



Voluntary Aided (VA) School Capital Funding (19/08/2011)

This document provides the latest available advice on VA school capital funding. However, the DfE have advised that it is their intention that capital funding for VA schools will change from April 2012.

- Currently the majority of funding for VA school capital works is met from 2 funding programmes provided by Partnerships for Schools (PFS)
- **Devolved Formula Capital (DFC)**
- **LA Coordinated VA Programme (LCVAP)**
- These funding programmes are for capital works only.
- For all VA schools capital funding is only allocated for works costing over £2,000 (excluding VAT). This is called the “de minimus” level.
- All building and maintenance works costing under £2,000 are ‘revenue works’ and must be funded direct by the school, using school budget.

Examples of capital/revenue funding

REVENUE (under £2,000)	CAPITAL (over £2,000)
Patching/mending roof	Replacing substantial part of roof
Filling in potholes in playground	Resurfacing whole playground
Replacing boiler parts when boiler breaks down	Repairing/replacing boiler
Replacing a few damaged chairs/desks	Replacing all furniture in classroom as part of a refurbishment project

VA school governing bodies are liable for:

- the existing buildings (internal and external), including kitchens, dining areas, medical/dental rooms, swimming pools, caretakers’ dwelling houses
- perimeter walls and fences, even if they are around the playing fields
- playgrounds
- furniture, fixtures and fittings – including ICT infrastructure and equipment
- other capital items (which can include capital work to boilers or other services)

Local Authorities are liable for:

- playing fields (including sports pitches and hard surfaced games areas)
- buildings on those fields and related to their use

Devolved Formula Funding

- Devolved formula capital (DFC) is a formula-based grant provided to all maintained schools. As from April 2006, the PFS have paid DFC direct to VA schools.
- These funds are held in a separate account and are drawn down to pay for capital projects only when the school governors have given their permission for the funds to be used.
- DFC can be used as a contribution towards a larger project e.g. a project for which the major source of funding is LCVAP.
- Grant aid (DFC and LCVAP) is actually paid in cash terms at 90% of the amount allocated.
- Governors are liable for 10% of the gross grant aided project cost and also for 100% of any non grant aided expenditure.
- Salisbury Diocesan Board of Education makes a discretionary contribution of 2% of the gross grant aided cost for building works only. Effectively this means that the Governors have to pay the balance of 8%.
- However, the Diocese does not make a contribution for IT or furniture, fixtures or fittings related capital expenditure. Schools have to find the full 10% for IT or furniture, fixtures or fittings.
- VAT is payable on all capital works in VA schools unless zero-rated due to the type of works
- Formula capital allocations (DFC and LCVAP) are enhanced to account for VAT, so that a VA school gets a larger allocation than a comparable Community school.
- Governors cannot reclaim VAT on capital items purchased through their delegated budget, nor can they claim reimbursement from DFC or LCVAP for items purchased through their delegated budget on which they have claimed back VAT through the LA. If they do so they are committing VAT fraud.

How DFC project funding works when grant funding fully covers project costs

		Income in cash terms	Expenditure £
Actual project cost (including fees and VAT)			100,000
Source of funding (DFC/LCVAP) 100,000	@ 90%	90,000	
SALISBURY DIOCESAN BOARD OF EDUCATION discretionary contribution	@ 2%	2,000	
Governors' liability (balance)	@ 8%	8,000	
		<u>100,000</u>	<u>100,000</u>

How DFC project funding works when grant funding does not fully fund project costs

		Income in cash terms	Expenditure £
Actual project cost (including fees and VAT)			120,000
Source of funding (DFC/LCVAP) 100,000	@ 90%	90,000	
SALISBURY DIOCESAN BOARD OF EDUCATION discretionary contribution	@ 2%	2,000	
Governors' liability (balance of grant aided costs)	@ 8%	8,000	
Governors' liability for non grant aided costs		20,000	
		<u>120,000</u>	<u>120,000</u>

How your 2011-12 allocation is worked out

2011-12	Standard Amount	+20% for VAT = VA 100%	90% grant	Governing Body 10% contribution
Lump Sum	£4,000	£800	£4,320.00	£480
Per Pupil Amount				
Primary	£11.25	£2.25	£12.15	£1.35
Secondary	£16.88	£3.37	£18.22	£2.03

