ADCS
Leading Children's Services

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By email to: loanschemes.consultation@education.gov.uk

ADCS response to the consultation on changes to the criteria for agreeing loan schemes

1. The Association of Directors of Children's Services Ltd (ADCS) welcomes the opportunity to respond to the consultation on changes to the criteria for agreeing loan schemes. ADCS is the professional association for directors of children's services (DCS) and their senior management teams. Under the provisions of the Children Act 2004, the DCS is the chief officer responsible for the discharge of local authority functions with regard to education and children's social care and champion for children across wider children's services.

The purpose of loan schemes

2. Schools can find themselves in financial deficit for many reasons, some of which are not related to poor financial management. This can be for things such as restructuring costs to remain viable in light of ever reducing budgets, building and maintenance repairs or specialist support to drive forward improvement. In the current context of limited financial resources, schools may look to the local authority for a loan to support such one off exceptional funding.

3. ADCS members do not welcome the proposals to restrict local authorities' ability to offer loans to maintained schools. Limiting loans to capital spend does nothing to help schools that may need to meet a range of revenue costs to support continuous improvement and support students to achieve their educational outcomes. Spreading the cost of such activity is good financial management.

4. The proposal contained within the consultation document is another example of how schools are treated differently depending on their status. ADCS members believe that no school should be at a disadvantage because of its status. It cannot be right that maintained schools will not have access to loans to cover additional expenditure outside of their operating budget yet academies are able to access loans via the Education and Skills Funding Agency.

5. Local authorities will be expected to cover any deficits created as a result of maintained schools being unable to access additional funding via a loan. This presents a significant financial risk and following seven years of austerity, local authorities simply do not have the financial capacity to do this.

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Treatment of surpluses and deficits when a maintained school becomes an academy

6. ADCS members have previously raised the inherent inequity in the treatment of balances of schools which become academies through different routes and the impact this has on local authorities. Specifically, the balance (surplus or deficit) of converter academies transfers to the academy. For sponsored academies, surpluses transfer to the sponsor yet any deficit stays with the local authority. This does nothing to encourage formally brokered academies to reduce/ maintain their deficit prior to it being transferred. In addition, local authorities receive no additional funding to settle any deficits.

7. ADCS members are concerned that the proposed changes to the treatment of surpluses and deficits when a maintained school becomes an academy creates increased financial risk to local authorities. Where a maintained school is deemed to be inadequate and required to become an academy, any delays in finding a sponsor and the subsequent drift, may result in deficits being accrued. This delay and drift may not be a result of lack of local authority action, academy sponsors may simply not be willing to sponsor the school. In such circumstances, this proposal will restrict a local authority's ability to offer a loan yet they will be expected to cover any deficits on transfer to an academy. This is unacceptable and once again illustrates the anomaly in treatment of schools depending on status. It does nothing to encourage good financial planning and management.

For further information, please contact Esther Kavanagh Dixon, ADCS Policy Officer, esther@adcs.org.uk.