in attempting to radicalise the school curriculum.⁸ The Trojan Horse letter gained attention in the press, but a report by the Education Select Committee found that a Birmingham head teacher had raised concerns about these schools three years prior to the letter, suggesting that intervention had not been proactive.⁹

2.2 Inexpert and time-short governors

The current school system requires more than a quarter of a million school governors. With all schools gaining more autonomy over the last Parliament, school governing bodies have become increasingly important. A school governor's role includes both representing the community, offering advice and support to head teachers, and

6 *The Guardian* (2014), "DfE under fire over proposed cuts to councils' education services grant", 3 July.

7 Schools Commissioners Group (2015), "Our governance", www.gov.uk/government/organisations/schools-commissioners-group/about/our-governance, accessed 23 March 2015.

8 House of Commons Education Select Committee (2015), *Extremism in schools: the Trojan Horse affair: seventh report of session 2014–15*.

9 *Ibid.*, p.8

scrutinising all aspects of performance. Governing bodies are required to set head teachers' pay and, in the case of academies, are responsible for adhering to the funding agreement made with the Secretary of State.

The expectations of school governors are onerous even for a full-time professional and are unreasonable to expect from a volunteer, who may have no relevant experience. Amongst other things, a school governor is expected to select and appoint a head teacher; set and approve a budget; define, monitor and interpret school data on performance; oversee staff disciplinary matters; and make decisions about school governance, such as academisation.¹⁰ A candidate for a similar role outside the school system would be expected to demonstrate experience of senior management, communications, human resources, and finance, as well as a deep understanding of best practice in the sector they are applying to work in. Only a fraction of the governors needed nationally could ever meet that bar.

As a result, recruiting high quality governors remains problematic for schools. According to a recent survey, around two thirds of governors find it difficult recruiting anyone to the governing body, never mind someone with the relevant skills. This is particularly problematic for schools in disadvantaged areas, which are most in need of strong governance.¹¹ The Public Accounts Committee recognised the issue of low quality governance in a report published earlier this year and urged the Government to conduct an audit of the number, skills, and capacity of school governors.¹²

Even were the volume of governors with the right skills to be recruited, they would still be constrained by the limited time they can reasonably give to a (voluntary) governing body. Fully understanding the issues relating to the school, and then making the necessary changes, requires considerable time. Evidence suggests that two thirds of school governors are in paid employment, either full or part time,¹³ yet the job is almost impossible for most people to manage alongside their

10 National Governors' Association (2014), *Welcome to governance* (7th ed.).

11 Inspiring Governors Alliance (2014), *The state of school governing in England*, p.12.

12 Public Accounts Committee, *School oversight and intervention: thirty-second report of session 2014–15*.

13 Inspiring Governors Alliance (2014), *Ibid.*, p.9.

work and family lives.¹⁴ Furthermore, around half of those in paid employment agree, “their work commitments make it difficult for them to spend time on governing.”¹⁵ The impact on governors of schools in disadvantaged areas is of particular concern, as governing these schools is even more time consuming.¹⁶

In the wake of the Trojan Horse letter, Sir Michael Wilshaw, Her Majesty’s Chief Inspector of Education, Children’s Services and Skills, called for mandatory training for governors, for a register of governors’ interests to avoid conflicts of interest, and for schools to pay a higher proportion of governors to attract better candidates. In the House of Commons in March 2013, Lord Nash said that:

“The fact that Ofsted tells us that 26 per cent of our schools are not good or outstanding and that 44 per cent of our school governance is not good or outstanding clearly means that there are quite a few governing bodies that are not up to scratch...It seems to me that the two key pivotal decision points for a school are the head teacher and the governing body. Perhaps in the past we have underestimated the importance of the governing body to drive change, particularly in difficult situations”.¹⁷

When he was Secretary of State for Education, Michael Gove also called for improvements in school governance: “the whole point of being a school governor is that you ask the tough questions. How are our children doing? Is money being spent wisely?” He was commenting on the 2014 National Governors’ Association survey, which showed that 66 per cent of schools reported difficulties in recruiting governors.¹⁸

14 Of the 67 per cent of school governors that are working full or part time, 75 per cent work in management or professional occupations. This suggests that 50 per cent of school governors are engaged in employment that will have significantly more demand on their time when compared to non-managerial or professional occupations.

15 Inspiring Governors Alliance (2014), *Ibid.*, p.26.

16 *Ibid.*, p.24.

17 House of Commons Education Select Committee (2013), *The role of school governing bodies: second report of session 2013-2014*, HC365, Oral evidence, Q192.

18 *The Independent* (2014), “School governors must be tougher, insists Michael Gove”, 15 May.

2.3 Lack of capabilities and professional development

With the rapid academisation of schools over this Parliament, head teachers have been “liberated” to run their schools how they see fit.¹⁹ There are many outstanding head teachers running outstanding state-funded schools, but there are not tens of thousands of outstanding head teachers with the qualifications and capabilities to run a small business effectively. A system without a corporate centre requires all head teachers to have commercial and financial expertise.²⁰ This is an ineffective use of existing skills and expertise.

