

Leicester
City Council

**WARDS AFFECTED :
ROWLEY FIELDS WARD**

CABINET

4th September 2000

LOAN APPLICATION – FULLHURST COMMUNITY COLLEGE

Report of the Director of Education

1. Purpose Of Report.

To outline the application received from Fullhurst Community College for a loan of £75,000 from the Loan Scheme for Schools.

2. Summary.

The Schools Standards and Framework Act 1998 requires local authorities to provide a loan scheme for schools. General guidance and Terms and Conditions have been developed and are detailed in the attached documentation.

Fullhurst Community College has applied for a loan of £75,000 to purchase and upgrade the I T Network within the school in response to criticisms in the schools OFSTED report. The Terms and Conditions of the scheme require a loan above £50,000 to be approved by members.

The annual budget for the College for 2000/01 is £2,051,766. The loan application therefore meets the criteria in respect of being 10% of the schools budget or £100,000 which ever is the lower.

The proposal has been approved by colleagues in both Review and Development and Standards and Effectiveness.

3. Recommendations

Cabinet is recommended to approve the loan of £75,000 for the purchase of IT equipment at Fullhurst Community College, repayable over three years.

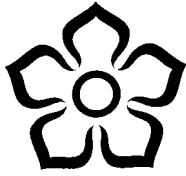
4. Financial and Legal Implications

The loan fund is held corporately within the earmarked reserves of the authority. The individual loans and associated procedures are administered by the Education department with assistance from the Cash Management team.

The loan will be repayed by the College over a three year period and will be funded from resources released from leases which expiry during the next few months. The calculation provided by the school shows that, although a small funding gap arises in 2001/02 (£44.14) sufficient funds are available in the following two years to recoup that and make the annual repayments of £27,701.

5. Report Author/Officer to contact

Janice Smith, Principal Accountant (School Support) – extn. 7751



Leicester
City Council

**WARDS AFFECTED :
CASTLE WARD**

CABINET

4th September 2000

LOAN APPLICATION – FULLHURST COMMUNITY COLLEGE

Report of the Director of Education

SUPPORTING INFORMATION

1. Details Of Report.

The Loan Scheme for Schools has originated from the Schools Standards and Framework Act 1998, and operates as a mechanism to recycle school reserve balances. It enables schools to bid for additional resources, in the form of a loan, repayable over a pre agreed period of time.

The scheme requires Governing Bodies to approve the application for a loan and in doing so, they agree that the repayments can be met from future budget allocations.

A full document, as sent to schools, detailing the terms and conditions attached to a loan and the general guidance is attached as an appendix to this report.

FINANCIAL, LEGAL AND OTHER IMPLICATIONS

1 Financial Implications

Cabinet is recommended to approve the loan of £75,000 as it exceeds the limit of £50,000 which can be approved by the Director of Education.

2 Legal Implications

There are no legal implications arising from this report.

3 Other Implications

OTHER IMPLICATIONS	YES/NO	Paragraph within report	References
Equal Opportunities	No		
Policy	No		
Sustainable and Environmental	No		
Crime and Disorder	No		
Human Rights Act	No		

4 Background Papers – Local Government Act 1972

None

5 Consultations

Review and Development Section – Education Dept,
Standards and Effectiveness Section – Education Dept.

Scheme for Schools

General Guidance

About the scheme

The Loan Scheme derives from the Schools Standards and Framework Act 1998, and operates as a mechanism to recycle school reserve balances. It enables schools to bid for additional resources, in the form of a loan which is repayable over a pre-agreed period of time. It is a way of investing in schools, by carrying out works projects or equipping classrooms which otherwise most schools would be unable to afford from their own resources. The projects qualifying for loans should make a demonstrable contribution to the achievement of the school's improvement plan or educational aims.

The scheme, which is set out in the Scheme for Financing Schools document, requires Governing Bodies to agree that future repayments can be met from ongoing budget allocations.

Applications for funding of individual projects will be accepted for values between £1,000 and £100,000, subject to a maximum of 10% of a school's annual budget allocation.

Repayments, including interest, will be calculated over the period of the loan, and schools are asked to demonstrate that the necessary steps will be taken to meet those payments without the school creating a deficit budget situation.

How the scheme is funded.

The scheme is funded on the basis of recycling the significant balances accumulated by schools under LMS. Using the same principles as an external bank, a small proportion of school reserves will be used to operate the loan scheme. There will be no restriction to schools in accessing their bank accounts, and each school will still have at its disposal any surplus balance.

What the loan can be used for.

The terms and conditions of the loan scheme for schools are set out in the Scheme for Financing School document (section 4.10)

The scheme is designed to support "one-off" expenditure, either on works or equipment or on projects providing educational benefit. It will be possible for schools to use this procedure to contribute to the costs of projects partly funded from external sources.

