

TO: SCHOOLS FORUM
DATE: 20 SEPTEMBER 2018

ARRANGEMENTS FOR ADDITIONAL FINANCIAL SUPPORT TO SCHOOLS
Executive Director of People

1 PURPOSE OF REPORT

- 1.1 The purpose of this report is to seek agreement from the Forum in respect of proposals for additional financial support to schools, in particular, approval of new applications for licensed deficit arrangements.
- 1.2 An update on the current position in respect of previously agreed loans is also presented, as well as an update on the funding allocations made to schools in financial difficulties under the powers delegated by the Forum to the Executive Director of People.

2 EXECUTIVE SUMMARY

- 2.1 Schools can experience short term financial difficulties for a number of reasons and these can normally be readily resolved over the medium term. To help manage change through a planned rather than reactive process, the Schools Forum can agree support measures to maintained schools.
- 2.2 Proposals for financial support for 2018-19 include agreeing medium term financial plans in 3 schools that require permission to overspend in aggregate by up to £0.590m in the short term but demonstrate the ability to fully repay the over spending and return to a surplus position.
- 2.3 Information is also presented in respect of one-off funding support provided to schools in, or in danger of entering an Ofsted category, as agreed by the Executive Director of People.

3 RECOMMENDATIONS

That the Schools Forum NOTES:

- 3.1 **The previously agreed loans for the following schools are on target to be repaid in accordance with the agreed conditions:**
- i. Easthampstead Park Secondary School;**
 - ii. Birch Hill Primary School;**
 - iii. Ascot Heath Infant School;**
 - iv. Sandhurst Secondary.**

That the MAINTAINED SCHOOL REPRESENTATIVES on the Schools Forum AGREE:

3.2 That subject to the school governors confirming the funding schedule and compliance with the associated terms and conditions of the available deficit arrangement:

- i. Sandhurst Secondary School receive a licensed deficit of up to £0.510m, for full repayment by 31 March 2022 (paragraphs 6.20 to 6.25);**
- ii. Pines Primary School receive a licensed deficit of up to £0.075m, for full repayment by 31 March 2021 (paragraph 6.26);**
- iii. Winkfield St Mary's Primary School receive a licensed deficit of up to £0.030m, for full repayment by 31 March 2021 (paragraph 6.27).**

4 REASONS FOR RECOMMENDATIONS

4.1 It is appropriate for the Schools Forum to be aware of, and where relevant, comment on these financial matters that are intended to provide short term assistance to schools in financial difficulties.

5 ALTERNATIVE OPTIONS CONSIDERED

5.1 None. The recommendations are in accordance with agreed policies to provide additional financial support to schools.

6 SUPPORTING INFORMATION

Background

6.1 The LA has two main options to support maintained schools requesting additional financial support. Where significant budget difficulties exist, and it is unreasonable to expect a school to be able to solve these through the management of their normal budget allocations, or where a school is in, or at risk of falling into one of the Ofsted categories of causing concern, additional funding can be provided that does not need to be repaid.

6.2 Alternatively, licensed deficit and loans can be agreed. In accordance with DfE requirements, licensed deficits can be used to assist a school that is experiencing medium term financial difficulties that over time can be readily managed and the school return to a surplus, or a loan can be used where a capital investment is proposed but the school does not yet have the full resources to afford the purchase. In most instances, schools are required to fully repay any amounts, including where relevant, any associated interest. More information on terms and conditions of financial support are set out below.

