

ASSET MANAGEMENT: H:DOCS:devcap

09 June 2005

To all Community & Foundation Schools, not for general distribution

Dear Head Teacher

Title: Devolved Capital 2005-06, Community & Foundation Schools
Summary: **Spending guidelines including funding flexibility in 05-06**
Circular Number: 20857
Previous Papers: Financial Statement – Standards Fund Allocations
Action Required: Implementation of scheme and completion of attached proforma
Reply By:
Contact Officer: Area Teams: North: 303 3767/ 464 5811
South: 303 2492/303 8731
Central: 303 2194/303 8732

The following guidance notes follow the format of previous years Devolved Capital guidance. However, there are major variations relating to use of this allocation in 2005-06 only. This is detailed in Sections 1.3, 1.4, 1.5 and Appendix C.

1 Basis of allocation

- 1.1 As part of the DfES's on going Capital Investment strategy, a further capital allocation has been devolved to schools. Notification of this amount was provided by Education Finance and other standard fund grants. The value of the allocation is based on the Annual Schools Census at January 2004 and is made up of a lump sum and an allowance per pupil. Schools operating in completely new buildings will not receive grant for 3 years.
- 1.2 DfES guidance is that **'all capital funding (including Devolved Capital) should be invested in locally agreed priorities as set in the Authority's Asset Management Plan'**. A copy of the complete policy statement as endorsed by the Property Working Group is available on the Learning and Culture Asset Management (EaM) web site (www.bgfl.org/assetmgt) downloads page and I have included an abridged version as Appendix A to this letter. This year there is particular pressure on centrally held budgets and schools should carefully consider what Condition related works could be undertaken using Devolved Capital (also see section 1.6.). Schools are also reminded about the need to ensure that, prior to undertaking works, including cabling, that they have access to an asbestos survey. If you have not had a survey undertaken, we are prepared to jointly fund the cost of an asbestos survey – details have previously been circulated. Please contact your Area Team Manager to discuss this further prior to undertaking works.

- 1.3 **DfES has recently announced that, for this year schools may again use their formula Devolved Capital funding to purchase ICT equipment.** . . A guidance page is attached to this letter setting out criteria (Appendix C). If you are considering requesting permission to use your Devolved Capital allocation in this way, please read Appendix C carefully.
- 1.4 The LEA is keen to assist schools whilst maintaining levels of capital investment. We are keen to hear from schools undertaking major capital projects in 2005-06 using revenue delegated budget in order to establish ways in which we might 'swap' such revenue funding for capital in order to then make this revenue available for schools in difficulty. If you are a school using revenue expenditure in this way please contact your EaM Area Team Manager to give details of scheme and spend.
- 1.5 Schools who have authorised travel plans in place on 31 March 2005 will receive additional funding. The additional funding is aimed at supporting the investment needs of these plans and will be delivered as additional devolved formula capital for 2005 /06 but is not included with funding details included in this document.
- 1.6 Devolved Capital represents a fundamental element of the partnership between schools and the LEA to manage school buildings and for schools to meet their duty of stewardship. This money should therefore be spent on essential and affordable capital projects identified in your Asset Management Plan (AMP). This data can be viewed on the Education Asset Management web site under 'AMP' then 'School Data'. . Although Access Audit information forms part of the Asset Management Plan, we have not yet been able to incorporate this information into our database and schools should therefore rely upon current Access Audit reports issued to them.
- 1.7 Where schools have not fully spent their previous years Devolved Capital allocation, Asset Management are notifying you of the balance remaining in the funding details enclosed. As you will recall, this funding is available by annual allocation and **your allocation must be spent within 3 years** (i.e. 2004-05 allocation must be spent by August 2007). It is of particular importance that schools who have not spent their allocation from 2002-03 do so by 31 August 2005
- 1.8 Schools may also wish to consider the following methods of maximising the value of the Devolved Capital available:
- **"Clustering funds"**: There is an opportunity for schools to form clusters to pool their capital and undertake a significant scheme at one site (e.g. within a consortium or between schools with particularly strong links).
 - **Accumulating or advancing funds**: You may accumulate your allocation during the 3-year period in order to undertake a larger scheme, rather than spend each year's funds year on year. However, you should not accumulate at the expense of ignoring higher priority works that are affordable that year. If the project is critical, you can request the advancement of funds to year 1. Accumulation or advancement will require

