

TO: SCHOOLS FORUM
DATE: 18 NOVEMBER 2021

**OUTCOMES FROM THE OCTOBER 2021
FINANCIAL CONSULTATION WITH SCHOOLS
Executive Director: People**

1 PURPOSE OF REPORT

- 1.1 To provide an update to the Schools Forum on the responses from the recent financial consultation from schools which sought views on the approach to setting a minimum increase in per pupil funding from 2021-22 and also whether maintained schools supported on-going de-delegation of budgets and making a financial contribution to statutory education related duties for which the council is responsible for meeting but receives no funding.
- 1.2 There is also a limited update on the 2022-23 budget position for mainstream schools.

2 EXECUTIVE SUMMARY

- 2.1 Responses from the financial consultation showed clear support from maintained schools for continuing to maximise the strategic and cost-effective benefits that can arise from central management through the de-delegation route on permitted services. Furthermore, there is strong support from maintained schools to continue to contribute £20 per pupil towards the cost to the council of meeting education statutory and regulatory duties that the DfE no longer provides LAs with grant funding to meet their responsibilities.
- 2.2 In terms of allocating funds to mainstream schools, there is also strong support from schools to applying minimum per pupil funding increases at the highest permitted rate of 2% from 2021-22 amounts, subject to affordability.
- 2.3 In respect of the 2022-23 budget, updates are presented on some areas from the amounts reported to the last meeting. There is no significant overall effect from the September update, however, further changes are expected once the DfE confirms the October 2021 census and other relevant data towards used for budget purposes at the end of the year.
- 2.4 The decisions taken on the outcomes from the consultation will assist with the on-going preparation of the 2022-23 budget. As some of the questions only impact on specific groups, DfE permit only Forum members representing these groups to make relevant decisions. The report recommendations are therefore presented to reflect this

3 RECOMMENDATIONS

Items for all School and Early Years Members (maintained and academy)

- 3.1 **To NOTE the outcomes from the financial consultation with schools as summarised in the supporting information and Annex 1.**

3.2 That the Executive Member for Children, Young People and Learning (CYPL) is asked to AGREE that:

- 1. all schools should receive the maximum +2% increase in per pupil funding from the 2021-22 financial year, subject to affordability.**
- 2. any cost associated with providing all schools with the agreed minimum percentage increase in per pupil funding from 2021-22 should be met by those schools receiving the largest increases in per pupil funding, typically those above the average percentage increase.**

Item for Maintained Primary School representatives only:

3.3 To AGREE the continued de-delegation of budgets for the services requested by the council.

Item for Maintained Secondary School representatives only:

3.4 To AGREE the continued de-delegation of budgets for the services requested by the council.

Items for all Maintained School representatives (includes Special and PRU) only

3.5 To AGREE that a £20 per pupil contribution continues to be made by maintained schools towards the cost of delivering 'general' education related statutory and regulatory duties.

3.6 To AGREE the proposed updates to the Scheme for Financing Schools (Annex 2).

4 REASONS FOR RECOMMENDATIONS

4.1 To ensure the majority view expressed by schools are taken into account when relevant discretionary parts of the funding framework are set locally.

5 ALTERNATIVE OPTIONS CONSIDERED

5.1 These were set out in the consultation document.

6 SUPPORTING INFORMATION

Background

6.1 At its last meeting on 16 September, as part of initial budget preparations for 2022-23, it was reported to the Forum that the annual financial consultation document had been circulated to schools with responses due back for October half-term.

6.2 This sought views on the level and funding required for setting the minimum per pupil funding increase from 2021-22 through the Minimum Funding Guarantee (MFG)¹,

¹ The MFG compares per pupil funding allocations between years and where the change is below the minimum threshold, a funding top-up is added to meet the minimum per pupil change requirement. The MFG calculation required by the DfE excludes funding for business rates and fixed lump sum

whether maintained schools supported on-going de-delegation of budgets and also whether a financial contribution should continue to be made to the council in respect of the cost of meeting statutory education related duties. Comments were also sought on a small number of updates to the Scheme for Financing Schools (the Scheme)².