In addition to expecting more from school leaders, there are increasing numbers of head teachers operating in silos, without the support or challenge to innovate and improve their school’s performance. According to Ofsted’s *Annual Report 2011-12*, improvement in school leadership is required to address the 30 per cent of schools that are rated “satisfactory” or “requiring improvement”. In the report, Sir Michael Wilshaw, Her Majesty’s Chief Inspector of Education, Children’s Services and Skills, wrote:

“Heads have got to remember the old adage: ‘Leadership is not just about doing things right, but doing the right things.’ Where a school is stuck in mediocrity and struggling to get to ‘good’, the head may be an effective manager, but is probably not exercising leadership on the central issue of raising standards through better teaching.”²¹

Just as head teachers are lacking the necessary support and professional development, so too are teachers. Teaching is highly unusual amongst the professions in that newly qualified teachers are given their own clients (class) without serving a multi-year apprenticeship under a more experienced professional. Contrast that with other professions, in which the newly qualified professional works in close-knit teams alongside more experienced colleagues who guide them until they are able to operate independently.

19 Rt Hon Michael Gove MP (2010), *Speech to the National College Annual Conference, Birmingham*, 16 June.

20 House of Commons Education Select Committee (2015), *Academies and free schools: fourth report of session 2014-2015*.

21 Ofsted (2012), *Annual report 2011-2012*, p.13.

Professionals operate in mature organisational constructs in which many aspects of their roles are defined by broadly recognised best practice and more experienced supervisors. A young lawyer is not asked their opinion on case law: they are directed to well-understood precedents by senior lawyers who work with them hour by hour for the first few years. Newly qualified accountants do not make up accounting policies based on their degree of education: they draw on accounting standards and more senior accountants to show them how these are to be interpreted. As these professionals gain experience they gain the latitude to innovate within a framework. Most importantly, they continue to operate in professional teams that use standard best practice informed by corporate centres.

In the current school system, best practice teaching models are not standardised and shared across schools. The system also requires too much from its leaders, who do not have the skills necessary to manage autonomous schools. School groups with clear operating models and an expert corporate centre can implement a process of standardisation and professional development. This model can better utilise the skills of its staff to lift performance across the group's schools.

2.4 Lack of economies of scale and school operating models

Barriers to value for money and reinvestment

Schools have lost several important economies of scale as local authorities have gradually had less involvement in school improvement. The cost economies are modest, but valuable. Non-teaching costs in schools are typically around 20 per cent of costs (excluding capital costs) and supply teachers are often around 3 per cent.²² Savings of up to 20 per cent can be found in both of these areas. In our experience of the sector, this is the typical saving from outsourcing in Further Education and Higher Education. Even a 10 per cent cost saving in these categories can save a school 2-3 per cent of their budget, which is equivalent to two senior teachers' salaries in a typical secondary school. Just as importantly, schools that combine

22 Department for Education (2013), *Schools outturn 2012 to 2013 data: section 251, Table A*.

procurement can compare the quality of the services they receive—school improvement, legal, financial—and choose the better service provider. The larger the organisation, the easier it can be to find cost savings: in a recent private sector deal between two school groups that Parthenon worked on, the acquirer found cost savings of around 8 per cent of costs without affecting front-line staff. That meant more money was available to invest in school improvement.

Barriers to standardising excellence

Far more important than the cost economies are the educational, professional, and financial benefits associated with a consistent operating model. Too few schools have a coherent operating model that allows them to improve standards in this way. By the term “operating model”, we mean a holistic and comprehensive blueprint for running a school, through which the school realises its values, character, and ethos.

Where schools do have sound operating models, they represent choices and prioritisation based on the founding values of the school, and the communities being served. However, these models are not currently operating at a large enough scale to standardise best practice across the education sector. That means many pupils are not receiving the best education that the teaching practice can deliver.

The most important feature of a successful school operating model is that it is built around a single, holistic vision for the school, and each component works to deliver that vision. This echoes the work of academics, such as Professor David Reynolds, on High Reliability Schools (HRS). He notes the importance of robust data and processes that reduce within-school variation in students’ outcomes. Reynolds indicates that in a HRS “the efforts of its administration, teachers, and students focus on developing a limited number of core activities that have demonstrated consistent, high levels of student learning. The school also encourages support and commitment from parents and agencies for the goals of the school.”²³ HRS focus on developing a distinct operating model that uses data on both students and teachers in order to reduce variation between classrooms within the school.²⁴

23 High Reliability Schools (2015), “Background to High Reliability Schools (HRS)”, www.highreliabilityschools.co.uk/high-reliability.aspx, accessed 23 March 2015.

24 National College for School Leadership (2004), *Tackling within school variation*.

All staff, leaders, and governors are focused on achieving a distinct school operating model so that, as students pass through the school, they receive a similar quality of education across teachers and departments.

The key elements of a school operating model are:

- 1. Curriculum and timetable:** The structure of the curriculum, including the schemes of work, source materials, and scheduling of the various learning experiences.
- 2. Pedagogy and assessment:** The way in which teachers teach in the classroom, how and where independent student learning is used, and the range of assessments (from classroom questioning to formal, formative testing).
- 3. Professional and labour model:** The balance between more senior and more junior staff, and the ratio of teaching assistants to teachers. The use of team teaching, incentives, promotions, and career structure.
- 4. Management structure and approach:** The structure of the school leadership, such as the way in which the school organises staff, delegates, manages performance, and uses management data.
- 5. Financial model:** How everything gets paid for, including how much money is dedicated to front-line staff or management, how much is invested in innovation or spent on that year's delivery, and the availability of additional funding from grants and other sources.

3

School groups as a solution

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School groups can address the four issues outlined above. With greater scale and an effective operating model, school groups can provide clearer governance, more professionalism, and economies of scale. Indeed, we see larger school groups as one of the most important drivers of educational performance in the school system. Large school groups with a strong corporate centre, and an effective operating model, contain the right processes for spreading best practice and ensuring more children receive an outstanding education. As highlighted in 2.4, this model can help reduce between and within-school variation, bringing mediocre schools and teachers up to the standard of the best performers.