our agreement. Advancement will only be possible if sufficient other schools were prepared to accumulate theirs. We will only consider advancement to finance schemes identified in your AMP as:

- a) Ofsted significant criticism (evidence required), or
- b) Condition D1/ C1, or
- c) Suitability grade A/B, or
- d) Health & Safety or Security High risk.

1.9 **Please advise us of your decision by completing and returning the attached Notification of Scheme form (Appendix B) to us as soon as possible.** The following sections only apply if you intend to undertake a capital scheme this year.

2 Scheme identification

- 2.1 Schools will need to gain agreement from the LEA for projects to be undertaken. DfES guidance defines eligible capital expenditure as including:
- Health and Safety Works (major roof repairs, rewiring, upgrading fire / security systems, resurfacing play areas)
 - Refurbishment – (which could include upgrading boiler plant, or could include cabling to provide ICT equipment);
 - Investment in ICT equipment
 - Conversions (for example, general teaching area to specialist use);
 - Security (improvement to / provision of lighting and fencing, CCTV).

The DfES also indicate examples of **ineligible** premises expenditure as being:

- **Any** expenditure (including works identified above) costing less than the threshold for capital of £10,000.
- General Maintenance – including 3* service with UD.
- Redecoration (internal and external) or Day to Day repairs
- Equipment purchases unless part of a larger new build scheme and does not form a large part of the expenditure
- Repayment of loans
- Funding operating leases unless eligible for specific capital grant
- Hire of temporary accommodation
- Purchase of books,

These definitions of capital expenditure are in line with those applied to schools under Fair Funding. Works you propose to carry out must be identified as a high priority in your Asset Management Plan Condition or Suitability assessments. Expenditure on ineligible items may result in grant having to be repaid.

- 2.2 We are keen to target highest priority works in partnership with you. If you have high priority (2.1) condition works, priority A (unable to deliver the curriculum) or high risk Health & Safety issues identified but the project is not affordable (i.e. in excess of your devolved capital sum) we will consider requests from you to finance the shortfall in order that the work may proceed. However, the level of funds available centrally is finite and we cannot guarantee that finance will be available. This is particularly relevant from financial year 0506 onwards as Central Government funding for modernisation and condition works has been reduced by 40%.
- 2.3 It will also be feasible to use devolved capital as your contribution to Dual funding projects.

3 Scheme approval

- 3.1 If you plan to undertake a scheme this year, please complete the Notification of Scheme form attached (Appendix B detailing the project you will undertake. Costs can be based upon your Consultant's estimate - it is not necessary to wait for quotations. **We will advise you of our approval to your proposed scheme by endorsing your form appropriately, returning it to you and arranging for the funding to be made available.**
- 3.2 Where alterations are made to the building you are reminded that you must also obtain any necessary statutory approvals such as compliance with Building Regulations and Planning Permission. You are also reminded of your obligations under Schools Financial Regulations, Health and Safety legislation and of the need in appropriate cases to secure 'Landlord Approval' from the LEA. **We would strongly advise that for anything other than the simplest scheme you should obtain professional advice from a competent consultant (e.g. Chartered Surveyor or Architect. These services are available via the recently introduced Framework Arrangements with the City's Urban Design Department and Private Sector consultants). This is especially applicable where work is done to the structure of a building, gas/electric services or where asbestos might be present. Contravention of Health & Safety legislation can result in extensive fines or even imprisonment for the responsible person!**
- 3.3 Schools who wish to discuss their proposals further should contact their EaM Area Team Manager on the phone numbers above.

