

# FREE SCHOOLS

**At what cost?**



## INTRODUCTION

*“Not a fad, it turns out, but the most successful education policy of the post-war period.”*

*- Toby Young (August 2017)<sup>1</sup>*

Having been involved in setting up and running them before taking on his current role as the Director of the New Schools Network, Toby Young has been one of the most vocal supporters of ‘Free Schools’ – which are essentially new academy schools that are funded by the state but run outside of local authority control. As Education Secretary, Michael Gove initially drove forward the Free Schools movement with the ‘moral imperative’ that “we simply cannot afford to let another generation of children down”, citing the fact that “the gap in attainment between rich and poor, which widened in recent years, is a scandal.”<sup>2</sup> He later claimed that “the introduction of Free Schools has set a new - and higher - bar for quality and innovation in state education.”<sup>3</sup> More recently, Schools Minister Nick Gibb described Free Schools and academies as “extraordinary schools [that] are changing what is thought to be possible and raising expectations across the country”, adding that “they are an example to any school seeking to improve.”<sup>4</sup>

It is not hard to find similarly effusive quotes about the revolution heralded by the opening of hundreds of Free Schools. It is also not hard to find critics of the programme. Ever since the first Free Schools opened their doors in September 2011, their very existence has been a source of considerable consternation. Many political opponents of Michael Gove were, and remain, strongly opposed to Free Schools, as do most teaching unions. The criticisms span a variety of issues such as concerns over inadequate premises, the use of unqualified teachers, the cost of new sites for Free Schools and their placement in areas where there is no need for new school places. While these debates have been running for some time, it is only in the last year or so that we have begun to answer the more pertinent question of how Free Schools have performed in terms of educational standards. Through analysis of Ofsted ratings and examination results, the first indications of the quality of education being provided by Free Schools are slowly emerging.

Nevertheless, even if Free Schools are indeed transforming educational standards as their supporters have always hoped, one crucial question remains: at what cost? No education policy can be fairly judged unless the benefits that it has (or has not) delivered are held against the costs incurred during its creation, implementation and delivery. This paper seeks to address this matter by providing a comprehensive picture of the investment in the Free Schools programme since it began under the Coalition Government. When this investment is placed alongside the performance of Free Schools thus far, we can hopefully move closer to ascertaining whether the last seven years of building Free Schools have been worthwhile.

## HOW ARE FREE SCHOOLS PERFORMING?

Although this paper is mostly concerned with how much money has been spent on Free Schools since 2010, below is a brief summary of the most recent reports related to their academic standards. These reports rightly note that we do not have many years of data on Free Schools so their calculations should be treated with caution. That said, they still provide the best assessment to date of what Free Schools are delivering for pupils and parents.

### **Education Datalab: how are Free Schools faring? (October 2017)<sup>5</sup>**

This analysis focused solely on the GCSE performance of the 49 secondary Free Schools to have reached this benchmark since their opening.

It was found that these schools had an average 'Progress 8' score of +0.11 against 0 for all state-funded mainstream schools (compared to -0.02 for Free Schools in 2016). It was also discovered that "there are more very high and very low P8 scores for Free Schools than there are for schools in general", which the authors felt was unsurprising as "Free schools are innovating greatly, and, to some extent, that could be seen as part of their purpose."

There were stark differences in the GCSE progress scores depending on who proposed the Free Schools. For example, those schools proposed by an academy trust substantially outperformed those set up by parents and even independent schools.

In terms of Ofsted ratings, the Free Schools judged outstanding "tended to have higher Progress 8 scores than those judged good" and none of the Free Schools reporting GCSE results this year were rated 'inadequate' (although some poorly-performing Free Schools will have been merged or closed and therefore did not appear in the data).

### **Education Policy Institute: Free Schools in England (November 2017)<sup>6</sup>**

This analysis considered several aspects of the Free Schools programme, such as whether they addressed the growing demand for places, whether they are popular with parents and whether they were serving disadvantaged pupils. In terms of academic standards, the authors reached the following conclusions based on the Ofsted grades received by Free Schools:

- "Primary free schools have a similar propensity to be good or outstanding as other school types but the proportion that are rated as outstanding is nearly double that of all state-funded primary schools"
- "Ofsted grades suggest little difference between secondary free schools and other state-funded schools"
- Special and alternative-provision free schools "are much less likely than other state-funded special and alternative provision schools to be rated as outstanding"<sup>7</sup>

In the judgement of the authors, "there is insufficient evidence to reach definitive conclusions on the effectiveness of Free Schools" based on their Ofsted ratings, at least in part because large numbers of them have not yet been formally inspected.

