

WORCESTERSHIRE COUNTY COUNCIL

RECORD OF MEMBER DELEGATED DECISION

Severn Arts Loan Configuration

Date of Decision	13 June 2024
Decision Maker	Cllr Karen May Cabinet Member with Responsibility for Communities
Brief Description of Decision	To substitute the outstanding loan to Severn Arts by a legal agreement that the value written off is provided by cash-in-kind or equivalent to support the Council's priorities.
Reason(s) for Decision	<p>The Council has a statutory duty to ensure the music components of the National Curriculum are delivered to all publicly funded schools and, more generally, to contribute to the spiritual, moral, mental and physical education of the community by securing efficient education at primary and secondary level. These are the County Council's responsibilities under the Education Act 2002. Agreeing the alternative to cash repayment of the loan enables Severn Arts to continue to complement the fulfilment of this function by the Council because it offers music education to all schools in Worcestershire, including the music components of the National Curriculum.</p> <p>The loan was secured against the Company's musical instrument assets; whilst the life of these assets is managed through the business to maintain use there is a risk of the value decreasing less than the loan outstanding value; and using these assets would also mean the Company would not be able to fulfil its purpose that it delivers for the Council's statutory duty.</p> <p>This proposal brings a level of innovation to support the Council's preventative role and raise awareness of the Council's key priorities, especially around safeguarding children, poverty, mental health, community connectivity and well-being.</p>

<p>Alternative Options Considered and Rejected</p>	<p>The Council has explored a number of options:</p> <ul style="list-style-type: none"> • Option 1 – no change: this is not supported due to the risk to the Company’s financial viability as noted above. • Option 2 – to restructure the loan period, including a period of ‘non-repayment and / or not applying the interest rate: whilst this option exists there remains a risk that the period / interest changes would both impact on state aid as well as still affecting the Company’s viability. The longer the period the greater the financial sustainability of the company but the greater the risk of challenge under state aid. • Option 3 –to write off the loan: this would result in a cost to the Council for nil return and is not supported. • Option 4 – writing off the debt but structuring a new social value form of agreement with the Company: that ensures the Council receives the equivalent value of the outstanding loan in cash-in-kind, or social value. This option is the preferred option. • Option 5 – bring the service back in house: this option has been discounted due to the reasons flagged in the original CMR decision that flags up the cost and ability of the council to attract grants and deliver the service.
<p>Any Conflict of Interest declared by a consulted Cabinet Member/ any dispensation granted</p>	<p>None</p>
<p>Signature of Decision Maker</p>	<p>Cllr Karen May</p>
<p>Date of Implementation of Decision</p>	<p>21 June 2024</p>