3.1 Clear governance

By their nature, school groups create an additional tier of governance: the group governance structures sitting above the governance structures of the constituent schools. This creates a strong impetus to clarify the respective roles of the head teachers, the school-level governing bodies, the group centre, and the group's governing body. Head teachers are able to focus on the day-to-day running of a school. School-level governing bodies are able to focus on local issues. Group-level governing bodies are able to focus on ensuring that schools within the group have the necessary leadership, systems, and resources.

The group's board becomes the final arbiter of corporate governance decisions and determines the structure of governance below it. Through direct management, it is able to incentivise, coach, or remove poor teachers. Typically, the individual schools' governing body become a forum for parent and community engagement, rather than a body with formal decision-making power. Head teachers are appointed at a group level. Key decisions about the curriculum, investment in new practices and innovation, and career development are also made at a group-level.

3.2 Expert governance

All the school groups we have worked with have assembled experienced staff in the corporate centre. At a minimum, this includes a Chief Education Officer, and qualified finance and human resources directors. Core functions are therefore performed by specialist professionals rather than non-specialist volunteers.

“Governance benefits from the wealth of relevant experience of its members which means they can, and do, ask challenging questions about the academy’s progress in tackling weaknesses. The chair of governors, a representative of the sponsor, also chairs the fortnightly Post-Ofsted Board, which keeps a close eye on operational matters linked to improvement.”

Ofsted, March 2013, on Ormiston Maritime Academy

The expertise of the corporate centre enables the development of an effective operating model across the group’s schools. It can also be effective at leveraging scale through group purchasing, shared staffing, and the provision of professional development for teachers. The leaders of school groups have experience, expertise, and a deep understanding of the organisation that is unaffordable for standalone schools.

The group’s governing body, or board, also typically has far deeper expertise than an average school-level governing body. The largest academy groups in England, for example, actively seek out senior professionals in a variety of fields, such as accountancy, education, law, strategy, communications, finance. This means that the governing body possesses a balance of expertise in order to both challenge and guide senior leadership.

As much of the financial oversight and many of the human resource decisions are held at the centre, and the group-level governing body is comprised of highly skilled individuals, members of the schools’ governing bodies are free to focus on local representation. This removes the pressure to recruit large numbers of highly skilled governors for each school.

3.3 Ensuring capabilities and professional development

Complementing this new governance arrangement is an infusion of expertise. Directors of Education in groups typically have exceptional backgrounds in educational transformation, as head teachers and as educationalists and leaders over a number of schools. Groups also have operational, human resources and IT professionals who are more qualified than any standalone governing body, and who are dedicated, full-time, to improving the educational outcomes of students and the working environment of the staff.

Scale enables the best school leaders to have a much larger impact. A few great leaders have turned around “failing” schools. Sadly, mediocre leadership is characteristic of many schools judged “satisfactory”. Rather than relying on creating more great leaders, a school-group model provides structures in which the few outstanding leaders can reach a large number of pupils.

A cluster of several schools in a particular geographic area can have one overarching head teacher who is able to focus on leading the cluster. This also helps the development of the next generation of school leaders, who can take leadership roles at the school-level while being mentored by the group-level head teacher.

3.4 Economies of scale and school operating models

School groups are able to benefit from economies of scale. Some of the benefits come from cost efficiencies, but the greatest benefit comes from a group’s ability to develop detailed and comprehensive operating models. Successful school groups have mature operating models that develop over time. This process of iterative development requires investment that is only possible in a group (see section 5.3). Currently there are too few English school groups of a scale to benefit from mature operating models. This must change in order to achieve standardisation of excellence across schools.

The advantages that groups have in developing the operating model are:

- 1.** The financial and educational resources and expertise to invest effectively in developing and implementing the model.
- 2.** The scale of implementation to enable the investment in the model. The cost of creating the model is more or less fixed. It is much more difficult to find the resources to invest large sums of money in innovative models if the resource has to be found from a smaller funding pot, such as a single school. It is also harder to justify large up-front investment if the impact is just a few hundred students: the payback is too long and the investment money might be better spent on more teachers and technology. In groups of scale, a small amount of investment from each school can be pooled to ensure a central pot of funding large enough to develop and deliver the model, and the benefits are felt by many more children.
- 3.** The development of meaningful benchmarks of performance. Through an expert corporate centre, and a larger pool of pupils to collect more reliable data, school groups can develop better ways to performance manage schools, departments and teachers.
- 4.** A wider and more expert range of experience and perspectives to draw on in developing the teaching and learning, management and other elements of the model. With more teachers, there is wider scope for innovation and more opportunity for standardising best practice.

4

How school groups work

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There are hundreds of examples of school groups across the world operating in both the public and private sector. We have chosen six examples of school groups to demonstrate the benefits they provide to individual schools. These examples are drawn from both privately-funded international schools and publicly-funded schools in England. All these groups have strong corporate centres that focus on refining the model and enforcing that model across all schools within the group. These groups also have clear governance arrangements whether that be a group-level executive board and local parent-driven school boards or a regional approach to governance. The governance arrangements also make clear to whom the schools are accountable and how the group will intervene if schools are not meeting standards. Finally, all six groups are large enough to benefit from financial and academic economies of scale, both in terms of number of schools and number of pupils.

4.1 Three international examples

Below we provide three international examples of school groups that have a strong operating model, achieve economies of scale and improve student outcomes. Each has a different operating model, but with strong professional corporate centres that have helped to achieve success for students and ensure that schools see the benefits of being part of a large group. These groups also operate schools across multiple continents, with multiple curricula, and a largely non-selective intake of students. They demonstrate that much of the promise of school groups translates across cultural and educational contexts.

