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**Lord Nash**

Parliamentary Under Secretary of State for Schools

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William Dowell, Chair of Shropshire Schools Forum  
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Your ref: WD/hjw

11 February 2015

*Dear Mr Dowell,*

Thank you for your letter of 27 November, addressed to the Secretary of State, about the treatment of deficit budgets for schools becoming sponsored academies. I am replying as the Minister responsible for this policy area. I do apologise for the delay in sending you a response.

I very much share your concerns about this issue. It is important that governors of maintained schools and local authorities take prompt and effective action to deal with any school budget which has gone or is at risk of going into deficit. I am glad to read that Shropshire Council are reviewing their protocols in this area and putting more robust processes in place. Poorly performing schools which become sponsored academies must have the best possible start to ensure that they can quickly improve and provide a high quality of education for their pupils. It is, therefore, vitally important that any deficit which they have is removed at the point which they become an academy.

Whilst I recognise your concern that the cost of the deficit then falls to the local authority, this is fair as they were responsible for the oversight of that school when the deficit built up and had the ability to take action to prevent it from growing. Removing the responsibility for the historic deficit of a school that was a sponsored academy from the local authority would send the wrong signal. The current approach should and does act as a spur to local authorities to take prompt action to tackle poor financial management in maintained schools and prevent large deficits from building up. The action which you are now taking in Shropshire to put more robust arrangements in place for tackling any deficit should ensure that in future, schools no longer build up a large deficit and that the potential costs arising from any sponsored academy is minimised.

Thank you for writing on this important matter.

JOHN NASH