

POWNALL GREEN SCHOOL PRUDENTIAL BORROWING APPLICATION**Report of the Corporate Director for People and Borough Treasurer****1. INTRODUCTION AND PURPOSE OF REPORT**

- 1.1 To present details of Prudential Borrowing loan application from Pownall Green Primary School.
- 1.2 To seek Cabinet approval of the Prudential Borrowing application.

2. SCHOOL / PROJECT

- 2.1 Pownall Green Primary School is a 2FE school with approx. 400 pupils on roll and receives a delegated budget allocation of c. £1.3m p.a. via the local funding formulae. In addition the school receives an annual devolved formula capital allocation at £0.008m p.a. for minor school lead capital projects.
- 2.2 The Prudential Borrowing loan application is to finance a project to re-develop and construct a new enhanced Kids Club building on the school grounds to be used as a new Before and After School provision operated by the School.
- 2.3 The new Kids Club provision operated by the school will be expanded to cater for 90 pupils (currently 70 pupils and oversubscribed) and replace the current provision operated by a third party.

3. PRUDENTIAL BORROWING APPLICATION

- 3.1 The School application is for a loan of £0.480m to replace the current temporary buildings that are in a poor condition and reaching the end of their economic life. The loan would be repaid over 15 years via annual repayments at approx. £0.040m p.a.
- 3.2 The school will finance the annual loan repayments via the operating profit generated from the in-house provision. Current school estimates include:
 - Income generation £0.200 - £0.260m p.a. depending on 70-90 pupils
 - Staff Costs £0.060 - £0.100m p.a.
 - Other Costs £0.018 - £0.030m p.a.

The Schools general LMS budget position reported a year-end surplus at £0.156m as at 31 March 2017.

3.3 Local Authority Scheme / Key Tests

The Local Authority Prudential Borrowing guidance/application process includes a number of key tests/conditions which must be met before any applications are considered / taken forward for approval, these include:

- Applications will only be considered for expenditure on the acquisition, creation or enhancement of assets that can be capitalised providing that it will yield benefit to the Council and services it provides for a period of more than one year for example improvements to land and buildings, computer hardware, furniture and equipment.
- Total borrowing level is not subject to restriction, however the LA will look closely at any school seeking to commit more than 5% of their revenue funding to loan repayments (above = 3%)
- Schools are not permitted to borrow beyond the useful life of the asset being acquired / enhanced as defined by the Council's accounting policies.
- In all cases, schools will be required to complete a business case and demonstrate that the proposal is affordable, achievable and sustainable.

3.4 LA Risk Management

The Local Authority has two key controls to protect repayments of any Prudential Borrowing loan:

- Scheme for Financing Schools – Section 6.2.19 Costs incurred by the Local Authority as a result of the Governing Body being in breach of the terms of a contract.
- Academy Conversion – The GB undertakes and agrees as part of the application process to repay the loan in full upon the point of conversion unless the Local Authority agrees to include the outstanding repayments within the Academy Transfer Agreement.

4. CONCLUSIONS AND RECOMMENDATIONS

The Prudential Borrowing loan application from Pownall Green Primary School is set at £0.480m with annual repayments at approx. £0.040m for 15 years. The loan will be used to develop and construct an enhanced Kids Clubs provision to be used for Before/After school club activities which will be operated via school on an “in-house” basis.

- 4.1 The Prudential Borrowing application has been reviewed by Schools Finance team within the Corporate Services Accountancy division accordingly and is compliant with the key tests as outlined at section 3.1.3 above.
- 4.2 The report outlines the purpose of the loan, the financing arrangements, the controls/measures available to the Local Authority to mitigate risk of non-repayments.
- 4.3 The Cabinet is recommended to support and approve the proposed Prudential Borrowing request from Pownall Green Primary School.

BACKGROUND PAPERS

There are none

Anyone wishing to inspect the above background papers or requiring further information should contact Peter Hughes on Tel: 0161 474 3947 or by email on peter.hughes@stockport.gov.uk