- 6.3 This report sets out the responses received and now seeks subsequent recommendations on relevant aspects of the 2022-23 funding framework.

Outcomes from the financial consultation with schools

- 6.4 By the October response deadline, replies had been received from 23 out of 39 schools (59% response rate – was 64% last year). A reply was received from 19 primary schools (63%), 3 secondary schools (50%) and Kennel Lane Special School. This represents a good response rate, with 62% of maintained schools and 50% of academy schools responding which gives confidence that decisions on these matters can be taken with the knowledge of the majority view of schools and their categories.
- 6.5 The questions are set out below and responses summarised. Recommendations for change, where relevant, have also been added in boxes. A numerical summary of replies to each question can be found at Annex 1.
- 6.6 In terms of agreeing decisions from this consultation, the Executive Member for CYPL has the statutory duty in respect of agreeing the MFG (questions 1 to 2). For de-delegation, the maintained school members of the Forum decide for their phase (question 3) with any contribution to education related statutory duties being decided by the relevant maintained school members, including special school and pupil referral unit members (question 4). In respect of changes to the Scheme, these are also decided by maintained schools members only (question 5).
- 6.7 Seven schools made comments, all of which were primary schools. These related to:
1. more financial support to; small schools; while pupils are undergoing assessment for an EHCP; those with falling rolls;
 2. changes to the Scheme, in particular that relating to claw-back of surplus balances calculation.
 3. how the contribution to statutory education duties is being spent and also that the council should seek to reduce the amount of contribution
 4. requesting more financial information on de-delegated services,

Confidential Annex 2 sets out the detailed responses received.

allocations. The cost of top-up funding is financed by scaling back increases to schools experiencing the highest proportional funding gains

² All LAs must develop a “Scheme” which sets out financial roles and responsibilities of schools and LAs. It must cover minimum requirements set by the DfE, with some areas open to local determination. It is a legally binding document and can only be updated following consultation with schools and approval of the Schools Forum

6.8 The following responses are made in respect of to these responses:

1. additional financial support is already provided to 1 FE primary schools, funding arrangements for High Needs pupils are being considered through the Forum sub-group and the council recognises the difficulties facing schools with falling rolls and is actively reducing the number of available places (reduction of 100 planned admission numbers in primary schools since September 2019, 72 in secondary).
2. the claw-back of surplus balances calculation is considered to be suitable with adequate flexibilities to consider any specific issues schools may have with their spending. In respect of excluding school generated income, this is considered as part of a school's overall financial performance and decision making and should therefore remain within the calculation. Furthermore, it would be time consuming and extremely difficult to validate income and associated expenditure incurred at a school on these activities.
3. for statutory education duties, Annex 2 of the consultation document sets out the areas of expenditure this relates to and whilst there has been no reduction to the £20 per pupil contribution, there have been cost increases of circa 15% during the period that have been absorbed by the council through efficiencies and savings being made each year as part of the council's approach to setting the budget.
4. planned budget information relating to each de-delegated service is provided on the supporting information available with the consultation document. Actual spend on each service is reported each year to the Schools Forum as part of the budget outturn report, with any net under-spending on the aggregate of all de-delegated services returned to schools and not retained.

6.9 **Question 1: Strategy for allocating funds to schools**

Do you agree that subject to affordability, that both mainstream and special schools should receive a minimum +2% increase in per pupil funding from the 2021-22 financial year? 2% is the highest increase permitted by the DfE?

This question relates to the Minimum Funding Guarantee (MFG) which LAs are required to apply and requires funding top-up to schools where the ordinary operation of the Funding Formula results in a change in per pupil funding that is below a specified percentage. It compares the final budget from one year to the next and adjusts for changes in the number of pupils. For 2022-23, the DfE will permit LAs to set a rate of between +0.5% and +2.0%.

Responses from all 23 schools impacted by this supported this proposal.

