

Devolved Capital 2022-23

Devolved Capital allocations for 2022-23 have been confirmed by the DfE and the amounts transferred into schools SAP accounts, using schools cost centre 80 and GL code 5711. VA schools will be aware that their allocations are dealt with by their Diocese finance contacts.

Allocations for 2022-23 are made on the same basis and at the same rates as used in 2021-22.

Each school receives a fix sum of £4,000 and a variable amount based on their weighted pupil numbers. The 2022-23 allocations are calculated from pupil numbers from the 2021 spring school census.

The DFE have weighted the numbers to reflect the different levels of floor area per pupil in different settings:

Pupil Phase	Phase-related
Nursery / Primary	1.0
Secondary	1.5
Post-16	2.0
Special / PRU / AP/ Boarders	4.5

The base rate is £11.25. This means that the total DFC calculated for each school is as follows:

£4,000 + (£11.25 x weighted pupils)

The following paragraphs and annex, are again issued to schools to help provide clarification as to how Devolved Capital monies can and should be used, what is considered legitimate to be charged against schools capital allocations and what schools may need to do in terms of their accounts to comply with the accounting requirements.

Devolved Capital remains a capital grant from the DfE that allocates capital funding directly to schools. Schools are required to treat and account for it accordingly.

The grant has been allocated in order to meet capital expenditure on school buildings in terms of major improvements, remodelling or new builds where the amount is greater than the local authority's minimum capital spend threshold – de minimis level and the purchase of capital equipment such as ICT and other long term improvements to the school property.

(The full expression is de minimis non curat lex. This is a Latin phrase meaning "the law does not care about very small matters". It is used to describe a component part of a wider transaction, where it is in itself insignificant or immaterial to the transaction as a whole.)

However, schools cannot use Devolved Capital for;

- Routine repairs,
- Redecoration,
- General repair and maintenance (included in delegated schools budgets),
- General repairs to vehicles (including the cost of replacement tyres)
- The purchase of books and training materials
- Hire of accommodation
- It cannot be used for expenditure on small value capital items that fall below the local authority's de minimis level for schools of £2,000 (this level is much lower than that applied to the local authority's other services but is consistent with numerous other local authorities and the advice given by the Diocese to VA schools.)
- Lease/rental arrangements and

- Any and all individual invoices valued at £50 or less (excluding VAT) cannot be charged to Devolved Capital.

“De-minimis” level is a figure set by the local authority which distinguishes a revenue expenditure item from a capital expenditure item. Below this threshold (de minimis) expenditure on small value capital items counts as revenue expenditure. However, where a number of items of the same class bought at the same time, or where an item can be shown to be part of a larger, governor approved, Devolved Capital scheme and the total value exceed this threshold, can be counted as capital. To be governor approved, the school must be able to demonstrate this by reference to a relevant governor or governor sub-committee meeting minute.

Capital expenditure must either substantially:

- a) Lengthen the useful life of the asset
- b) Increase the open market value of the asset
- c) Increase the extent to which the asset can be used

Further clarification as to what can and cannot be charged to your school’s Devolved Capital money is given in annex A.

The school may accumulate Devolved Capital allocations over a maximum of three years. Schools may also add to their Devolved Capital monies by using revenue funding for capital purposes, however schools may not use Devolved Capital for revenue spend. In order to apply revenue funding to capital the school must first incur the capital cost. It is not possible for schools to transfer unspent balances between revenue and capital.

The following table summarises when schools must spend their Devolved Capital allocations by:

Allocation Year	To be spent by
2020-21	31 August 2023
2021-22	31 August 2024
2022-23	31 August 2025

Revenue Contribution to Capital: Schools wishing to make a revenue contribution to their capital must inform the Education Financial Services (EFS) contact, including the amount and demonstrating where the amount is included in the school’s revenue budget. The school will then be informed of the SAP accounting entries to make or made on their behalf by the local authority. These accounting entries are usually processed at year-end.

Capital Revenue Swap: A school considering a capital revenue swap, moving unused capital monies to support revenue spending, is required to contract EFS to confirm the feasibility of such a request. Again, these types of SAP accounting entry are usually processed at year-end.

