

## **Title of report: Local Management of Schools Capital Loan to Eardisley 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**

Castle;

### **Purpose**

To approve a loan from school balances of £75,000 to Eardisley CE Primary School to create one room for their pre-school, who will pay rent, prior to it being taken on under the leadership of the school. The pre-school have agreed to sign a lease of commitment for eight years. The room will also be used by the school to provide wrap-around care. The building has been designed to the school's purposes by Border Oak and part of the building is being gifted by them to the school, in addition to the cost of the planning which has already been gifted.

### **Recommendation(s)**

**That:**

- a) **A capital loan of £75,000 to Eardisley CE Primary School to create one room for their pre-school be approved at 0% interest repayable from April 2022 at eight instalments of £9,375 for the contribution to the new room.**

### **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 new room.

### **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 schools is limited to 2% of the schools own formula allocation of the dedicated schools grant.

3. The governors of Eardisley CE Primary School have requested a loan of £75,000 to be repaid over eight years from April 2022. The payments would be made in instalments of eight payments of £9,375.00. The loan is toward a new room for the pre-school and wrap-around care. Planning permissions has been applied for.
4. The repayments will be from the school's formula budget.
5. The school's income from the national funding formula in 2021/22 is £507,034 and the maximum payment permissible is £10,140.68. Repayments to the council are guaranteed by deducting the repayment at source form 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 school 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 school offers the only available pre-school facility in its village, which contributes to a strong pre-school and transition programme.
7. By providing the much needed pre-school provision, the local nursery provider will be able to make available desperately needed baby and toddler care.
8. The school is the only available wrap-around care service for parents of school age children in its village and the need for the provision is increasing.
9. The additional space will provide a location for the enrichment opportunities provided by the school including music tuition, public speaking, drama and philosophy and discussion. The school will have sufficient space to offer Community Days, building on the success of their renowned Eardisley Tea Parties for the elderly in the village.

## **Environmental Impact**

10. The new building will comply with PassivHaus standards; PassivHaus buildings provide a high level of occupant comfort while using very little energy for heating and cooling.

## **Equality duty**

11. 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.
12. 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 school's new building will improve accessibility and inclusion and be fully compliant with Equality legislation in particular around access and disability.

## Resource implications

13. 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 £75,000 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 schools balances on an annual basis. There are no budget implications for the council and the school has budgeted for the repayments.

## Legal implications

14. 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.
15. 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
16. 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.
17. 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)
18. 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

19. 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.
20. The council actively reviews the finances of small schools and would address the outstanding loan well before any potential closure was discussed. Eardisley CE Primary 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**

21. The ward member has been consulted and has no concerns regarding this proposal.

## **Appendices**

None.

## **Background papers**

None identified.