CAPITAL FUNDING FOR VOLUNTARY AIDED (VA) SCHOOLS IN ENGLAND

Blue Book Guidance

Department for Education

Contents

Background

The delivery of schools capital programmes

In October 2009, responsibility for the management and delivery of all of the Department's schools capital programmes, including the Voluntary Aided schools capital programme, transferred to Partnerships for Schools (PfS). PfS is a Department for Education non-departmental public body and the Secretary of State for Education is accountable to Parliament for its activities and performance

Overview

This guidance provides information relating to capital work at voluntary aided (VA) schools, together with details about how to apply for funding.

Used in conjunction with information available on the DfE website http://www.education.gov.uk/schools/adminandfinance/schoolscapital this guidance may be helpful to those involved in capital funding arrangements for premises-related work at VA schools.

For further advice contact the VA Capital Team, Partnerships for Schools, Room 36 LGF, Mowden Hall, Staindrop Road, Darlington, DL3 9BG. You can find more information on the following section of the DfE website: http://www.education.gov.uk/schools/adminandfinance/schoolscapital/funding/voluntary-aidedschools

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 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 £2,000.

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.

Capital Includes - Purchase of computer hardware and software where these are to be capitalised or are funded from capital grant; E-learning credit expenditure; ICT in schools capital expenditure. However capital cannot be used for leasing of IT equipment and warranties as these must be funded from revenue.

In many cases, there will be a requirement for VA schools and their advisors to determine whether expenditure is of a revenue or capital nature.

‘De minimis’ level

There is a threshold below which any expenditure is not considered to be capital and should not be met from capital budgets. For all VA schools this is £2,000. The de minimis level also applies to the purchase of ICT equipment.

How much capital grant can I claim?

The standard rate of grant is 90%. This means that, for work which is the governing bodies liability and which (for example) costs £5,000, you can claim grant of £4,500. LAs have the power to help a VA school governing body with their 10% contribution.

Governing bodies cannot use their devolved formula capital to meet their 10% contribution, but they can use the revenue budget delegated to the school.

PfS has the power to pay grant at up to 100% only in exceptional circumstances. Further guidance is given from paragraph 51 onwards.

Funding Programmes

This section covers the local funding programmes currently available to VA schools. It identifies the main aspects of each programme, and outlines what you can and cannot do with each programme.

Any grant support must be to assist the VA school's governing body with its responsibilities for the capital provision and/or capital refurbishment or renewal of VA school buildings and equipment.

Unless otherwise stated, in all of these programmes grant is paid at the standard rate of 90%.

Targeted Capital Funding (TCF) programme

There is currently no bidding round for VA TCF, and no plans to reintroduce it. Funding has been redirected through the Locally Co-ordinated Voluntary Aided Programme (LCVAP). There are some existing TCF projects which were successful with bids in previous rounds. Funding awarded for these projects is capped, and any increase in costs must be met from local funding streams.

LA Co-ordinated VA Programme (LCVAP)

Outline

This is funding, calculated by formula, which we ask LAs to co-ordinate. There are no limits on the size of a project that can be supported by LCVAP, nor any restrictions on the type of capital project, as long as the capital work is the governing bodies liability. LAs are notified annually of their LCVAP allocation.

Detail

Each LA is asked to co-ordinate, in consultation with local partners (e.g. dioceses, and schools not associated with a diocese), how the programme should be allocated against local needs and priorities. The programme must take account of additional formulaic contributions to approved capital projects, and should also provide sufficient flexibility to support other urgent works which may arise during the course of the year. We expect each LA to have submitted an outline list of projects by the end of May each year. We cannot approve LCVAP projects until we have a locally agreed programme of those projects going forward in each year.

For mixed DFC/LCVAP projects spanning 2 years, retentions are funded from the LCVAP element. We will only pay 97.5% of the grant in year 1. The remaining 2.5% should be allocated from the next financial year. Local partners will need to take this into account when planning their programme to avoid any 'loss' of funding at the end of a financial year.

The co-ordination of the programme should also take into account those projects that have slipped, causing committed expenditure in later year(s). LAs should use the VA Schools Information System (VASIS) to ascertain these projects and the value of the slippage.

When deciding which new projects should be funded through LCVAP, local partners should also consider the amount of DFC held by schools. It may be appropriate to ask those schools to contribute some, or all, of their allocation towards the cost of an LCVAP project. This will ensure that schools do not hold large amounts of unallocated DFC, and will enable LCVAP to be used to fund as much work as possible in a LA area. Once a school has been informed that they have been allocated LCVAP funding, the school/diocese will need to develop the project.

Some planned projects do incur delays and cannot go forward in the chosen year. Therefore to ensure full spend of the programme, funding for these slipped projects will need to be re-allocated to other projects. LAs should notify these fallback projects to us.

Things to remember

LCVAP funding must be spent in the year it is allocated; if not, it becomes a commitment in the following year (this means that fewer new projects can be funded). If your project does look like slipping, let us and your local partners know. LCVAP funding will be lost if it is not allocated to an approved project. Local partners need to ensure funding is correctly allocated and projects are approved and finalised wherever possible in the relevant year.

Plan projects properly and if necessary phase projects over two years where that best suits the projected build period. In this way, additional projects can be supported in both years.

LCVAP can support all types of capital work provided it is governors' responsibility. There is a minimum project cost of £2,000 but no maximum cost. LCVAP and/or DFC are the only sources of funding in the event of an emergency or insurance situation.

Devolved Formula Capital (DFC)

Devolved Formula Capital (DFC) is a formula-based grant provided to all maintained schools. DFC is paid direct to VA schools, or by local arrangement to their Diocese, in two scheduled payments made during the financial year. It should be remembered that DFC is capital funding and is strictly subject to the £2,000 de minimis limit.

These arrangements provide greater autonomy for schools to decide how to fund local priorities. There is no requirement to seek approval to carry out capital work to the school premises, nor to make a claim to PFS for the money. DFC can only be used for capital expenditure which is the governing bodies liability. The 10% contribution is still required, as is permission from the trustees/diocese to undertake work to the buildings. LAs will also need to know about any work in order to update asset management plan information.

How will the grant be paid?

It will be paid in two instalments. The first is paid in May and is for 40% of in-year allocation. The second payment is paid in early July, and will be for the remaining 60%. Payment may be withheld where schools fail to comply with the assurance process.

New schools entering the VA sector

New schools entering the sector must tell us which account DFC should be paid into. A mandate form can be downloaded from http://www.education.gov.uk/schools/adminandfinance/schoolscapital/funding/voluntary-aidedschools

When considering what type of account to use, schools must ensure that capital can be accounted for, and that value added tax (VAT) is not reclaimed. VAT should not be reclaimed because the DFC paid to VA schools includes an element of funding for VAT which VA governing bodies are obliged to meet.

How will schools account for the funding?

As a requirement of PfS's audit process, we will write to schools/dioceses at the end of the financial year requesting the completion of a declaration to tell us about how funding has been spent. The declaration will ask for confirmation that schools/dioceses:

- have spent the money on capital items
- have made the 10% contribution
- have local planning or other approvals (such as Building Regulations)
- have paid VAT where relevant (which has not been reclaimed)
- have consulted the trustees of the buildings (Church of England schools are under a legal duty to do so)
- acknowledge that the school is not due to close in the next 12 months

or

- are carrying the funding, or part of it, forward to the next financial year (if only part is carried forward, we will need to know how much)

Claiming for work on projects approved before 1 April 2006

Where we have approved work under the old arrangements this funding is already committed. You should send your claim to the VA capital team as you have always done until we advise you otherwise.

Schools which will receive a reduced rate of DFC

Where schools have been modernised by more than 80% of their floor area their DFC will be paid at the 'standard rate'. This rate equates to 50% of the 'higher rate' of DFC, which all other schools will receive.

Outline

The size of a project is limited to that which can be supported by the school's DFC allocation. Funding can be accumulated by a school for up to three years (four years in exceptional circumstances). Exceptional circumstances could be for example where a school is saving for a specific, identified project. Rolling DFC over will not be permitted to allow the accumulation of DFC for a 'sinking' fund, or in anticipation of future, as yet unidentified works.

There are no restrictions on the type of capital project that can be supported by DFC, as long as the capital work is governors' liability. To help schools plan their capital projects, DFC can be rolled forward or (where appropriate) pooled at diocesan level to enable larger projects to go ahead. Further details are given later in this section. Additionally, where DFC is at risk, schools and Dioceses should first look to pool/cluster money within the diocese or other schools (see Annex G). If this is not possible we will consider individual cases. This might include where project costs exceed the schools last three years DFC allocations, or where a project couldn't be started in the current financial year and there is no alternative funding. Simply rolling it over because a project has not been planned early enough will not be allowed.

Can DFC be used to fund feasibility studies?

DFC can be used to undertake feasibility work.

Formula

The following table outlines the rates used to calculate a school's DFC allocation over the 2011-12 financial year:

2011-12	Standard Amount	+20% for VAT = VA 100%	90% grant	Governing Body 10% contribution
Lump Sum	£4,000.00	£4,800.00	£4,320.00	£480.00
Per Pupil Amount Primary	£11.25	£13.50	£12.15	£1.35
Secondary	£16.875	£20.25	£18.23	£2.02
Boarders	£33.75	£40.50	£36.45	£4.05

Features

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 2009-10 (including the amount advanced from 2010-11) must be claimed by 31 March 2012 unless we are informed otherwise.

If your allocation is not spent within the three years, and we have not been told of a requirement to roll forward for a fourth year, then any remaining allocation from year one will be lost.

DFC for VA schools cannot be brought forward from future years. This means that where a project is planned and requires two years' DFC, it will need to be prioritised to go forward when it is affordable within the four year period.

Pooling DFC

Schools may wish to pool their funding to carry out a larger-scale project. You should first contact your diocese (if appropriate) to discuss your needs. If pooling is an option the diocese will assist with the local administrative arrangements.

In general it is possible for a group of schools to decide to pool some, or all of their DFC. Donating schools give up an amount of their DFC and passport this to the recipient school.

If a school decides to pool its funding, it will need to tell us that it is carrying the funding forward. We will write at the end of the financial year to ask for more details.

Detail

DFC is often used for smaller-scale capital work that exceeds the de minimis level of £2,000. It can also be used as a contribution towards a larger project e.g. a project for which the major source of funding is LCVAP. Schools can decide how best to use their DFC, but projects should feature as part of the school's agreed development plan or the asset management plan.

Emergencies

We do not keep a reserve for funding emergency situations. Local partners may need to re-prioritise funding from LCVAP to meet some, or all, of the costs. This may include, for example, the reinstatement of a classroom destroyed by fire, if uninsured. Schools must consider reprioritising DFC. See Annex B or contact Steve Atkinson on the VA Capital Team on 01325 392439 for insurance-related queries.

