

<b>Decision maker:</b>	<b>Director of Children and Families</b>
<b>Decision date:</b>	<b>Friday, 13 September 2019</b>
<b>Title of report:</b>	<b>Local Management of Schools Capital Loan to Madley Primary School</b>
<b>Report by:</b>	<b>Corporate Finance Assistant</b>

## **Classification**

Open

## **Decision type**

Non-key

## **Wards affected**

Stoney Street;

## **Purpose and summary**

To approve a loan from school balances of £50,000 to Madley Primary School to enable the upgrade and replacement of their ICT infrastructure and to refurbish their ICT suite.

The school has recently conducted an IT infrastructure review and found the current hardware and technical infrastructure to be outdated and no longer fit for purpose; their previous hardware refresh took place in 2002 with adhoc maintenance, repair and exchange to date. The school have been advised that there is an imminent risk of failure of the server which could result in a loss of data.

The project will refresh the existing desktop hardware including a migration to Windows 10 with full cloud capability and supporting infrastructure, and the migration of data to SharePoint. As a result of this upgrade, the infrastructure lifespan will be in excess of 10 years, with the hardware lifespan between 7-9 years.

The IT suite will be refurbished with new fixtures and fittings (benches and seating) and the flooring replaced.

## Recommendation(s)

That:

- (a) **A capital loan of £50k to Madley Primary School be approved at 0% interest, repayable from April 2020 in five instalments of £10k to enable the upgrade and replacement of their ICT infrastructure and to refurbish their ICT suite including replacing the flooring.**

## Alternative options

1. The alternative option is not to grant the loan as requested and in which case the school will have to either not undertake the upgrade or fund it from their own budget.

## 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 arrangements 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 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 Madley Primary School have requested a loan of £50,000 to be repaid over five years from April 2020. The repayments would be made in instalments of £10,000 and will be from the school's formula budget.
4. The school's previous hardware refresh took place in 2002 and has received adhoc maintenance, repair and exchange to date since. Having had a review of their current hardware and technical infrastructure, the school was advised that there is a risk of imminent failure of their server which could result in a catastrophic loss of data.
5. The school's income from the national funding formula in 2019/20 is £750,862 and the maximum repayment permissible is £15,017. 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

6. The upgrade and replacement of the ICT infrastructure will increase and improve data security and prevent any potential catastrophic losses of data, allowing an anticipated infrastructure lifespan in excess of 10 years and a hardware lifespan of 7-9 years.
7. The refurbishment of the ICT suite will provide new flooring, seating and benches and improve the environment for the school pupils.

## Equality duty

8. 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.
9. 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. In addition to supporting the back office functions with a new server, the improvement to the ICT suite will enable Madley School's students (some of which will share a protected characteristic) to benefit from this investment and so demonstrate that the council is taking its duty seriously and supporting advancing equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it.

## **Resource implications**

10. The resource implication are as follows:

- a. School balances are included in the Medium Term Financial Strategy (MTFS)
- b. The cost of the loan is £50,000 which will be repaid in full by the school by the end of the agreed term
- c. School balances are used to fund the cash flow for capital loans to schools. Repayment of the loans 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**

11. This is an executive function, Para 66 of the Children and Families directorate scheme of delegation refers to Section 48 School Standards and Framework Act 1998, thereby giving authority to the Director for Children and Families to authorise.
12. 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 Regulation 2016) in relation to schemes for financing schools.
13. The statutory guidance states that a local authority may only provide a loan to a maintained school to be used to assist in schools 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.

14. The council's scheme for financing maintained schools or local management of schools (revised in January 2019) has been drawn up in line with the statutory guidance: [https://www.herefordshire.gov.uk/info/200227/support\\_for\\_schools\\_and\\_settings/460/school\\_finance\\_information/4](https://www.herefordshire.gov.uk/info/200227/support_for_schools_and_settings/460/school_finance_information/4)
15. The scheme proposed is 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**

16. Risks are minimised by ensuring that 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.
17. The council actively reviews the finances of small schools and would address the outstanding loan well before any potential closure was discussed. Madley Primary School is an Ofsted rated Good school, well led by the current headteacher and is not considered a risk. No school has ever defaulted on such a loan since Herefordshire Council was formed in 1998.

## **Consultees**

18. The ward member has been contacted regarding the proposal and it has their full support.

## **Appendices**

None

## **Background papers**

None