6.3 Neither of these options are available to academy schools.

Additional funding that is not required to be repaid

Background and summary

- 6.4 School Funding Regulations allow for additional funds outside the normal operation of the Funding Formula to be provided to schools considered to be in financial difficulty. In agreement with the Schools Forum, this de-delegated budget has been returned to the Council for central management. The agreed criteria to be used to allocate this funding is if, in the opinion of the Executive Director of People and the Director of Finance, a school:
1. was unable to set a balanced budget and were in need of a loan arrangement at the start of the relevant financial year, and/or
 2. was likely to fall into one of the categories of causing concern, including requires improvement and special measures without additional financial support.
- 6.5 Where schools enter an Ofsted category of concern, this includes those schools judged to be inadequate or requiring improvement, the LA holds a declaration of concern meeting and establishes a Standards Monitoring Board (SMB). The Board has an independent chair and senior officers of the LA as members. The headteacher and Chair of Governors of the school are invited to attend the SMB to report on progress. A support plan outlines the actions to be taken by the school and the LA in order to effect rapid improvement. Where the school is unable to fund these actions from its own delegated budget, the SMB can request that additional resources be sought.
- 6.6 For schools identified by the LA as causing concern despite having a good judgement by Ofsted a declaration of concern meeting takes place and a Standards Monitoring Board (SMB) can be established of which the head teacher and Chair of Governors are invited to attend. The boards meet regularly to discuss progress and determine with the school where additional resources might be required.
- 6.7 In order to allow funds to be allocated within an appropriate time scale, the Forum has agreed to delegate a set of powers to the Executive Director of People to allocate funds up to but not exceeding £0.15m in any financial year, dependent on the Ofsted category of the school, or where there is considered a risk of being placed in a category.
- 6.8 The level of allocation of funds would be:
1. schools judged to have serious weaknesses (up to £20k per year)
 2. schools deemed to be in need of special measures (up to £50k per year)
 3. schools at risk of receiving a judgement of serious weaknesses or entering special measures (up to £30k per year)
- 6.9 To date, additional financial support has been approved for 2018-19 by the Director under the delegated powers in the value of £55,359 to 4 schools. Annex A sets out the full policy for agreeing additional financial support that was reviewed and agreed at the last meeting of the Forum with Annex B presenting more information on the allocations to schools and other commitments. A report will be presented to the Forum at the end of the financial year confirming any allocations made subsequent to this report.

Licensed Deficit and Loan Arrangements

Background and summary

- 6.10 There are circumstances where schools may experience budget difficulties and in order for the school to continue to function effectively, a temporary overspend of budget allocation may be desirable. The Scheme for Financing Schools has provisions to allow for this through licensed deficit and loan arrangements which provide for additional short term funding so that schools have sufficient time to manage expenditure reductions or receive additional income that demonstrates the ability to fully repay any over spending within an agreed period. Both the Schools Forum and Executive Member for Children, Young People and Learning need to agree loan requests.
- 6.11 Forum Members will recall that the last meeting agreed that in response to changes in government requirements, the loan scheme would in future only be available to support schools in the purchase of a capital asset, with a new licensed deficit arrangement option introduced to support schools with a shortfall in general income compared to required spend.
- 6.12 The main impact of the change in DfE criteria for the award of loan is that schools converting to an academy as a result of intervention and underperforming schools which the Secretary of State judges are not strong enough to become an academy without a strong sponsor will no longer need to repay loans unless they are for the purchase of significant one-off capital assets. Any accumulated deficit at the point of transfer will fall onto the general contingency in their Schools Budget to finance.
- 6.13 A summary of the circumstances in which a licensed deficit may be agreed is as follows:
1. Where a school would not otherwise achieve its improvement targets;
 2. It would not be reasonable to effect immediately the savings required as a result of a significant reduction in pupil numbers;
 3. A major building project is proposed;
 4. To finance an invest to save scheme.

Annex C sets out the full details of the licensed deficit and loan schemes.

- 6.14 As a preliminary to presenting a deficit or loan for comment and agreement, officers of the LA undertake detailed reviews of school requests. This usually involves discussions with the Headteacher, Chairman of Governors and Bursar.
- 6.15 The governing body of a school receiving agreement to financial support has to agree a medium term budget plan which has been formulated from known facts, with a realistic provision for future events, and that it is kept under review with the LA on at least an annual basis. If it becomes apparent that any significant differences occur in the underlying budget and expenditure assumptions, then this may require subsequent changes, which will need to be agreed with the Executive Director of People and the Director of Finance and endorsed by the Executive Member. Should any changes be proposed to these arrangements during the year, they will be presented to the Schools Forum and Executive Member for a decision.