Funding in Exceptional Circumstances

Outline

As a result of the changes introduced in April 2002, PfS now has the power to pay VA capital grant at up to 100% in exceptional circumstances. LAs continue to have the power to assist VA school governing bodies with their 10% contribution or towards capital projects as they wish.

In normal circumstances, the rate of grant support will be no more than 90%. However, there might be rare, exceptional circumstances in which it would be appropriate to consider paying above this rate. The VA team can provide further advice when necessary.

Detail

Contact the VA Capital Team to alert us to the situation (see Annex K). The decision about when to apply 100% funding will be based on the individual circumstances and the documentation supplied by the school or diocese.

We would not regard the following as exceptional:

- a governing body cannot afford its contribution towards a conventional capital project
- a one-off re-organisation affecting only a small number of schools which is not part of a larger reorganisation regardless of whether a LA or diocese initiates this. (The Primary Capital Programme is not paid at 100%)
- a surplus place removal project at an individual school
- any project where the contribution is less than £10,000 for a primary school, or £20,000 for a secondary school.

Responsibilities

The governing body and its consultants

The governing body has a legal responsibility for all building work carried out at the school, and should employ appropriately qualified building professionals as consultants. The consultants will be responsible for assuring the governing body that projects comply with the current school premises regulations, the Department's constructional standards, building regulations and all other relevant legislation.

We recommend that any consultant must have professional indemnity insurance cover; this offers some protection to the governing body in the event of problems arising. Consultants will also usually complete the relevant paperwork and certifications including the approval form which needs to be submitted to the VA team before work commences.

If the governing body does not employ a consultant, it will need to certify on the approval form that the building work complies with the relevant standards and regulations. The governing body also has a statutory duty under the Construction (Design and Management) Regulations 1994 to appoint a competent Planning Supervisor on almost all building projects. This is to ensure that all issues relating to health and safety in construction work are covered.

More information on this statutory duty and other useful information relating to design issues can be found at
http://www.education.gov.uk/schools/adminandfinance/schoolscapital/buildingsanddesign

Governing bodies may also have access to advice and assistance from their local diocese, where appropriate.

The Local Authority (LA)

Any division of liabilities must be discussed with the LA before applying for building approval for capital projects which involve work to the playing fields, or buildings on the fields which relate to their use.

Form Approval should be copied to the LA when sent to the VA Team, even if the work contains no LA liability.

The LA will share the governing bodies interest in value for money. If the best value tender is above the agreed costs, and this increases the LA's share of funding, the governing body must get the authority's agreement to the increase. You will also need to send a revised approval form to PfS and the LA.

When projects funded through LCVAP or TCF are approved, PfS will notify the LA of approval. If the authority subsequently advises PfS that it is not aware of the project details, or its share of liabilities, the approval may be withdrawn. We cannot fund liabilities which are the statutory responsibility of the LA.

At final cost stage, the governing body must send form Final Claim to the LA, who will sign it and return it to the governing body. The governing body must then send it to PfS with all relevant original receipts.

Building Approval

Once you have agreed with local partners how the project will be funded, you should then apply to the Department for approval to carry out the work. Approval to proceed with any project should always be sought before the work commences using form Approval. This ensures availability of the funding for your project and also that PFS approve the work. All forms referred to in this section can be downloaded from http://www.education.gov.uk/schools/adminandfinance/schoolscapital/funding/voluntary-aidedschools.

On capital projects – building works must be above the £2,000 de minimis level.

Capital Projects – where the total value of building work:

- for primary schools is up to £499,999
- for secondary schools is up to £999,999

Types of project	The process
Capital projects - total value of building work up to: • for primary schools - £499,999 • for secondary schools - £999,999	1. Where appropriate agree with the LA its share of liability. 2. Undertake the tender process and complete the relevant sections of form Approval and send it to the VA capital team (copy to the LA). All forms can be downloaded from http://www.education.gov.uk/schools/adminandfinance/schoolscapital/funding/voluntary-aidedschools. 3. Claim forms will follow with the approval letter once approved. 4. You can then send your claim to the VA capital team on form Interim Claim as the work progresses and on Final Claim when the project is completed.

You should agree with local partners how the project will be funded, undertake the tender process and then send the completed Approval form to the VA capital team. You must also send a copy of the application to your LA. Where appropriate the LA should have agreed to its liabilities and share of costs before the approval is submitted.

On receipt of your application, we will log it on the VA Schools Information System (VASIS) so you can see how it is progressing. If you need a password to access VASIS please email va@partnershipsforschools.org.uk with the following details:

full name; position; contact telephone number; LA/school number (if appropriate).

email address school/LA/Diocese (please specify) name;

We will consider all locally agreed projects. Once we are satisfied, we will give building approval and advise you how to claim grant using form Interim Claim.

You can then start the work. As the work progresses, grant should be claimed on form Interim Tender Claim which is sent with your approval. You may claim up to 97.5% of the grant available against the funding streams detailed on the claim form.

The final 2.5% can be claimed on form Final Claim once the work is completed and the final claim has been submitted.

You should not forward any plans or supporting documentation unless asked to do so.

Capital Projects – where the total value of building work:

- for primary schools is £500,000 and above
- for secondary schools is £1,000,000 and above

Types of project	The process
Capital projects - total value of building work: • for primary schools £500,000 and above • for secondary schools £1,000,000 and above	Agree 1. Where appropriate agree with the LA its share of liability. 2. Complete relevant sections of form Approval and sent it to the VA capital team (copy to the LA). 3. If approved, obtain tenders. If your tender is within PfS's criteria, go ahead with the work and submit form Tender Report Certificate Approval. If tender costs exceed agreed estimates seek approval to change to the new costs, or revise the scope of the work and seek approval to change on form Approval. 4. Claim from the VA capital team as the work progresses on form Pre-Tender Claim or Interim Claim and on Final Claim when the project is completed.

Once you have agreed with local partners how the project should be funded you should send the completed Approval form seeking approval to proceed (ATP) to tender to the VA capital team.

The level of detail submitted to obtain approval to proceed to tender should be equivalent to stage D of the Royal Institute of British Architects' (RIBA) plan of work. The Approval form should be accompanied by a reasonably comprehensive outline cost plan. Do not send tenders at this stage. You should also send a copy of form Approval to your LA. Where appropriate the LA should have agreed to its share of liabilities and costs before the approval is submitted.

On receipt of your application, we will add it to VASIS so you can track progress. If you need a password to access VASIS please email va@partnershipsforschools.org.uk with the details outlined at Annex F.

Successful applications will be given approval to proceed to tender and approval to claim grant for professional fees and VAT up to 7.5% of the total governing body's expenditure. Claims should be made on the Pre-Tender Claim form which will be sent with the approval letter.

Tender approval/final cost stage

On receipt of the tender report certificate, if approved, the VA team will send you a confirmation letter together with claim forms Interim Claim and Final Claim. You may then claim up to 97.5% of the grant available against the work categories detailed on form Interim Claim, but only up to the total amount under each category. At final cost stage, if the project contains an element of LA liability the governing body must send form Final Claim to the LA, who will sign it and return it to the governing body. The governing body must then send it to the Department with all the relevant original receipts. If the project does not contain LA liability there is no requirement to send form Final Claim to the LA. The governing body simply completes the form and forwards it to the Department with all the relevant original receipts.

Buying a new or additional site

If you are applying for grant to help buy a new or additional site, you must send us form SB1 and a District Valuer's report with your form VA/Approval. You can download form SB1 from the link below;
http://www.education.gov.uk/schools/adminandfinance/schoolscapital/funding/voluntary-aidedschools

Additional Costs

We do not expect to fund additional costs on any project after contracts have been signed and a tender report certificate provided. Should genuine unforeseen additional costs arise, we expect that local formulaic funding is used to support these.

Local partners need to be assured from the outset of any project that local contributions can be maintained and are sustainable throughout the life of it. We will only consider making other additional funding available on an exceptional basis, and this in turn is totally dependent on the availability of unallocated capital funding centrally.

Before considering local funding streams for additional costs, you should first look to use any contingency sums in the approved allocation and also to seek savings from within the contract works. You will need to demonstrate clearly how these contingency sums have been used and what actions you have taken to keep additional costs to a minimum.

Form Additional Cost Approval should be submitted with supporting documentation – applications may be subject to professional scrutiny.

Building Regulations

School buildings are treated in the same way as any other buildings, and are subject to normal building control procedures. This does not in any way affect the status of the School Premises Regulations, which continue to apply to all schools.

The link below will direct you to the web content of the Schools Design Team within Partnerships for Schools, who aim to promote best practice in design, use and management of school facilities.

http://www.education.gov.uk/schools/adminandfinance/schoolscapital/buildingsanddesign

Annex A - Glossary Of Terms

AMP	Asset Management Plan
ATP	Approval to Proceed
BSF	Building Schools for the Future
BREEAM	Building Research Establishment Environmental Assessment Methodology
CDM	Construction (Design and Management) Regulations
CIPFA	Chartered Institute of Public Finance and Accountancy
DFC	Devolved Formula Capital
DfE	Department for Education
DV	District Valuer
ICT	Information Communication Technology
LCVAP	Locally Co-ordinated Voluntary Aided Programme
LA	Local Authority
PCP	Primary Capital Programme
PFI	Private Finance Initiative
PfS	Partnerships for Schools
PTA	Parent/Teacher Association
PLASC	Pupil Level Annual Schools Census
RIBA	Royal Institute of British Architects
SEN	Special Educational Needs
SOC	School Organisation Committee
STP	School Travel Plan
TCF	Targeted Capital Funding
VA	Voluntary Aided
VASIS	Voluntary Aided Schools Information System
VAT	Value Added Tax
VFM	Value For Money

Annex B - Insurance Arrangements For VA Schools

We are working to address current concerns expressed about insurance of premises, property and other liabilities for VA schools. We aim to develop a set of principles upon which new arrangements should be based.

This is a draft for information; it does not constitute formal DfE/PfS policy at this stage.

Background and Experience

The basis of current arrangements is as follows:

- VA governing bodies are liable for capital expenditure in respect of most of their premises (but not playing fields & associated buildings)
- the Department has the power (but not an obligation) to pay capital grant, usually at 90% of relevant expenditure, with governing bodies being responsible for the other 10%
- LAs are responsible for revenue funding – including insurance premium costs

Previous advice has been that VA governing bodies need only insure for their 10% contribution, with capital grant being available to meet the balance. The issue now is not that the Department is questioning the principle of considering 90% of such costs but the manner in which that support might be provided when sudden and unforeseen damage arises to a VA school. There simply is no longer any headroom in the VA capital programme to find additional money, hence the increasing requirement in recent years to use DFC and/or LCVAP – or to insure for 100% of any loss. In addition schools need to bear in mind that existing capital programmes only apply to the government's current spending review period (up to March 2011)

LAs need to consider that, in the event of an unforeseen loss, they are responsible for the provision of places for pupils affected by the loss (it is the duty of every authority to provide a place for every child of statutory school age, but it is not a duty to provide it in a particular school).

