



Department
for Education

Developer Loans for Schools



**A pilot initiative delivering
new schools to support
housing growth in England**

When new housing generates demand for school places, delivering schools at the right time and place can be challenging.

Developer Loans for Schools supports developers to address barriers such as cash flow, to help meet the need to build schools in new housing areas - making the development more cost effective, efficient and timely to deliver.

These new loans will provide a clear incentive to progress housing developments; the early presence of a school helps the sale of new homes and enables more efficient masterplanning of mixed-use developments.

It also means securing new schools at the point needed, where the locational need is pressing and generated by the housing development.



What are Developer Loans for Schools?

Capital loans will be open to housing developers to fund new schools as part of new housing developments. The loan funding will enable developers to construct new primary, secondary or all-through schools where the Department for Education (DfE) and local authority agree there is a need.

The provision of schools funded in this way may enable developers to discharge 'planning obligations' e.g. S106 agreements, where the developer has agreed to provide a school(s) as part of securing planning permission, and/or where early provision of a school(s) is a key part of the development vision and delivery strategy.

Loan funding will be drawn from existing capital funding for schools, where DfE and HMT are satisfied the proposal offers value for money and is affordable. Loans will be standalone to fund the delivery of just a school. In some cases we can explore the developments overall infrastructure needs with Homes England. Applicants will need to show how the loan helps unlock difficult and/or stalled sites, secures the provision of schools at the point they are needed and offers value for money.

How will the funding work?

Developer loan funding from the DfE must be used to construct a new school on the developer's land for occupation by a free school trust.

We will assess pilot projects on a case by case basis, considering the benefits that will be delivered as well as loan security, exposure to risk, and compliance with state aid and procurement law.



The pilot initiative aims to:

- develop a flexible approach to structuring loans and developing innovative solutions on a case by case basis
- make finance available, subject to business case approval and affordability, to draw down up to 2021
- ensure the free school trust is granted a 125-year lease at a peppercorn
- agree a typical five-year term, with repayments starting when the first homes are sold
- make interest payable at a transparent, pre-agreed, variable rate.



Does your project meet the criteria?

Developer Loans for Schools are there to help in specific circumstances and have core eligibility criteria. For example:

- early delivery of a new school is agreed by DfE and the local authority, and meets the need for school places generated by the housing development
- without this funding the school and associated housing development would not progress as quickly, if at all
- the housing development has planning permission; or the proposal is supported by policy and there is a clear route to securing permission
- an approved free school application to DfE for the school will be in place prior to the loan draw down
- the borrower must be a UK registered company and have ownership of the site.

How do you become a pilot?

Please make contact with our delivery team for an initial discussion about your project. If it appears to meet the eligibility criteria, we will allocate a member of the delivery team who will help you develop a proposal.

You can contact our delivery team at DLS.delivery@education.gov.uk

Please note: the delivery team will work with you to produce an individual business case that clearly explains the need for the loan and the benefits it will bring, as well as demonstrating the project's value for money and affordability. As with other development loans, you will need to provide key pieces of information about your development plans and your business finances.

Contact us now!

We are particularly interested in identifying early opportunities to pilot Developer Loans for Schools, so if your project is ready to go and you would like to help us develop this exciting new initiative - now is the time to make contact.

Photographs

1. St Martin's Church of England Primary School, Cranbrook, Devon.
© Still Imaging
2. St Martin's Church of England Primary School, Cranbrook, Devon.
© East Devon District Council
3. St Gabriel's Church of England Academy, Houlton, Rugby, Warwickshire. © Paul Burnyard (for Urban & Civic)
4. St Gabriel's Church of England Academy, Houlton, Rugby, Warwickshire. © Firefly Aerial Innovation Ltd (for Urban & Civic)