Update on existing loans

- 6.16 There are 5 maintained schools where the Schools Forum has previously agreed loan arrangements. The current status of each loan, together with any recommended changes, are set out below.

Maintained Schools

Easthampstead Park Secondary School

- 6.17 Easthampstead Park Secondary School received a loan of £0.45m to cover a short term over spending, to be repaid by March 2020 (1 year extension agreed in 2016) through future budget increases anticipated from a rise in pupil numbers. The medium term budget plan has been revised to reflect updated pupil number forecasts and other relevant information and this continues to demonstrate that the school can set a balanced budget for 2018-19. However, moving further forward, whilst increases in pupil numbers are anticipated, the rate of increase is lower than originally expected and work is currently underway to identify options that will allow for the budget to be balanced and the loan repaid. At this stage, no change is proposed to the existing loan agreement.

Birch Hill Primary School

- 6.18 A loan of £0.030m was agreed in 2016, to be fully repaid by 31 March 2019 through 2 equal payments of £0.015m in both 2017-18 and 2018-19. In reviewing the medium term budget plan, despite further savings being made and changes to practice implemented, additional cost pressures mean it was no longer considered possible to make repayments in accordance with the original schedule and therefore the Forum agreed that the repayment period was extended by 1 year to 31 March 2020, with 3 equal annual repayments of £0.010m from 2017-18 through to 2019-20. At this stage, the repayment schedule is on target, and no change is proposed to the existing loan agreement.

Ascot Heath Infant School

- 6.19 Ascot Heath Infant School was granted a loan of £0.020m to be fully repaid by 31 March 2019 with a £0.020m repayment in 2018-19. This would allow the school to put in place a cost reduction plan in a measured way to allow transition to a Published Admissions Number (PAN) of 60 from the current number of 70. As well as better facilitating classroom teaching organisation, a reduced PAN would then be in alignment with the PAN at Junior School, thereby aiding pupil transition between the two schools. At this stage, the repayment schedule is on target, and no change is proposed to the existing loan agreement.

Sandhurst Secondary School

- 6.20 Sandhurst Secondary School received a loan of £0.075m to be fully repaid by 31 March 2018 to allow for the purchase of a lease for two classrooms and office space located at Sandhurst School that was previously occupied by Bracknell and Wokingham College. Furthermore, in 2015-16, the Schools Forum agreed a second advance of £0.240m to cover a short term over spending that would be repaid through future budget increases anticipated from a rise in pupil numbers. The agreed loan plan would result in an outstanding balance of £0.190m at the end of 2017-18, reducing to £0.050m at the end of 2018-19 with the final repayment to be made in 2019-20 at which point the school would be in a surplus.

6.21 The 2017-18 financial year resulted in an unexpected over spending of £0.246m. After taking account of the outstanding loan advance, the expectation was a balanced budget. The council has reviewed financial performance with senior school staff and governors which identified the following key areas where financial performance has varied from that expected in the original budget plan:

