

SCHOOLS FORUM

Scheme for Financing Schools – Consultation paper

Purpose of the Report

- 1 The purpose of this report is to provide details as to the current wording of the Scheme for Financing schools and to consult upon an amendment.

Suggested Action

- 2 The Forum is asked to consider the contents of this report and agree the recommendation.

Background

- 3 The current Scheme for Financing schools restricts the ability of the Local Authority to grant loans to maintained schools for anything other than Capital expenditure. Given the financial challenges facing schools the Local Authority would like to be able to support schools by being able to grant loans for Revenue purposes. In order to do this the Scheme for Financing Schools which applies to all Maintained Schools, Maintained Nurseries, Special Schools and Pupil Referral Units needs to be amended.

The current wording reads

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.

4 Proposals

The proposed wording would read:-

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 2016/17 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 2016 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.
- The period of the loan will be limited to a maximum of 7 years.
- The amount of the loan will be limited to 30% of the school's annual Budget Share
- 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
- The Local Authority reserves the right to either charge or waive Interest charges and late payment penalty fees dependent upon the circumstances of the applicant. Such charges will be detailed at the time the individual loan agreements are drawn up.

Schools wishing to participate in this scheme will need to seek the approval of the Strategic Director of Children's Services and the Strategic Director of Resources prior to approval being granted.

5 Recommendation

That the proposed wording above be adopted.

Donna Munday
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