What do schools need to do for the financial year 2022-23?

1. Each school should review all amounts charged against their Devolved Capital cost centre(s) within SAP to date. Where there is uncertainty surrounding the amounts charged advice should be sought from your Education Finance Service (EFS) finance adviser to confirm the amount charged can be capitalised.
2. Where the type of expenditure involved does not meet the definition of Capital or the amounts do not exceed the de minimis threshold the school is to transfer the amounts to an appropriate cost centre within the school's revenue account.
3. Schools should complete this work as soon as possible. By doing so, schools will find close down at year-end simpler and with no nasty shock will be waiting in the accounts.
4. Schools should also review their revenue expenditure. Items of expenditure that comply with the definition and requirements of capital as contained in this letter can be recoded to an appropriate capital cost centre and capital GL code. In addition the school will need to move any external income (from funding-raising) relating to this item or make a revenue contribution to their capital account. But before these types of transaction can be made the applicable expenditure must have been incurred within the capital account. It is not expected that there will be many of these within schools accounts, likely items may include vehicle and new one-off high value pieces of equipment.
5. The above should be completed by December each year, as in previous years the schools SAP account will be reviewed by the EFS finance adviser and if further action is required the school will be contacted.

The local authority in order to comply with the financial and audit regulations and whole government accounting will ensure that the amounts charged into SAP relating to Devolved Capital expenditure meet the above. Where amounts remain incorrectly charged at the end of the financial year these erroneous entries will be recoded "en bloc" to an appropriate revenue cost centre of the school concerned.

If in any doubt you are strongly advised to contact your school's EFS finance adviser for guidance and clarification.

Annex A

Devolved Capital can be spent on

1. Fund small capital projects, where capital expenditure is deemed to be any building related project above £2,000 in value.
2. Pay for a substantial project, by saving up allocations for a maximum of 3 years, can be longer if approved by EFS.
3. Contribute to a project where additional funding is coming from other sources
4. Fund items of capital equipment, including ICT

Expenditure may include:

- Health and safety works – major roof repairs, re-wiring, upgrading of fire and security systems, re-surfacing of play areas.
- Refurbishment – including the upgrading of the boiler plant or installation of the cabling required to provide IT equipment
- Provision of additional permanent accommodation
- Conversions – such as the re-designation of school areas to different uses.
- To extend and/or enhance the scope of building projects being undertaken through the local authority's capital programme
- Security – including the improvement to or provision of lighting, fencing and CCTV.
- Energy efficiency and conservation projects
- ICT equipment including interactive whiteboards and ICT refresh programmes.

To be deemed as capital expenditure the total cost of a project must exceed £2,000 and result in an addition to or the improvement of the fixed assets of the school.

Capital expenditure must either substantially:

- a. Lengthen the useful life of the asset
- b. Increase the open market value of the asset
- c. Increase the extent to which the asset can be used

In addition the DfE advises that schools are to consider the potential as well as actual condition needs when considering best use of their Devolved Capital funding. These considerations should include:

- Support for pupils with behavioural problems.
- Addressing the needs of the school workforce – accommodation needs, supporting non-pupil contact time and innovative use of space.
- Supporting the extended schools agenda
- Supporting the 14-19 agenda.
- Improvement to school grounds as well as buildings – with the exception of VA schools.

Devolved Capital cannot be spent on

1. Day-to-day general revenue maintenance, redecoration and repairs that are to be funded from delegated school's budgets
2. The purchase of books or training materials.
3. The funding of operating leases where the risk stays with the leasing company.
4. The repayment of school loans.
5. The hire of temporary accommodation.
6. Expenditure on small value capital items where the amount falls below the local authority's de minimis level - minimum capital spend threshold - of £2,000.
7. Revenue spending. This includes items such as:
 - printer cartridges,
 - printer and photocopier paper,
 - licences (including SIMS and Microsoft),
 - Internal traded service charges,
 - CD and DVD purchases,
 - digital cameras,
 - rental and warranty payments and
 - routine repair and reinstatement.
8. No single item with a purchase value of £50 or less can be charged to Devolved Capital.

Please note this listing is not exhaustive.