- +£0.090m on cost of teachers. The majority of this was as a result of a late and unbudgeted addition to the teaching staff alongside 3 further members of staff being given additional hours following necessary timetable revisions. This further meant that additional TLRs were allocated to ensure leadership of the resulting revisions was robust. The overspend includes both permanent and supply teachers and also payroll add-on costs, in particular pension and NI contributions.
- +£0.045m on agency staff. There was greater use of agency cover staff than previous years, on which the budget was based along with 2 longer term temporary members of staff employed by the school to support the effective delivery of the curriculum.
- +£0.025m on staff recruitment. Previously the school had had to rely very little on employing staff through recruitment agencies / placement of advertisements, however with the market place changing with regard to the supply of teachers, the school had to use the services of agencies for the recruitment of 6 members of staff as opposed to just 2 originally anticipated.
- +£0.015m for water. The school experienced a significant water leak over a weekend which resulted in a forced closure for 2 days. Further, the unit cost and usage of water were both greater than budgeted due to on-going issues and price rises.
- +£0.015m on classroom supplies and services. Whilst the majority of this overspend is down to small adverse variances, significant additional costs were experienced in respect of the purchase of a whole new set of maths text books following changes to the syllabus and the purchase of a software package to support raising achievement amongst KS3 students.
- +£.015m on increased use of counsellors. The school has provided a significant counselling service to its students as a part of its overall support strategies.
- +£0.025m in-year budget increase anticipated from increased student numbers that did not materialise.

6.22 The 2017-18 over spending has an impact on future year budgets as the underlying cost base has increased. Therefore, considerable work has been required to review and update the medium term budget plan to include realistic and complete forecasts in order to accurately determine likely future financial performance. This shows that in each of the next 4 years, after allowing for inflation and school generated income (which includes grants such as the pupil premium) net expenditure is expected to remain stable at around £5.2m per annum.

6.23 In terms of income from the Funding Formula for Schools, this is forecast to increase from £4.9m in 2018-19 to £5.3m in 2019-20 and £5.4m thereafter and reflects the 2

oldest year groups of 184 and 144 being replaced by numbers close to the maximum available intake of 210. These changes are expected to result in a 2018-19 over spending of £0.510m, reducing to £0.385 in 2019-20, £0.175m in 2020-21, before generating a surplus in 2021-22.

- 6.24 Taking account of the detailed work undertaken with the school, the council considers a clear recovery plan is in place which provides a strong basis to repay the short term over spending and recommends that the Forum agrees a licensed deficit in the value set out above.
- 6.25 However, due of the size of the proposed licensed deficit and the difficulties experienced during 2017-18, additional monitoring arrangements are to be put in place so that to the end of the 2018-19 financial year, there will be monthly budget monitoring review meetings where the Head Teacher and Business Manager present to the Council a full analysis of spend to date and a forecast to year end in order to provide a regular and up to date forecast year end balance together with detailed explanations of any anticipated budget variations. These monitoring arrangements will be kept under review and depending on performance during the year, may be relaxed or tightened.

New licensed deficits proposed for 2018-19

The Pines Primary School

- 6.26 The Pines Primary School is currently expanding from a 1 form entry primary school to a 2 form entry and has requested a licensed deficit of £0.075m to be fully repaid by 31 March 2021, with a maximum over spending of £0.050m at 31 March 2019, increasing to £0.075m at 31 March 2020 before moving to a surplus by March 2021. This request will allow the school to maintain single aged year groups as pupil numbers increase and continue to improve teaching and learning outcomes while responding rapidly to a challenging educational environment in the school by retaining high quality teachers in post. Support and advice is being provided by the council through a Standards Monitoring Board. Cost reductions are mainly planned to be taken from 2019 when the school will be in a stronger position to implement changes to the staffing structure. The Forum is recommended to agree this licensed deficit request.

Winkfield St Marys Primary School

- 6.27 Winkfield St Mary's Primary School, a 1 form entry primary school, has requested a licensed deficit of £0.030m to be fully repaid by 31 March 2021, with a maximum over spending of £0.020m at 31 March 2019, reducing to £0.010m at 31 March 2020 and moving to a surplus by March 2021. This request will allow the school to put in place a cost reduction plan in a measured way to recover the £0.025m over spending recorded at the end of 2017-18 which has been built up over several years due to a number of factors but mainly led by lower income from reduced pupil numbers. Coupled with the on-going need to focussing on high quality teaching following an Ofsted inspection that judged the school as Requires Improvement, a medium term recovery plan is required to ensure improvement targets are met. The main areas that cost reductions will be achieved include support services, re-negotiated contracts for supplies and services and greater use of senior staff for covering staff absence. The Forum is recommended to agree this licensed deficit request.
- 6.28 The ability to repay all of these loans and deficits is generally dependent of increases in pupil numbers raising future income at a faster rate than associated cost

increases, reducing costs, or a combination of both. Loans and deficits to cover short term funding difficulties are granted on an interest free basis.

