

Asset ~~Purchase~~ Loan Scheme for Local Authority's Maintained Schools

Introduction

1. This scheme is designed for the benefit of schools to provide a means of funding particular projects at a time when sufficient funds may not be available at an individual school level. The scheme provides for schools to take out a loan and pay back in instalments.

Qualifying Schools

2. All LA schools within the scope of Central Bedfordshire's Scheme for Financing Schools.

Qualifying ~~Asset Purchase~~ and Capital Projects

3. New asset ~~loans purchases~~ which the LA ~~is are~~ satisfied are for a purpose in the interests of the school, with the overriding condition that the expenditure is for the enhancement, replacement, or provision of an asset which will have a life at least as great as the duration of the ~~loan purchase~~ agreement entered into with Central Bedfordshire. The LA will apply a number of checks to assess the projects that will be financed by the asset loan and the affordability of the loan.
4. Request for asset loan for capital projects related to expansions or addressing suitability issues, must be supported with clear rationale i.e;
 - Demand for places as judged by first and second preference data and PAN/admissions numbers
 - Performance – Ofsted rating and relevant attainment
 - Severity, impact and evidence of overcrowding/lack of key specialist facilities on school and curriculum,
 - Strength (not quantity) and independence of evidence to support the issues.

The evidence could include:

- Specialist reports, photographs
 - Ofsted or other reports on impact of facilities on teaching and learning
 - Evidence that the project is in interest of the school, this should include a copy of School Development Plan (SDP)
5. Requests for asset purchase agreements will be considered only if the request is made by resolution of the full Governing Body, and projects must conform with the delegated powers of Governing Bodies.

Method Of Financing Asset ~~Loans Purchases~~

6. The Council reserves the right to utilise funds held as schools' balances to finance specific capital projects which are the subject of agreements entered into by individual schools under the Asset Purchase Loan Scheme, but all schools have an overriding right to access their own unspent reserves at any time.

Availability Of Asset ~~Purchase~~ Loan Funds

7. The annual volume of schools' total reserves will influence the total amount available annually for new asset purchases. The sum of Licence Deficit and Loans will not normally be more than 1/3 of schools' total unspent balances as at the previous 31 March.

Applications

8. Loan applications must be made on the prescribed form and be supported by a resolution of the full Governing Body. Schools are required to complete an application form and submit supporting information related to ability of the school to pay back the loan.

Approval Process

9. Assessment will be undertaken by a panel consisting of Council Officers representing Children's Service Finance and the School Organisation, Admissions and Capital Planning Team, in addition to two members of the School Forum, nominated on an annual basis by the Forum. Approval for successful applications will be ~~given under delegated authority from by the Deputy Chief Executive/Director of Children's Services~~ subject to the approval of the Director of Children's Services and the Chief Finance Officer, or their nominated representatives.
10. Applications which meet the criteria but cannot be funded within the limit of available funds in the year in which the request is made will be recommended for approval as a priority in the following financial year.

Approval For Financing The Purchase

11. Agreement with a Governing Body for a Capital Loan will be entered into by Central Bedfordshire Council, provided all the criteria of this scheme have been met.

Affordability and Limitations on Value of Purchase Loans

12. Affordability of the loan
Before deciding whether to apply for a loan schools must consider the affordability of repayments. Before approving the loan the LA will consider a number of test to asses the affordability and viability of the loan. This will include:
 - a) the annual loan repayment must be less than 4% of the school's budget share academy received in the year that they apply
 - b) the school must not be in a financial difficulty or Notice of concern
 - c) the school's financial statements (year end returns) must show a cumulative revenue surplus
 - d) the school's latest budget forecast shows a forecast cumulative revenue surplus to the end of the financial year.
 - e) the school must have submitted all their key financial returns (in the last 12 months) on time
 - f) the school is not ranked Red or Amber in RAG rating analysis of its financial health.
13. The maximum permitted value of a ~~asset purchase~~ loan should not normally exceed 10% of a school's budget share.

14. The minimum value of a purchase considered to be appropriate to the scheme is £10,000.

Interest

15. Interest will be payable during the period over which the school spreads the cost of the purchase. The interest rate of such loans is the Bank of England Base Rate-7 day London Interbank Bid Rate.

