

Devolved Formula Capital

**Guidance for schools
April 2023**



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What is Devolved Formula Capital?

Devolved Formula Capital (DFC) is **capital** funding that is provided to individual schools to assist in the **maintenance of their buildings** and **to fund small-scale capital projects**.

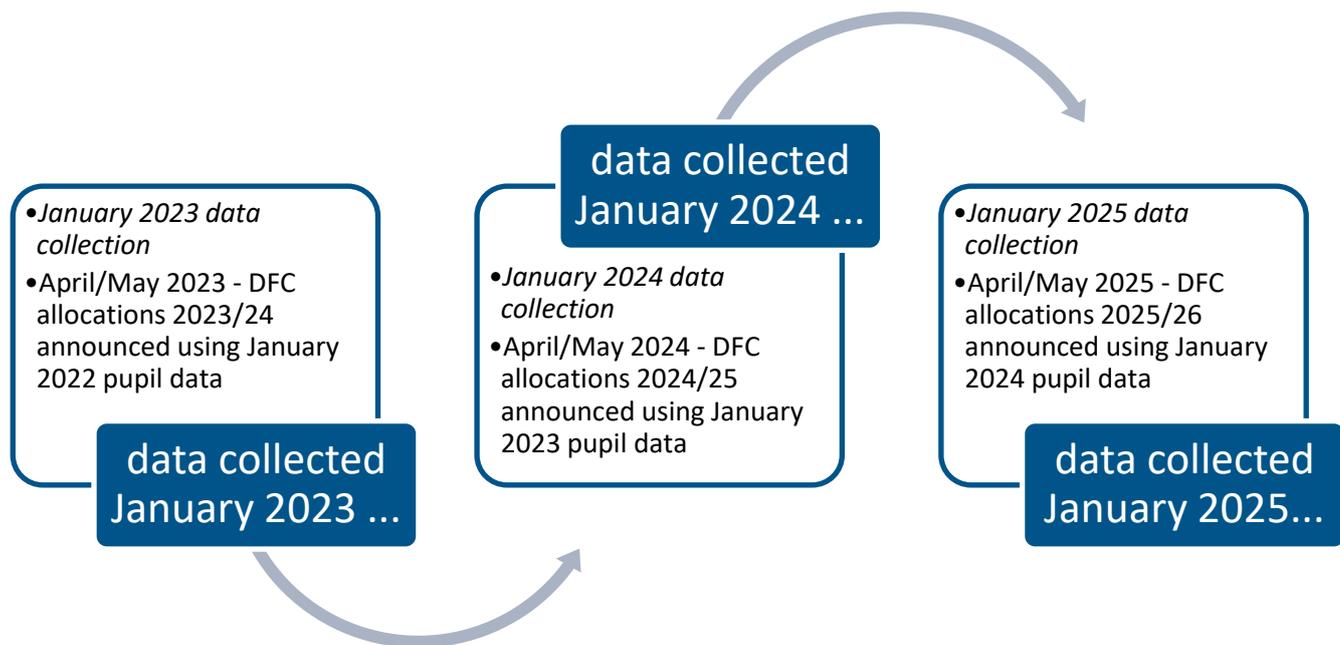
It is calculated on a purely formulaic basis by the Department for Education (DfE) from data collected in the spring school census of the previous calendar year.

How is my school's Devolved Formula Capital allocation calculated and how does my school receive it?

DFC is calculated for all maintained mainstream nursery, primary, secondary, special and pupil referral unit schools. The formula for calculating DFC is currently based on a fixed **lump sum of £4,000 per school** plus an **amount per full time pupil of £11.25 multiplied by the phase-related weighting** which reflects the different levels of floor area per pupil in different settings. This equates to:

Pupil phase	Phase-related weighting	Weighted per pupil amount (£11.25 x weighting)
Nursery / Primary	1.0	£11.25
Secondary	1.5	£16.88
Post 16	2.0	£22.50
Special/PRU/AP/boarders	4.5	£50.63

DFC allocations are based on the school census dataset that is collected in January each year. Due to the short period of time between this data being collected and the DFC allocations being announced for the next financial year, the DfE uses data collected in the January of the previous calendar year to calculate individual school allocations (as shown in the diagram on the next page).



Pupil numbers taken from the census are all pupils on roll **and** registered as a sole, dual main or dual subsidiary enrolment.

Provisional DFC allocations for all local authority-maintained schools as at 1 April are announced in the March prior to the year to which they relate. The allocations are confirmed on the basis of eligible schools in the local authority at the start of April with the grant being paid direct to the local authority in a single instalment in the following June. As soon as the allocations are received, the funding is transferred to schools, in full and as allocated, by journal on **subjective 9601**.

Voluntary Aided Schools are allocated 90% of their DFC allocation by the DfE with their Governing Body being required to raise the remaining 10% as it is they who are legally responsible for their own capital works, with the exception of works relating to the school playing fields. This allocation includes an element for VAT as voluntary aided schools are not able to recover VAT on capital expenditure. The voluntary aided body responsible for the school(s) receives the DFC allocation(s) direct from the DfE each June. VA schools cannot spend DFC on either (i) playing fields or (ii) playing field associated buildings located on playing fields as the responsibility for these lies with the local authority.