Summary of licensed deficits and loans for maintained schools (agreed and now proposed)

- 6.29 Table 1 below provides a summary of aggregate outstanding loan arrangements. Annex D provides a more detailed breakdown of the current and proposed loans by individual school.

Table 1: Summary Schedule of School Loan and Licensed Deficit Requests

Item	Previously agreed £	2018-19 proposals £	2019-20 £	2020-21 £	2021-22 £
Total advances	£740,000	£590,000	£25,000	£0	£0
Total repayments	-£60,000	-£220,000	-£605,000	-£295,000	-£175,000
Total outstanding	£680,000	£370,000	-£580,000	-£295,000	-£175,000
	£1,050,000				

Academy schools

- 6.30 Whilst new loan / licensed deficit arrangements are not available to academy schools, 3 schools that have converted to an academy did so with an outstanding balance on a previously agreed loan. In each instance, repayment of the original loan amount was incorporated as a legally binding condition to the academy transfer.

Wildmoor Heath Primary School

- 6.31 Wildmoor Heath Primary School has received a number of relatively small loans as the financial situation of the school changed. The school converted to an academy on 1 January 2018 with an outstanding balance of £0.048m with the legal agreement confirming on-going liability of the school to make the agreed repayments. £0.033m has subsequently been repaid as required, with the remaining £0.015m due for repayment in April 2019.

Great Hollands Primary School

- 6.32 A loan of £0.025m was agreed in 2016 with a further £0.005m advance due on 1 April 2017, to be fully repaid by 31 March 2019 through a single repayment of £0.030m in 2018-19. As the school converted to an academy on 1 July 2017, the second advance of £0.005m was not made and the outstanding balance of £0.025m was fully repaid as part of the financial arrangements put in place at the point of academy transfer.

Brakenhale

- 6.33 In 2015 a loan of £0.190m was agreed for Brakenhale. The school converted to an academy on 1 April 2016 with an outstanding loan balance of £0.130m. As part of the transfer arrangements, it was agreed that the school needed more time to repay the loan as it recovered from a Requires Improvement Ofsted inspection judgement and built up pupil numbers. A revised repayment schedule was agreed that would result in 36 monthly repayments of £3,611 from September 2018 to 31 August 2021 and a direct debit has been provided to enable efficient repayment.

Summary

- 6.34 Table 1 above confirms the significant value of outstanding deficits and loan advances and Annex B identifies the concentration towards secondary schools. At £1.050m, this represents 18% of the £5.818m aggregate of surplus balances held in the Schools Budget which are the funds used to finance advances. The scheme limits the amount of financial support to no more than 40% of the aggregate of surplus balances held in the Schools Budget, which currently amounts to £2.327m.
- 6.35 The increased request for financial support shows that the current financial environment is having an effect on schools and will need to be monitored carefully to ensure schools can meet their financial obligations arising from the loans.

7 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 7.1 The relevant legal provisions are addressed within the main body of the report.

Director of Finance

- 7.2 The financial implications of the report are outlined in the supporting information.

Impact Assessment

- 7.3 There are no specific impact assessments arising from this report.

Strategic Risk Management Issues

- 7.4 There are no specific strategic risk management issues arising from this report

8 CONSULTATION

Principal Groups Consulted

- 8.1 None.

Method of Consultation

- 8.2 Not applicable.

Representations Received

- 8.3 Not applicable.

Background Papers

None.