4 Finance

- 4.1 This Devolved Capital funding is grant eligible and therefore it is important that costs relating to it are recorded accurately to ensure an audit trail is available. **To enable this audit trail a new coding structure has been set up and only the subjective code J760 may be used to record all eligible costs as detailed below (use of any other code will misallocate funding and involve school and ourselves in unnecessary reconciliation exercises);**

– Devolved Capital -:**REA** - J760 – A00**
(** - Insert your unique school digits)

- 4.2 To enable those schools who operate on a cheque book basis to use this code, a document is available on the BGfL entitled, “**LRM4 - Standards Fund Financial Procedures 2005/06**”. These guidance notes give details of the procedure to follow to set up this code. The documents can be found on website address:
(<http://www.bgfl.org/services/finance/documents..htm>)

In addition could all schools please note the following:

- (i) Schools who notify us of their wish to accumulate this years funding to a future financial year will **not** need to set the fund up in 2005/06.
 - (ii) When forwarding orders for services to internal providers (e.g. Urban Design Department) “**please ensure that the GLAMIS cost centre (as above) is written on the order**”.
 - (iii) If you are not able to spend all or some of this funding please inform your Asset Management Area Team Manager immediately so that we can make it available to schools wishing to advance funds.
- 4.3 Finally, if your school operates under either the partial or full cheque book scheme then a cheque will be forwarded to you for your 2005/06 allocation only upon request, unless an agreement has been made with Asset Management for either advancement or accumulation as indicated in (i) above, and those schools operating under the full cheque book scheme will be required to provide details of actual expenditure incurred on Form CBS2.

Queries regarding schemes (sections 1,2, & 3) please contact your Area Team (see top of letter) but if finance related (section 4) please contact the Asset Management Finance Officer on 303 6653

Yours sincerely

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Deputy Head of Asset Management

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APPENDIX A

Major Capital Priorities April 2005 – March 2006 Devolved Capital potential funding source

| <u>Ref.</u> | <u>Element</u> | <u>Plan Link</u> | <u>Item</u> | <u>Funding Source</u> |
|-------------|----------------------------|------------------------|--|--|
| 3 | Standards | EDP/SOP/ SEN | Access Initiative | Access/NDS Modernisation/ Devolved Capital |
| 4 | Condition/ Standards | EDP | AMP Priority C2.1 roofs C2.1 external walls, windows/doors C2.1 mechanical C2.1 electrical | NDS modernisation/ Devolved Capital/ Revenue |
| 6 | Condition/ Suitability | EDP/ SOP/ Access | Implementation of major 'joined up' schemes at sites with complex needs (following feasibility studies in 2002/3) | NDS modernisation/ Devolved Capital |
| 7 | Condition/ Suitability/ | EDP/ SIP/ | Implementation of minor 'joined up'schemes | Devolved Capital/ Dual Funding |
| 8 | Standards | EDP/ SEN | Major schemes to enhance breadth of curriculum delivery to groups in units/centres | TCF/NDS modernisation/ Devolved Capital |



TO: ASSET MANAGEMENT, MARGARET STREET

DEVOLVED CAPITAL 2005-06 – NOTIFICATION OF SCHEME

- 1) NAME OF SCHOOL _____
- 2) CONTACT NAME _____
- 3) PHONE NO. _____ FAX _____
- 4) DECISION ON ALLOCATION:
 - a) We will accumulate this years allocation and spend it in future years
 - b) We will spend our single year allocation this year
 - c) We wish to bring forward future years allocation to undertake the following priority scheme

If you have indicated b) or c) above, please complete the remainder of this form. If a), the form need only be signed by the Head Teacher and dated.