Nord Anglia Education

The group

Nord Anglia Education is a group of more than 35 non-selective international schools operating in Asia, Europe and the United States. The school group has clear governance arrangements and an operating model that maintains a distinct culture across its schools. Professionalism is upheld through shared staff and career development. The economies of scale it makes enable it to hold back a significant proportion of revenues for reinvestment in its operating model.

Operating model

Despite spanning 14 countries across the world, the majority of Nord Anglia schools have a similar operating model, including a similar pedagogy and curriculum. Occasionally, schools stray from the operating model, when there is a local issue that the group wants to address, based on the demands of parents within that school's catchment area. For instance, their Swiss schools offer a curriculum that is tailored to local demand. The majority of Nord Anglia's schools use the English National Curriculum with the option of sitting the International Baccalaureate Diploma (IB). Schools employ a common, student-centred, enquiry-based pedagogy. Each school partakes in group-wide initiatives, such as the Global Classroom, and teachers are trained to focus on what they refer to as "High Performance Learning": a way to focus teaching and learning on helping each individual student achieve their full potential.

Economies of scale

Nord Anglia provides career progression for teachers and heads across their group of schools, allowing them to retain top talent when a teacher or head at an individual school leaves the school. This also allows staff sharing across schools, through which the group is able to generate savings of between 8 and 12 per cent.

While Nord Anglia generated £2.9 billion of revenue in 2013-14, it spent around 29 per cent of this revenue (£0.9 billion) on capital reinvestment through selling, general, and administrative expenses including marketing (SGA).²⁵ This is higher than many comparable businesses, where SGA is between 10 and 15 per cent of total revenue, reflecting the investment required to maintain a premium school brand. Nord Anglia is able to deploy capital towards teacher and leadership training so that each teacher is equipped to deliver successful lessons for students, and each school has a leadership team driving standards. They can provide one-to-one devices to personalise the learning experience with adaptive learning software. Such a level of investment in professional development would be nearly impossible if Nord Anglia was a standalone school (even with the tuition fees charged).

25 Nord Anglia Education Inc (2014), *Annual and transition report*.

Outcomes

Despite schools being non-selective, 20 per cent of Nord Anglia graduates attend a top-30 university worldwide. Nord Anglia students do twice as well as the global average of IB students, scoring about a 40 (out of a maximum score of 45). 77 per cent of iGSCe students achieve 5 A*-C grades, including English and Maths, which is roughly double the English average.²⁶ Nord Anglia also focuses on a personalised approach to learning so that outcomes are also individually driven: students achieve their own learning goals, not just high exam scores.

Doğa

The group

Doğa is a rapidly growing chain of private schools in Turkey. Doğa grew from just one school in 2002 to over 100 schools in 2014, outstripping its competition five times over.²⁷ Its ability to grow so quickly demonstrated the robustness of its operating model.

Operating model

Doğa utilises a variety of educational models within the school group, depending on the age of pupils and type of school. There is a clear progression between their models when pupils move up schools. Early on there is a Student Oriented Education System, focused on both an academically-driven curriculum and learning for life. Later, the t-MBA provides preparation for university through a combined academic and vocational curriculum.

Economies of scale

Doğa has used its scale to make substantial investments in ICT and management information. Its corporate centre has built a comprehensive digital evaluation system to track student progress across each subject. At any time, a teacher can view data at the student and classroom level to help tailor lessons and homework. This data underpins regular management conversations and intervention strategies. Head teachers are able to take classroom-level data and benchmark across the school. The Chief Executive can access detailed management information through his phone on every school, student, and subject area, and use this to compare performance against expected benchmarks.

²⁶ Nord Anglia Education Inc (2013), *Our academic results 2012-2013*.

²⁷ Parthenon interviews with Doğa, Spring 2014.

Outcomes

The use of technology in Doğa schools has reduced dropout rates by 40 per cent over two years. It has also helped upper primary students read 45 per cent faster and answer maths questions 50 per cent faster.²⁸ Doğa's success with student outcomes has led them to lead and host European Union sponsored conferences on lifelong learning²⁹ and receive an Excellence in Education rating from Edexcel three years in a row.³⁰

Cognita

The group

Cognita is the world's largest schools company operating in Asia, United Kingdom, and Latin America. It operates 66 international schools across 3 continents. Governance arrangements and accountabilities across Cognita schools are consistent and clear, ensuring clear delineation of roles at school and group levels.

Operating model

Unlike many other school groups, Cognita schools offer a variety of curricula across geographies including both local and international curricula. The defining characteristic of Cognita's operating model is that they nurture each school within the group to maintain a distinct local identity – schools do not take on the Cognita brand. Two Cognita schools may not feel the same when you walk inside the school, which is a choice that the group has made. Each school is allowed to develop within its local market while operating according to a clear set of principles, including a recognition of the school's duty of care, and group-wide processes to monitor teachers' performance and help students to achieve their full potential in all aspects of school life.³¹

A critical part of Cognita's operating model is achieving greater scale through the acquisition of schools. Cognita focuses on acquiring schools that fit into their portfolio, such as an additional geography,

28 Apple (2015), "Education Profile: "Laying foundations for lifelong learning with iPad", www.apple.com/ie/education/real-stories/doga, accessed 23 March 2015.

29 Nano Technology Science Education (2014), "International Valorisation Conference 'Key Methodology to Successful Competence Based Learning'", www.ntse-nanotech.eu/keysconference/KEYS-Call_for_papers.pdf, accessed 23 March 2015.