Contact for further information

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Criteria for the allocation of additional funds to support schools facing financial difficulties

Outline of the scheme

School Funding Regulations allow for additional funds outside the normal operation of the Funding Formula to be provided to schools considered to be in financial difficulty. In agreement with the Schools Forum, de-delegated funding has been set aside in the School's Budget for this purpose. The criteria to be used to allocate this funding has also previously been agreed, and a school would qualify for additional financial support if, in the opinion of the Director of Children, Young People and Learning and the Borough Treasurer, they:

1. were unable to set a balanced budget and were in need of a loan arrangement at the start of the relevant financial year, and/or
2. were in or likely to fall into one of the Ofsted categories of causing concern, including serious weaknesses or special measures.

Where additional funding is agreed, it is on condition that the senior managers and relevant governors of each school attend regular monitoring meetings with officers of the Council, provide such financial and other information that is requested, and do not make any significant deviations in spending, either in magnitude or by type without the approval of the Director of Children, Young People and Learning.

Before any proposed allocation of such funds is passed on to relevant schools, they are reported to and agreed by the Schools Forum. However, this can cause uncertainty and result in a delay in releasing resources to meet an immediate need.

Powers delegated to the Director of Children, Young People and Learning

In order to allow funds to be allocated within an appropriate time scale it is recommended that a set of principles be agreed by the School Forum which allows the Director of Children, Young People and Learning discretion to allocate funds up to but not exceeding a set level dependent on the Ofsted category of the school. Any such allocations would subsequently be reported to the Schools Forum.

The level of allocation of funds would be:

1. schools judged to have serious weaknesses (up to £20k per year)
2. schools deemed to be in need of special measures (up to £50k per year)
3. schools at risk of either judged to have serious weaknesses or entering special measures (up to £30k per year)

With a maximum value of aggregate allocations of £150k in any one financial year without the express approval of the Schools Forum.

Allocations will only be agreed where the relevant school has demonstrated insufficient funds exist within the budget to fund the required actions or activities.

Where schools enter an Ofsted category of concern (judged to have serious weaknesses or placed into Special Measures) the LA establishes a Standards Monitoring Board (SMB). The Board has an independent chair and senior officers of the LA as members. The headteacher

and Chair of Governors of the school are invited to attend the SMB to report on progress. A support plan outlines the actions to be taken by the school and the LA in order to effect rapid improvement. Where the school is unable to fund these actions from its own delegated budget the SMB can request that additional resources be sought. Any such requests are approved by the Director of Children, Young People and Learning. Funds would be allocated to the school from those held for schools in financial difficulty.

Approved by the Schools Forum on 21 June 2018.

2018-19 initial funding allocations to schools in financial difficulties

Allocations agreed under the Director's delegated powers

Taking account of proposals from the MIB and Standards Board meetings at relevant schools, funding allocations totalling £0.031m were agreed during the summer term as follows:

1. £22,326 to College Town Junior School. To strengthen the capacity of the leadership to ensure standards improve in July 2018. Executive Headteacher support 2.5 days a week from April 2018 until August 2018. School vulnerable to being judged coasting. If the school was inspected now would be in danger of not remaining good.
2. £4,000 to The Pines Primary School. To strengthen the capacity of the leadership to ensure standards improve in July 2018 and that the school is ready for its next Ofsted inspection. Support from an experienced Headteacher.
3. £10,435 to Easthampstead Park Secondary School. To assist the school in developing marketing skills to maximise opportunities to attract designated area pupils to the school to build up income to facilitate repayments of the existing loan.
4. £18,598 to Holly Spring Juniors. Appointment of an additional experienced Headteacher to support capacity within the school. 2 days per week for the summer term – April – August 2018. School vulnerable to being judged inadequate. Results in 2016 and 2017 were below the floor standard.