- 5) PROJECT DETAIL (if building alterations are involved please enclose a location and floor plan. If Ofsted, please include details. If ICT Equipment please indicate what is to be purchased and confirm that it meets Dfes 'Fulfilling the potential' guidance as para 1.3)

- 6) SCHEME COST (inc. fees and all associated costs) £_____

- 7) PLEASE STATE NAME AND PHONE NUMBER OF YOUR CONSULTANT

8) WHERE SCHEME COST EXCEEDS YOUR DEVOLVED CAPITAL ALLOCATION INCLUDING ANY BALANCE FOR 2004/05, HOW WILL THIS GAP BE FINANCED?

9) IF A CONTRIBUTION IS SOUGHT FROM THE LEA (SECTION 2.2 OF LETTER REFERS), PLEASE INDICATE HOW MUCH IS REQUIRED
£ _____

10) WHAT PRIORITY IS GIVEN TO THIS SCHEME IN YOUR CURRENT AMP (for example state Condition C1, Suitability A1, H & S High risk)?

11) PLEASE GIVE YOUR REASONS FOR NOT UNDERTAKING WORKS IDENTIFIED IN YOUR AMP WHICH ARE A HIGHER PRIORITY, SHOULD THIS BE THE CASE:

12) WHAT WILL BE THE PRIME EDUCATIONAL AND/OR HEALTH & SAFETY BENEFITS OF THIS SCHEME?

13) ALL STATUTORY APPROVALS AND COMPLIANCE WITH HEALTH & SAFETY LEGISLATION WILL BE SECURED.

14) THIS WORK IS IDENTIFIED AS OUR MAJOR PRIORITY IN THIS SCHOOL'S ASSET MANAGEMENT PLAN.

15) IF THIS SCHEME IS APPROVED, I WILL ADVISE THE LEA OF ANY ALTERATION TO IT AND OF ANY DELAY COMPLETING IT IN 2005/06.

SIGNED _____
HEAD TEACHER

DATE _____

IN THE EVENT OF ANY QUERY RELATING TO THIS APPROVAL, PLEASE CONTACT YOUR AREA TEAM: North: 303 3767/ 464 5811
South: 303 2492/303 8731 Central: 303 2194/303 8732

Guidance to Schools on the use of capital flexibility on 2005-06 allocations of Devolved Formula capital.

1. The flexibility to use devolved formula capital for ICT equipment expenditure is for **2004-05 and 2005-06 allocations and spend only**. This is a unique flexibility and allocations cannot be spent on other equipment.
2. Schools that seek to use this flexibility should be aware that they are irrevocably foregoing their capital allocation. The LEA will not be able to compensate for this loss either directly by providing additional capital or indirectly by undertaking school nominated works. Schools using capital for ICT equipment are, therefore, losing the benefits over the longer term of the capital investment in their school buildings to pupil standards.
3. Schools may use all or part of their 2005-06 allocations of devolved formula capital to meet ICT equipment costs.:

The DfES expectations for ICT are set out in fulfilling the Potential: Transforming teaching and learning through ICT in Schools. It cannot be spent on other equipment unless this is incidental to, and at the margins of, a larger building project – for example, a project to provide new classrooms which requires directly associated fixtures and equipment. Expenditure on such equipment must not be a major part of the expenditure funded from this grant.
4. Where a school has accumulated devolved formula capital from previous years' allocations for a building project not yet started, it may instead use this earlier funding for ICT equipment spend, but only to the maximum of its 2005-06 allocation. This should ensure that by delaying investment projects, schools do not lose earlier capital allocations beyond the rollover period.
5. Where schools have a School Travel Plan. Additional funding via devolved capital formula will be made available provided:
 - The travel plan has been authorised by the LEA and transport authority as well as Chair of Governors.
 - Contains a base line survey of pupils travel patterns a note of the issues and an achievable plan of action
 - The DfES have already been notified.

This additional funding is aimed at supporting the investment needs of School Travel Plans and will be delivered accordingly.