

### **3.14 Voluntary Aided (VA) Schools – Governor Responsibilities for Building Works and ICT including VAT Rules.**

#### **Introduction**

This section of the Financial Guide provides guidance for VA schools on the rules relating to Governors' responsibilities for works to premises and ICT and the VAT implications for such capital building work and purchases.

This is an important area for VA schools and both Governing Bodies must have an understanding of the principles and Heads must be confident about the Governing Body's and the maintained school's responsibilities.

#### **Key Documents**

The key sources of information are government documents

- DfE Capital Funding for VA Schools in England (Feb 2011) – the full document is available via the link - [DfE Blue Book Feb 2011](#) but an extract (pages 4, 5 and 6) are reproduced below – The Basic Principles, and What do we mean by capital and revenue work,
- HMRC Guidance for LAs and VA schools in England - attached as an Appendix

#### **“The Basic Principles**

##### **Who is responsible for what**

Responsibility for work to VA school premises is shared between the school's governing body and the Local Authority (LA). The principles we apply to split this responsibility are as follows:

##### **Capital work**

VA school governing bodies are liable for:

- the existing buildings (internal and external), including those buildings previously known as 'excepted' (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)

LAs are liable for:

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

These liabilities are not specifically related to ownership. For example, governing bodies of those VA schools which were previously Grant Maintained may now own the playing fields and associated buildings, but the LA will still be responsible for any work to them.

Even if the LA owns any of the 'excepted' buildings referred to above, the VA governing body is responsible for any capital work to them. To protect any investment (in case of a future sale), the school needs to notify the LA of any related

capital expenditure within 12 months. If it is proposed to dispose of the building at a later date, an independent valuation is required. If agreement about sharing the sale proceeds cannot be reached the Secretary of State does have the power to intervene.

Teachers' dwelling houses are the liability of the trustees. We cannot pay capital grant for work to these buildings as they are not the responsibility of the VA school governing body or the LA.

### **Revenue work**

All revenue work to the premises is LA liability, but the funding is normally delegated to schools. There is no governing body contribution to revenue work

### **What do we mean by 'capital' and 'revenue' work?**

#### **Meaning of capital expenditure**

For the purposes of voluntary aided schools, capital expenditure is most recently defined within s35 of the Education & Inspections Act 2006. This removed paragraph 3 of Part 2 of Schedule 3 to the School Standards & Framework Act 1998 (which had incorporated the 2002 Regulatory Reform Order definition of capital expenditure).

References to capital expenditure, in relation to an appropriate body or the promoters, in the case of a voluntary aided school, are references to;

- expenditure of the body or the promoters which falls to be capitalised in accordance with proper accounting practices; or;
- expenditure which would fall to be so capitalised were it to be incurred by the body or the promoters.

The Secretary of State may by regulations prescribe classes or descriptions of expenditure which are to be treated as being, or as not being, capital expenditure. An "appropriate body", in the case of a voluntary aided school, means the governing body of the school, or a relevant body in relation to the school.

"Proper accounting practices", in relation to an appropriate body or the promoters, in the case of a voluntary aided school, means those accounting practices;

- which are regarded as proper accounting practices to be followed in the keeping of accounts by the appropriate body, or as the case may be, the promoters; or;
- which are regarded as proper accounting practices to be followed in the keeping of accounts by the Local Authority.

The following examples are intended to provide guidance on how to decide what might be regarded as revenue (paid for from revenue budgets) and capital expenditure (which can be met from either capital grant or delegated revenue budgets).

Localised repairs to a roof (patching or mending) should usually be met from revenue funds, because this would be regarded as normal repair and maintenance

work. If the whole roof, or a substantial part of a large roof, needs to be replaced, then this could reasonably be regarded as a capital.

Small repairs to playgrounds (filling individual potholes etc.) should usually be met from revenue funds, because this would be regarded as normal repair and maintenance work. If the whole of the playground needs to be resurfaced, then this might reasonably be regarded as a capital item.

A boiler has unexpectedly broken down, and requires a new part which will cost £1,800. This could have been regarded as either revenue (because it is repair and maintenance) or capital. The cost, however, dictates that it must be revenue because it is below the 'de minimis' threshold of £5,000.

