



Cass Business School
CITY UNIVERSITY LONDON



Sir John Cass's Foundation Lecture

**GUARANTEEING A GOOD SCHOOL FOR ALL - how
incentives and intervention must work together**

Rt Hon Ed Balls MP

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Cass Business School
106 Bunhill Row
London EC1 Y 8TZ
www.cass.city.ac.uk

Thank you, Richard.

It's a great privilege for me to be here this evening:

- to give this lecture in honour of Sir John Cass – who founded the Foundation that now supports primary schools, secondary schools, Academies and universities across London;
- to speak here at the Cass Business School – where many of the business leaders of tomorrow are educated;
- and to follow in the footsteps of both the Prime Minister and my colleague Andrew Lord Adonis, who gave the inaugural Sir John Cass Foundation Lecture a year ago.

I have had many associations with both the Cass Business School and City University – most recently on Academies, but also over a number of years as Chief Economic Adviser at the Treasury and then as City Minister.

Since then we have experienced a time of unprecedented difficulty and turbulence in the global economy and in financial markets.

The credit crunch has raised public awareness like never before of:

- the power and speed of global markets and how events in one country can send deep and often unpredicted tremors around the world;
- the huge challenge for financial institutions, regulators and governments to fully understand the nature and scale of the global risks they deal with;
- and the critical role for government to ensure the financial system continues working – and works effectively.

It is clear to me that the question is not if, but how we should strengthen financial regulation.

Indeed:

- those who said statutory regulation of our financial services was not necessary;
- those who opposed the Financial Services and Markets Act;
- and those who said we should rely on free market forces and self-regulation alone;

have all been proven wrong and very much out of touch with the times.

It is vital that we harness the power of markets through incentives and the spur of competition.

But the events of the past year provide a powerful demonstration that while markets can drive innovation and dynamism, there are – as Gordon Brown said here in his lecture in 2003 – limits to markets, both in the wider economy and in public service delivery.

And imperfections in information and real problems of co-ordination mean that we need careful, proportionate but tough regulation and intervention to ensure that markets work in the public interest.

One of the last things I did as City Minister was to announce plans for a new International Centre for Financial Regulation - which I know you have been involved in.

No one could have foreseen how important its agenda would be – and this centre will play a big role as we move forward.

But we must learn from the past as we do so.

I remember the calls for us to respond to the Enron and WorldCom accounting scandal with a regulatory crackdown.

But we decided then that the best action was to pursue a measured, proportionate response – in stark contrast to the approach pursued in the US.

And while Sarbanes-Oxley was heavy-handed and unpopular with business round the world, it also failed to prevent current difficulties.

So we must proceed with care.

At the same time, we cannot afford to backtrack on the long-term reforms we need to secure our country's economic future.

Long gone are the days when young people could leave school at 16 and have a successful career with no further learning or training.

We need to equip our all young people with the skills that businesses need if they are to succeed in the increasingly competitive global marketplace.

This evening, I want to set out the framework for reform in our schools system that I believe we need to meet the long-term challenges ahead.

And to do so, I want to draw a parallel with financial market reform.

Because as in financial markets, so in education:

- providing the right incentives for schools to succeed, promoting healthy competition and empowering parents – these market-like mechanisms have played a vital role in driving up standards and we must strengthen them;
- but there are also limits to the role that market forces alone can play if we agree that our goal is excellence for all, not just some;
- so our job is to strike the right balance between market incentives and intervention, collaboration and proportionate regulation.

That is the route to an education system where every parent has a choice of good local schools and where a world-class education is a guarantee for every child, not just the privilege of a lucky few.

Our national education challenge

In his lecture here last year, Andrew Adonis set out the challenge of moving from the system we had a decade ago where the minority of young people left school with good qualifications, to one where the great majority does.

He said that we're over halfway there as a result of the progress that we have made over the past decade, but that we still have a long way to go.

And he was right.

He also said that achieving our ambition was a realistic goal.

And he was right about that too.

This year, 107,000 more pupils left primary school secure in English and maths than in 1997.

While 68,000 thousand more pupils gained five or more good GCSEs including English and maths in 2007 than in 1997.

