

PROPERTY SERVICES H:DOCS:devcap

23 June 2003

To all Voluntary Aided Schools, not for general distribution

Dear Head Teacher

Title: Devolved Capital 2003-04, Voluntary Aided Schools
Summary: **Spending guidelines *including funding flexibility* in 03-04**
Circular Number: S20501
Previous Papers: None
Action Required: Note funding flexibility arrangements
Reply By:
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The following guidance notes relate to use of formula Devolved Capital allocation to reduce budget pressures in 2003-04 only as recently announced by DfES.

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 to schools will have been direct by DfES.
- 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 Education Asset Management (EaM) web site (www.bgfl.org/assetmgt) downloads page. The individual arrangements between schools and their Trustees (e.g. for RC schools, the arrangement with the Diocesan Schools Commission) will vary, but it is envisaged that your school will normally seek the agreement of the Trustees to capital investment proposals.
- 1.3 **DfES has recently announced that, for this year only, schools may request approval from the LEA to use their formula Devolved Capital to address unacceptable pressures on school budgets.** It is expected that the number of schools making such requests will be few and only where specific approval is given by the LEA can capital funding be used for revenue items. A guidance page is attached to this letter setting out criteria. If you are considering requesting permission to use your Devolved Capital allocation in this way, please read the document carefully and if you think that you meet the necessary criteria, discuss your proposals with your Trustees and then contact your EaM Area Team Manager.

1.4 The LEA is keen to assist schools facing such pressures whilst maintaining levels of capital investment. We are keen to hear from schools undertaking major capital projects in 2003-04 using revenue delegated budget or Seed Challenge 'new' money 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.

Yours sincerely

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Cfi All VA Foundation Bodies and Trusts

Guidance to Schools on the use of capital flexibility on 2003-04 allocations of Devolved Formula capital.

1. The flexibility to use devolved formula capital for revenue spend is for **2003-04 allocations and spend only**. This is a unique flexibility to address exceptional pressures on school budgets.

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 revenue issues are, therefore, losing the benefits over the longer term of the capital investment in their school buildings to pupil standards. This flexibility has an opportunity cost, and should **only be used where failure to do so would lead to excessive instability within the school**.

3. Schools may use all or part of their 2003-04 allocations (i.e. excluding any balance carried forward) of devolved formula capital to meet revenue costs where the following DfES criteria are satisfied:

- they have a 2003-04 revenue budget deficit which threatens unacceptable disruption to the delivery of education;
- they do not have revenue balances brought forward which can be used;
- the funding is not already being used for a building investment project;
- the implications for future years' budgets have been carefully considered, including sustainability;
- they have the express agreement of their local education authority.

4. Flexibility will only be used to maintain funding for the core functions of the school and, once agreed, the sum will not subsequently be increased, although it may be reduced where the school finds it can make savings.

5. 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 revenue spend, but only to the maximum of its 2003-04 allocation. This should ensure that by delaying investment projects, schools do not lose earlier capital allocations beyond the rollover period.

6. Should we agree with your request, we are required by DfES to provide information on your use of devolved formula capital as revenue funding, which will include the amount spent by you on maintenance, repair and minor works from revenue budgets. DfES are to provide further details of the information required in due course.

Use of capital flexibility on 2003-04 allocations of Devolved Formula capital – additional guidance for Voluntary Aided (VA) schools

1. In addition to the guidance above, which relates to all schools, additional information for the VA sector is:

- you must bear in mind any commitments already given on the use of devolved formula capital towards capital projects;
- the LEA will notify the DfES VA Capital Team what has been agreed, and how much is required;
- DfES will arrange for the money to be paid, through the LEA, as a revenue grant to be passed on to the relevant VA school.

2. Devolved formula capital for VA schools is increased to allow for the effects of VAT. The Department's VASIS computer system shows the resulting amount in 100% terms (before deduction of the governing body's 10% contribution). The following adjustments to normal entitlement will therefore be necessary:

- the VAT increase will be removed (VAT can be recovered on funds paid through LEAs);
- the amount paid to LEAs will not have a 10% reduction applied;
- the amount paid to schools through LEAs through this way will be deducted from the school's entitlement shown on VASIS.