

## Guidance on Devolved Capital and Fixed Assets

### 1. Devolved Formula Capital Funding (DFC)

DFC gives schools money to invest in their buildings, grounds and ICT equipment in order to improve educational standards (outside of the School Condition Allocation paid to the Trust). Devolved Capital is received once a year, in June, and unspent income is not treated as deferred income at year-end - any surplus funding is simply reported at a school's capital balance brought forward.

Schools can only spend DFC funding on capital projects which may include:

- Improvements to buildings or other facilities
- Purchasing ICT equipment
- Repairs and refurbishments to existing capital

Schools should ensure that DFC is not used for revenue purposes, such as:

- general maintenance
- redecoration (unless part of a refurbishment scheme)
- day to day repairs
- purchase of books, software or training materials
- funding leases in respect of equipment or facilities
- hire of temporary accommodation (unless needed as part of a larger capital project)
- staffing costs.

However, the Trust Finance Policy directs schools to target their DFC to:

- Projects required to ensure that the school is safe and meet all health and safety requirements
- Condition projects identified by the Trust to be delivered from the School's Devolved Capital Allocation
- Any other projects identified in the school's Estates Development Plan

Approval will be required from the Chief Financial and Operating Officer for Devolved Capital Spend which is outside of the priority areas detailed above.

The total cost of a capital project may be below £5k as long as the project fits the criteria above. However, if a capital project exceeds £5k it may also need to be recorded on the Trust's Fixed Asset Register (FAR). See paragraph below for guidance.

### 2, Fixed Assets

#### a) Fixed Asset Register (FAR)

The Central Finance Team have the responsibility of overseeing the maintenance of the Fixed Asset Register (FAR). This is a register of assets that have a net book

carry value over £5k and are reported on the Trust's balance sheet. An item qualifies to be a Fixed Asset if it exceeds £5k, can also be moveable and are those purchases that have a lifespan exceeding 12 months including equipment, IT equipment, buildings, land, vehicles, or capital projects that add value to a capital asset. The Central Finance Team will calculate and record the depreciation of each of the fixed assets purchased by schools in line with the Trust's capitalisation policy.

It is worth noting that not all expenditure over £5k from Devolved Capital will be treated as Fixed Assets. For example,

- Bulk purchase of IT equipment should not be included on the return as if the individual units are sold/disposed of separately, they are of immaterial value and therefore not deemed to be a fixed asset.
- General repairs or upgrades to Fixed Assets should not be included unless the work undertaken adds material value to the item, i.e. extension to a building.
- Boiler replacement/upgrade or, roof repairs exceeding £5k would not be included as they do not add value to be building and are simply maintenance.
- Carpets and flooring are also no longer included as they are not considered to add any value and are a replacement fitting for general upkeep of the premises.
- Software licences and Maintenance Contracts are not considered to be Fixed Assets and should be excluded from future returns.

Additionally, expenditure from revenue over £5k may need to be added to the Fixed Asset Register.

**Please see the Fixed Asset Flow Chart at Appendix A for guidance.**

Schools must complete a New Fixed Asset Addition Form once an invoice has been processed by following this [link](#) and submit to the Finance Team,-so that updates can be made to the Fixed Asset Register throughout the year rather than just collected as part of the audit workbook tasks and more recently via the monthly return.

The return will be reviewed by the Central Team and only those items that are considered to be Fixed Assets will be entered to the FAR.

#### **b) Assets below £5k**

Schools should ensure that all equipment is marked as belonging to the school and should include lease or purchase information, including date of purchase, cost, location, security mark plus details of warranties and expiration and any maintenance agreements. Items that have a cost greater than £5k must be added to the register if they fall into the category of a Fixed Asset. However, it is in a school's interest to include an inventory of assets exceeding £1k to maintain control of valuable assets that are below the Fixed Asset threshold of £5k. This is useful in case of theft or loss of assets through fire or flood for insurance purposes and secondly, no asset over the value of £1k may be sold or scrapped without the authorisation of the Chief Financial and Operating Officer.

### 3, Coding for Capital Expenditure

- If expenditure is being spent from revenue and, from the flowchart in Appendix A, does not need to be added to the Fixed Asset Register, you can process the invoice against the revenue expenditure code. E.g., nominal 5300 for IT equipment. Alternatively, if an invoice has been processed from revenue, but you would like it to be covered by Devolved Capital, you will need to make a revenue contribution from capital (i.e., debit nominal 7900) and credit nominal 8120 (contribution from revenue) for the full cost of part cost of the project.
- If expenditure is considered a Fixed Asset, it **must** be shown as capital expenditure so that the auditors can verify the expenditure for depreciation at year end. The cost of the project can still be spent from revenue, but schools must transfer the value from revenue (debit nominal code 7900) to capital (credit nominal code 8120) so that the auditors will be able to verify the expenditure for depreciation.

It is also possible that a Fixed Asset can be part funded from a revenue contribution to capital as above in addition to the balance being paid directly from a capital expenditure code 82\*\* to make the full amount.

The Fixed Asset return in the link above should be completed to reflect the final coding and may mean more than one entry for a single project. Additionally, you may need to do an additional return to cover the cost of professional fees for a project. Please use the same Project Reference in these cases so that the expenditure for a project can be collated and reconciled by the Central Finance Team.

**Appendix A**

**When to add an Expense to the FAR**