In 1997, over half of all secondary schools were below our benchmark of at least 30% of pupils achieving five good GCSEs including English and maths - more than 1600 schools.

Today that it is down to less than a fifth of all secondary schools – around 475.

And in the summer and because of our track record of progress, we set ourselves the ambitious goal of getting that number down to zero by 2011.

This is our National Challenge.

And we are providing £400 million of funding and extra support to help all these schools – many of which are already improving – to get above the benchmark.

But these schools cannot all do it alone.

Some need better specialist support from health services or social services.

Others need local primary schools to do a better job of ensuring children arrive in secondary school secure in English and maths.

And some need support from other more successful schools, because school-to-school support is a proven way of raising standards.

We will make sure they get this support.

But for the minority of National Challenge schools that are stuck in a rut, more radical action will be needed – including linking up with other schools more formally through a Trust or federation; while for some, closure and replacement with an Academy and an injection of new leadership will be the right thing to do.

Because if these are the qualities and characteristics that make up a good school:

- excellent teaching;
- an engaging curriculum;
- tracking and supporting the progress of every child;
- firm discipline in the classroom;
- strong parental engagement;
- fully integrated local children's services with schools at the centre;

they can only all be brought together to make a real difference by the most important quality of them all:

- great school leadership.

World-class leadership

I have seen schools in some of the most deprived areas of the country – and yes, in selective areas too – where the odds are stacked against them, but with great leadership and the right support they have created a culture of high aspirations, and young people do achieve good results.

So our system challenge is to make sure that:

- we have the right leadership in all our schools – and that means heads, wider leadership teams, governing bodies and external partners;
- we use our best leaders across our schools system and especially where they are needed most in challenging schools;
- and we bring through the next generation of leaders too.

And this is exactly what we have been working with National College of School Leadership to do over the past few years.

I visited an Academy in Bristol recently.

It had recently celebrated the first anniversary since it had opened on the same site as the underperforming school it replaced, with the same set of pupils and pretty much all the same teachers.

The main thing that had changed was the leadership team, with a new sponsor and a new head teacher focused on improving standards and with high aspirations.

And the teachers told me the school was transformed – while previously only 11% of pupils gained at least five good GCSEs including English and maths; this number had risen to 33% within two years.

This is not an exceptional Academy story.

Despite being based disproportionately in disadvantaged areas and having disproportionately disadvantaged pupil intakes, independent reports have shown that results in Academies are rising faster than in other schools in their areas.

And because they're not only driving up standards but aspirations too, parents are voting with their feet, choosing schools that were once unattractive and creating pressure for improvement in other local schools too.

Incentives do matter.

But these schools were not transformed by the power of incentives and competition alone.

Many had been stuck at the bottom of the local pecking order for years.

They were being transformed because, through our Academy programme, we have been willing to create the conditions for them to succeed:

- by attracting sponsors who believe they can make a difference to the life chances of those children;
- by bringing in the best school leaders to run them;
- and by relentlessly raising the aspirations of local communities.

There are already 130 Academies open – and our target is to reach at least 400 Academies.

And as well as leading businesses, sponsors now include leading educational institutions.

Almost 50 universities are now committed to the Academies programme as sponsors or partners, including City University – and I know the Sir John Cass Foundation is contributing to make this happen.

And as we expand our Academies programme, we will continue to focus on underperforming schools in some of the most disadvantaged areas.

But Academies are just one way to spread the benefits of good leadership to schools that need it.

Many of our best school leaders are National Leaders in Education – not just a badge of success but real recognition that they are the best way to help drive up standards in other schools and ensure that every school is a good school.

And there is a deeper truth here – being a great school leader does increasingly mean working in more than one school.

We are now seeing more and more of our best leaders in high performing schools no longer operating in isolation from one another, but spreading their success to other local schools and contributing to area improvement – collaborating as they also feel the competitive pressure to improve.

As well as raising standards, this gives new opportunities to staff for professional development, provides new opportunities to pupils to access new parts of the curriculum and allows schools to pool resources.

That was why we announced the first three National Challenge Trusts in September. They will each receive up to £750,000 – or up to £1 million for secondary moderns – to help schools collaborate together to drive up standards.