Replacing a few damaged chairs or desks would be regarded as a revenue cost because it is normal wear and tear. If, however, as part of a refurbishment of a whole classroom, all of the furniture is to be replaced then it can be included as part of the capital project. “

Further guidance on Responsibility for Repairs and Maintenance and Capital work is given in Section 12 and Annex D of the LB Barnet Scheme for Financing Schools. This includes the “**de minimis**’ level for capital expenditure.

In LB Barnet the de-minimus level for non ICT capital expenditure has been set at £5,000. Therefore all building works under £5,000 can be paid through the main school’s revenue accounts and have the VAT claimed. Similarly the de-minimus level for ICT capital expenditure has been set at £2,000. All ICT purchases under £2,000 should be paid through the main school’s revenue accounts and have the VAT claimed. Some ICT purchases in excess of £2,000 are also revenue – see below.

### **ICT**

Capital expenditure includes the purchase of computer hardware and software where these are to be capitalised or are funded from capital grant, e.g. Devolved Formula Capita (DFC).

DFC can be used to support schools’ purchases of ICT infrastructure and equipment; for example, items such as desk top computers, interactive whiteboards or laptops and computer peripherals such as digital video cameras and printers. However the purchase of such items must still comply with the definition of capital and be above the de minimis level.

Schools may also consider whether leasing ICT equipment provides better value for money but leasing charges cannot be from capital funds

Further details of Governing Bodies responsibilities re school premises and ICT expenditure is given on page 2 of the HMRC Guidance. However the following example may assist.

The purchase of a number of laptops costing £2,500 is revenue expenditure, as the items are "non-premises" and LA responsibility; also are not of a capital nature.

### **Capital Funding - Devolved Formula Capital**

Devolved formula capital (DFC) is a formula-based grant provided to all maintained schools, however DFC is paid direct to VA school Governing Bodies. These arrangements provide greater autonomy for VA schools to decide how to fund local priorities. The Governing Body must ensure it fully understands the terms & conditions of this grant, including arrangements for paying for works etc. and receipt of grant.

DFC can only be used for capital expenditure which is the governing body's liability. The Governing Body must still make the statutory 10% contribution and they must still get permission from the trustees/diocese to undertake work to the buildings.

The Governors cannot use their devolved formula capital to meet their statutory 10% contribution, but they can use the revenue budget delegated to the school, subject to it not impinging on the delivery of an appropriate standard of education.

### **Revenue funding of Capital Expenditure**

A VA school may make a contribution to the capital expenditure of the Governing Body on premises works or ICT facilities, provided it can do so without impinging on the delivery of an appropriate standard of education.

To ensure this is a legitimate use of public funds delegated to the school, the Governing Body (or its sponsoring body e.g. The Diocese) may request a contribution in writing specifying the amount and purpose of the contribution, clearly indicating the benefit to pupils. This request and payment documents must be kept as an audit trail in accordance with the LA's retention of financial document policy.

### **Expenditure & VAT**

VAT cannot be recovered on capital expenditure that is the responsibility of the Governors in VA schools. The DFC that is paid to VA schools includes an element of funding for VAT which VA Governing Bodies are obliged to meet.

***Contracts for capital works to VA schools must be between the Governors and the contractor.*** Therefore all invoices for works should be addressed to The Governing Body of the VA School in question and there should be no entries through the school's delegated budget accounts.

(This includes work funded from the DfE 90% direct grant and the 10% contribution, if paid for by the governors or from other donated funds).

The link below will take you to the HMRC website  
[http://customs.hmrc.gov.uk/channelsPortalWebApp/channelsPortalWebApp.portal?nfpb=true&pageLabel=pageVAT\\_ShowContent&id=HMCE\\_CL\\_000117&propertyType=document#P807\\_52420](http://customs.hmrc.gov.uk/channelsPortalWebApp/channelsPortalWebApp.portal?nfpb=true&pageLabel=pageVAT_ShowContent&id=HMCE_CL_000117&propertyType=document#P807_52420)