The current interpretation and practice of these duties has created a complex and inconsistent situation. Anecdotal evidence is that:

- some LAs offer insurance packages of various kinds to VA governing bodies, while others do not (or even refuse to do so).
- many LAs do not adequately explain the level of cover they themselves may be providing: some self-insure, making the level of cover indeterminate; whilst
- other LAs market-insure everything, including the governing body's 10% share; and
- some risks are difficult to insure.

Governing bodies may therefore apply a 'belt and braces' approach and take out their own insurance policies, leading to some being double or even triple-insured. On the other hand, some schools may be under-insured. It is consequently arguable that the current situation is unsatisfactory and may be an inefficient use of public funds or else result in sudden calls for capital which may not be available.

DfE published guidance on schools insurance (which can be downloaded from http://www.education.gov.uk/schools/adminandfinance/schoolscapital/buildingsanddesign/managementofpremises and there is guidance on risk management at http://www.education.gov.uk/schools/adminandfinance/healthandsafety/riskassessment. DfE also published guidance to authorities on disaster funding. Whilst problems at a single school would not qualify for assistance, the general principles have relevance.

Next actions

The issues were considered by members of the VA Capital Working Group, and discussed at the Church of England Buildings Officers' conference 2009. The principles were passed to the Local Government Association, and PfS, VA Capital Working Group representatives and LGA are now working to agree the principles in order to promote widespread good practise.

Principles in relation to Insurance of VA school premises

Governing bodies, trustees, designated authorities (such as dioceses), and local authorities must have a clear understanding of, commitment to, and confidence in, the arrangements which should be transparent.

VA schools must be treated equitably in relation to other schools in the authority.

The arrangements must ensure that all assets and liabilities (both Trustee and public) are fully and equally protected.

Governing bodies and/or trustees must be the 'responsible body' for decision-making about insurance, which may involve a range of alternative approaches from which governing bodies can choose an appropriate solution – but they must have regard to value for money (and must understand that local authorities may only provide revenue funding for premiums equal to what those premiums would cost for a non-VA school).

Local authorities must offer the same insurance facilities to VA schools as they would to others (in relation to, for example, buy-back or self-insuring arrangements) or make appropriate funding available for comparable insurance premiums.

Local authorities must provide information to VA governing bodies in respect of what is covered by insurance, including details of self-insurance arrangements operated by authorities. VA governing bodies must provide information to local authorities about insurance arrangements.

DfE does not carry a contingency fund to meet uninsured losses. Any requests to ministers for exceptional funding in respect of VA schools will be treated in exactly the same way as from other categories of schools.

Subject to future public spending decisions, existing devolved capital programmes for VA schools (currently DFC and LCVAP) can be used to meet losses – but this should be applied in the same way as local authorities may require for equivalent programmes for non-VA schools. This may mean reconsideration of existing priorities for those programmes.

Local authorities, schools and trustees must have regard to other published guidance in relation to insurance and risk management.

Where a local authority self-insures, it must clarify to those VA schools for which it is responsible for insurance premium funding either;

- that, in the event of a loss at a VA school (including major loss, for example destruction by fire) that the local authority will provide funding up to the self-insurance level, regardless of ownership, and transfer the new building to the Trustees on completion; or;
- that VA schools are excluded from the self-insurance arrangement

Any queries relating to the policy and practical arrangements should be addressed to Stephen Atkinson on 01325 392439 or by email to steve.atkinson@partnershipsforschools.org.uk

GUIDANCE ON POSSIBLE DfE FUNDING FOR RECOVERY FROM FUTURE EMERGENCIES

Background and general information

These guidance notes set out the terms under which DfE may make financial assistance available to local authorities to help meet the recovery costs incurred in the event of an exceptional emergency.

General Government guidance on recovery funding arrangements can be found in the National Recovery Guidance – http://www.ukresilience.gov.uk/response/recovery_guidance.aspx – and in the Emergency Response and Recovery Guidance – http://www.ukresilience.gov.uk/response.aspx.

These notes do not commit DfE to payments. In order to use resources fully, DfE does not hold a contingency fund for exceptional events, so the possibility of funding will depend not just on the principles set out below, but also on the availability of funds at the time.

Emergency support will be intended to help meet some of the exceptional costs incurred by local authorities in supporting affected communities during the recovery phase after an emergency; only costs relating to schools or services for children, young people and families will be considered, and only top tier authorities will be eligible. Any such costs would have to be over and above those normally incurred by local authorities and outside those met by other funding schemes (eg Bellwin). No insurable costs would be met by DfE funding – authorities that choose to self-insure will not receive any more favourable treatment.

The Bellwin scheme exists to cover local authorities' immediate needs in the event of an emergency. CLG, Defra and DfT also have recovery arrangements, which may or may not be activated; the activation of one or more of these does not necessarily mean the activation of others. Local authorities can access information about these other arrangements from the National Recovery Guidance website.

Qualifying emergencies

Funding support would be activated at ministerial discretion – subject to the availability of funding – in the event of exceptional emergencies that have a major impact on communities, and the services to those communities that fall within the policy remit of the Department for Children, Schools and Families.

For the purposes of this guidance, 'exceptional emergencies' should be interpreted as major emergencies with the sort of impacts currently described as significant (Level 4) or catastrophic (Level 5) in the local responder risk assessment advice, as set out in the Emergency Response and Recovery Guidance; the table in the Annex to this guidance provides more details of the sort of impacts that would be relevant.

Local authorities should be aware that the impacts set out in the table in the Annex are purely indicative. The meeting of one or more of these indicators would not on its own trigger any funding schemes automatically.

Provision of funding

Any funding might cover revenue and/or capital payments. The amount made available, where emergency funding is provided, will depend on the impact of a particular emergency on local resources and the total resource available. The indicator of need will be dependent upon the nature of a particular emergency. DfE will consult affected local authorities on the indicator(s) to be used in a particular situation. It is possible that:

- More accessible indicators may be used as a proxy for impacts that are hard to measure (for example in the 2007 floods, DfE used the number of children in flooded schools, and the amount of people in flooded homes as proxy indicators for disruption to services to children, young people and families);
- Partial information may be used in some cases if there is a need for urgent payments to minimise disruption to the school year;
- Different factors might apply at different times in the school year (holidays, exam periods).

Which authorities would be eligible to receive funding?

Only top-tier authorities will be eligible, that is:

- County councils;
- Unitary council;
- London borough councils;
- The Council of the Isles of Scilly.

District councils will not be eligible.

The reporting process

The Department will consider whether and how to activate funding based on reports and information provided by local authorities via Government Offices (GOs) – firstly through the Common Recognised Information Picture (CRIP) and then through the local: central recovery reporting template, or a modified version thereof. More information on both can be found in the National Recovery Guidance.

The GOs will act as the main point of contact with local authorities – ensuring they know what is required of them and responding to enquiries.

What sort of things can LAs spend grants on?

Grant letters would set out the details of eligible expenditure. Within the scope of eligible expenditure, it would be for local authorities to determine exactly how they spent any funds they received, subject to any specific conditions set out in the grant letter.

Within the DfE policy remit, we would expect eligible expenditure to include:

- Getting maintained schools of all categories including academies back open or into alternative or temporary accommodation;
- Providing support services to children, young people and families – especially services for safeguarding children and supporting vulnerable children);
- Maintaining the provision of childcare and early places.

Capital expenditure might be eligible, depending upon circumstances and value for money.

Other general principles applying to any DfE grant

Though subject to review at the time, we would expect the following principles to apply to any payments:

- Local authorities would be able to take school balances into account;
- There would be a minimum amount below which we would not offer any support;

- For longer-term capital needs, we will follow the established and ministerially agreed criteria for exceptional funding for any local authority:
- There would be unacceptable damage to children’s education or wellbeing if the project did not proceed; and
- The authority could not reasonably be expected to fund the project from other resources; and

There is a value-for-money case for investing at that time to reduce future costs and to avoid buildings being re-built to superseded standards.

Annex C - Proceeds From Sale Of Assets

Background

The Education Act 1993 sets out the Secretary of State's duties and powers regarding the power to pay grant, with the discretion to take into account proceeds of sale of any land/buildings released by new building work funded by capital grant.

The arrangements were implemented by a policy statement in a letter dated 16 December 1994, endorsed by the Churches and the Charity Commissioners. It introduced new arrangements whereby the sale proceeds released, as a result of a building project funded by capital grant, would be deducted from the governing bodies expenditure eligible for grant. We apply this policy in all cases where proceeds accrue, or are expected to become available, to the trustees, governing body or promoters. This policy secures best value for money from the use of capital grant and releases funds to support as many projects as possible.

The arrangements are set out in The Education (Grants in respect of Voluntary Aided Schools) Regulations 1999. These Regulations formalise the arrangements set out in the Department's letter dated 16 December 1994.

Proceeds from projects which pre-date the letter or Regulations

In these instances grant was paid with the proceeds being recovered only at the point of sale of original premises. In some cases these buildings may not have been sold immediately, particularly where the trust deeds at the time allowed for their continued use for the purposes of the church. This has meant that, in many cases, the projects have been completed for some time before the premises are sold.

The Secretary of State has a continuing entitlement to proceeds on certain sales. In such cases, advice should be sought from the VA Capital Team.

Proceeds of sale under the new arrangements

When premises for which grant has been paid are no longer used for the purposes of the school (for example when a school closes due to falling roles, or amalgamates with another school), the proceeds accrue to the trustees or governors. We take these proceeds into account when we calculate any new capital grant, and the Secretary of State may also try to recover any capital grant paid for work to the premises.

Taking proceeds into account when calculating grant entitlement

At the point of allocation (or on offering advice to the Schools Organisation Committee) we must establish whether there is anything in the trust deed to prevent proceeds from being taken into account. Examples include reverter clauses (where the original donor of the premises might have an entitlement to some or all of the proceeds), or restrictive covenants (for example relating to Sunday School fund entitlement).

If the land/buildings are subject to reverter then proceeds of sale will not apply. If a Sunday School Fund applies, the trustees or governing body are entitled to 3/14ths of the sale proceeds and this amount should be deducted from the proceeds. Restrictive covenants will need to be checked by the Diocesan/school solicitor.

How much is taken into account?

