

Decision maker:	Director for children's wellbeing
Decision date:	Monday 16 April 2018
Title of report:	Local Management of Schools capital loan to Whitchurch primary School
Report by:	Senior finance manager schools

Classification

Open

Decision type

Non-key

Wards affected

Ross West;

Purpose and summary

To approve a loan from school balances of £78,037.40 to Whitchurch CE Primary School for a new classroom and meeting room in accordance with the council's scheme for financing schools. The school loan scheme provides a valuable way of enhancing school buildings without using the council's limited capital budgets.

Recommendation(s)

That:

- (a) **a capital loan of £78,037.40 to Whitchurch CE Primary School be approved at 0% interest, repayable at £796.30 per month from September 2018 for 98 instalments for a new classroom and meeting room.**

Alternative options

1. The alternative option is to not grant the loan as requested and in which case the additional facilities at the school will not proceed.

Key considerations

2. In accordance with the Department for Education's (DfE) requirements, the council's approved scheme for financing schools includes a paragraph (4.10) setting out loan arrangement for schools by way of actual payments to schools on condition that a corresponding sum is repaid from the school's formula budget. The loans are available to fund one-off purchases of equipment and capital works. The maximum annual repayment allowed for any one school is limited to 2% of the school's own formula allocation in the dedicated schools grant.
3. The governors of Whitchurch have requested a loan of £78,037.40 to be repaid at £796.30 per month from September 2018 through 98 monthly instalments. The loan is the difference between the cost of the new classroom and meeting room (£128,037) and the school's contribution (£50,000). The repayments will be supported by a rental income of £500 per month from the school's chosen nursery provider. As a voluntary aided school building, works are the responsibility of the school's governors and will be undertaken through the Church of England Diocese. The capital loan is to be used to help purchase a new classroom and meeting room at the school.
4. The school's income from the national funding formula in 2018/19 is £523,730 and the maximum 2% repayment permissible is £10,474. The gross repayment from the school is £9,555 a year and net repayment is £3,555 equivalent to £296.30 per month. Repayments to the council are guaranteed by deducting the repayment at source from the school's budget. In the event of conversion to an academy, any outstanding balance of the loan will transfer to the academy trust. No interest is chargeable to the school for the duration of the loan, as the bank rate is less than 1% and the scheme for financing schools sets the interest (both payable and chargeable) to schools at 1% below base rate. Interest on future loans to schools will depend on the bank base rate at the point the loan is agreed.

Community impact

5. The provision of the extra classroom and meeting room will not only be an asset to children and staff, but also the local community.

Equality duty

6. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:
 - A public authority must, in the exercise of its functions, have due regard to the need to -
 - (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate

that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. As this is a decision on enhancing the school's property assets, we do not believe that it will have an impact on our equality duty. A new ramp and wider doors will allow full access in compliance with equality legislation.

Resource implications

7. The resource implications are as follows:

- i. School balances are included in the Medium Term Financial Strategy (MTFS)
- ii. The cost of the loan is £78,037.40 which will be repaid in full by the school by the end of the agreed term.
- iii. School balances are used to fund the cash flow for capital loans for schools. Repayments of the loan are credited to school balances on an annual basis. There are no budget implications for the council and the school has budgeted for the repayments.

Legal implications

8. This is an executive function. Para 66 of the Children's Wellbeing (CWB) director scheme of delegation refers to Section 48 School Standards and Framework Act 1998, thereby giving authority to the Director for Children's Wellbeing to authorise.
9. Department for Education provides statutory guidance, updated in March 2018, for local councils (in line with the legal requirements set out in Section 48 and Schedule 14 of the School Standards and Framework Act 1998 and the Schools and Early Years Finance Regulations 2018) in relation to schemes for financing schools.
10. The statutory guidance states that a local authority may only provide a loan to a maintained school to be used to assist schools in spreading the cost over more than one year of large one off individual items of capital expenditure, that have a benefit to the school lasting more than one financial or academic year.
11. The council's scheme for financing maintained schools or local management of schools (revised in September 2017) has been drawn up in line with the statutory guidance.
12. Whitchurch CE Primary School is a voluntary aided school, the scheme proposed is a one off capital expenditure, that will provide a benefit to the school over a number of years and as such the requirements of the council's scheme are met.

Risk management

13. Risks are minimised by ensuring that the repayments are taken directly from the school's budget annually. Any outstanding loan would transfer to the academy trust on potential conversion to an academy. Should the school become unviable, then any outstanding loan would be the first call on any surplus balance on closure of the school. The council actively reviews the finances of small schools and would address the outstanding loan well before any potential closure was discussed. Whitchurch is an Ofsted rated Outstanding school, led by a National Leader of Education and is not considered at risk. No school has ever defaulted on such a loan since Herefordshire Council was formed in 1998.

Consultees

14. The ward member has been consulted. The school governors have requested the loan from the council. The Diocese is actively involved in the management of the scheme.

Appendices

None

Background papers

Herefordshire Council's scheme for financing schools.