In terms of pupil attainment and progress, the report found that:

- “Outcomes in Free Schools at the end of primary (Key Stage 2) are relatively poor but these statistics are derived from a small number of schools which are likely to be atypical of the programme as a whole”
- “The results at the end of Key Stage 1 are good and derived from a larger number of schools but do nothing to control for the intakes of those schools”
- “At the end of secondary, results appear better in 2017 than in 2016 with Progress 8 scores in Free Schools matching those in converter academies”, although “this again does not control for the different profile of pupil characteristics seen in Free Schools”<sup>8</sup>

The authors concluded that Ofsted ratings and pupil performance data “present a mixed picture for the Free Schools programme to date and both currently have serious limitations as to the extent to which they can be taken to be a measure of the effectiveness of the programme.”<sup>9</sup>

Overall, the two reports on the performance of Free Schools to this point have left us with as many questions as answers, although there may be some areas where Free Schools hold a marginal advantage over local maintained schools. It would not be fair to conclude from this data that Free Schools have either succeeded or failed in raising standards with any certainty. We should therefore move onto the issue of how much Free Schools have cost, which arguably becomes more significant given that it is hard to detect a reliable performance advantage over other schools.

## HOW MUCH HAS BEEN SPENT ON FREE SCHOOLS?

Despite the high-profile nature of Free Schools, it is surprisingly difficult to answer such a basic query. Even though the National Audit Office and Public Accounts Committee have raised numerous concerns about the way in which Free Schools are financed, there is scant information in the public domain on this subject. As a result, this author used three different methods to delve into the investment made by the Department for Education (DfE) and the Education and Skills Funding Agency (ESFA; formerly the Education Funding Agency) into the Free Schools programme since its inception:

- For the period 2010-12, the spending figures were obtained from the National Audit Office report entitled 'Establishing Free Schools'<sup>10</sup> published in 2013;
- For the period 2012-2014, the spending figures were obtained from the monthly publications by the DfE and its agencies that covered any expenditure over £25,000 each month;
- For the period 2014-2017, the spending figures were obtained via Freedom of Information requests made to the DfE.

### What are the different forms of expenditure on Free Schools?

Broadly speaking, there are four categories that together have constituted the total expenditure on Free Schools (with examples of the spending included within each category):

- **Capital costs:** the cost of construction, project management costs and land acquisitions required for the Free Schools;
- **Legal advice:** the money given to firms such as Dickinson Dees and Veale Wasbrough Vizards to support the ESFA and Free School proposers with legal tasks (e.g. early due diligence, drafting legal documentation);
- **Property advice:** expenditure on internal government property experts as well as firms such as DTZ and Jones Lang LaSalle to undertake site searches, provide planning advice and handle property transactions and contracts;
- **Technical advice:** advice on the technical viability and feasibility of an identified school site as well as advising on the capital budget and managing the procurement of contractors and building works once the site has been secured.

These four headings will form the basis of the following analysis on Free School expenditure since 2010. As with the overall government expenditure on Free Schools, these category definitions are not readily available online or in print and are instead the result of research carried out by this author. This means that the examples listed above do not necessarily represent a full description of the different costs incurred within each category.

All the expenditure listed on the following pages is provided in good faith and has been put together with great care and attention, although given the difficulties in obtaining and analysing the data it is not intended to provide a flawless historical record.

## What has been spent on Free Schools since 2010?

FINANCIAL YEAR	Capital costs	Legal advice	Property advice	Technical advice	ANNUAL TOTAL
2010-11	-	-	-	-	£6,000,000
2011-12	-	-	-	-	£89,000,000
2012-13 <sup>11</sup>	£83,912,954	£64,738,450	£5,730,060	£11,659,658	£166,041,122
2013-14	£526,772,843	£159,473,985	£6,485,465	£23,031,056	£715,763,350
2014-15	£733,398,445	£3,305,921	£5,793,710	£19,026,820	£761,524,895
2015-16	£895,455,766	£3,610,030	£5,799,259	£26,322,713	£931,187,768
2016-17	£935,451,323	£3,664,238	£6,635,397	£19,058,058	£964,809,016
<b>TOTAL EXPENDITURE ON FREE SCHOOLS</b>					<b>£3,634,326,152</b>

NOTE: The National Audit Office report covering the period 2010-12 did not use the category breakdowns displayed in the column headings so only the total annual expenditure is reported here.

