

Our scheme of financing schools allows for applications for loans to be received from schools but only on a capital basis (see scheme details below). In order for the scheme details to change it would need to be discussed with each maintained school and then signed off by the Schools Forum. Additionally it would need to seek Executive approval as it is not currently allowed for in our Treasury Management Strategy.

Extract from our scheme:

4.10 Loan schemes

LAs are permitted to include in their schemes a form of loan arrangement for schools which does not operate by way of a licensed deficit but rather by way of actual payments to schools or expenditure by the LA in respect of a particular school, on condition that a corresponding sum is repaid from the budget share.

The following parameters were agreed as part of the 2001/2002 consultation regarding the scheme:

*Schools are allowed to borrow against future years' budgets in order to finance **major items of expenditure**. The following controls are designed to prevent schools getting into unsustainable debts and will apply from 1 April 2001 to all schools seeking a loan from the LA.*

- *Schools will be required to demonstrate how proposed expenditure would contribute to meeting the objectives set out in the school development plan and the LA's Education Development Plan.*
- *Eligibility for such loans will be restricted to items of a **one-off capital nature**, not for recurrent expenditure.*
- *The period of the loan will be limited to **a maximum of 5 years**.*
- *The amount of the loan will be limited to between £10,000 and £50,000 in Primary Schools and £10,000 and £100,000 in Secondary Schools*
- *The LA will not loan more than 40% of the accumulated schools balances at any one time*
- *Schools with fully funded local bank accounts will be precluded from participating in this scheme*
- *Interest will be charged at the average prevailing 7-Day London Inter Bank Offered Rate plus 1%, payable on an annual basis.*

Schools wishing to participate in this scheme will need to agree the scheme in detail with the Strategic Director of Children's Services and the Strategic Director of Resources prior to approval being granted. The annual share of principal borrowed plus the estimated interest will be charged against the schools budget on 31 March each year.

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