

Title of report: Local Management of Schools Capital Loan to Bridstow CE Primary School

Decision maker:

Director of Children and Families

Decision date: Friday, 3 September 2021

Report by: Corporate Finance Assistant

Classification

Open

Decision type

Non-key

Wards affected

Llangarron;

Purpose

To approve a loan from school balances of £16,000 to Bridstow CE Primary School. £12,000 is to fund 10% of the cost of replacing the current failed boilers with an Eco-hybrid heating system and £4,000 to allow the school to upgrade its Information Communication Technology (ICT) infrastructure (by purchasing more up to date iPads) to facilitate new methods and approaches to learning that have come out of lock-down.

Recommendation

That:

- a) **A capital loan of £16,000 to Bridstow CE Primary School be approved at 0% interest, repayable from April 2022 at four annual instalments of £4,000 for the contribution to the new heating system and upgrade of ICT infrastructure.**

Alternative options

1. The alternative option is not to grant the school the loan as requested in which case they will need to seek alternative funding for the replacement of the heating system, and the ICT

infrastructure upgrade will not proceed. This is not recommended as it may result in the school being without heating whilst alternative funding is sought.

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 purchase of equipment and capital works. The maximum annual repayment allowed for any school is limited to 2% of the school's own formula allocation of the dedicated schools grant.
3. The governors of Bridstow CE Primary School have requested a loan of £16,000 to be repaid over four years from April 2022. The payments would be made in instalments of four payments of £4,000. £12,000 of the loan is for 10% of the cost of a new Eco-hybrid heating system and £4,000 of the loan is to provide an update to their ICT infrastructure by purchasing up to date iPads.
4. The repayments will be from the school's formula budget. The capital loan is to be used to help meet the costs of a new Eco-hybrid heating system and new iPads.
5. The school's income from the national funding formula in 2021/22 is £400,538.00 and the maximum payment permissible is £8,010.76. 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 provision of a new heating system will enable the children to learn and staff to teach in a safe, warm environment.
7. The updating of the ICT infrastructure with up to date iPads will improve access as well as security for the applications used as updates are not always available for older operating systems.
8. In line with the County Plan and our Corporate Delivery Plan, we will work with school and education leaders and other partners to minimise the impact of the pandemic by enabling and implementing a range of support including online teaching and home learning.

Environmental Impact

9. A more efficient Eco-hybrid heating system is designed to reduce carbon emissions and reduce the costs of running the system.

Equality duty

10. 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.
11. 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. The updated ICT hardware will continue to offer improved accessibility enabling the children to benefit from their use. The new heating system will be more environmentally responsible and reliable than the existing one, providing a warm environment to encourage and support learning.

Resource implications

12. The resource implications are as follows:

- a. School balances are included in the Medium Term Financial Strategy (MTFS).
- b. The cost of the loan is £16,000 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

13. This is an executive function. Para 66 of the Children and Families director scheme of delegation refers to Section 48 School Standards and Framework Act 1998, thereby giving authority to the Director of Children's and Families to authorise.
14. 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
15. 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 on off individual items of capital expenditure that have a benefit to the school lasting more than one financial or academic year.

16. 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/support-schools-settings/school-finance-information/4>
17. 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

18. Risks are minimized 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.
19. The council actively reviews the finances of small schools and would address the outstanding loan well before any potential closure was discussed. Bridstow CE 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

20. The ward member has been consulted.

Appendices

None.

Background papers

None.