We use the District Valuer's (DV) valuation as an estimate to reduce the amount of grant entitlement until the actual proceeds of sale are realised. When the actual proceeds are realised, we re-calculate the amount of grant . Some costs associated with the sale can be deducted from the proceeds, such as the DV fee, marketing costs, legal fees, site security and demolition costs. Proceeds of sale reduce the governing bodies costs of any new project, reducing the overall project costs. We will then pay grant of 90% on the reduced project costs. The sale proceeds are not passed to PFS but are kept by the school, Diocese, or Trustees (as appropriate) to offset the costs of the project. Proceeds of sale cannot be used to fund the governing bodies 10% contribution.

When are proceeds taken into account?

At the point of calculating the original grant entitlement. If the site has not been sold, we use the DV's valuation . When the site is eventually sold we re-calculate the capital grant to take into account the actual proceeds. It is usual for the site to be marketed as soon as PfS has given approval to a new project. This then allows the proceeds to be realised before the new project is completed.

What happens if the site is not sold?

If a site is proving difficult to sell and it is over 6 months since the original DV's valuation, then a further valuation should be sought.

If the site is still not sold within a further 6 months, the school should contact the VA Capital Team for advice.

Annex D - School Sites

Provision of sites and buildings

Who should provide the site for a VA school is determined by the reasons for purchase. In cases of non-statutory transfers and non-significant enlargements, the LA provides the site. Where a site is required to implement statutory proposals, it is provided by the governing body. LAs may use their powers to help the governing body in buying a site, or can provide a site or building free of charge. The circumstances in which the LA can do this are set out in paragraph 8 of Schedule 3 and paragraph 19 of Schedule 6 to the Schools Standard and Framework Act 1998. LAs are always responsible for providing the playing field and any buildings on them which are linked to their use as playing fields.

Spending capital grant on buying sites does little to raise standards. We would expect this to be the last resort, if other options are not possible.

Leasing of buildings

The governing body or trustees may be able to take out or renew a lease on land or property. The terms and conditions of any lease will always be subject to approval by PfS.

PfS prefers long term leases if possible. Any lease with a term lower than 50 years should be checked by PfS before being agreed locally.

Capital grant can be paid to support the expenses incurred by the governing body in acquiring sites/leases/buildings.

When is the need for a site purchase identified?

The need for a new site and the cost should be identified in any bid on behalf of the school. For successful Targeted Capital Fund (TCF) bids from previous bidding rounds, the allocation given will include a notional sum for the cost of the site. This is revised when the actual purchase price is known. The level of grant available will be based on the DV's valuation, or the actual purchase price if lower.

What documentation must be sent to PfS?

We must always have a site plan, a DV's valuation report, Form SB1 and, if appropriate, the trust deeds and lease agreement. PfS buildings advisers are asked to check the site plan to ensure that it is suitable for the size of the school proposed. The trust deeds and lease agreement are checked by PfS to ensure that the Secretary of State's investment will be secure. A draft copy of the conveyance/transfer documentation should be sent to the VA Capital Policy Team before the purchase.

When should the purchase be made?

The site must be approved by PfS and bought before any work starts on site. We should see the signed and dated conveyance/transfer documentation before we can make a payment.

Annex E - Loans to VA School Governing Bodies

Paragraph 7 of Schedule 3 to the School Standards & Framework Act 1998 provides that the governing body of a VA school, or a Diocesan Authority or school trustees acting on behalf, or the promoters of a new VA school, may apply to the Secretary of State for an interest-bearing loan towards the cost of any "initial expenses" required in connection with the school premises.

Please note: although this annex outlines the principles, any funding that would be loaned comes from the VA capital programme. This means that there is less available for other schools. It is also our policy not to hold money that can be made available as loans. It is therefore most unlikely that we will be able to approve any loans. If you would like more information on loans then please contact the VA Capital Team.

Governing Bodies and/or trustees cannot take out commercial or other loans secured against school buildings.

A school cannot borrow money without the express permission of the Secretary of State. A trustee can borrow to provide facilities at a school, but cannot use any school assets or school revenue, as a form of security. All loans must be free standing and have no financial impact on a school, and the school should not take on the burden of the loans in terms of paying out money or selling assets. If the Trustees wish to borrow for the school legal advice should always be sought.

Annex F - VA Schools Information System (VASIS)

The VASIS window, which is available through the following internet address https://vasis.partnershipsforschools.org.uk/ allows schools, LAs and Dioceses to view:

- details of their Devolved Formula Capital allocation
- all projects currently in progress at relevant schools, and the stages they have reached in terms of grant support
- information on claims made against approved capital works at relevant schools
- administrative information, such as pupil numbers, contact details and briefings on specific funding programmes.

As the window has been designed for different levels of user, a password is needed for access. This password identifies the user, and allows them to view only the information relative to them. For example, a school can only view its own information, while an LA can view information about all the VA schools within its area.

To apply for a password, email va@partnershipsforschools.org.uk with the following details:

- full name;
- position;
- contact telephone number;
- email address
- school/LA/Diocese (please specify) name;
- LA/school number (if appropriate).

Tips on using the VASIS Window

Internet access

Apart from using the Internet address above, the other way to access the VASIS Window is via the VA home page; http://www.education.gov.uk/schools/adminandfinance/schoolscapital/funding/voluntary-aidedschools. It may be a good idea to save this in your "favourites" as we will update this page with any news or information relating to VA schools.

Once on this page, you must scroll down the page until you see the following message "Click here to enter your VASIS username and password". Once you have clicked on the message, a security alert will be shown. After responding yes, you will see the VASIS Window login prompt.

Enter your username and password that was sent to you and hit the submit button. The system will then ask you to change the password provided to another password that you can remember; this new password will last for 90 days and you must use it every time when you wish to use VASIS.

If you have any problems with your password or logging on, please send an email to va@partnershipsforschools.org.uk with the details. If you enclose a contact telephone number in the email, we will ring you back to talk you through any technical problems.

Details

The quickest and easiest way to access information about your school contact details is through the "Detail" button. This is situated on the left hand side of the screen.

On this screen you will see contact details and general information such as pupil numbers. The pupil number data is based on the previous Januarys PLASC data to the financial year we are currently in. This information is used to work out the schools DFC and is updated once a year.

If your contact details such as School Name, Head Teacher, Telephone Number, Fax Number or Address are incorrect you can change them via the Edubase Schools Interface website; http://edubase.gov.uk/home.xhtml. To enter this site you must have a username and password, which can be obtained via the relevant links on the Edubase site.

Devolved Formula Capital (DFC)

The quickest and easiest way to access information about your DFC is through the "Allocations" button. This is situated on the left hand side of the screen.

Once you have clicked on the allocations button, you will be presented with the selection screen. Select your school (left window) by clicking on it and then clicking on the top chevron which is located in the middle of the two windows. The name of your school will now appear in the right window.

Underneath the left window is a drop down field called Budget Type. Click on the drop down arrow at the far end of the field to reveal a list of Budget Types. Click on the Budget Type "NDS DFC (90%)". Keep the financial year field as the current financial year then click the button "View selected school summaries". You will now be presented with details of your DFC allocation.

The following is a summary of the information being displayed:

Financial year – financial year selected

Budget type – budget type selected

Formula Calculated Amount - the yearly allocation available to the school for the year, based upon the per pupil rate and lump sum calculation

Formula Calculated Amount +/- Adjustments – the formula calculated amount minus any loss due to the three year rule, plus or minus any anticipated funding, plus or minus any clustered funding.

Current Amount +/- Adjustments – the total funding made available to the school in the current financial year, including any roll over allocation from the previous financial year, any unspent commitments from the previous financial year and any in year adjustments and commitments.

Amount Committed – the funding committed against approved projects in the selected financial year. The figure also includes any scheduled payments made.

Amount Paid – the funding paid to the school in the selected financial year against committed projects. The figure also includes any scheduled payments made.

Formula Remaining – the total funding still available to the school after all approved commitments have been taken into account i.e. current amount minus amount committed.

Financial Summaries

The quickest and easiest way to access information about how the amount committed and amount spent is made up from the allocations screen is through the "Financial Summaries" button. This is situated on the left hand side of the screen. Once in this screen you will see three tabs along the top of the screen you should stay in the first tab "Project Summary".

Once you are in the project summary tab, you will be presented with the selection screen. Select your school (left window) by clicking on it and then clicking on the top chevron which is located in the middle of the two windows. The name of your school will now appear in the right window.

Underneath the left window is a drop down field called 'Budget Type'. Click on the drop down arrow at the far end of the field to reveal a list of Budget Types. Click on the Budget Type "LCVAP (90%)". Keep the financial year field as the current financial year then click the button "View Project Summary". You will now be presented with details of all your projects which contain an element of LCVAP in the chosen financial year.

Each project is listed separately and a lot of information is displayed on the screen. The two fields most relevant at this point are "Actual Expenditure this Year" which is the amount paid on the project in the chosen financial year and "Project Expenditure this Year" which is the committed amount on the project in the chosen financial year. If you were to add up each of these fields for all your projects the two amounts should correspond with the "Amount Committed" and "Amount Paid" from the allocation screen. To view this data in a more accessible, format click on 'Export to Excel' at the top of the page.

Although this section specifically deals with LCVAP commitments a separate report can be run for any budget type which will show all projects which have a commitment for the chosen budget type and financial year.

Projects

The quickest and easiest way to access information about your projects is through the "Projects" button. This is situated on the left had side of the screen.

Once you have clicked on the 'Projects' button, you will be presented with the selection screen. Select your school (left window) by clicking on it and then clicking on the top chevron which is located in the middle of the two windows. The name of your school will now appear in the right window.

Underneath the left window are two drop down fields: 'Order by' and 'Show'. We suggest that you keep them selected at the default settings. Click the button "View selected school summaries". You will now be presented with basic details of all your projects.

Once you have identified the project you wish to consider further, click on the 'Project Number' located in the first column. You should now be presented with full details of the project. Clicking between the tabs will reveal different levels of detail of your project; details of our scrutiny process are found under the 'Stages' tab.

Claims

The quickest and easiest way to access information about your claims is through the "Claims" button. This is situated on the left hand side of the screen.

Once you have clicked on the 'Claims' button, you will be presented with the selection screen. Select your school (left window) by clicking on it and then clicking on the top chevron which is located in the middle of the two windows. The name of your school will now appear in the right window.

Underneath the left window are two drop down fields: ‘Claim type filter’ and ‘Claim status filter’. We suggest that you keep them selected at the default settings. Enter a date range in the ‘From’ and ‘To’ fields. Click the button “View selected school claim summaries”. You will now be presented with basic details of all your claims.

Once you have identified the claim you wish to consider further, click on the ‘Our Claim Ref’ located in the first column. You should now be presented with full details of the claim. Clicking between the tabs will reveal different levels of detail of your claim; details of our payment process are found under the ‘Summary’ tab.

Scheduled Payments

Please note: the window does not show the individual scheduled payments of DFC. If you need specific information about these payments you should email va@partnershipsforschools.org.uk.