16. An administration fee of £50 will be charged for processing each application and subsequently setting up the loan.

Methods Of Making Annual Payments Under The Asset ~~Purchase~~ Loan Scheme

17. Annual payments will be scheduled as an expenditure item in the annual school budget plan.

18. Schools entering into a loan agreement will be charged the repayment sum by reducing school's revenue payments invoice on 1 April following the date of the loan agreement and annually on the same date thereafter during the life of the agreement. The certification of the initial application form by the Headteacher and Chair of Governors will authorise the LA to reduce school's revenue payments invoice the school as per agreed repayments schedule until the loan has been repaid in full.

Permitted Payment Periods Under Asset ~~Purchase~~ Loan Agreements

19. The minimum payment period is twelve months, spanning two financial years.

20. The first payment should be within the full year of the approval of the loan.

21. The maximum payment period is three years from the first payment date.

Early Payment

22. Payment of any outstanding loan amount, and accrued interest, can be made at any time without penalty.

Payment Conditions In The Event Of Change Of School Status

23. The loan agreement will be between the corporate Governing Body at the time of the purchase/project and the Council. The following conditions therefore apply:

Reorganisation Of Schools

24. A school will be required to fully repay any outstanding amounts under a loan agreement prior to the dissolving of its Governing Body where this is due to closure or amalgamation.

Schools Leaving the Control of the LA

25. If a school leaves the control of Central Bedfordshire Council for whatever reason, e.g. obtaining status as a Foundation School or as an Academy, full and immediate repayment of the outstanding amount will be made by the school in question, unless the liability can be voluntarily transferred to the successor Governing Body, i.e. to the Academy Trust, in the commercial transfer agreement.

Multiple Asset Purchase Loan Agreements Entered Into By One Establishment

26. A school can have as many asset purchase agreements as it wishes, subject to the caveat that the sum of the annual payment due under a new agreement and annual payment(s) being made under earlier agreements, does not exceed the credit rating described in paragraph 11 above, and subject to the value of each individual purchase/project being in excess of the minimum purchase price/cost of project of £10,000.

Application Evaluation Criteria

27. Capital loans must be for capital (projects/asset purchase) purposes with the overriding condition that the expenditure is for the enhancement, replacement, or provision of an asset which will have a life at least as great as the duration of the purchase agreement.

Project cost and funding

28. Application will be evaluated and assessed based on cost of the project or asset. Schools applying for the asset loan should demonstrate that the costs are right for the project. The panel will consider:

- Clarity of scope and reasonableness of costs
- Value for money of the project or asset
- Evidence of the costs and costs certainty
- Proportion of the funding provided by other sources i.e other government grants, school's budget share.

1.

1. ~~Evidence that the scheme is in the interests of the school.~~

1. ~~In support of 2 (above) a copy of the School Development Plan.~~

1. ~~Evidence that the school is able to meet the payments for the duration of the agreement.~~

29. The school must not be in an overspent position as at the previous 31 March when the application is made or have in force an overspend agreement with the LA.

30. Evidence of adherence to the Councils financial procedures to Ordering and Receipting, Works, Goods & Services Standing Orders and Financial Regulations for Schools with reference to procurement

APPLICATION FORM TO ACCESS THE ASSET LOAN PURCHASE
SCHEME FOR LA MAINTAINED SCHOOLS

School Name:

**Amount of
Loan:**

£

No of Yrs:

**Projected start
date:**

**Completion
date:**

Please note: The maximum period is 3 years.

Brief Description of Proposal:

(use additional page if necessary)

Summary of Benefits to the School:

(use additional page if necessary)

Supporting evidence related to Capital Projects (refer to paragraph 3 of Asset Loan Scheme)

(use additional page if necessary)

Supporting evidence related to project cost and funding (refer to paragraph 28 to 30 of the Asset Loan Scheme)

(use additional page if necessary)

Date and Minute of Resolution of Full Governing Body:

I accept the terms and conditions of Central Bedfordshire capital loan scheme and will fully comply with Scheme for Financing Schools.

Signed:

Headteacher.....Date:.....

Chair of Governors.....Date:.....