

IMPLEMENTATION EXECUTIVE

7 April 2009

**ST JOHN'S COMMUNITY SCHOOL MARLBOROUGH – REQUEST TO AMEND THE
CONDITIONS TO PREVIOUSLY AGREED LOAN**

Executive Summary

The purpose of this report is to seek agreement to vary the conditions of a loan agreed by Wiltshire County Council in October 2007 to facilitate a major capital project to consolidate St John's Community School Marlborough on a single site. The overall cost of the project is approximately £25 million and this has been funded almost fully through the sale of the school sites to a developer.

A loan of £675,000 was agreed in 2007 in order to facilitate the construction of the access road to the new site. The access road has now been constructed and the school has not drawn down the full amount of the loan. The school has now requested a change in the conditions of the loan to enable them to draw down the remaining amount in order to contribute to the costs of equipping the new school.

St John's School is also seeking other sources of funding and these are to be utilised prior to drawing down any loan made available by the Council.

Proposal

Implementation Executive is asked to approve the changes in conditions of the loan to St John's Community School, Marlborough, in order to support the equipping of the new school.

That the remaining amount of £547,000 be made available to the school with repayment of the full amount of £675,000 over a 10 year period at an interest rate to be calculated by the Chief Financial Officer.

Reasons For Proposals

The capital project to consolidate St John's Community School, Marlborough, on a single site is progressing towards completion and the school needs to secure funding for the equipping of the new buildings.

Carolyn Godfrey
Director, Children & Education

ST JOHN'S COMMUNITY SCHOOL MARLBOROUGH – REQUEST TO AMEND THE CONDITIONS TO PREVIOUSLY AGREED LOAN

Purpose of the Report

1. The purpose of this report is to seek agreement to vary the conditions of a loan agreed by Wiltshire County Council in October 2007 to facilitate a major capital project to consolidate St John's Community School Marlborough on a single site.

Background

2. St John's Community School, Marlborough is pursuing a major capital project to consolidate the school onto a single site. The total cost of this project is currently estimated at £25 million and it is being funded almost fully through the sale of the school sites to a developer.
3. In addition to the sale of the site the school has also benefited from £0.500 million targeted capital funding from the DCSF in order to facilitate the project. This funding was secured in 2001/02. The County Council was able to allocate £0.5m N.D.S. funds to support the scheme in 2008/9. Contributions have also been agreed by Kennet District Council in relation to the provision of facilities on the new school site.
4. In October 2006 Cabinet agreed a loan to the school in order to facilitate the building of the access road to the new school site. The total loan agreed was for £0.675 million and the loan was to be repaid from instalments received from the developers following the sale of the lower school site.
5. To date the school has drawn down £0.128 million against the loan and the access road has been constructed.
6. The construction of the new school is progressing well and is on track for occupation in November 2009. The school is now having to consider the costs of equipping the new buildings, the estimated costs of this are £2 million and cannot be met from within the overall project budget. The school has re-launched its fund raising campaign and is actively pursuing other funding sources. The School has also approached the Council to seek a change in the conditions of the current loan to enable them to utilise the remaining £0.547 million towards equipment costs, and to repay the full sum over a 10 year period.

Main Considerations for the Implementation Executive

7. The consolidation of the school on a single site will have considerable benefits to the pupils within the school and will allow for efficiencies to be achieved within the school's budget.
8. The original loan agreement was for a specific purpose ie., to allow the access road to be constructed in advance of the capital receipt. The new request is for a different purpose and since there is no capital receipt to be offset against equipment costs the loan would need to be repaid over a longer period of time.
9. Any repayment period would need to be linked to the asset life of the equipment . The proposal is for a repayment period of 10 years at an appropriate interest rate based on the PWLB rate, adjusted to include an administration fee. The school will need to build the repayment costs in to its annual budget over the repayment period.

Environmental Impact of the Proposals

10. No specific environmental issues have been identified arising from this report. The overall environmental impact of the scheme itself has been taken in to consideration throughout the life of the project.

Equalities Impact of the Proposals

11. There are no specific issues that have been identified arising from this report. Equalities issues relating to the capital project overall have been taken in to consideration through the life of the project.

Risk Assessment

12. The loan will be repaid in full to the council by the school over an agreed repayment period. A legal agreement will need to be drawn up between the Council and St John's Community School. The risk to the Council is considered to be low however the implications of the longer repayment period for the overall borrowing levels for the Council need to be considered. The Authority's overall level of borrowing is limited under the Prudential code: while the sums involved in this case are limited, there is a risk that other schools in Wiltshire will see this as a precedent and that a number of future similar requests will have a significant impact on borrowing levels and limit the Council's flexibility in setting future capital programmes. Any loan of this type can not be considered without a clear business case and agreement by Cabinet.
13. St John's School is a Foundation School and as such any equipment purchased would not become a Wiltshire Council asset. This is a low risk to the Council as an agreement will be in place for the school to repay the loan.

Financial Implications

14. The overall value of the proposed project is in the order of £25 million (excluding furniture and equipment). Subject to IE approval, it is proposed that the school repay the total of £0.675 million over 10 years at the Public Works Loan Board (PWLB) 10 year borrowing rate plus 1% (to cover the cost of administration).
15. Once the school is consolidated on to a single site there will be revenue savings to the school and from within the overall schools' budget. The school currently receives a split site allowance of £149,940 (in 2008/09) that will be distributed to others through the school funding mechanism.

Legal implications

16. There is an existing agreement between the County Council and the Governing body of St John's School to repay the loan of £0.675 million referred to in paragraph 3 of this report. This loan is secured by a legal charge on land in the Governing Body's ownership.
17. In the event that approval is given for £0.547 million to be used for equipment costs (rather than for the construction of the access road) it will be necessary for there to be a short Supplemental Agreement to that effect. Similarly, it would also be necessary for there to be a short Deed of Variation to the Legal Charge.

Options Considered

18. The school is actively pursuing a fund raising campaign to raise funds for the equipping of the new site. A decision has been made by the Governing Body not to transfer old equipment in to the new school. This decision could be revisited however the impact on the morale of pupils moving in to the new site and the ability to deliver the curriculum using old equipment could be significant.
19. The school is also corresponding with the DCSF and has recently written to the Right Honourable Jim Knight MP, requesting financial assistance. Any income received by the school from fund raising activities or direct from the DCSF will be utilised by the school prior to drawing down on the loan from the Council.

Reasons for Proposals

20. The capital project to consolidate St John's Community School, Marlborough, on a single site is progressing towards completion and the school needs to secure funding for the equipping of the new buildings.

Proposals

21. Implementation Executive is asked to approve the changes in conditions of the loan to St John's Community School, Marlborough, in order to support the equipping of the new school.
22. That the amount of £0.547 million not yet drawn down against the loan be made available to the school with repayment of the full loan of £0.675 million over a 10 year period at an interest rate to be calculated by the Chief Financial Officer.

Carolyn Godfrey
Director, Department for Children & Education

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Unpublished Documents Relied Upon: None