Annex G – Local Pooling of Devolved Formula Capital

The Basic Principles

For schools participating in a diocesan pooling scheme:

- schemes are not compulsory
- the diocese should approach you to seek your permission

You may decide to contribute some or all of your DFC. It is important that the school and diocese keep a record of how funding is allocated and used.

It is for the diocese to allocate the funding against local priorities – this could mean that the donating school does not receive funding. Funding can also be provided to schools not contributing to the scheme if the diocese decides their need is a priority.

PfS will not intervene in any dispute.

Setting up the scheme

The diocese must obtain documented proof that a school has agreed to contribute to the scheme.

It should contain the following:

- LA number/name
- School number
- School name
- Total in-year DFC allocation (100% terms)
- Amount contributed to the scheme (100% terms)
- Balance of DFC for school use (if applicable) (100% terms)
- Signature - Chair of Governing Body

We may ask to see these details of the administration as part of the DFC end of year certification process. For audit purposes, the diocese should retain original documents relating to the establishment of the scheme; PfS may ask to see these documents.

Important points

In order to keep control of the scheme, the diocese must record details of those schools donating to a scheme and how funding is allocated and used.

Summary

It is for the diocese to obtain school approval to join the scheme, and the diocese must record all related information.

Annex H - Sustainable School Buildings

Overall, the Government promotes sustainable education buildings by:

setting goals and standards (e.g. for energy use) for all education institutions through building regulations, planning law, and targets set by

- Department for Communities and Local Government (DCLG -formerly the Office of the Deputy Prime Minister (ODPM)
- Department for Environment, Food and Rural Affairs (DEFRA),
- the Health and Safety Executive (HSE),
- the European Union (EU) and international summits;

and setting guidelines for schools' compliance with the building regulations through the Department's building bulletins;

requiring, as a condition of funding, new school buildings to aim for a 'very good' or 'excellent' rating in the Building Research Establishment Environmental Assessment Methodology (BREEAM); and

promoting good practice in all sectors through, for example, guidance, exemplar designs, case studies and demonstration projects, such as the classrooms of the future.

Building Research Establishment's Environmental Assessment Methodology

The Building Research Establishment has developed a version of BREEAM for schools, which formally assesses a wide range of features which support the sustainable design and construction of school buildings and grounds. We are making it a requirement of funding that new schools and refurbishment projects register for BREEAM Certification and aim for a 'very good' rating. This will encourage sustainability to be designed in from the outset. This requirement applies to academies and Building Schools for the Future, and other new-build schools and major refurbishment projects.

The Building Research Establishment (BRE) is the UK's leading centre for construction and fire safety, providing research, consultancy, testing services and information to clients world-wide. BRE is owned by the Foundation for the Built Environment, whose membership comes from a wide spectrum of interests from the construction sector, building owners and users. Its Environmental Assessment Method (BREEAM) is the best-established method for environmental assessment in the UK and has no real competitors here.

BREEAM is a system for measuring the environmental impacts of any building and rating the performance on a simple single scale of PASS to EXCELLENT. This simple rating draws together a comprehensive environmental assessment process that covers all of the following aspects of a building: management, operational energy, transport, health and well-being, water, materials, land use, the ecological value, and pollution.

The method seeks to provide a simple, flexible but robust means of specifying environmental performance in new build, refurbishment and (in some sectors) existing buildings. The scheme covers the broader environmental concerns (climate change, resource use and impact on wildlife) and balances them against the desire for a high quality of life with a safe and healthy internal environment. It works by awarding credits to those designs that take positive steps to minimise their environmental impacts.

The standards required to achieve PASS to EXCELLENT ratings are all in excess of current statutory requirements (like Building Regulations). The BREEAM rating system has been produced by BRE and licensed assessors carry out predictions and assessments, which are quality-assured and certified by BRE. BRE carries out an annual review of the methods and regularly updates the criteria in line with changing legislation, such as the Building Regulations.

What does this mean for VA schools?

All major new build and refurbishment projects valued at:

- over £500,000 for primary schools
- over £2 million for secondary schools

and involving rebuilding or complete refurbishment of more than 10% of the floor area of a school should be subject to a schools BREEAM assessment.

- We expect all these schemes to achieve at least a very good rating using the BREEAM schools methodology.
- Smaller schemes may also be suitable for formal BREEAM assessment and designers should, as far as practicable, apply the same standards to all projects.

You can get more information from the relevant Website at www.breeam.org/schools.html.

Annex I – VAT

Arrangements for Voluntary Aided Schools

Background

Special provisions apply to local authorities under section 33 of the VAT Act 1994, which allows them to recover VAT which relates to supplies they receive which are not for the purpose of any business carried on by them. The provision of free education by local authorities is considered to be a non business activity and therefore they may recover VAT relating to this activity, including capital works. In this respect, a local authority can only recover VAT on works that it is responsible for e.g. community and foundation schools.

However, the situation with capital works to VA schools is different because the responsibility for this is laid to the governing bodies in the Education Act 1944 section 15. The funding for such works is therefore the responsibility of the governing body and DfE assist governing bodies by awarding them up to 90% of the costs of capital works (100% under the BSF initiative), which is paid VAT inclusive to take into account the fact that, unlike local authorities, governing bodies may not recover VAT incurred relating to their non business activities.

It follows that VAT cannot be reclaimed in respect of capital works at a VA school. There could be an option to apply to HMRC to zero-rate the works for VAT purposes, although under current regulations this would limit the non-school use to 5% (maximum). If this was ever exceeded in the 10 years following the build, the VAT would become payable. Very few projects are eligible for zero-rating in any event.

With regard to the 10% governor's contribution required, contributing to the cost of capital expenditure is a very long-standing feature of voluntary aided status, usually linked to benefits in relation to the appointment of staff and the teaching of the curriculum. Governors of voluntary aided schools are not exempted from their contribution in the circumstances which you describe, and it will attract VAT.

History

When VAT was introduced in 1973, a zero rate of VAT applied to the construction of all types of buildings and to the sale or long lease of any building by the person who constructed it. Alterations to buildings were also zero-rated but not repairs and maintenance: these were liable to VAT at the standard rate.

In 1984, the zero rate for alterations was removed. This was because the borderline between repair/maintenance and alterations was confusing. As a consequence, a new zero rate for approved alterations to listed buildings and for the sale or long lease of a substantially reconstructed listed building by the person who substantially reconstructed it was introduced.

In 1989, the UK was infracted by the European Commission on the scope of the UK's zero rates. There is no provision for a zero rate of VAT in European legislation. However Member States were allowed to retain any zero rates that they did have, provided that the zero rates satisfied certain conditions, namely that their provision was for 'clearly defined social reasons' and 'for the benefit of the final consumer'.

The European Court of Justice held that a zero rate applied to housing constructed by both local authorities and the private sector did not contravene the above. However, a zero rate applied to commercial, industrial and community buildings did do so.

As a result, the UK narrowed the scope of its zero rate on construction and buildings to three categories of buildings:

- a building designed as a dwelling or number of dwellings;
- a building intended for use solely for a relevant residential purpose (prescribed types of communal residential accommodation such as care homes, children's' homes, halls of residence etc); and
- a building intended for use solely for a relevant charitable purpose (non-business and/or use as a village hall or similar building).

VA schools, being charities, would fall into the last category as the provision of education by them is a non-business activity. A small amount of use other than for a non-business purpose can be disregarded (initially under our formal concession where up to 10% non-qualifying use could be disregarded and now, since the withdrawal of that concession, up to 5%)

HMRC cannot amend the conditions for the zero rate. The agreements with Member States which govern the retention of our zero rates prevent them from extending the scope of the existing zero rates or introducing new ones.

VAT and the construction of Voluntary Aided (VA) school buildings

The Governing Body or Foundation of a VA school, when commissioning the construction of a school building, can take advantage of the zero rate of VAT that is available to a charity when it constructs a building that it intends to use exclusively for a non-business purpose.

Some VA schools wish to use their buildings to generate additional income and have enquired as to how much commercial activity can be tolerated without jeopardising the zero rate they are either hoping to obtain or have obtained.

It must be pointed out that the above relief was never intended for the construction of buildings that were intended to be used for both business and non-business purposes. However, under its care and management powers HMRC can disregard minimal use for a business purpose.

This guidance is to help the Governing Bodies of VA schools ensure that any commercial activity they intend to carry on remains minimal and so can be disregarded.

This guidance can also be used by any other school provided it has charitable status, provides education as a non-business activity and is responsible for constructing its own school buildings.

What are the conditions for zero-rating?

In order for the construction of a building to qualify for the zero rate, the following criteria must be met -

- the Governing Body must be a charity;
- the Governing Body must intend to use the building **solely** for a non-business purpose;
- the Governing Body is the recipient of the supplies of construction services; and
- the Governing Body must provide a certificate to the supplier of the construction services attesting to the above 3 points <u>before</u> construction starts.

  A blank copy of this certificate (section 18.1) and further information on the construction zero rates can be found in Notice 708 *VAT: Buildings and construction -*

http://customs.hmrc.gov.uk/channelsPortalWebApp/channelsPortalWebApp.portal?_nfpb=true&_pageLabel=pageVAT_ShowContent&id=HMCE_CL_000513&propertyType=document.

What is "use for a non-business purpose"?

VA schools receive all their running costs from central government via the local authority, and do not charge fees to students for their education. School buildings that are intended to be used for the provision of this education are intended to be used for a non-business purpose.

Breakfast and after school clubs are non-business activities even though there may be fees.

School buildings (or parts) are also intended to be used for a non-business purpose when those buildings (or parts) are made available to other parties for their non-business purposes, free of charge.

The provision of tuition to 'community classes' would be use for a non-business purpose if the tuition is provided free of charge.

Facilities used by crèches and pre-school nurseries would be used for a non-business purpose if the crèches and nurseries are run by charities at a less than commercial rate and the facilities are made available to those charities at a less than commercial rate.

What is meant by 'solely'?

If a building is intended to be used for a non-business purpose and for no other purpose, the 'solely' requirement of the law would be met and the building's construction would qualify for the zero rate.

However, a small amount of use for a non-business purpose can be disregarded. Provided that a building is intended to be used at least 95 per cent for a non-business purpose, HMRC considers that the 'solely' requirement of the law is met and all of the building's construction would qualify for the zero rate.

If the amount of use for a non-business purpose is less than 95 per cent, the construction of the building would not qualify for the zero rate. However, if the use for a business purpose is restricted to a particular part of the building and the rest of the building is intended to be used solely for a non-business purpose, the construction of the latter part would qualify for the zero rate.

What is not "use for a non-business purpose"?

Additional tuition provided for a fee such as music or sports instruction.

Facilities used by 'community classes' where the tuition is provided for a charge.

Facilities used by the wider community for a charge, even if not for profit.