DFC rules

- *Roll forward* – to enable a large project to be funded it is possible to roll forward your allocation. You can roll forward a year's allocation for a maximum of three financial years, or four years exceptionally.
- For example, grant rolled forward from 2008-9 must be claimed by 31 March 2011 unless a large project is being funded; grant rolled forward from 2009-10 must be claimed by 31 March 2012.
- If you do not spend your allocation within the three years, and you have not informed PFS that you need it rolling forward for a fourth year, then you may lose any remaining allocation from year one.
- PFS will not usually allow you to roll forward funding for a fourth year unless you are planning to use it for a specific project which needs a large amount of DFC funding.

ICT funding

- DFC can be used to support schools' purchases of ICT and equipment e.g desk top computers, interactive whiteboards, laptops, digital video cameras and printers.
- The purchase of such items must still comply with the definition of capital and be above the de minimis level for VA schools i.e. £2,000.
- The allocations do not specify the exact amounts of ICT funding included. The decision about how much DFC is used for either ICT or buildings and grounds should be based on a school's own priorities and circumstances.

Travel plan funding

- Travel plan funding is no longer available.

Diocesan DFC Scheme

Salisbury Diocesan Board of Education deals with the administration of the financial aspects of all building, ICT etc projects utilising DFC and LCVAP funding, including:

- Obtaining PFS and LA approvals
- Administering payments to contractors and professionals on behalf of schools – the DBE undertakes to pay all invoices pertaining to approved grant-funded projects and recover these funds (90%) through the PFS grant. In this way the Diocesan service protects a Governing Body financially against the possibility of late payment when they enter into a building contract.
- Assisting in resolving PFS Funding Issues - In circumstances where construction / project costs exceed the approved PFS grant sum for genuine reasons, the DBE (where funding permits and as approved by the DBE), will continue settling contractors invoices (and thereby protecting the Governing Body under the building contract) until 'additional costs' claims are prepared by the surveyor and considered by PFS. The Diocese will also co-ordinate these additional cost claims to PFS
- Liaison with and returns to PFS
- Collecting governors 8%/10% and other contributions
- Monitoring the school's available DFC and completing annual assurance returns to PFS on behalf of VA schools in the scheme for signature by the Head Teacher and Chair of Governors
- Providing online access to DFC statement and project details
- Appointment of Diocesan Surveyor – The DBE aims to ensure VA schools are adequately supported through capital building projects by appointing a Diocesan surveyor to each VA school in the Diocese. Surveyors are in regular contact with the DBE when a building project is taking place, and performance is monitored by questionnaires to governors on completion of those projects.
- DFC funds are held in a separate Bank Account by the Diocesan Board of Education.

Password access to DFC statement

- From September 2011 governors of VA schools can gain access to their DFC statement and building project details online with a password issued by DBE. Please contact Catherine Hannell on 01722 428422 for information or advice on this.

Getting permission to undertake work on VA school buildings

- By law, the governors of VA schools **must** ask for permission in writing from their Diocesan Board of Education, via a form A, before undertaking any work on their school buildings.

Form A Approval:

- When the governors of a VA school are considering a new building project, we ask the governors to complete a "Form A".

Information required on Form A:

- Name of school
- Name of person submitting application
- Brief description of proposed project
- Breakdown of all funding sources e.g. DFC/LCVAP/LA
- Estimated gross cost of project
- Expected start date
- How the project is supported in terms of condition (of the building fabric of the school), sufficiency (of space in the school for the numbers of children on roll/planned) and or suitability (of rooms/spaces at the school for the use intended)
- Any other supporting reports
- Predicted admission numbers over the next 3 years
- Diocesan School Surveyors Comments - including a statement confirming than no other essential building works should take priority

- After completion of the above information, the form is sent on to the Diocesan Board of Education and permission in principle is then granted if appropriate.

- Once form A approval is granted, the governors can go on to planning the project in detail with their surveyor.