30 Doğa Schools (2015), "t-MBA receives 'excellence' from pearson", 14 January, www.dogakoleji.com/newsevents/t-mba-receives-excellence-from-pearson, accessed 23 March 2015.

31 Cognita Schools (2015), "About us: welcome to Cognita, a world leader in independent education", www.cognitaschools.com/about.html, accessed 23 March 2015.

complementary curricula and growing market. It then takes a strict approach to bringing that acquired school into the Cognita family with a strong focus on improving academic performance, implementing clear operational practices, and deepening the school's understanding of parent preferences.

Economies of scale

Cognita is able to let schools focus on the task of delivering high quality teaching and learning while leaving the administration and strategic tasks to the corporate centre. It has a robust corporate centre across all its schools, which focuses on strategic issues such as how to engage parents or deliver a globally competitive curriculum. It also operates regional corporate centres for schools clustered in particular areas, which are focused on day-to-day, school-level operations, such as human resources and finance. The corporate centre appoints head teachers and takes decisions about the curriculum. Individual schools may have boards of parents to facilitate feedback processes and local school improvement. However, large strategic decisions take place at the centre.

Outcomes

Cognita operates both selective and non-selective schools. They maintain a Quality Assurance Programme in each region focused on teacher appraisals and monitoring academic outcomes of students. All 47 of Cognita's schools that are eligible for external inspection have achieved an equivalent rating of "good" or "outstanding" from their respective inspectorate.³² Cognita's International School American Academy in Ho Chi Minh City, Vietnam, for instance, achieved 30 per cent of students attaining 2+ grade levels in one year in reading³³ and 37 per cent of North Bridge House Senior School achieved A* and A grades GCSE in their GCSEs in 2014.³⁴

32 Cognita Schools (2015), "Independent school inspections recognise Cognita Schools' outstanding education and care", www.cognitaschools.com/school-inspections.html, accessed 23 March 2015.

33 Cognita Schools, (2015) "Case Study: International School Ho Chi Minh City - American Academy", www.cognitaschools.com/schools/international-school-ho-chi-minh-city-american-academy-vietnam, accessed 23 March 2015.

34 Cognita Schools (2015), "Case Study: North Bridge House Preparatory School", www.cognitaschools.com/schools/north-bridge-house-preparatory-school-london, accessed 23 March 2015.

4.2 Three national examples

Despite the academies programme being in place for 15 years, there are few examples of public sector school groups at scale in England. Harris Federation, Ark and Ormiston Academies Trust are three examples of groups with more than 30 schools who are also, at a group level, achieving good results for their pupils despite many of their schools being previously failing schools. Like the international case studies, these three examples show how groups can develop strong operating models, clear governance arrangements, and strong corporate centres, all of which improve standards in schools and outcomes for pupils.

Harris Federation

The group

Harris is a federation of 35 schools. Harris demonstrates how a common school operating model, in addition to the economies of scale that come from shared services and central functions, can drive up standards. Harris has clearly defined roles and responsibilities for the school-level governing bodies and the group-level corporate centre.³⁵

Operating model

The Harris model emphasises a common management approach as much as a pedagogical approach. Harris maintains a slightly greater emphasis on the pastoral elements of education: teachers encourage the development of hobbies or special talents amongst children.

The Harris operating model is built on several levels of expert support to ensure academies are being appropriately challenged to drive standards. Harris provides a central team of careers advisers for schools as well as teams of core subject consultants all of whom are highly experienced ex-heads of subject in English, maths, sciences, modern languages, history, and geography. Their job is to support and monitor the academy departments and to share the best work and ideas across the network but, unlike typical Local Authority advisers, they will also take responsibility for classes and teach them where needed.³⁶

³⁵ Parthenon interviews with Sir Daniel Moynihan, Spring 2015.

³⁶ Ibid.

Harris also operates a team of ten Executive Principals (akin to Area Managers in a commercial business). These successful heads now lead groups of two to four academies, coaching younger, less experienced heads. Being a sizable group means Harris can address the relative national shortage of outstanding heads by leveraging them in this way.³⁷

Economies of scale

Harris has established a Teaching School Alliance to develop a cohort of future teachers for their schools. The Teaching School Alliance receives government funding, alongside investment through Harris, for the Initial Teacher Training programmes it delivers across the sector. This helps Harris to develop a pipeline of high quality teachers who can move directly into their schools. The Alliance has won several awards from the SSAT, with whom it runs workshops on executive school leadership.³⁸

Last year Harris made £2 million savings, having made £1.5 million the previous year.³⁹ Harris employs a team of Business Managers who are qualified accountants to oversee the accounts of three schools each, rather than employing a bursar for each school. This provides the schools with qualified financial support as well as saving them tens of thousands of pounds each year. Harris operates a similar model for ICT, running an in-house cloud network. The network is much cheaper than normal school systems, requiring fewer servers due to cloud storage. HR is also shared across schools, which reduces the support staff needed in schools.⁴⁰ HR is able to diagnose development areas for teachers across schools and provide specific professional development to address those areas. HR is also able to pull from a greater pool of applicants because they can recruit for multiple schools at once; schools have a greater chance of getting the right teachers and staff for their school due to the larger funnel of recruits.

Harris held back 3.3 per cent of the school budget from each of its academies for central services in 2013. This included human resources, financial services, legal services, education support

37 Ibid.

38 SSAT (2015), "Executive Headteachers Programme: Overview", www.ssatuk.co.uk/cpd/leadership-and-governance/leadership-programmes/executive-headteachers/, accessed 23 March 2015.