LA expenditure

In addition to these school allocations, the Forum has also agreed that up to £60,000 of School Adviser and other professional staff support time, such as HR and Finance can be funded from this budget

**Extract from the BFC Scheme for Financing Schools:
Licensed deficit arrangements**

In exceptional circumstances, in agreement with the Schools Forum and Executive Member for Children, Young People and Learning, the authority will permit schools to over spend their budget allocation through a licensed deficit arrangement. The funding of such agreements would be through the collective surplus of school balances held by the authority on behalf of schools and any unspent funding in the Schools Budget Unallocated Reserve, and will be considered on an individual basis. General features of the scheme are detailed below:

Circumstances in which licensed deficit arrangements 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).

Outline features of the scheme.

- the maximum length over which schools may repay the licensed deficit is 3 years (i.e. reach at least a zero balance).
- arrangement for a licensed deficit 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.

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 licensed deficit is agreed 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, will not attract interest.

Outline controls on licensed deficits

- the maximum proportion of the collective balances held by the authority including any unspent funding in the Schools Budget Reserves and Balances 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 Children, Young People and Learning to agree any licensed deficits 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.

Extract from the BFC Scheme for Financing Schools: Loan arrangements

In exceptional circumstances, in agreement with the Schools Forum and Executive Member for Children, Young People and Learning, 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 any unspent funding in the Schools Budget Unallocated Reserve, 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. 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).
2. 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.

- ordinarily, the maximum length over which schools may repay the loan is 3 years (i.e. reach at least a zero balance), however, longer periods are available 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, that the liability to fully repay any outstanding balance in accordance with the agreed loan schedule will be incorporated into the transfer arrangements to become the obligation of the new Academy body.

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, with loans likely to attract interest.

Outline controls on loans

- the maximum proportion of the collective balances held by the authority including any unspent funding in the Schools Budget Reserves and Balances Reserve 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 Children, Young People and Learning 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.

Summary school loan and deficit agreements for maintained schools

School	Loan no.	Deficit no.	Previously agreed £	2018-19 proposals £	2019-20 £	2020-21 £	2021-22 £	Total £
Advances in year								
Ascot Heath Infant	1		20,000	0	0	0	0	20,000
Birch Hill	1		30,000	0	0	0	0	30,000
Easthampstead Park	2		450,000	0	0	0	0	450,000
Sandhurst	2		240,000	0	0	0	0	240,000
Sandhurst		1	0	510,000	0	0	0	510,000
The Pines		1	0	50,000	25,000	0	0	75,000
Winkfield St Mary's		1	0	30,000	0	0	0	30,000
Total			740,000	590,000	25,000	0	0	1,355,000
Repayments in year								
Ascot Heath Infant	1		0	-20,000	0	0	0	-20,000
Birch Hill	1		-10,000	-10,000	-10,000	0	0	-30,000
Easthampstead Park	2		0	-40,000	-410,000	0	0	-450,000
Sandhurst	2		-50,000	-140,000	-50,000	0	0	-240,000
Sandhurst		1	0	0	-125,000	-210,000	-175,000	-510,000
The Pines		1	0	0	0	-75,000	0	-75,000
Winkfield St Mary's		1	0	-10,000	-10,000	-10,000	0	-30,000
Total			-60,000	-220,000	-605,000	-295,000	-175,000	-1,355,000
Closing balance outstanding								
Ascot Heath Infant	1		20,000	-20,000	0	0	0	0
Birch Hill	1		20,000	-10,000	-10,000	0	0	0
Easthampstead Park	2		450,000	-40,000	-410,000	0	0	0
Sandhurst	2		190,000	-140,000	-50,000	0	0	0
Sandhurst		1	0	510,000	-125,000	-210,000	-175,000	0
The Pines		1	0	50,000	25,000	-75,000	0	0
Winkfield St Mary's		1	0	20,000	-10,000	-10,000	0	0
Total Financial Support			680,000	370,000	-580,000	-295,000	-175,000	0
Total Financial Support			1,050,000					
Schools Budget Reserves and Balances			5,818,000					
Financial support % of total Reserves and Balances			18.0%					