Form D Approval:

- 3 tenders are required for all works funded by DFC, and project details are submitted to Salisbury Diocesan Board of Education on "Form D"
- Before approval is given, a check is made to ensure that the school has sufficient DFC or other funding if appropriate, to fund the project.
- Retrospective form D approval is not usually given unless there are exceptional circumstances such as a genuine emergency situation.

Information required on form D

- Cash flow of project detailing year/month and amount of each payment expected
- Governors contribution payable
- Signature on behalf of governing body committing them to repaying their governors contribution detailed above
- Date work due to start on site
- 3 lowest tenders
- Breakdown of all costs showing building work, surveyors fees, planning/building regulation fees, furniture, fixtures and fittings and VAT
- Funding sources to be specified with amounts
- Signature of architect/surveyor
- Signature of Diocesan Board of Education Officer, if the project is agreed

LA Co-ordinated VA Programme (LCVAP)

- LCVAP is PFS funding which is administered by the Local Authority in consultation with local partners i.e. dioceses, and in some cases schools that are not associated with a diocese.
- **LCVAP funding must be spent in the year it is allocated.** If not, it becomes a commitment in the following year and this means that fewer new projects can be funded.
- The Local Authority coordinates the programme allocations against local needs and priorities.
- Consultation takes place at Diocesan Liaison Meetings with the relevant Local Authorities, from September onwards.
- We ask VA school governors to submit applications for LCVAP funding, in consultation with their surveyor, prior to these Diocesan Liaison Meetings.
- There are always many more applications for funding than there is funding available.

LCVAP Priorities

- Salisbury Diocese projects are ranked by the Diocesan Board of Education and a committee made up of SDBE officers, headteachers and governors of VA schools, before submitting bids at the Diocesan Liaison Meetings, according to the following priorities:
- Additional costs on a building project in progress - unavoidable additional costs where the school governors already have a contractual obligation
- Disabled Access Works - essential works to accommodate a named child with specific problems
- Basic Need - the provision of additional teaching space to accommodate children in excess of the school's current capacity
- Essential Capital Repairs - repairs that have been identified by the AMP or the diocesan schools surveyor as essential and where the school's DFC is either inadequate to meet the need or there are other equally high priorities
- Exceptional Basic Need - replacement of mobiles with permanent buildings
- Halls/ICT/Library/Staff Resources - where funds allow to provide accommodation to bring schools up to the latest specification

The following additional factors may be taken into account:

- The probability/possibility of funding the required works from another initiative
- e.g. Building Schools for the Future secondary school programme, the Academy programme for secondary schools, the Primary Capital programme for primary schools and the Targeted Capital Programme.
- Rationalisation of the school provision in partnership with the LA
- Surplus places in neighbouring schools
- The number of children that would benefit from the expenditure of an amount of grant.

Process for obtaining approval for LCVAP funded projects:

- At the Diocesan Liaison Meetings, after consultation with all parties, projects which are ranked as having the greatest need are allocated funds first with others following on behind until the full LCVAP budget is allocated.
- This agreed programme is then submitted by the LA to PFA for ratifying.

- LCVAP project approval must then be obtained from PSF. The school surveyor completes a VA Approval form, providing a cashflow for the project, 3 tenders and a breakdown of costs, as with form D approval.
- This form is sent to PFS and work should not begin until PFS approval is obtained.
- LCVAP is paid by the PFS on submission of their claim forms with relevant invoices/certificates for payment.
- 2.5% of the project costs are held back by the PFS until the project is finalised and all invoices and certificates for payment are receipted.

Section 106 agreements

- Section 106 (S106) of the Town and Country Planning Act 1990 allows a local planning authority (LPA) to enter into a legally-binding agreement or planning obligation with a landowner in association with the granting of planning permission. The obligation is termed a Section 106 Agreement.
- These agreements are a way of delivering or addressing matters that are necessary to make a development acceptable in planning terms.
- Section 106 funds can sometimes be awarded to schools where there is shown to be a need for provision of extra pupil places in the local area as a result of the granting of planning permission e.g. for a new housing development.
- Section 106 funding for VA school building work is usually paid to the Diocesan Board of Education by the LA after the school building project to which it is assigned has been agreed between the LA, the DBE and the school governors.

**For further information on VA school capital funding
or advice on any other VA school buildings related matter,
please contact:**

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