

## Extract from the Scheme for Financing Schools

### 4.9 Loan arrangements

In exceptional circumstances, in agreement with the Schools Forum and Executive Member for Education, the authority will permit schools to receive a loan in advance of future budget allocations. The funding of such agreements would be through the collective surplus of school balances held by the authority on behalf of schools, and will be considered on an individual basis. General features of the scheme are detailed below:

#### Circumstances in which a loans may be agreed:

1. if in the opinion of the Director of Children Young People and Learning a school could not otherwise achieve its improvement targets (there will still be a requirement of the governing body to demonstrate repayment),
2. if in the opinion of the Director of Children Young People and Learning and Borough Treasurer a school could not reasonably be expected to effect immediately the savings required as a result of a significant reduction in pupil numbers (there will still be a requirement of the governing body to demonstrate repayment),
3. where major capital projects which would otherwise result in the project not being undertaken (there will be a requirement of the governing body to demonstrate repayment),
4. to finance invest to save schemes e.g. energy efficiency investments which result in net annual savings after making the required loan repayments.

#### Outline features of the scheme.

- the maximum length over which schools may repay the loan is 3 years (i.e. reach at least a zero balance), where the loan is granted under 1 and 2 above, with longer periods available for items 3 and 4., which will be determined on a case by case basis, linked to the expected useful life of the asset and the ability of individual schools to repay any loan.
- arrangement for a loan will only be agreed where the governing body produces a plan which demonstrates to the satisfaction of the Director of Children Young People and Learning and Borough Treasurer the savings or additional income required to repay the deficit within an agreed timescale.
- arrangement for a loan will only be agreed where the governing body agrees in writing that should the school convert to an academy, to fully repay any outstanding balance, including where relevant any associated interest, no later than one month before conversion.

In general the minimum size of loans which may be agreed will be the lesser of the following:

Primary schools	£10,000
Special schools	£20,000
Secondary schools	£30,000

**OR**

For all types of school, 5% of the size of the budget share as determined by the authority.

In general the maximum size of loans which may be agreed will be the greater of the

following:

Primary schools	£50,000
Special schools	£150,000
Secondary schools	£250,000

**OR**

For all types of school, 15% of the size of the budget share as determined by the authority.

- interest will be charged at 1% above the Council's cost of borrowing on the date on which the loan is advanced unless the authority agrees for it to be waived. The requirement to pay interest will be assessed on the merits of each individual application, and in general, loans under categories 1 and 2 above will not attract interest with loans under categories 3 and 4 likely to attract interest.

#### Outline controls on loans

- the maximum proportion of the collective balances held by the authority which will be used to support the arrangement shall not exceed 40%,
- the Director of Children Young People and Learning and the Borough Treasurer of the authority will make recommendations to the Schools Forum and Executive Member for Education to agree any loans and the terms on which they are offered.

The authority may request those schools operating external bank accounts to allow some or all of those balances to support the above arrangements.