And our vision of the 21st century school is of schools that collaborate:

- with other schools on areas like improving behaviour;
- with other services that might even be co-located with them so there is a real culture of early intervention and prevention of problems;
- with external partners like local universities and businesses;
- and increasingly with other local schools through Trusts and federations to raise standards, sometimes under shared leadership.

The limits to markets in school improvement

But our approach has its critics.

There are some people who say that this isn't the right approach.

They claim that there is an inherent conflict between empowering schools and driving competition on the one hand; and on the other, intervening systematically where performance is poor or encouraging schools to collaborate.

They argue that our National Challenge is centralist, bureaucratic and misconceived – and that the only way to drive up school standards is to allow good schools to expand, new schools to be created and underperforming schools to lose pupils, wither and naturally close.

I disagree – profoundly.

I do not believe that we have to choose between an incentive-based system of school improvement on the one hand; and on the other, a guarantee to parents that every school will be a good school.

Ofsted reports, externally validated tests, school by school comparison and parental choice are all powerful spurs to improvement.

Head teachers and governing bodies should be concerned if their results don't compare with the best.

They should feel the pressure if their value added does not match that of the school down the road.

And if things are going in the wrong direction, they must act quickly to set things right and know that they will be held to account if they don't.

So I am all for healthy and fair competition between excellent schools.

And that's why I also want to see the admissions code properly implemented and enforced – because parents should choose schools; schools shouldn't choose parents.

Indeed to provide parents with more information about both their school's performance and how well it is doing compared to other local schools, we have recently announced we will go even further with a new School Report Card for all primary and secondary schools.

And where parents want to establish their own schools and the demand is there, we have created the conditions that allow them to do so – as in Lambeth, where the first parent-promoted school opened last September.

I was also pleased to see the first parent-promoted group win a new school competition in West Sussex recently as a result of the framework we introduced.

And I want to go further.

I have already announced that we will pilot 100 Co-operative Trusts across the country in which parents, teachers, businesses and communities come together and work in partnership to run local schools.

And we will now look at what further steps we can take to support those parents who want to get more involved in running schools and help drive up standards.

But local incentives, clear information and parental choice – the market-like forces in the schools system – cannot be the sole lever to drive up performance.

They clearly do help drive up standards in good schools - so long as admissions are fair.

They also do bring pressure on schools that are underperforming, are poorly led or where teaching is not up to the standard needed.

And they might do enough to push schools just below our benchmark over the top.

But as the evidence shows, incentives and competition alone do not do enough to tackle often deep-rooted underperformance.

- 446 schools below our 30% benchmark have spent the last four years there;
- two thirds have an above average proportion of pupils from low-income families;
- While 20% are in the 10% most deprived areas of the country.

So where underperformance, low aspirations and deprivation are all entrenched, the reality is that you do need more than incentives and competition to get them on the right track.

Central versus local intervention

But in saying that we need to intervene, we must also recognise that we have to ensure that intervention and regulation works in the right way.

National Challenge simply will not work if we treat every school below the benchmark the same way and give them exactly the same support.

And that means that we cannot do it from the centre – it must be locally-led:

- by groups of local schools and Academies working together to raise standards and help all children and young people in their areas to get a good education;
- by great school leaders working outside their schools and across their local areas through our National Leaders in Education programme;
- through support from NCSL and organisations like SSAT.
- and by Local Authorities working with schools in their areas to make sure they are performing, commissioning the right support to help them improve and being prepared to drive change where needed.

Over the summer, I asked Local Authorities to work with their National Challenge schools to draw up improvement plans.

Today the Local Authorities in Bristol and Lincolnshire have announced details of the school improvement plans they have agreed with us

Because Academies are a proven way to spread good leadership and raise standards:

- 7 Academies have been opened in Bristol – with a further Academy to open next year;
- and there are 4 Academies in Lincolnshire – as we have announced today that a further Academy will be opened too, led by a high-performing secondary modern school.

I expect both areas to bring forward plans for National Challenge Trusts too.

Today we have agreed improvement plans with 48 areas who will receive over £20 million to raise standards in their schools.

Because our experience with the hugely successful London Challenge is that school improvement doesn't just happen by accident; it requires locally-led investment and intervention.

So we will back all Local Authorities and work with them to do everything it takes to get all schools on the path to sustained success.