The Forum is recommended to agree that all schools receive the maximum +2% increase in per pupil funding from the 2022-23 financial year, subject to affordability.

6.10 **Question 2: Strategy for allocating funds to schools**

Do you agree that we should continue to fund any cost associated with providing all mainstream schools with the agreed minimum percentage increase in per pupil funding from 2021-22 by limiting increases to those mainstream schools receiving the largest increases in per pupil funding, typically those above the average percentage increase?

Where top-up funding is required through the MFG, the main option available to finance the cost relates to scaling increases to schools with increases above the minimum threshold which based on responses to this consultation is expected to be +2%. The consultation proposed limiting the scaling of increases to only those schools receiving above the average percentage increase. An alternative approach would be to scale increases to all schools receiving a rise in per pupil funding.

Responses from 20 schools (91%) potentially impacted by this supported this proposal. 2 schools disagreed although no specific comments were provided.

The Forum is recommended to agree that any cost associated with providing all schools with the agreed minimum percentage increase in per pupil funding from 2021-22 should be met by those schools receiving the largest increases in per pupil funding, typically those above the average percentage increase.

6.11 **Question 3: de-delegated services**

To continue the strategic and cost effective approach in the use of the funds for contingencies (including schools in financial difficulties including those in or in danger of entering an Ofsted category), support to underperforming ethnic groups, CLEAPSS licence fees, staff supply cover costs, premature retirement / dismissal cost, free school meal eligibility checking and Behaviour Support Services, do you agree that the Schools Forum should again agree to de-delegate all relevant funding for continued central management by the LA?

Note this question only impacts on maintained, mainstream schools.

Responses from all 17 schools impacted by this supported this proposal.

The Forum is recommended to agree the continued de-delegation of budgets for the services requested by the council.

6.12 **Question 4: statutory education related duties**

In respect of making a financial contribution to the education related statutory and regulatory duties required of the council that will no longer be financed through DfE grant, do you agree that maintained schools should continue to make a £20 per pupil / place contribution?

Note this question only impacts on maintained schools, including mainstream special schools and Pupil Referral Units.

From April 2017, the DfE implemented a saving of £600m through the complete withdrawal of the Education Services Grant (ESG) which was the mechanism used to fund LAs for their statutory and regulatory education related duties as prescribed in various Education Acts and other relevant statutes. This resulted in the council losing £1.2m of grant but continuing to have to meet the same requirements. The DfE “recognise that local authorities will need to use other sources of funding to pay for education services once the general funding rate has been removed” and will “allow local authorities to retain some of their schools block funding to cover the statutory duties that they carry out for maintained schools which were previously funded through the ESG.” Schools have always previously agreed to a £20 per pupil deduction which would contribute around £0.23m to the £1.2m loss in grant. The deduction, if agreed, is taken after the calculation of final school budgets.

14 of the 18 respondents that this question impacted on (78%) agreed that a £20 per pupil contribution should continue.

The Forum are recommended to agree that a £20 per pupil contribution continues to be made by maintained schools towards the cost of delivering ‘general’ education related statutory and regulatory duties.

6.13 **Question 5: Scheme for Financing Schools**

Do you agree that amendments should be made to the Scheme to update the claw-back of surplus balances calculation to exclude activities directly related to Teaching Schools and similar functions and to increase the amount of financing available to support schools requesting a licensed deficit or loan?

Note this question only impacts on maintained schools, including mainstream special schools and Pupil Referral Units.

16 of the 18 respondents that this question impacted on (89%) agreed that the Scheme should be updated accordingly.

The Forum are recommended to agree that relevant amendments be made to the Scheme as detailed in Annex 2.

Note: A number of minor changes including clarifications and updated terminology will also be made.

