

ASSET MANAGEMENT H:DOCS:devcap**26 June 2007****To all Community & Foundation Schools, not for general distribution****Dear Head Teacher**

Title: Devolved Capital 2007-08, Community & Foundation Schools
Summary: **Spending guidelines including funding flexibility in 07-08**
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 2007-08. 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 Asset Management, together with other standard fund grants. The value of the allocation is based on the Annual Schools Census at January 2006 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 out 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 Education Asset Management (EaM) web site (www.bqfl.org/assetmgt) downloads page and I have included an abridged version as Appendix A to this letter.
- 1.3 **DfES has announced that, for this year schools may 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 LA is keen to assist schools whilst maintaining levels of capital investment. We are keen to hear from schools undertaking major capital projects in 2007-08 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 Asset Management Area Team Manager to give details of scheme and spend.
- 1.5 Schools who have authorised travel plans in place on 31 March 2007 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 2007 /08 but is not included with funding details included in this or previous documents.
- 1.6 Devolved Capital represents a fundamental element of the partnership between schools and the LA 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' . Access Audit information forms part of the Asset Management Plan, we have incorporated this information into our database and schools should be able to access reports via e-briefing.
- 1.7 Where schools have not fully spent their previous years Devolved Capital allocation, Asset Management will have notified you of the balance remaining. As you will recall, this funding is available by annual allocation and **your allocation must be spent within 3 years** (i.e. 2005-06 allocation must be spent by August 2008), unless in exceptional circumstances where a school wishes to accumulate funds to finance a specific large project. It is of particular importance that schools who have not spent their allocation from 2004-05 do so by 31 August 2007 unless exceptional circumstances apply.
- 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. Any excess of funding over the 3 year accumulation to the authority is to be reclaimed when required. If the project is critical, you can request the advancement of funds to year 1. Accumulation or advancement will require our agreement. 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 note that schools who have entered into a PFI agreement (PPP 1) will not receive a DFC allocation for 3 years commencing the year after the PFI contract was signed. Funding will be resumed at 65% of total allocation calculated. Schools who have entered into a PFI agreement (PPP 2) will receive an allocation of 30% of total allocation, this reflects the ICT element of DFC that was previously funded from SF grant 31a.

1.10 **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 LA 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).
- NB: Other standards fund grant may be available specifically for this purpose.*

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 Urban Design.**
- 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, ICT software or training materials / services.
- **Funding of ICT subscriptions or staffing.**
- To meet any periodic PFI charge or service contracts.

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 Schools which 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.
- 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 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 LA. **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 from the City's Urban Design Department as well as Private Sector consultants which schools may approach). 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 Asset Management 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 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 – A6G**
(** - Insert your unique school digits)

4.2 To enable schools to use this code a document is available on BGFL entitled Financial Procedures for the Standards Fund 07/08.

These guidance notes apply in 2007-08 and give details of the procedure to follow to set up this code.:

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 2007/08.
- (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 Education Property Services Area Team Manager immediately.

4.3 Finally, if your school operates under the full cheque book scheme then a cheque will be forwarded to you for your 2007/08 allocation only upon request, unless an agreement has been made with Education Property Services 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

Chris Gilbert
Deputy Head of Education Asset Management

Telephone Number 0121 303 4948
Facsimile Number 0121 303 1348
E-mail Chris_Gilbert@birmingham.gov.uk

APPENDIX A
**Major Capital Priorities April 2007 – March 2008
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 2007-08 – 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 accumulate more than 3 years allocations and spend it in future years
 - c) We will spend our single year allocation this year
 - d) We wish to bring forward future years allocation to undertake the following priority scheme

If you have indicated c) or d) above, please complete the remainder of this form. If a), the form need only be signed by the Head Teacher and dated. If you have indicated b) please complete 5) below with a brief description of your future plans for this allocation.

- 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 CARRIED FORWARD FROM 2006/07, HOW WILL THIS GAP BE FINANCED?

9) IF A CONTRIBUTION IS SOUGHT FROM THE LA (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 2007/08.

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**

APPENDIX C

Guidance to Schools on the use of capital flexibility on 2007-08 allocations of Devolved Formula capital.

1. The flexibility to use devolved formula capital for ICT equipment expenditure is now more relevant as DFC includes an allowance for ICT as Grant 31a has been discontinued.
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. It is entirely up to schools to decide what, if any, proportion of their DFC grant should be spent on ICT. In prioritising need schools should consider their long term responsibilities, and are urged to develop their own strategic asset management plan.
3. Schools may use all or part of their 2007-08 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 2007-08 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