Change of use

Zero-rating is conditional upon the intended use of the building being solely for a non-business purpose. Once the building is complete, should the building not be so used, the school will have to account for VAT on a 'change of use' charge, effectively charging itself the VAT that it should have incurred in the first place.

A 'change of use' charge is also liable if, after completion, the building is used as intended but within ten years of completion, the building is no longer being used solely for a non-business purpose. However, the VAT accountable will be reduced to reflect the proportion of those ten years where use was for a RCP.

Further information on the change of use provisions and how to account for any VAT due can be found in Section 19 of Notice 708 *VAT: Buildings and construction* - http://customs.hmrc.gov.uk/channelsPortalWebApp/channelsPortalWebApp.portal?_nfpb=true&_pageLabel=pageVAT_ShowContent&id=HMCE_CL_000513&propertyType=document.

How do I calculate percentage use?

Schools can use any method to calculate qualifying use so long as it is 'fair'. We will consider a method to be 'fair' if it:

- accurately reflects the extent to which a building is intended to be used for a qualifying purpose; and
- can be carried out and checked without any undue difficulty or cost.

You should also bear in mind that if an identifiable part(s) of the building is intended to be used solely for a non-business purpose and the remainder is not, the construction to the extent that it relates to that part(s) can be zero-rated. Methods to calculate percentage use can be applied to parts of buildings as well as whole buildings.

Examples of percentage use calculations can be found below, while full guidance can be found at:
http://customs.hmrc.gov.uk/channelsPortalWebApp/channelsPortalWebApp.portal?_nfpb=true&_pageLabel=pageOnlineServices_ShowContent&propertyType=document&id=HMCE_PROD1_030535

It is not necessary to obtain our approval to use a method but if you have any doubts as to the fairness of a particular method, you should contact HMRC Charities at:

Tel: 0845 302 0203

Email: charities@hmrc.gov.uk

or write to:

HM Revenue & Customs Charities

St Johns House

Merton Road

Liverpool L75 1BB

Examples of percentage use calculations

Please remember – these calculations will be based on how the buildings are intended to be used and not on actual use. Therefore HMRC accept that some values can only be rough guesses.

Floor space

The simplest calculation is a floor space-based method. In a floor space-based method, you compare the area of the proposed building that is intended to be used exclusively for a non-business purpose with the area of the building in total. If the former is 95 percent or more of the latter, all of the building will qualify for the zero rate. If the former is less than 95 percent, only that part of the building will qualify for the zero rate.

When calculating the area that is intended to be used exclusively for a non-business purpose, you must not include areas that would be used in common with areas used for a business purpose, such as corridors, entrance lobbies, toilets etc.

Example - a school building consists of 8 classrooms (each classroom having a floor space of 50 m²), circulation space of 150 m² and toilet space of 50m².

One classroom will be not only be used for normal education purposes during the day (use for a non-business purpose) but also for fee-paying adult education in the evening (use for a business purpose).

In order to access this classroom, all of the circulation space will be used.

Floor space of building intended to be used solely for a non-business purpose (7x 50m²)	=	350m²
Total floor space of building ((8x50m²)+150m²+50m²)	=	600m²
Percentage of total floor space intended to be used solely for a non-business purpose (350/600)	=	58

Result – not all of the building will qualify for the zero rate but 58 per cent of the building will.

Time

There may be no specific part of the building that is intended to be used solely for a business purpose. For example, during the school day a building will be used for normal education purposes (non-business) but for several hours outside of school hours, all of the building will be used for fee-paying adult education (business).

In a time-based method, you compare the time that a building (or part) is intended to be used solely for a non-business purpose over a representative period with the time that the building is available for use.

Example – if we take the aforementioned school building, the normal school day (including breakfast clubs and after school clubs) is 8am to 6pm. 3 evenings (Tue to Thu) per week the school is open for adult education classes from 6pm to 9pm. Once a term, on a Monday night, there is a Governors' meeting from 7pm to 10pm. A term (10 weeks) would appear to be a representative period.

NB The 'total time that the building is available for use' is the total opening hours of the building during the representative period.

Time that the building is intended to be used solely for a non-business purpose ((10x5x10)+3)	=	503 hrs
Total time that the building is available for use (503+(3x3x10))	=	593 hrs
Percentage of total time that the building is intended to be used solely for a non-business purpose (503/593)	=	85

Result – none of the building will qualify for the zero rate.

Headcount

There may be no specific time that the building is intended to be used for a non-business purpose: business and non-business activities are carried on at the same time and in the same place. In such circumstances, a headcount-based method may be the most appropriate method of calculating percentage use. In such a method, you compare the number of people who are likely to be involved in the non-business activity in the building concerned over a representative period with the total number of people who are likely to use the building over the same period.

Example - if we take the aforementioned classroom block, during normal school hours, each class room will be used by 20 pupils and 1 teacher, 5 days a week during term time (10 weeks). Outside of normal school hours, two class rooms will be used by two classes, each consisting of 10 adult pupils and 1 teacher, 3 days a week, during term time.

NB Users would include teaching assistants, admin staff and part time staff but exclude visitors, cleaners, caretakers, security staff etc.

Number of people to be involved exclusively in a non-business activity (8x21x5x10)	=	8400 man days
Total number of intended users (8400+(22x3x10))	=	9060 man days
Percentage of total number of users intending to use the building solely for a non-business activity (8400/9060)	=	93

Result – none of the building will qualify for the zero rate

Hybrid

In a hybrid method, you can combine floor space and time or headcount and time so as to take account of the time an area or a person is intended to be used for a non-business purpose and compare to the total time a building is being used.

Example - a school building consists of 8 classrooms (each classroom having a floor space of 50 m²), circulation space of 150 m² and toilet space of 50m².

One classroom will be not only be used for normal education purposes during the day (use for a non-business purpose) but also for fee-paying adult education in the evening (use for a business purpose).

The normal school day (including breakfast clubs and after school clubs) is 8am to 6pm. 3 evenings (Tue to Thu) per week the school is open for adult education classes from 6pm to 9pm. Once a term, on a Monday night, there is a Governors' meeting from 7pm to 10pm. A term (10 weeks) would appear to be a representative period).

In other words 350m² of the building is being used 100 per cent of the time for a non business purpose whilst the remaining 250m² is being used 85 percent of the time for a non-business purpose.

Weighted floor space of building intended to be used solely for a non-business purpose ((350m²+(250x85%)m²)	=	562.5m²
Total floor space of building available for use	=	600m²
Percentage of total floor space of building that is intended to be used solely for a non-business purpose (562.5/600)	=	94

Result – none of the building will qualify for the zero rate

Example - the normal school day (including breakfast clubs and after school clubs) is 8am to 6pm. 3 evenings (Tue to Thu) per week the school is open for adult education classes from 6pm to 9pm. A term (10 weeks) would appear to be a representative period).

During normal school hours, each class room will be used by 20 pupils and 1 teacher, 5 days a week during term time (10 weeks). Outside of normal school hours, two class rooms will be used by two classes, each consisting of 10 adult pupils and 1 teacher, 3 days a week, during term time.

In other words, in a complete term, 8400 users use the building 100 per cent of the time for a non-business purpose, 660 users use the building 85 per cent of the time available for a non-business purpose.

Weighted number of people intending to use the building solely for a non-business purpose (8400+ (660x85%))	=	8961
Total number of intended users of the building (8400+660)	=	9060
Percentage of total number of users who intend to use the building solely for a non-business purpose (8961/9060)	=	99

Result – all of the building will qualify for the zero rate.

HMRC Guidance for Local Authorities (LA) and Voluntary Aided (VA) Schools – VAT recovery under section 33 VAT Act 1994 – HMRC July 2009

Section 33 VAT Act 1994

S33 of VAT Act 1994 is a special refund scheme which allows specified bodies, including local authorities, to recover VAT incurred on their non-business activities. In order to be considered by HM Treasury for inclusion in s33, a body must:

- undertake a function ordinarily carried on by local government; and
- have the power to draw its funding directly from local taxation.

In all maintained schools, the LA has a statutory requirement relating to the provision of free education, a non-business activity of the LA.

Maintained schools and delegated budget

All maintained schools, including VA schools, receive recurrent funding from their LA under arrangements set out in sections 45-53 of the School Standards and Framework Act 1998 (SSFA), which allows that every maintained school shall be financed by their LA by means of a "budget share" (the school's delegated budget).

Governing bodies (GB) and VAT recovery

Under section 36(1) of SSFA, governing bodies (GB) of maintained schools are separate legal entities. GBs are not bodies specified in s33 VAT Act 1994 and therefore VAT incurred by GBs in respect of their non-business activities may not be recovered under s33.

However, s49(5) of SSFA allows that "any amount made available" by a LA to the GB of a maintained school shall remain the property of the LA until spent by the GB and when spent by the GB shall be taken to be spent by them as the LA's agent. This generally allows the LA to recover VAT on expenditure made from the delegated budget.

Voluntary Aided schools and GB responsibilities

In the case of VA schools though, s49 (6) SSFA stipulates that the GB does **not** act as the LA's agent when spending amounts from the delegated budget to meet expenses payable by the GB in relation to work for which the GB is responsible. VAT may therefore not be recovered on such expenditure.

In return for a continuing degree of autonomy over pupil admissions, hire of staff and contents of religious curriculum, GBs of VA schools retain responsibility for certain capital work. At the time of publication of this guidance, these responsibilities and definition of capital expenditure are contained in the following legislation:-

- School Standards and Framework Act 1998 (SSFA)
- the Regulatory Reform (Voluntary Aided Schools Liabilities and Funding) (England) Order 2002 (RRO) (applies in England only) and
- the Education and Inspections Act 2006 (EIA)
- The Capital Expenditure in respect of Voluntary Aided Schools (England) Regulations 2007 (applies in England only)

The SSFA (as amended by the RRO) makes the GB of a VA school responsible for all capital expenditure in relation to school premises, with the exception of playing fields and related buildings on those fields (for which the LA is responsible). The EIA contains the current definition of capital expenditure (see para 5 below).

In England, DCFS, and in Scotland and Wales[1], the Scottish and Welsh Assembly, may make grants to GBs of VA schools in order to help them meet these responsibilities (SSFA Schedule 3 Para 5). In England, DfE fund 90% of a GB's qualifying expenditure (the RRO increased the maximum grant prescribed by the SSFA from 85% to 90%), whilst in Wales and Scotland this remains at 85%. DCFS and the Education Departments in Scotland and Wales understand that VAT will not be recoverable by the GB in respect of this expenditure and therefore their grant includes funds to cover the irrecoverable VAT costs. VA school GBs are expected to meet the remaining 10%/15% of costs from their own resources although para 8 of Schedule 3 SSFA allows LAs to contribute to the GB's 10%/15% contribution, if they so wish.