39 Parthenon interviews with Sir Daniel Moynihan, Spring 2015.

40 Ibid.

services, ICT services, careers support and post-16 support.⁴¹

Outcomes

Harris Academies have demonstrated strong results with students despite a focus on serving a greater proportion of underprivileged students. The proportion of children in Harris primary academies achieving at least Level 4 in Key Stage 2 SATs in reading, writing, and maths is above the national average.⁴² Harris academies have increased the proportion of students in their academies achieving 5 A*-C grades, including English and Maths, at GCSE by 29 per cent. Harris students achieve more than 10 percentage points better than the national average, achieving A*-C grades in Maths and English at GCSE level.⁴³ All Harris schools have been rated good or outstanding by Ofsted.⁴⁴

Ark

The group

Ark opened their first academy in 2006 and now has 31 schools. It expects to reach 50 schools by 2018.⁴⁵ In the main, strategic decisions take place at the corporate centre, though the decision about a new head teacher or deputy head teacher may be shared between the school and corporate centre. However, its corporate centre helps to facilitate the process and provides the necessary governance to ensure that the best candidates are selected.

The operating model

Ark has focused on academic rigour and pushes all students to achieve their full potential. Their Mathematics Mastery programme is one example of an Ark-specific curriculum and training programme. It has reached 35,000 pupils through the Ark network, and many more pupils from outside the Ark network through the Mathematics Mastery charity (launched by Ark in 2013). Ark's model includes longer school

41 Harris Federation (2013), *Consolidated report and financial statements, Year to 31 August 2013*.

42 Harris Federation (2014), "Primary Education Performance, Academic year 2013-14", www.harrisfederation.org.uk/58/primary-education-performance, accessed 23 March 2015.

43 Harris Federation (2015), "Harris Federation Results 2014", www.harrisfederation.org.uk/47/latest-news/article/144/harris-federation-results-2014#VQ1ITl6sU4g, accessed 23 March 2015.

44 Parthenon interviews with Sir Daniel Moynihan, Spring 2015.

45 Ark (2015), "Schools in development", www.arkschools.org/schools-development, accessed 23 March 2015.

days and a focus on “depth before breadth”, and creates a school environment focused on order and respect.

Over time Ark has developed a strong school ethos and as a result is able to grow faster and more effectively. Each Ark school implements the six “pillars” of their operating model: (1) more time for learning; (2) knowing every child; (3) high expectations; (4) exemplary behaviour; (5) excellent teaching; (6) depth before breadth.⁴⁶

Economies of scale

Ark’s corporate centre devotes resources to developing curricula and piloting, refining and implementing them across the group, and to many other schools. It is able to pilot potential changes to the school operating model—such as blended learning classrooms—to see if those changes will affect students’ outcomes before rolling them out across the group.

Outcomes

Ark has achieved success with their model: 90 per cent of their schools have been judged “good” or “outstanding” by Ofsted. They are outperforming English averages in maths and English GCSE attainment, despite having a higher percentage of children on free school meals than the national average.

A recent Education Endowment Fund report positively evaluated their Mathematics Mastery programme, finding pupils to be one month ahead of their peers in the first year.⁴⁷ Maths Mastery pupils are ahead of national averages at Key Stage 1 (KS1) despite the evaluated schools having nearly twice as many pupils on free school meals as the national average.⁴⁸ Ark Conway Primary, which uses Maths Mastery, had the best KS1 maths results in England this year.⁴⁹

46 Ark (2015), “Becoming an Ark School: What it means for you and your child”, www.arkschools.org/sites/default/files/Ark%20schools_parent_brochure.pdf, accessed 23 March 2015.

47 Mathematics Mastery (2015), “Mathematics Mastery speeds up pupils’ progress – and is value for money too”, 13 February, www.mathematicsmastery.org/mathematics-mastery-speeds-pupils-progress-value-money, accessed 23 March 2015.

48 Mathematics Mastery (2015), *Transforming achievement together: primary yearbook 2014-15*, p.20.

49 Ark (2015), “Summary of academic results”, www.arkschools.org/results, accessed 23 March 2015.

Ormiston Academies Trust

The group

Ormiston Academies Trust (OAT) is a multi-academy trust that has been sponsoring primary and secondary academies since 2008. They predominantly sponsor secondary academies (only 3 of their 30 academies are primaries) with a focus on the Midlands and East Anglia. OAT delegates slightly more power from the corporate centre to schools within its group than do Harris Federation and Ark. However, the Chief Executive and central team are involved in new headship appointments and will intervene if a school's performance dips. Schools then gain back autonomy as their performance improves.

Operating model

The central team has experience, expertise and a deep understanding of their organisation. As part of their central team they employ former heads of outstanding schools, former local authority leaders, former Ofsted inspectors, an educational data specialist, and the former Chief Executive of the Civil Service Innovation Unit.⁵⁰ The OAT central team is rich with experienced educationalists. In a recent interview, their Chief Executive, Toby Salt, was able to provide not just a strategic overview of the organisation, but also detailed information about schools within the group.