DFC is also calculated by the DfE for schools that have converted to **academy** status on or before 1 April. This is paid direct to the academy trust(s) by the DfE. For schools that convert after 1 April but before the funding is paid to the local authority in the June, it is expected that the DFC will be paid direct to the academy trust by the DfE. Where the DFC is received post conversion, the local authority will arrange to make the payment over to the academy trust. Schools converting after the DFC is received by the local authority, will have the funding transferred by journal and it will form part of their closing balance to be transferred to the academy trust.

What can Devolved Formula Capital be spent on?

The definition of capital expenditure is **any expenditure on the acquisition, creation or enhancement of fixed assets**. Enhancement refers to works which lengthen the life of the asset substantially, increases the value of asset substantially or increases the extent to which the asset can be used substantially.

Although DFC includes an element of funding for ICT investment (not software), the DfE urges that the grant should always be prioritised for the condition needs of school buildings such as:

- Investment in school buildings to include
 - structural improvements
 - minor extensions
 - total refurbishment/improvement of:
 - classrooms/library resource facilities/toilets/staff facilities
 - reception areas for daytime security
 - total replacement of roofs/windows/doors (but not external decoration or patch repair)
 - addition of security measures such as fencing and alarms (not replacement of like for like)
 - installation of new boilers to improve heating
 - implementation of energy efficiency programmes which result in financial savings such as replacement of lighting with LED options
 - compliance works such as electrical upgrades
 - benching/cabling/security grills/air conditioning/lighting for ICT provision and ICT equipment (hardware)
- Fixtures and fittings (i.e., furniture) but only as part of a wider improvement scheme and not a major element of the project cost
- Purchase of capital equipment

The DfE has published guidance on good estate management which can be found at <https://www.gov.uk/guidance/good-estate-management-for-schools>.

DFC cannot be used for:

- General routine repairs, redecoration, maintenance or like-for-like replacement of items such as carpets and other furnishings, existing equipment such as alarms or cctv, etc
- Subscriptions or maintenance contracts
- Purchase of books, ICT software or training materials/services
- Operating leases in respect of equipment or facilities (finance leases are classed as borrowing for which approval from the Secretary of State must be sought)
- Hire of temporary accommodation unless it is part of a larger project which has a short-term requirement to re-house classes
- Staff related costs

These are all categorised as revenue items as they neither improve nor enhance the capital asset. This list is not exhaustive and so, if in any doubt as to whether any proposed expenditure constitutes capital expenditure, contact the Capital Team via the Finance Enquiry Service (FES).

Is a de minimis level applied to Devolved Formula Capital expenditure?

In general, any expenditure on the acquisition, creation or enhancement of fixed assets with a value of **£2k** or more must be charged to capital even if it is to be fully funded from revenue. See 'Closedown Guidance for Schools' for the accounting treatment relating to this.

Where a school is undertaking a new construction or total refurbishment project, items specific to that project which, under other circumstances would be classed as revenue expenditure such as furniture and equipment, can be treated as capital project-related capital expenditure and so charged to DFC. IT hardware purchases in relation to an IT refurbishment project can be included in the project expenditure regardless of the value of the equipment purchased.

The de minimis level relates more to the purchase of equipment such as IT hardware where it is **not** included in a wider capital project. The following example should help illustrate when it can and cannot be charged to DFC:

- a purchase of one computer costing £500 should be treated as **revenue** as it is below the de minimis level of £2k
- a purchase of five computers costing £500 each, or £2,500 in total, should be treated as **capital** expenditure and can be charged direct to DFC

Will my school be expected to contribute Devolved Formula Capital to LA led work undertaken at my school?

CYPS Annual Capital Planned Maintenance Programme

Schools are expected to contribute their annual DFC allocation towards works undertaken on their school buildings through the annual **CYPS Capital Planned Maintenance Programme** which addresses condition and/or suitability issues up to a maximum of either the cost of the works to the local authority or the value of the annual DFC allocation, whichever is lower.

Whilst the annual programme is planned well in advance of the start of the financial year to which it relates, it cannot be formally approved by the Council's Executive until the grant allocation that funds the programme is confirmed by the DfE. Once approved, the Strategic Planning Team will write to the headteachers of the respective schools to confirm

that the works are to go ahead that financial year and that the contribution will be taken by journal during the second part of the autumn term. This transaction will then show in the school's Oracle print before the end of the term so that schools can ensure that they have accounted for it in their revised budgets.

It is recognised that, due to this delay, schools may already have planned to undertake projects using their DFC. As such, they should have informed Strategic Planning of their plans by means of a 'Project Proposal Form'. Where Strategic Planning are aware of school-led projects, the contribution to Capital Planned Maintenance Programme schemes will either be reduced to an affordable amount in discussion with the school or not recovered at all. *For further information on Project Proposal Forms go to page 7.*

Other Capital Schemes

Works may also be undertaken by the local authority outside of the annual Capital Planned Maintenance Programme. Where schools request additional or higher specification items or works to be included in the scheme, they will be asked to meet the cost of those items from their own resources (DFC, revenue contributions to capital or external capital contributions) before any scheme variations are adopted.