Definitions of capital and revenue expenditure

The legal definition of "capital expenditure" contained in the SSFA in relation to GBs' responsibilities is subsequently amended by the EIA (s35) to be expenditure of a GB "which falls to be capitalised in accordance with proper accounting practices". However, regulation 2 of The Capital Expenditure in respect of Voluntary Aided Schools (England) Regulations 2007 qualifies this definition by providing that any expenditure incurred by a GB of a VA school shall not be treated as capital expenditure if it is an amount which is less than £2000.

Responsibility for issues regarding funding for capital and revenue expenditure and determining what should be interpreted as capital, and what revenue, expenditure lies with the DfE (in England) and education departments in the devolved administrations. Earlier in this guidance document (page 4) it explained who is responsible for expenditure at VA schools as set out below. This was followed by some examples to illustrate the points, adding that, in cases of doubt, there will be scope for VA schools and their advisers to determine whether expenditure is of a revenue or capital nature. This guidance also explains that these responsibilities are not specifically related to ownership. For example, GBs may own the playing fields and associated buildings, but the LA will still be responsible for any work on them.

Definition of capital expenditure for which GB is responsible (as per Blue Book)

- The existing buildings (internal and external)
- Those buildings previously known as "excepted" (Kitchens, dining areas, medical/dental rooms, swimming pools, caretakers' dwelling houses)
- Perimeter walls and fences, even if 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)

[1] The situation in Northern Ireland differs in that the Department of Education and newly established Education and Skills Authority are responsible for the delivery of education. Separate guidance for Northern Ireland to be issued in due course.

Definition of capital expenditure for which LA is responsible (as per Blue Book)

- Maintenance of playing fields (including sports pitches and hard surfaced games areas)
- Buildings on those fields and related to their use
- Capital expenditure below £2000 (see C) below)

Definition of Revenue expenditure for which LA is responsible (as per Blue Book)

- Day to day running costs of the school e.g. costs of staff, training, consumables, teaching resources, utilities etc
- Additionally, there is a threshold below which any expenditure of £2,000 net value or less, regardless of the use to which it is put, deemed to be revenue (see B) above)

Therefore whilst any expenditure of £2000 or less is always to be classified as revenue expenditure, any expenditure above £2000 will need to be considered and a view taken as to whether this is revenue or capital expenditure. 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 £2,000.
- 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.

It is important to note that the £2000 de minimis limit described above should not be used to attempt to artificially disaggregate capital expenditure in order to recover VAT. For example, a single supply of ICT equipment should not be split into smaller contracts for individual IT items of £2000 or less, or construction works similarly split, in order that, invoiced separately, this could be treated as revenue expenditure.

VAT recovery on expenditure

As described above, generally the LA may recover VAT (under s33 of the VAT Act 1994), where it is incurred by the LA in relation to expenditure for which it is responsible i.e. where it receives the supply.

However, VAT incurred by a GB on expenditure for which the GB is responsible is not recoverable under s33, even when payment is made from the delegated budget. VAT is only ever recoverable on expenditure from the delegated budget to the extent that it relates to expenditure for which the LA is responsible.

Neither is VAT recoverable by the LA on any expenditure made from DfE grant funding made to the GB. Again, this is designated for expenditure for which the GB, rather than the LA, is responsible.

Further, although LAs commonly contribute towards a GB's capital expenditure, for example, to assist GBs in meeting their own 10/15% contribution for capital works, or to subsidise certain projects, again VAT is not recoverable by the LA on such contributions. HMRC recognise that there has been some confusion in the past regarding such recovery and have, to date, accepted that LAs can recover the VAT incurred on expenditure which is the responsibility of the governing body but which the authority funds. However, HMRC have reviewed this policy and realise that it goes beyond what section 33 actually permits. In these arrangements, the GB is responsible for the expenditure and receives the supply. Thus, any VAT incurred on the supply is incurred by the GB, not the LA. This revised guidance now seeks to bring such treatment within the normal rules for VAT recovery for LAs as set out in Public Notice 749 *Local authorities and similar bodies*. Therefore with effect from 1 September 2009, for projects initiated after this date, VAT may no longer be recovered by LAs in these circumstances, as the supplies are not made to them (whether or not paid from the delegated budget). We will consider, on their individual facts, cases where a project initiated after 1 September 2009 was funded on the basis of the previous policy.

Where however, an LA decides to spend its <u>own</u> funds (excluding the delegated budget), by placing an order directly with a supplier on work to a VA school for which the GB is statutorily responsible then, under certain circumstances, it may recover VAT under s33 as described in para 7.1 of Public Notice 749 i.e. it must procure the goods or services and receive the supply.

The flow chart (page 13) and the table of examples (pages 14-17) are intended to give further guidance on circumstances when VAT may and may not be recovered, but are not intended to be exhaustive. In cases of doubt, GBs or LAs are advised to discuss the matter with HMRC.

Insurance arrangements for VA schools

Whilst HMRC can advise on the VAT consequences of arrangements, they are unable to give any advice regarding who is responsible for insuring school premises and property. DfE advise that, although they expect the school premises to be insured, the actual detail of what to insure is for the individual parties to determine. In that context the school may need to seek advice from DfE, their LAs, especially in relation to funding for premiums and access to LA schemes, and from their Dioceses or other trustees (the ultimate owners of the buildings).

Responsibility for funding of insurance premiums

The various Education Acts described above provide that, in the case of a VA school, although a LA's statutory duty to "maintain" the school includes the "duty of defraying all the expenses of maintaining it", this duty does not extend to certain capital expenditure, for which statutory responsibility is laid to GBs.

The authority's duty to "maintain" in respect of all schools extends to the funding of premises insurance premiums as this is not "capital expenditure". Funding of premiums may be done in many different ways at the discretion of the authority, but must not disadvantage VA schools, who are entitled to equity with non-VA schools. In other words, where insurance is taken out, the LA is obliged to provide sufficient funds from its revenue budget (usually Dedicated Schools Grant) to each VA school, to enable the school to meet all its insurance premium costs (including any premiums payable to the diocese). If they are not allowed access to LA-managed insurance schemes, then there must be compensating recompense in their revenue funding so that they can buy into another scheme. In this respect, ownership of buildings is not a consideration. LAs insure Foundation schools (who own the buildings) and VA schools should be treated in the same way as those and community schools.

VA schools should be treated in the same way as other maintained schools in relation to providing for any *revenue* premises losses (currently below the de minimis level of £2000 – see above) i.e. those for which the authority is responsible.

Premises Insurance

DfE advise that for premises insurance, ideally cover should be provided through a single insurance policy entered into by the school governors and identifying all parties with an insurable interest, together with their respective level of risk and responsibility for the insurance premiums (the LA will be responsible for certain expenditure, as set out above).

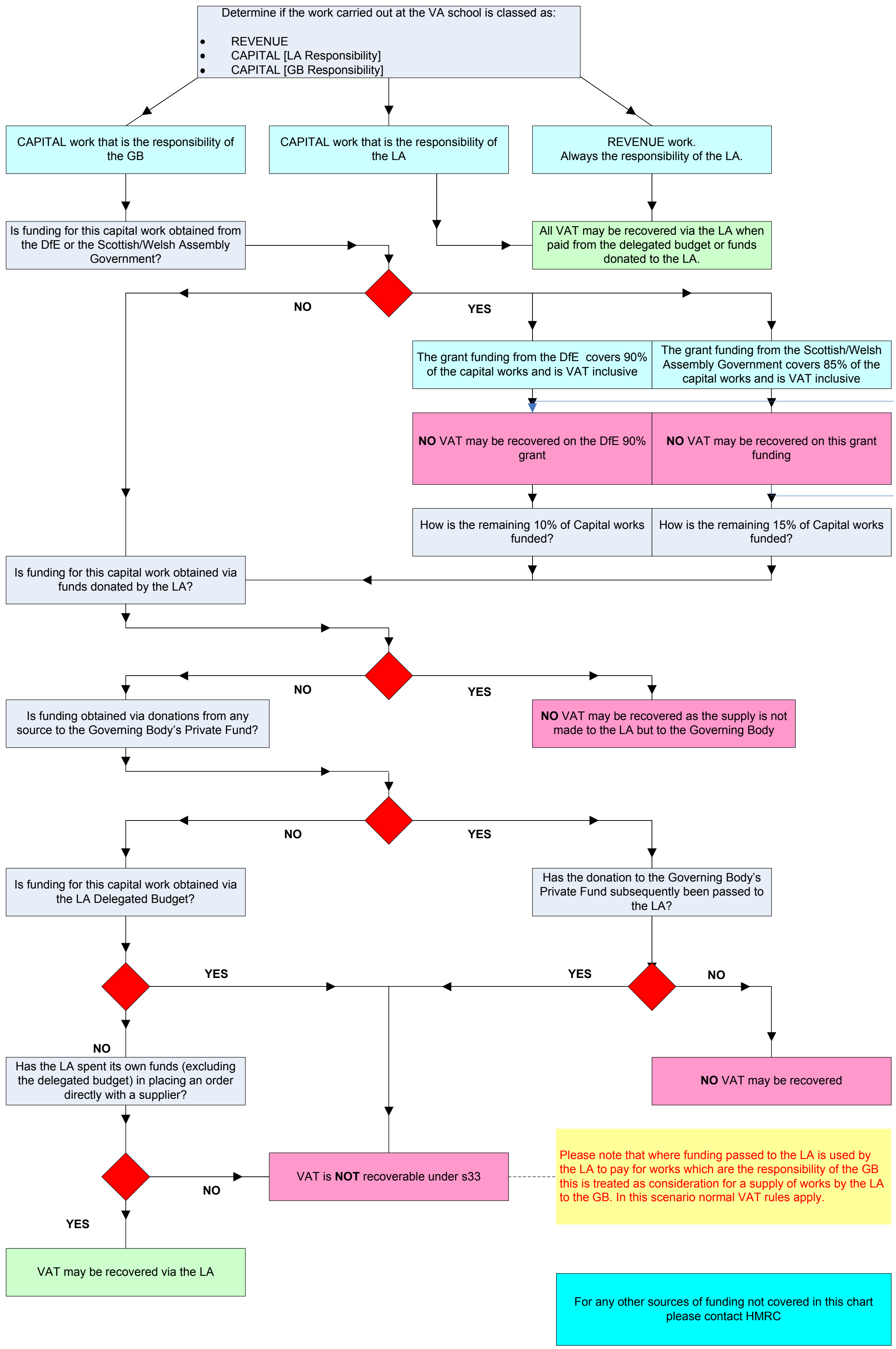
A VA school GB would be responsible for the financial cost, in the event of damage or loss requiring capital expenditure at a VA school. As with other capital expenditure, DfE agree to fund 90% of replacement costs via capital grant, leaving the remaining 10% of costs to be met from the GB's own resources. In order to cover this liability, GBs should arrange insurance cover for their 10% liability (typically through the church diocese or its equivalent) for the benefit of the GB and the trustees.