Update on 2022-23 budget

- 6.14 The most significant updates to the 2022-23 budget will arise from the October 2021 census and other data which will not be confirmed by the DfE until December. At the publication of this report, provisional census data is available, although there are outstanding queries on 9 mainstream schools (23% of total) which impacts on the accuracy and completeness of data being viewed.
- 6.15 The basic assumption remains that any change in pupil numbers will be broadly neutral in terms of the difference in change in DSG income received and the allocation of individual budgets for schools.
- 6.16 Table 1 below sets out the areas where updates can still occur, together with the latest estimated change from the October Forum meeting. All amounts remain subject to further change.

Table 1: Update where available on budgets subject to change

Item	Estimated amount £k
Funding shortfall to NFF as reported to Forum in October	-467
Change in DSG from October census i.e. pupil numbers only	TBD
Change in budget allocations to schools from October census i.e. pupil numbers and characteristics	TBD
Re-calculated DSG Growth Fund allocation for increased pupil numbers	30
Re-calculated LA managed Growth Fund budget for significant increase of pupils at September 2022 and KS1 class size allocations	50
Net change	-387

- 6.17 At this stage, there is no material change in the overall budget forecast with a £0.467m shortfall to the amount required to deliver NFF funding rates. It was previously reported that the options available to manage the indicated budget shortfall are.
1. Draw down funds from the Reserve created by the council to help finance the additional costs of new and expanding schools (subject to DfE approval with initial discussions underway)
 2. Draw down funds from the Reserve created in the unallocated Schools Budget to support the additional costs of new and expanding schools
 3. Fund schools at a scaled percentage of the NFF rather than the full amount.

A combination of these options can also be used.

- 6.18 In respect of the estimated £0.050m funding shortfall on the Central Schools Services Block, the council is continuing to work through options with the objective of ensuring no further costs fall on the DSG.

Next steps

- 6.19 The decisions taken on the outcomes from the consultation will assist with the on-going preparation of the 2022-23 budget. As some of the questions only impact on specific groups, DfE permit only Forum members representing these groups to make relevant decisions. The report recommendations are therefore presented to reflect this.

7 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

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

Director of Resources

- 7.2 The Director of Resources is satisfied that there are no significant financial implications arising from this budget policy setting report although a new risk has emerged around the ability of the council to provide the agreed support to School Budgets.

Equalities Impact Assessment

- 7.3 The need for an EIA will be taken when the final budget proposals are confirmed.

Strategic Risk Management Issues

- 7.4 None identified.

Climate Change Impact

- 7.5 None identified.

8 CONSULTATION

Principal Groups Consulted

- 8.1 People Directorate Management Team, school governors, head teachers, Schools Forum and schools.

Method of Consultation

- 8.2 Written reports and formal consultation with schools.

Representations Received

- 8.3 Included in body of this report.

Background Papers

Financial Consultation with schools and other relevant documents:

<https://schools.bracknell-forest.gov.uk/finance/school-funding-consultation-2022-to-2023-financial-year/>

Contact for further information

Paul Clark, Finance Business Partner: People Directorate

(01344 354054)

paul.clark@bracknell-forest.gov.uk

Doc. Ref

[https://bfcouncil.sharepoint.com/sites/fina/bpm/FIBPSCB-FIN9.6/Schools Forum/\(106\) 181121/Outcomes from October 2021 consultation with schools.docx](https://bfcouncil.sharepoint.com/sites/fina/bpm/FIBPSCB-FIN9.6/Schools Forum/(106) 181121/Outcomes from October 2021 consultation with schools.docx)

Summary responses to the October 2021 financial consultation with schools

QUESTION	TOTALS				TOTAL	%
	PRIMARY	SECONDARY	ALL THROUGH	SPECIAL		
1 Do you agree that subject to affordability, that both mainstream and special schools should receive a minimum +2% increase in per pupil funding from the 2021-22 financial year? 2% is the highest increase permitted by the DfE.						
Yes	19	3	0	1	23	100%
No	0	0	0	0	0	0%
No reply / not applicable	0	0	0	0	0	
2 Do you agree that we should continue to fund any cost associated with providing all mainstream schools with the agreed minimum percentage increase in per pupil funding from 2021-22 by limiting increases to those mainstream schools receiving the largest increases in per pupil funding, typically those above the average percentage increase?						
Yes	18	2	0	0	20	91%
No	1	1	0	0	2	9%
No reply / not applicable	0	0	0	1	1	