OAT pupils and staff sign pledges that outline the key aims of the OAT approach. These pledges include commitments to literacy and numeracy skills, but also a breadth of knowledge: OAT has a strong focus on extracurricular activities and producing rounded individuals. The pupils' pledge further highlights OAT's commitment to developing the whole child with references to a social conscience, teamwork, building relationships, and developing practical life skills.⁵¹

Economies of scale

OAT was also able to gain real economies of scale when the group undertook a series of capital improvements to build new schools and refurbish failing schools that they were taking over. Because they were able to tender with contractors at a group level, OAT saved

50 Ormiston Academies Trust (2015), "Key staff, www.ormistonacademiestrust.co.uk/key_staff, accessed 23 March 2015.

51 Ormiston Academies Trust, "Our Approach", www.ormistonacademiestrust.co.uk/our_approach, accessed 23 March 2015.

approximately £10 million rebuilding a formerly failing secondary school, and more than £1 million on each of their refurbishments. Internally, individual school heads apply for group-level capital maintenance funds and there is a shared understanding within the group about which schools are most in need, and which will need to wait until the next year.⁵² Cost savings in the millions of pounds were only possible because of the size and scale of the school group.

Outcomes

OAT has chosen to take some of the most challenging schools in some of the most deprived areas across England into their academy group. More than 40 per cent of pupils in OAT's schools are eligible for pupil premium funding (compared to a national average of 28 per cent).⁵³ Because OAT has taken on so such a large proportion of failing schools, their key focus has been getting schools up to national levels.

OAT's three primary schools are now achieving the national averages on SATs in reading, writing, and maths, which is an improvement of over 20 per cent since 2012.⁵⁴ More than three quarters of OAT academies are rated good or outstanding by Ofsted.⁵⁵ OAT has also hired an Access Champion who will focusing on providing support to schools preparing sixth former to apply to top tier UK universities.

52 Parthenon interview with Professor Toby Salt, Spring 2015.

53 Ormiston Academies Trust, "Secondary and Ofsted", www.ormistonacademiestrust.co.uk/secondary_and_ofsted, accessed 23 March 2015.

54 Ormiston Academies Trust, "Summary of 2014 primary results", www.ormistonacademiestrust.co.uk/primary_results, accessed 23 March 2015.

55 Ormiston Academies Trust, "Secondary and Ofsted", *Ibid.*

5

Ensuring successful school groups

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Some school groups are clearly working well. Ark, Harris Federation, Ormiston Academies Trust, Greenwood Academies, Outwood Grange Academies, and Perry Beeches Academies have all been successful, at least in part, because they have created strong operating models that have clear, expert governance, achieve economies of scale, and support greater teacher professionalism. Internationally within the private sector, Nord Anglia, Cognita, Doğa, and other school groups have done the same.

However, not all school groups have experienced such success, and some clearly have not worked at all. Below we present two examples of past school group failure: E-ACT and Academies Enterprise Trust (AET). In the first instance, the school group failed due to poor governance. In the second, the group failed because there was no coherent operating model. While not every single school in E-ACT and AET failed, it is important to recognise these failures at the group-level.

As we have made clear, both strong governance and a clear operating model are essential elements of a successful school group, enabling realisation of the benefits that economies of scale can bring.

5.1 E-ACT: Failure of governance

In 2013, the Education Funding Agency (EFA) conducted a review of financial administration and governance at E-ACT and determined that both lacked quality and robustness. It was found that Board Members received payments, calling into question the charitable trust structure. Internal financial controls were not performed routinely and expenses for Trustees did not comply with E-ACT policy. For example, foreign trips and large drinks bills (many of which came from pots that contained public monies) had not been called into question, suggesting a lack of rigor in governance. The EFA report concluded that many of the issues within E-ACT schools and E-ACT's corporate centre were due to poor governance.⁵⁶ Poor performance in a number of E-ACT academies caused the DfE to put E-ACT on watch in early 2014, issuing a warning that the trust needed to improve or it could face further action.

⁵⁶ Education Funding Agency (2013), *Review of financial administration and governance at E-ACT: final report*.

The key issue contributing to E-ACT's failure was poor governance. Inspection at the group level would have exposed these failures before they affected individual schools. Group-level Ofsted inspection, and ensuring that Ofsted inspectors are capable of using the correct criteria for group inspection, would help prevent such governance failures at the group level (see section 6).

5.2 AET: Lack of operating model

After a damning set of Ofsted reports with no schools judged outstanding and at least five schools within the group judged to “require improvement”, the DfE effectively barred AET from taking over or starting any new schools until the group demonstrated a sufficient level of school improvement. Ofsted contended that, “there is too much variability across the Trust, with some academies left to flounder. Much of the evidence supports the view expressed by one survey respondent that ‘the Trust has grown faster than the capacity of central leadership to manage’.”⁵⁷ In particular, the schools investigated demonstrated a lack of ability to teach pupils across multiple levels and to set reasonable expectations for students.

The pace of growth and the absence of a strong, centrally driven, and well-resourced school operating model was a fundamental problem for AET. The new leadership at AET is trying to address these issues and has hired regional directors with substantial school leadership experience to ensure that the operating model is working effectively for its pupils.

5.3 Failing to realise the true benefits

Beyond these high-profile examples, school groups are not yet having the impact they could. They are too cautious about the level of resources that they retain centrally, and therefore the level of investment they can make in the development of the group and its operating model.

A typical school group in England holds back around 4 per cent of the school budgets it oversees. For example, Harris Federation held back

⁵⁷ Ofsted (2014), *Inspections of academies within the Academies Enterprise Trust, A Multi Academy Trust*, 28 August.

3.3 per cent of the school budget from each of its academies for central services in 2013. This included human resources, financial services, legal services, education support services, IT services, careers support and post-16 support – core elements to ensuring success.⁵⁸ This percentage share is driven by the old benchmarks set by local authorities when the services they provided were limited.⁵⁹

As we have seen, the investment required to develop and implement a high quality school operating model is substantial, as are the savings and quality improvements potentially gained. For instance, Nord Anglia spent around 29 percent (\$137.4 million) of total revenue on capital reinvestment.⁶⁰ This has enabled it to invest in teacher and leadership training so that each classroom teacher is equipped to deliver successful lessons for students and each school has a leadership team driving standards. That level of investment would be nearly impossible if Nord Anglia was a standalone school (even with the tuition fees charged). With one school, perhaps Nord Anglia could choose to do one teacher training activity, but the greater holdback possible through group-level economies of scale allows Nord Anglia to pursue many administrative activities that support improved teaching and learning in schools.