The table above contains a breakdown of the costs incurred through the Free Schools programme across the four expenditure categories. It produces a total expenditure of **over £3.6 billion since 2010**. This does not include any additional expenditure in the current financial year starting April 2017, so the new Free Schools opened last September will have pushed this figure even higher.

The DfE's list of open and pipeline Free Schools<sup>12</sup> states that there were 422 Free Schools open by the academic year 2016-17. Seeing as the total expenditure was over £3.6 billion by the end of the corresponding financial year, we can estimate that an average of approximately **£8.6 million** has been spent for each Free School that is currently open. This represents a 30% increase from the £6.6 million per Free School quoted by the National Audit Office in 2013, which was itself a significant uplift on the original estimate from the DfE of £3 million per school back in 2010.<sup>13</sup>

As can be seen in the table, the cost of property and technical advice does not appear to have fluctuated to any great degree over the course of the programme. Although capital expenditure has risen dramatically, this is to be expected with the expansion of any school building programme. However, the costs of providing legal advice warrants further scrutiny because of its unusual pattern: expenditure in this category fell from almost £160 million in 2013-14 to just £3 million in 2014-15.

In the early stages of the Free Schools programme, the sums being spent on legal advice were staggering. On four occasions during 2013 the DfE spent more than £20 million *in a single month* on legal costs, peaking at £37.5 million in December 2013 alone. Then, abruptly, the government spending records show zero expenditure on legal costs in the final two months of the 2013-14 financial year and from April 2014 onwards the expenditure on legal advice plummeted to just a few hundred thousand pounds a month and has remained around the same level ever since.

The most plausible explanation for this remarkable shift comes from the National Audit Office report on Free Schools expenditure, which highlighted the fact that after 2013 "contractor costs were capitalised and included in capital spending".<sup>14</sup> Such a seemingly minor adjustment was beneficial to the DfE because most legal advice for Free Schools could apparently now be classed as 'capital spending'. This meant that any legal costs would come out of the 'capital funding' pot given to the DfE by the Treasury each year for school buildings instead of the 'revenue funding' pot that makes up the vast majority of the DfE's responsibilities (thereby protecting DfE's core spending on schools and colleges from being used up on Free School legal matters). Another consequence of this adjustment is that it became much harder for outsiders to discern how much money was being spent on legal

advice within the Free Schools programme because it was now rolled into the 'capital costs' category along with the other activities that this covered.

The effect of this adjustment to the way contractors were accounted for in the Free Schools programme was dramatic. In the period up to March 2014, approximately 25% of all expenditure on Free Schools was consumed by legal advice. From April 2014 to March 2017, this proportion fell to just 0.4%. Because of the accounting adjustment there is no reason to think that the actual sum of money being used to pay for legal advice had fallen – it may have simply transferred into a more opaque expenditure category. To illustrate the point, from October to December 2013 the DfE spent £142.8 million on capital costs and legal advice combined, with an almost exactly 50/50 split between the two categories. In contrast, from April to June 2014 (just a few months later) the DfE spent a similar amount - £166.5 million - on capital costs and legal advice combined, yet 99.5% of this was now accounted for as capital costs.

The total expenditure on legal advice for Free Schools for the period 2012-2017 stands at £234.8 million, but in light of the aforementioned change in accounting procedures this figure is likely to significantly underestimate the amount spent on such activities. If we assume that, as was the case up to March 2014, legal advice consumed 25.43% of the overall costs of the programme, the total expenditure on legal advice since 2010 would now be **£900 million**. Without the ability to unpick the capital costs within the Free Schools programme it is now difficult, if not impossible, to separate out the spending on purely legal aspects of Free Schools as opposed to genuine capital expenditure. This is something that the DfE, National Audit Office and Public Accounts Committee may wish to reflect on as the programme moves forward.

Irrespective of issues around categorisation and accounting procedures, it is clear that the sums of money being spent on Free Schools are vast and growing. Almost £1 billion a year is being poured into the programme and this is likely to grow further in 2017-18 and beyond.