How the process will work.

Applications for loans of up to £50,000 will be at the discretion of the Director of Education and for loans over £50,000 (up to a maximum of £100,000) the decision will be made by the Education Committee.

In all cases, an application form must be completed and this must be signed by both the Head Teacher and the Chair of Governors. The Minute reference of the relevant Governing Body meeting approving the proposal should also be included. Further relevant supporting information relating to the project may be requested by the Department.

Schools are encouraged to contact the Education Department to discuss their proposal at an early stage. This can be either through their link adviser or one of the contacts listed below.

If the funds available are oversubscribed, recommendations for approval will be prioritised on the basis of the contribution which projects will make to raising educational achievement as part of the school's improvement plans.

Relationship to Lease Finance

Many schools currently use leasing to finance a range of purchases but in many cases the loan scheme for schools may offer a more cost effective alternative. Before entering into any lease schools are strongly advised to consider the loan scheme as an alternative.

There are a number of factors to consider when choosing between leasing and loan finance.

- Whether the equipment is expected to have an operational life that exceeds the maximum loan permitted under this scheme (3 years). Leasing enables the costs of financing the equipment to be spread over a longer period and this will reduce the annual financing charge. A further benefit is that the school can match costs with usage ("pay as you go"). A motor vehicle is a typical example of equipment with a long operational life.
- Whether the equipment is required for a fixed period only at the end of which it is practical for the equipment to be returned without disruption to the operation of the school. When a lease terminates it is necessary to return the equipment on the due date and also associated materials such as cables and manuals. The return of a vehicle is usually straight forward. The return of a computer may not be: it may still be required as part of a network, the manuals may be missing etc

- Whether the equipment will be maintained in a good condition. Leases specify return conditions and if these are not met an additional charge may be levied when the equipment is returned.

If the funds for the loan scheme are oversubscribed, recommendations for approval will be prioritised on the basis of the contribution which projects will make to raising educational achievement. In addition leasing may be recommended as a means of reducing the demand for loans.

Contacts

Queries concerning the loan scheme for schools can be addressed to any of the following officers:

Steve Morris	Head of Finance	2527750
Janice Smith	Principal Accountant (Schools)	2527751
Jennie Sterland	School Accountant	2527754
Carl Houghton	School Accountant	2527752
David Janes (Leasing queries only)	Cash Management Manager	2527490

Terms and Conditions of the Loans Scheme for Schools.

1. Amount of loan.

1.1 The minimum and maximum loans to be granted would be:

- Minimum: £1,000
- Maximum: 10% of a school's delegated budget for that financial year, to a maximum of £100,000

2. Period of Loan and Interest Rates

2.2 Principal and interest to be repaid over a minimum period of six months and a maximum of three years. Payments to be made on an agreed date each month in the form of a regular standing order.

2.3 Interest will be charged at a rate of 1% above the Base Rate as set by the Bank of England. The interest payable on a successful loan will be fixed at the rate applicable at the date of application.

3. Type of Project to be Funded

3.1 The types of project for which a loan would be considered are one off expenditure on:

- (a) Repairs, maintenance or improvements to school properties.
- (b) Improvements in school security.
- (c) Purchase of equipment.
- (d) Other projects demonstrating educational benefit.

4. Approval of Loans

4.1 The approval required for the loan will depend upon the value of the loan:

- (a) Loans up to £50,000 require the approval of the Director of Education.
- (b) Loans from £50,001 to £100,000 require approval by the Education Committee.

4.2 The Director of Education will make an annual report on the operation of the scheme to the Education Committee by 31st July following the end of each financial year, which will include any recommended amendments to these terms and conditions. The Chief Financial Officer may report to the Finance Sub Committee.

5. Application procedures for the Loans Scheme for Schools.

5.1 Schools will be able to apply for loans throughout the financial year. Schools will be required to confirm that an application has been endorsed by a resolution of their governing body and include with their application an explanation of how the loan can be repaid from future budget shares.

5.2 Schools can apply for a loan to supplement the use of existing surplus balances providing that the school will not find itself in a deficit position as the result of a proposed course of action.

5.3 An administration fee will be charged for each application.

6. Identification of funds available for loans.

6.1 The funds available for loans in each financial year will be a maximum of 10% of the net surplus held by schools, after allowing for funds required for retrospective budget adjustments, as at the start of the relevant financial year.

7. Amendment of Terms and Conditions.

7.1 These terms and conditions may be varied from time to time by resolution of the Education Committee, following any necessary consultation with schools and agreement of the Secretary of State as required by the Schools Standards and Framework Act 1998.