But where it's necessary, I will not hesitate to step in and intervene directly with schools or Local Authorities – because we cannot allow children and young people in some parts of the country to fall behind.

Coasting schools

Our approach to school improvement has been rightly focussed on schools that have the lowest results and are underperforming – and where local incentives and competition alone have failed to create enough pressure to raise standards.

But they also don't put enough pressure on another group of schools – schools above our benchmark, where outcomes often look acceptable but where they could be doing far more to help pupils progress as far or as fast as they could and should be.

Today we have published our plans to support and challenge those secondary schools that are coasting along in this way.

And we can only do this at all because of the approach that we have taken to step in where needed.

Many parents of children in coasting schools will probably think that their school is maintaining good standards, not coasting.

Local incentives will not be doing enough to drive improvement because the head teacher, governing body and parents may all be comfortable with the school's exam results and placing in attainment tables.

And in some small towns and rural areas, there will be limited scope for competition as the local school may be the only realistic and practical choice for parents.

The new School Report Card will help show parents that a school is coasting but will not bite quickly enough for the children and young people who are in those schools now.

The only way to help those young people is by support and challenge.

And the school-to-school support provided by our best school leaders, by the additional funding we will now provide for Trusts and federations and through NCSL and other organisations like SSAT is once again at the heart of our strategy.

And again we want Local Authorities to identify where schools are coasting and then drive change by working with head teachers, governing bodies and school improvement partners to make sure they take action and use the support we are offering.

Because just like with National Challenge, this intervention cannot be centrally driven – it must be locally-led.

And without it, we will never drive progression in coasting schools and give every child a chance to fulfil their potential – whether that means stretching the most gifted or supporting those with special educational needs.

The ‘Swedish model’

I have set out our approach and the balance I believe is right.

But there is an alternative view – that the best way to improve schools is not to intervene at all and to instead rely solely on market forces, with new schools and surplus places appearing whenever and wherever a willing group of parents or sponsor comes forward.

The first thing to recognise is that this alternative approach has huge costs - because of the huge expense of creating all the surplus places that this model relies upon – as well as the new buildings.

But the real problem is that it would not drive up standards in schools and areas where this is most needed.

As I said earlier, to tackle the British problem of persistent underperformance in some schools, local incentives alone are just not strong enough to raise standards.

And rejecting any statutory role for central or even local government to intervene where schools are underperforming means leaving some schools to wither and decline – and this will come at a terrible price for the young people who get left behind.

This approach would mean that education will become a lottery for parents and communities and will have dire consequences for many children and young people in many areas of the country.

The outcome would not only be inefficient, but would deliver excellence only for some, not for all.

But there is a further failing of this approach

And that is what happens when parent groups do take over schools but then do not succeed in raising standards.

Surely we cannot continue to say – “here is the money, get on with the job” – whatever the outcome?

And surely a government could not stand aside as generations of children and young people leave schools without the qualifications they need?

There would then have to be some kind of intervention to turn things round or transfer leadership.

But because this model rejects any role for Local Authorities to intervene, it would have to come from the centre.

So what we could be left with is:

- some over-subscribed schools;
- some schools half-empty facing crisis;
- standards in some areas still too low but no action being taken;
- and the single biggest local education authority that we have ever seen – based in Whitehall.

Conclusion

My conclusion is that in education as in other public services, local incentives and market forces do work.

But they can't do it all on their own – and it would be wrong to leave them to do so.

In this lecture, I have tried to set out how in education we can move beyond the simplistic approach of the old left, which says that markets always lead to inequality, insecurity and injustice;

but also the simplistic approach of the new right, which continues to maintain that markets automatically lead to efficiency and intervention is always harmful.

And I have tried to build on the important lectures given here previously by Gordon Brown on the role of markets and by Andrew Adonis on education.

The real choice in education is whether you want to stand back and hope for the best or are prepared to step in where needed and drive change for the better.

That is what our Academies programme, our National Challenge and our school improvement plans are all about – not settling for preserving excellence for some, but actively spreading opportunity and excellence for all.

I believe this is the only way to guarantee that every school is a good school.

And that guarantee is what our children and young people deserve.

Not a ticket for an education lottery.

Thank you.