North Yorkshire Council Traded Services

North Yorkshire Council, through the NYES service, offers schools the opportunity to access, by subscription, tailored packages of advice and support to help ensure that they meet their property repair and maintenance responsibilities. The cost of this service and any charges relating to works are revenue, by nature, and cannot be charged to DFC.

Informing CYPS Strategic Planning of the School's intended use of Devolved Formula Capital

Schools are expected to inform Strategic Planning of their use of their DFC via a 'Project Proposal Form'. Where the work is not being delivered via North Yorkshire Property Services, a copy of the form will be shared with the relevant Property Officer who will review and comment on the project from a technical perspective, including health and safety requirements. Officers in CYPS will review the scheme from an educational perspective and ensure that funding is being spent in line with DfE guidance and on school development plans/priority suitability and condition items.

The form must be submitted **8 weeks prior to the planned start date**. If it is sent later than this, the start may have to be delayed until all checks are completed.

The information provided by the school will be used to ensure that the school's Asset Management Plan (AMP) information is updated following the completion of the works

along with any changes that may be needed to building plans following physical alterations to teaching/resource provision and to net capacity data. It also allows the Authority to respond accurately to annual audits on capital investment by the DfE and the annual capacity return. These returns are increasingly used to determine the allocation of capital funding to local authorities and schools.

Upon completion of any works that physically alter the building, the school will be contacted again to seek 'as built' plans showing the alterations and to establish revised room data.

Contact: Julia Temple – julia.temple@northyorks.gov.uk Tel – 01609 533242

The Project Proposal Form can be found at <http://cyps.northyorks.gov.uk/school-premises>

Schools are reminded that all capital procurement must follow the requirements of the LMS Contract Procedure Rules. For advice on procurement contact procurement@northyorks.gov.uk.

Can my school accumulate unspent Devolved Formula Capital for a larger project, or will unspent balances be clawed back?

A school can accumulate its DFC over a **three**-year rolling period to use on a project of a value greater than its annual allocation. However, the year 1 allocation **must** either be spent or fully committed by the time the Year 4 allocation is launched (1 April). The table on the next page shows how this works in practice.

Schools are advised to monitor their balances in line with this three-year cycle as there is potential for the DfE to claw back any unspent DFC (see page 10 for more information).

2021/22 DFC	2022/23 DFC	2023/24 DFC	2024/25 DFC	2025/26 DFC	2026/27 DFC
2021/22 DFC allocation must be fully spent or committed by 31 March 2024					
	2022/23 DFC allocation must be fully spent or committed by 31 March 2025				
		2023/24 DFC allocation must be fully spent or committed by 31 March 2026			
			2024/25 DFC allocation must be fully spent or committed by 31 March 2027		

Can I draw down future years' Devolved Formula Capital to fund a project earlier?

As the grant is allocated and received on an annual basis and in the year to which it relates, the local authority cannot devolve funding relating to future years which is yet to be allocated and received.

To undertake a project that cannot be delayed until future grant is received, the school has a number of options available to it. It can either (i) combine their available DFC with other funding sources such as their delegated budget or private funds or (ii) consider making an application for a loan or a capital deficit via the Schools Finance Team.

If this is something you are considering, please contact the Schools Finance Team via the Finance Enquiry Service (FES) to discuss further.

What information does the DfE require about the value of accumulated Devolved Formula Capital that remains unspent at the end of the year?

It is important to know that all local authorities, as recipients of the DFC grant on behalf of their schools, are required to complete an annual 'Capital Assurance Return' each autumn to confirm that capital grants have been spent on the correct programmes, for the purpose provided and within the specified time limits. **This return includes the Devolved Formula Capital allocation that should have been fully expended by 31 March that year.**

To complete this element of the return, an exercise is undertaken to identify those schools who have unused balances from year one of the three-year cycle on 1 April. This involves comparing the school's latest CFR BO3 balance to the total of their last two DFC allocations (which can be carried forward). Where the BO3 balance is higher, it indicates that there is unused year one grant, and the school will be required to explain why so that the Capital Assurance Return can be completed correctly.

There are a limited number of circumstances in which a request can be made to the DFE to carry forward unused but committed allocation at risk of being clawed back. However, this should not be relied upon as there is no guarantee that the DFE will agree to such a request. As soon as a school becomes aware of a situation such as this, they should seek the advice of the Capital Team via the Finance Enquiry Service (FES).

Schools are advised to utilise their DFC from the first year of the three-year cycle before the end of that period.

Where a school has converted to academy status prior to the requirement to complete the Capital Assurance Return, the local authority does not report on their balance. It is for the DFE to address any unused balances with the academy direct.

Closedown and Devolved Formula Capital Balances

Schools are issued with annual closedown guidance from the Schools Finance Team. This includes information relating to capital budgets and expenditure.

Finance Enquiry Service

To send an enquiry to any of the Finance teams referred to in this document, please use the FES e-form which can be found via the Finance Enquiry Service (FES) page on the *cypsinfo* website at: <http://cyps.northyorks.gov.uk/finance-enquiry-service-fes>.