## CONCLUSION

The world of education has never been short of initiatives and fads, some of which added value whereas many do not. While the number of Free Schools remains relatively small compared to the total stock of local maintained schools across England, the considerable political and financial investment that they have received will inevitably draw attention from many quarters.

The most up-to-date evidence shows that we cannot yet determine with confidence whether Free Schools have indeed raised educational standards. On that basis, it does not seem prudent to claim that they are the most successful education policy in the modern era, let alone the entire post-war period. The policy itself is also open to change, with Justine Greening announcing in one of her last acts as Education Secretary that Free Schools would be focused on more “challenging areas” in 2018.<sup>15</sup> Such changes could make it more problematic to track the effect of Free Schools on school standards over time. Furthermore, even if Free Schools do indeed succeed in driving up standards, there is then a further question of whether any benefits that we may eventually see can reasonably justify the money spent on achieving said benefits.

This paper calculates that over £3.6 billion has been spent on Free Schools thus far. Supporters may choose to label this as money well spent, whereas critics are likely to claim it is precious money wasted (particularly in a climate of financial austerity). This paper does not aim to settle the debate over the value-for-money of Free Schools, rather to provide an additional lens through which to view the costs and benefits of the programme both now and in future. Supporters and critics will no doubt continue to cherry-pick individual case studies of Free Schools that confirm their respective points of view. What would be more useful for all sides of the debate is to continue monitoring the examination results and Ofsted ratings of Free Schools in the coming years as well as providing an on-going analysis of the overall programme expenditure. By doing this, we may finally be able to answer the question of whether the Free Schools programme as a whole has led to a tangible improvement in the lives of pupils and parents across the country.



## REFERENCES

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All links are correct as of 15<sup>th</sup> December 2017.

<sup>1</sup> YOUNG, T. (2017). *This year's exam results for free schools prove Michael Gove was right*. 25<sup>th</sup> August. The Spectator: Coffee House. Available at <https://blogs.spectator.co.uk/2017/08/this-years-exam-results-for-free-schools-prove-michael-gove-was-right/>

<sup>2</sup> GOVE, M. (2011). *Michael Gove's speech to the Policy Exchange on free schools*. 20<sup>th</sup> June. Speech. Available at <https://www.gov.uk/government/speeches/michael-goves-speech-to-the-policy-exchange-on-free-schools>

<sup>3</sup> GOVE, M. (2014). *The purpose of our school reforms*. 7<sup>th</sup> June. Speech. Available at <https://www.gov.uk/government/speeches/the-purpose-of-our-school-reforms>

<sup>4</sup> GIBB, N. (2017). *The power of greater freedom and autonomy for schools*. 2<sup>nd</sup> November. Speech. Available at <https://www.gov.uk/government/speeches/nick-gibb-the-power-of-greater-freedom-and-autonomy-for-schools>

<sup>5</sup> NYE, P. & THOMSON, D. (2017). *Provisional KS4 data 2017: How are free schools faring?*. Blogpost. Available at <https://educationdatalab.org.uk/2017/10/provisional-ks4-data-2017-how-are-free-schools-faring/>

<sup>6</sup> ANDREWS, J. & JOHNES, B. (2017). *Free Schools in England*. London: Education Policy Institute. Available at <https://epi.org.uk/report/free-schools/>

<sup>7</sup> Ibid p.42

<sup>8</sup> Ibid p.54

<sup>9</sup> Ibid p.54

<sup>10</sup> NATIONAL AUDIT OFFICE (2013). *Establishing Free Schools*. London: NAO. p27. Available at <https://www.nao.org.uk/report/establishing-free-schools-2/>

<sup>11</sup> The data for 2012-2013 does not include any expenditure in April 2012 as this was not published in the relevant government spending document.

<sup>12</sup> GOV.UK (2017). *Free schools: open schools and successful applications*. Available at <https://www.gov.uk/government/publications/free-schools-open-schools-and-successful-applications>

<sup>13</sup> NATIONAL AUDIT OFFICE (2013). *Establishing Free Schools*. London: NAO. p28. Available at <https://www.nao.org.uk/report/establishing-free-schools-2/>

<sup>14</sup> Ibid p27

<sup>15</sup> SCHOOLS WEEK (2017). *New free school wave in 2018 to be targeted in 'challenging areas'*. Article. 14<sup>th</sup> December. Available at <https://schoolsweek.co.uk/new-free-school-wave-in-2018-to-be-targeted-in-challenging-areas/>