QUESTION	TOTALS				TOTAL	%
	PRIMARY	SECONDARY	ALL THROUGH	SPECIAL		
3 To continue the strategic and cost effective approach in the use of the funds for contingencies (including schools in financial difficulties including those in or in danger of entering an Ofsted category), support to underperforming ethnic groups, CLEAPSS licence fees, staff supply cover costs, premature retirement / dismissal cost, free school meal eligibility checking and Behaviour Support Services, do you agree that the Schools Forum should again agree to de-delegate all relevant funding for continued central management by the LA?						
Yes	16	1	0	0	17	100%
No	0	0	0	0	0	0%
No reply / not applicable	3	2	0	1	6	
4 In respect of making a financial contribution to the education related statutory and regulatory duties required of the council that will no longer be financed through DfE grant, do you agree that maintained schools should continue to make a £20 per pupil / place contribution?						
Yes	12	1	0	1	14	78%
No	4	0	0	0	4	22%
No reply / not applicable	3	2	0	0	5	

QUESTION	TOTALS				TOTAL	%
	PRIMARY	SECONDARY	ALL THROUGH	SPECIAL		
5 Do you agree that amendments should be made to the Scheme to update the claw-back of surplus balances calculation to exclude activities directly related to Teaching Schools and similar functions and to increase the amount of financing available to support schools requesting a licensed deficit or loan?						
Yes	14	1	0	1	16	89%
No	2	0	0	0	2	11%
No reply / not applicable	3	2	0	0	5	
Total responses	19 63%	3 50%	0 0%	1 50%	23 59%	
Maximum responses	30	6	1	2	39	

Proposed changes to Scheme text relating to the control on surplus school balances

Words to be deleted from the existing loan scheme are ~~struck through~~

New words are in *italic and shaded*

Normal text indicates the wording for the BFC Scheme. Words in *italics* are offered as an explanation to the Scheme text and are not part of the Scheme.

Controls on surplus balances

Surplus balances held by schools as permitted under this scheme are subject to the following restrictions:

- a. the Authority shall calculate by 30 June each year the surplus balance, if any, held by each school as at the preceding 31 March. For this purpose the balance will be the recurrent balance as defined in the Consistent Financial Reporting Framework;

Balances on Devolved Formula Capital and any other specific grant funded activities are excluded, unless allowed for in the relevant grant conditions.

- b. the Authority shall deduct from the calculated balance any amounts for which the school has a prior year commitment to pay from the surplus balance from the previous financial year;

In this context, a prior year commitment is defined as a project previously agreed with the Authority to be excluded from the claw-back calculation, for example, capital building and construction projects – see c.i to viii below for full criteria to be used to establish a valid commitment against a surplus balance.

- c. the Authority shall then deduct from the resulting sum any amounts which the governing body of the school has declared to be assigned for specific purposes permitted by the authority, and which the authority is satisfied are properly assigned. To count as properly assigned, amounts must not be retained beyond the period stipulated for the purpose in question, without the consent of the Authority. In considering whether any sums are properly assigned the Authority may also take into account any previously declared assignment of such sums but may not take any change in planned assignments to be the sole reason for considering that a sum is not properly assigned. Schools will be required to provide relevant information to support funds assigned for a specific purpose, in a format prescribed by the authority.