However, although DfE will continue to meet their commitment to 90% capital costs, they advise that there is no contingency reserve from which this 90% funding can be drawn down. The 90% funding must therefore be met from existing funding streams (either the schools' own funds or the programme allocated through LAs, usually the Devolved Capital Formula or Local Authority Co-ordinated Voluntary Aided Programme (LCVAP)). This has led to unplanned reprioritisation where a major incident at a VA school could see such funding used in an emergency and thus diverted from other VA school planned projects.

In light of this, in order to provide more certainty for all VA schools and so that VA school capital programmes are not disrupted by unplanned emergency calls, DfE now advise VA schools to consider some form of 100% insurance, i.e. the full reinstatement value of the buildings, either through private providers or through a scheme operated by the LA (buy back). VA schools may also take insurance cover for the costs falling upon school governors for the hire of necessary temporary accommodation while insured damage is being repaired or replaced.

VAT Recovery

As regards VAT recovery on any capital costs as a result of an insurance claim, the normal rules as set out above will apply. The responsibility for capital expenditure rests with the GB and any supply of building works falling within this definition will therefore be a supply made to the GB, who will be unable to recover the VAT charged on those works. Therefore, when establishing the insurance policy and its value, the insurer should be made aware that any VAT incurred in respect of such works at VA schools is irrecoverable and the premium should therefore reflect that. DfE have confirmed this view and recognise that this will result in increased premiums for VA schools.


Determine if the work carried out at the VA school is classed as:
• REVENUE
• CAPITAL [LA Responsibility]
• CAPITAL [GB Responsibility]
CAPITAL work that is the responsibility of the GB
CAPITAL work that is the responsibility of the LA
REVENUE work. Always the responsibility of the LA.
Is funding for this capital work obtained from the DfE or the Scottish/Welsh Assembly Government?
All VAT may be recovered via the LA when paid from the delegated budget or funds donated to the LA.
NO
YES
The grant funding from the DfE covers 90% of the capital works and is VAT inclusive
The grant funding from the Scottish/Welsh Assembly Government covers 85% of the capital works and is VAT inclusive
NO VAT may be recovered on the DfE 90% grant
NO VAT may be recovered on this grant funding
How is the remaining 10% of Capital works funded?
How is the remaining 15% of Capital works funded?
Is funding for this capital work obtained via funds donated by the LA?
NO
YES
Is funding obtained via donations from any source to the Governing Body's Private Fund?
NO VAT may be recovered as the supply is not made to the LA but to the Governing Body
NO
YES
Is funding for this capital work obtained via the LA Delegated Budget?
Has the donation to the Governing Body's Private Fund subsequently been passed to the LA?
YES
YES
NO
NO
Has the LA spent its own funds (excluding the delegated budget) in placing an order directly with a supplier?
NO VAT may be recovered
NO
VAT is NOT recoverable under s33
Please note that where funding passed to the LA is used by the LA to pay for works which are the responsibility of the GB this is treated as consideration for a supply of works by the LA to the GB. In this scenario normal VAT rules apply.
YES
VAT may be recovered via the LA
For any other sources of funding not covered in this chart please contact HMRC

Examples when VAT is recoverable by LA under s33

<table>
<tr><th>Example</th><th>Comments</th></tr>
<tr><td>Where GBs undertake revenue works and pay for works through the delegated budget</td><td>GB acts as LA's agent (S49(5) SSFA)</td></tr>
<tr><td>Where GBs donate funding to LA which LA uses to meet expenditure for works for which LA is responsible</td><td>Provided the conditions in para 10.4 of Public Notice 701/30 and/or para 7.3 Public Notice 749 (also para 12.1.3 of V1-14 and para 12.3 of V1-07 Ch 21) are met, LA may recover VAT under s33.

As the public notices state, this route will not be open for funding which comes from GBs and is used by LA to fund works that are the responsibility of the GBs. This is because:-
it will be difficult in most cases for the LA/GBs to argue that the LA can retain ownership of capital works in VA schools (GBs will usually own school buildings and LA will have to incur ongoing costs of upkeep which would normally fall to the GBs)
In these arrangements, including where the funding originates from DfE, Scottish or Welsh Assembly Government, direct grant paid to GBs to fund 90%/85% of capital projects, any such funding paid by GBs to LAs to fund capital works should be treated as consideration for a supply to GB. In other words, the money is not donated because it obtains benefits for the GB.</td></tr>
<tr><td>If a private school fund (e.g. operated by the GB or PTA) donates monies to the LA (or delegated budget) and is used by the LA to pay for works, goods or services for the school, VAT is recoverable provided the conditions in para 7.3 of PN 749 (LA contracts for, pays for, retains ownership etc) are met (also see V1-14 para 12.1.6).</td><td>For the reasons in first bullet in 2 above, the LA would be unable to use such donated funds to pay for capital works for which the GBs are responsible.</td></tr>
<tr><td>Where LAs or GBs receive donations from organisations such as PTAs, charities or commercial organisations to buy goods and services for the school.</td><td>Goods and services must be for the benefit of the school and not the donor and, where received by GB, funds are paid in to delegated budget and not GB's own private account used to meet its own obligations (i.e. must satisfy para 7.3 of PN 749).</td></tr>
</table>

If a LA decides to spend its own funds (excluding the delegated budget), by means of an order placed directly by the LA (i.e. not by the GB) with a supplier, then the VAT would be recoverable. This is so even if the expenditure is on work to the premises of a VA school for which the GB is responsible.	When LA uses its own funds, VAT may be recovered under s33 as described in PN 749 para 7.1 – i.e. LA must procure the goods or services and receive the supply
PFI funding, including BSF PFI funding, awarded to LA	Any unitary charge from the PFI provider is regarded as revenue expenditure and as such is the LA's responsibility

Examples when VAT would not be recoverable by LA under s33

Example	**Comments**
Under no circumstances should any VAT be recovered by LA in respect of expenditure met from 90%/85% DfE, Scottish or Welsh Assembly funding (e.g. Devolved Formula Capital). This funding is awarded to pay for capital works for which the GB is responsible and therefore when it is spent, any VAT incurred is incurred by GB not LA.	DfE, Scottish and Welsh Assembly Government funding is calculated to include irrecoverable VAT
If remaining 10%/15% is met directly from GBs' fund raising. This applies even where payment is met from the delegated budget (see comment)	This also applies where, for example for cash flow reasons, GB spends delegated budget to pay for work which is the GB's own responsibility, then subsequently top-up delegated budget by an equivalent amount using funds from the GB's own resources e.g. rents, fund raising activities etc. In effect, this seems to simply amount to borrowing from the delegated budget. Clearly in this arrangement, the GB is not acting as LA's agent when the delegated budget is spent. In effect, they are spending their own funding and VAT is therefore not recoverable by LA.
Where GB's 10% liability is met using delegated budget funding	S49(6)(b) SSFA specifically excludes GBs from acting as LA's agent when they use delegated budget to meet their own liabilities for capital works
Where GB spends own private funds on revenue expenditure itself procuring the goods or services	i.e. not paid for from delegated budget or donated to the LA or delegated budget

If GB pays funds to LA to carry out work for which GB is responsible	Funding is consideration for a supply from LA to GB and subject to VAT at normal rate (business activity) – VAT incurred by LA on making the supply is not recoverable under s33 (but normal VAT business rules would apply)
LA donates funds to GB for capital works for which GB is responsible	Unless LA procures, receives and pays (para 7.1 of PN 749), then supply is not to LA. *(Although under para 15.5 of PN 701/30 HMRC historically allowed recovery by LA, this has now been reviewed and revised and the correct position is now as set out in this guidance).*
On expenditure paid for from income obtained by GB from other sources e.g. where charges are made for community services e.g. adult education, sporting facilities etc where money is owned by GB and cannot be paid into delegated budget	
On expenditure paid for from funding awarded to GB by lottery, Sport England etc.	Funding does not belong to LA. The GB, as the body awarded the funding, is the body responsible for carrying out the works. Therefore, to the extent that any money is passed to the LA, this may represent consideration for supplies by the LA to the GB to allow it to carry out its commitment in respect of the funding
On expenditure from LA Co-ordinated VA Programme ((LCVAP) funding	This funding originates from DfE and is administered by LAs. However, it is intended to support capital projects which are the GB's responsibility (see section on LCVAP in Blue Book)
Although paid via the LA, BSF funding for Design & Build or redevelopment of VA schools is awarded and belongs to the GB for these capital works for which the GB is responsible (exceptionally BSF grant is paid to meet 100% of GB's liability – see Blue Book).	For D&B or redevelopment works procured under BSF, the LA and GB will enter into a Development Agreement for the BSF works. Acting as principal, the LA will procure/project manage BSF work for all schools in its area. When complete, the LA will make a supply of the works to the GB, which will be subject to VAT unless the work can be zero rated. The LA will retain the school's BSF funding as consideration for the supply of the works to the GB.

HMRC public notices and published guidance referred to above can be found on HMRC website www.hmrc.gov.uk

Annex J - Design Quality Indicator (DQI) For Schools

Design Quality Indicator (DQI) for Schools is a tool which provides a framework for the assessment of school design. PfS recommend that it should be used on all school building projects with an estimated contract value of £1m or over. It is used to assist teachers, parents, school governors, pupils, people from the community, diocese/local authority clients and building professionals achieve design excellence in new or refurbished school buildings and grounds.

In the initial stage it is used to help a group of key stakeholders to form a consensus about priorities and ambitions for the design brief. During the design phase, DQI for Schools can be used by the same stakeholder group to assess how well the plans for building work meet the objectives they are currently setting. Once the building work is completed and the school is in use, the DQI for Schools tool can be used to assess how well it functions in relation to the initial and revised ambitions of the stakeholder group. DQI for Schools also provides feedback for benchmarking and for the briefing of future projects.

DQI for Schools was developed in partnership by Construction Industry Council (CIC) and DfE and can be accessed at: www.dqi.org.uk/schools .

Annex K - How To Contact Us

Please quote your school/project identity number in all correspondence, the first three digits of which represent your local authority number. You can contact us by:

post – VA Capital Team, Partnerships for Schools, LG36 Mowden Hall, Staindrop Road, Darlington, Co Durham, DL3 9BG

telephone

General	01325 392193 / 392152 / 392100
For local authority numbers 201 - 356	01325 392145
For local authority numbers 201 - 878	01325 392458
For local authority numbers 879 - 938	01325 392149
Policy	01325 392439
Budget & Financial Control	01325 392140
VASIS password	01325 392196
Fax	01325 392186

email

The VA Team mailbox; va@partnershipsforschools.org.uk

Department for Education