A doubling of this typical holdback (the equivalent of SGA that can be reinvested in the school operating model) could be justified in English school groups to develop improved school operating models, curriculum materials, technology and implementation, which should drive better outcomes. Until groups substantially increase the cash they hold in the corporate centre to invest in the operating model, it is unlikely that the full benefits of groups will be realised.

58 Harris Federation (2013), *Consolidated report and financial statements, Year to August 2013*.

59 Parthenon interview with Professor Toby Salt.

60 Nord Anglia Education Inc (2014), *Annual and transition report*.

6

Policy implications

A system in which more schools belong to school groups with strong corporate centres will provide better education. Governance will be clearer, as school groups will distinguish between school-level and group-level governance. Strategic decisions taken at a central level will reduce dependence on school governors, thereby requiring fewer, higher-quality governors. Central oversight will increase the professionalism of teachers and head teachers by providing within-group accountability and support. Finally, economies of scale and effective operating models would release funds for groups to invest in cost-effective teaching strategies.

However, this system will not develop on its own. As we saw earlier, the majority of academies are in groups of ten or less, and even the largest groups are small when compared internationally. We therefore recommend several specific actions that we believe would help incentivise school group formation and growth, and prevent school group failure.

Recommendation 1

The government should expect most schools to join groups.

While the Coalition Government is pursuing a policy of forced academisation for long-term underperforming schools,⁶¹ schools have few incentives to join a group. The Government has set expectations regarding academy conversion and should, similarly, make clear its expectation that schools will join larger groups.

Recommendation 2

The government should strengthen the ability of school groups to develop strategic corporate centres. It should expect school groups to invest between the region of 8 to 10 per cent of group revenue in their corporate centre.

While the DfE does not currently set a ceiling for holdback for current academy groups, interviews with academy groups strongly suggest

⁶¹ We broadly support this approach but do not advocate it for schools that are not severely underperforming.

that they perceive 3 to 4 per cent as a limit in practice. It would be helpful if the DfE clarified their expectations of school groups, allowing greater holdback to build a more robust corporate centre.

Based on commercial benchmarks⁶² and conversations with large school groups, we believe that the optimal investment in the corporate centre is closer to 8 to 10 per cent of group revenue than the current 4 per cent holdback.⁶³ Even the idea of holding back revenue is missing the point: the revenues should be thought of as group revenues that are allocated based on need to schools and central projects. This would also allow groups to mitigate the well-documented eccentricities of the school funding formula.

Recommendation 3

Individual schools that are part of high performing school groups should be exempt from Ofsted inspection. The school group should be inspected instead.

In a world in which schools were faithfully implementing a school operating model that delivered outstanding education, individual school inspection would become redundant.⁶⁴ Ofsted would instead carry out group-level inspection focussed on challenging the operating model, testing it against best practice, and checking the fidelity of the model's implementation. The time savings to teachers and leaders would give them a strong incentive to join a group.

This has obvious implications for Ofsted: the current organisation has no experience in inspecting groups in terms of their ability to drive school performance and this capability gap would need to be addressed.

Evaluation tools such as RAISEOnline make it easier for schools and school groups to self-evaluate continuously between Ofsted inspections. They also allow Ofsted to use school and group-level

62 Capita (2011), *The Vice Principal's guide to efficiency: how technology can help cut costs for FE colleges*.

63 These figures are based on Parthenon's extensive work across the commercial education sector. The authors of this paper have conducted over 100 projects across the sector, and Parthenon has conducted more than 1,000 education projects in more than 70 countries.

64 Ofsted would still review the data from individual schools and retain the right to inspect individual schools within a group where required.

attainment data to see if an inspection is necessary, and immediately spot potential issues within the school. Group-level inspection could remove huge amounts of stress and bureaucracy from individual schools, and significantly reduce Ofsted-driven, compliance-related activity among teachers.

Recommendation 4

The government should devolve school capital budgets to competent school groups.

Schools currently compete head-to-head for access to development capital. However, the government should consider allocating capital at the school-group level or giving discretionary capital to effective groups who would allocate this to projects as required. Schools would have a better chance of getting more capital by joining a group.

Earlier this year, the DfE announced Phase 2 of its Priority School Building Programme, allocating capital for school rebuilding and refurbishment directly to academy groups and local authorities with the responsibility for improving them.⁶⁵ Academy groups with at least five schools and 3,000 pupils will receive capital funding allocation for priority maintenance and expansion from 2015-16.⁶⁶ While this additional freedom provides a greater incentive for schools to join groups, groups do not currently receive this capital as a matter of course. In addition, the devolved capital budget does not include capital for meeting “basic need” for new school places. This limits the basis on which they can apply for the capital and the flexibility with which they deploy it.

Investment is critical to the development of groups for their growth. By allocating development capital at the group level, the government would encourage school groups to expand. The precise allocation of capital spending should be left to the group. School groups are far better able to judge whether the money is best allocated to physical estate or other capital expenditure.

65 Rt Hon Nicky Morgan MP (2015), “Investing in the school estate”, Written statement, 9 February.

66 Education Funding Agency (2015), “Capital funding for multi-academy trusts (MATs)”, 9 January.

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