The criteria to consider whether sums are properly assigned are as follows:

- i. Capital building and construction projects
- ii. Furniture, IT and other one-off expenditure of a capital nature
- iii. Infrastructure, maintenance and refurbishment
- iv. Staffing remodelling and restructuring
- v. Specific curriculum resources
- vi. Balances held in respect of pupil focused extended activities

- vii. Money held to fund budget deductions known to be occurring in the next financial year e.g. fall in pupil numbers.
- viii. **Balances held in respect of an activity that supports a number of other BF schools, such as one operating a school improvement and CPD service**
- ix. Other high cost activities, of a long term nature, agreed in advance with the ~~Director of Children, Young People and Learning and the Schools Forum~~ **Executive Director responsible for schools.**

The conditions outlined here are intended to ensure schools can build up reserves towards particular projects but cannot defer implementation indefinitely. A change in the plans of a school is not allowed to be the only criterion by which a sum can be considered to be properly assigned or not. After the accounts are closed each year, the Authority will contact schools with significant surplus balances to agree whether any of the balance has been properly assigned for a specific purpose and can therefore be deducted from the claw-back calculation.

The above specified criteria have previously been approved by the Schools Forum following consultation with schools where they were supported by the vast majority of respondents.

- d. The maximum surplus that can be retained by a secondary school is 10% of the annual budget. For primary, special and Pupil Referral Units (PRUs), it is the greater of 16% or £150,000.
- e. if the result of steps a-c is a sum greater than the maximum amount specified in d, above, then the Authority shall deduct from the current year's budget share an amount equal to the excess.
- f. the calculation will be made against the final budget for the year in question i.e. after any contingency funding, significant in-year pupil growth allocation etc. The deduction will be made annually in arrears i.e. the final balance at 2011-12 calculated against the final budget for 2011-12 (known around June 2012) will be deducted at the start of the 2013-14 financial year.

This paragraph has been added to make clear that the calculation will be made against final and not initial budgets. It is also proposed to delay any claw-back for one year to allow relevant schools time to plan for the change when setting subsequent budgets.

- g. Should any school wish to retain a higher surplus than permitted in steps d-f above, the Schools Forum will consider each referral on a case by case basis, taking account of the merits of each individual proposal based upon the submission made by the school.
- h. An appeal against a decision by the Forum in step g. can be made to the relevant Director. The Director's determination will be final.
- i. Where, at 31 March 2014, a school holds a surplus balance in excess of steps d-f, this can be retained until 31 March 2017 without specific approval of the Forum.

Funds deriving from sources other than the Authority will be taken into account in this calculation if paid into the budget share account of the school, whether under provisions in this scheme or otherwise.

The total of any amounts deducted from schools' budget shares by the Authority under this provision are to be applied to the Schools Budget of the Authority

Proposed changes to Scheme text relating to licensed deficit and loan arrangements

Words to be deleted from the existing loan scheme are ~~struck through~~

New words are in *italic and shaded*

4.9 Licenced 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 *annual income schools receive from the council through the Funding Formula for Schools* ~~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 *Executive Director responsible for schools* ~~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 *Executive Director responsible for schools* ~~Director of Children Young People and Learning~~ and *Executive Director responsible for Finance* ~~Director of Finance~~ 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 *Executive Director responsible for schools* ~~Director of Children Young People and Learning~~ and *Executive Director responsible for Finance* ~~Director of Finance~~ 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 *annual income schools receive from the council through the Funding Formula for Schools* that will be used to support licensed deficits and loan arrangements will be 3% ~~collective balances held by the authority including any unspent funding in the Schools Budget Unallocated Reserve which will be used to support the arrangement shall not exceed 40%~~
- the *Executive Director responsible for schools* ~~Director of Children Young People and Learning and~~ *Executive Director responsible for Finance* ~~Director of Finance~~ 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.

4.10 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 *annual income schools receive from the council through the Funding Formula for Schools* ~~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 **Executive Director responsible for schools** Director of Children Young People and Learning and **Executive Director responsible for Finance** Director of Finance 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 **annual income schools receive from the council through the Funding Formula for Schools that will be used to support licensed deficits and loan arrangements will be 3%** ~~collective balances held by the authority including any unspent funding in the Schools Budget Unallocated Reserve which will be used to support the arrangement shall not exceed 40%~~
- the **Executive Director responsible for schools** Director of Children Young People and Learning and **Executive Director responsible for Finance** Director of Finance 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.