

## **LOAN SCHEME FOR SCHOOLS**

With effect from April 2015 a new loan scheme will be available to all North Yorkshire maintained schools and Pupil Referral Services. Schools will be able to apply for a loan for a short term to medium term investment (including energy projects currently funded by the Resources Fund).

In addition schools will also be able to invest money into the scheme.

### ***Under what circumstances could a school apply for a loan?***

Schools who wish to make a significant capital purchase/investment and spread the cost over a number of years can apply for a loan. Expenditure should be of a nature that will benefit the school over a period greater than one financial year.

If the cost is to be spread over 3 years or less, then a Capital Licensed Deficit may be more appropriate than a loan – a school can choose whether to apply for a Licensed Deficit or a loan.

Where the repayment period is longer than 3 years a Capital Licensed Deficit is not appropriate and a loan should be applied for. The maximum period of a loan will usually be 10 years, but the Local Authority may agree in exceptional circumstances an extension to this.

Loans are not available to support general problems with a school's revenue budget.

Loans would not usually be granted to a school in a deficit position unless it was part of the agreed recovery plan.

A school does not need to have invested any money into the scheme to apply for a loan.

### ***How much would a school be charged for the loan?***

The rate of interest charged under the scheme would be a fixed rate for the length of the loan based on NYCC borrowing rates at the point in time the loan application is approved. Alternatively, schools may choose to opt for a variable rate at 0.5% above the base rate; this would be calculated each financial year based on the average annual base rate during the year.

The principle and interest repayments would be repayable, in equal instalments, over the period of the loan. If schools opt for the variable rate option, repayments would reflect any changes to the base rate. Repayments would be due in March each year.

A school can chose to fully or partially repay a loan early, thus reducing interest charges.

If a school converts to Academy status, the loan repayment in full will become due before that conversion takes place.

### ***How does a school apply for a loan?***

Schools who are considering a loan, can request a quote for the estimated cost over the period of the loan. Please email [schoolsfinanceteam@northyorks.gov.uk](mailto:schoolsfinanceteam@northyorks.gov.uk)

An application form for a loan is attached to this guidance and is also available to download from CYPS Info.

A school can apply for a loan at any point during the financial year.

Loan applications will usually be turned round within 3 weeks and any loan offer will be valid for 3 months.

Schools applying for a loan should read the Loan Terms and Conditions document, prior to doing so.

### ***What are the accounting arrangements for a loan?***

The accounting entries in the school accounts will be as follows:

Capital expenditure incurred by school	Debit	CE01/02/03/04
Loan received from LA	Credit	CI01 – 9607
Interest repayment	Debit	E29 – 4901
Principle repayment	Debit	E30 – 4905

### ***How can a school invest money into the loan scheme?***

Schools with surplus balances can chose to deposit some of their balance into the loan scheme and earn interest at a level that is expected to exceed slightly, the interest the school could otherwise earn.

The minimum deposit is £10k and for a minimum period of 12 months.

There will be 2 windows for making deposits and recalling money from the scheme these will be from the 1<sup>st</sup> May – 31<sup>st</sup> May and 1<sup>st</sup> October – 31<sup>st</sup> October.

Deposits will be by cheque made payable to North Yorkshire County Council or by BACS transfer. An investment form is attached to this guidance and is available to download from CYPs Info, this should be sent with the cheque/BACS transfer. The Investment Form should be authorised by the Chair of Governors or by the Headteacher on behalf of the Chair of Governors.

Money recalled will be paid back to the school by BACS transfer.

Schools may in an emergency recall money from the scheme outside of the prescribed window, but will lose 30 days interest.

Interest will be paid at the end of each financial year based on the average interest rate NYCC earned on its balances during that year.

### ***Accounting entries for schools investing in the loan scheme***

Money deposited with the loan scheme will have no impact on a school's yearend balances, it is still the school's money just held in NYCC bank account.

As deposits to the loan scheme have no impact on the school's year-end balance there should be no charge to the school accounts. In effect, the school will need to set up another "bank a/c" on RM Finance e.g. NYCC Loan Scheme Deposit A/C and the school will need to transfer funds from its main bank account to this one.

Interest will be journalled to the school in Period 12 and credited to subjective code 5804

### ***Related Documents***

1. School Loan Application Form
2. School Loan Scheme Terms and Conditions
3. Investment Terms and Conditions
4. Investment Form