



Permanent Secretary

Sanctuary Buildings 20 Great Smith Street Westminster London SW1P 3BT
tel: 0207 340 7414 permanent.secretary@education.gsi.gov.uk

Amyas Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
London
SW1W 9SP

|| December 2013

Dear Amyas

In my letter of 27 June 2013 I said that we would be undertaking an assessment of the Durand boarding project's financial viability and value for money, and would share this with the NAO.

Durand submitted an amended planning application on 11 October to the South Downs National Parks Authority and the application is due to be heard by the local planning committee on 12 December.

The planning committee will need to evaluate the application and make their decision on planning issues. However, we have now completed our assessment of viability and value for money. I am confident that, with careful management of costs and a focus on raising standards, the project is viable and offers value for money. I believe it is a challenging but innovative project which can both bring direct benefits and present us with an opportunity to learn valuable lessons.

To demonstrate value for money, Durand will clearly need to show that the investment in the project has helped deliver substantial improvements in educational attainment for children at the school. Detailed economic analysis is set out in the cost benefit document attached. Durand's track record – with the primary school in the top 25% nationally for value added between KS1 and KS2 in each of 2010, 2011 and 2012 – as well as evidence from other schools and the innovative nature of the proposal suggests that these improvements are challenging but achievable.

On viability, we are confident in the core income assumptions presented by Durand – these are well evidenced and build in appropriate caution. On costs, challenge by DfE and engagement with a range of people with extensive

boarding experience has raised the estimated boarding costs from the original assumption of £1300 per pupil to £2,051. There remain risks to these costs, particularly in relation to staffing and catering. However, I am satisfied that Durand has a sufficient operating surplus on the current proposal and identified contingency options in place to manage these and other risks.

In summary, the overall financial model for the current proposal (i.e. years 9 to 11 with no sixth form) suggests boarding income of £986k and costs of £770k per year when full, resulting in a considerable projected annual surplus of £216k (22% of income). In addition, Durand has identified a series of contingency options, including: (1) increasing London Horizons income through additional accommodation; and (2) increasing some charges for parents at the academy.

To ensure the remaining risks are effectively managed, my support for the project is conditional on Durand delaying plans for a sixth form for two years – at which point we will conduct a further assessment; bringing forward the appointment of governors with experience of boarding; and the appointment of a permanent business manager to oversee the financial management of the whole academy. We will also consider how best to monitor risks, costs and delivered benefits up to the opening of the school and beyond.

I believe this is a unique and worthwhile proposal which deserves our support and has the potential to make an enormous difference to the children of Lambeth for generations to come. As with any innovative project, it comes with a level of risk. However, I am content that – at this stage – the risks have been appropriately understood and mitigated as far as possible. We must be prepared to support truly unique proposals like this – which can be the catalyst for wider innovation.

I have attached our detailed cost benefit analysis and Durand's revenue model, and I am making these publicly available. In parallel, my officials are discussing the analysis with yours at working level.

Yours sincerely,

Chris

Wormald

CHRIS WORMALD
PERMANENT SECRETARY