

# Capital Allocation Policy

**Approved by:** Business & Personnel Committee **Date:** March 2021

**Last reviewed on:** 25<sup>th</sup> March 2021

**Next review due by:** March 2022

## Related Documents:

LCT Memorandum of Understanding and Articles of Association (July 2017)  
ESFA Academies Financial Handbook (2020)  
ESFA Funding Agreement (Annual)  
LCT Scheme of Delegation  
LCT Committee Terms of Reference  
LCT Risk Management Policy  
LCT Investment Policy  
LCT Whistleblowing Policy – Speak Up  
LCT Financial Procedures Manual/Guide

## Introduction

The Learning Community Trust has and is required to have an appropriate plan that demonstrates the strategic use of the allocated capital funds across their estate. LCT are required to report the capital expenditure to the ESFA during and at the end of each financial year.

The Learning Community Trust will ensure that there is a clear link to the proposed capital expenditure identified in academy development plans. This should include consideration of any Health & Safety issues, property condition as well as any other academy improvement priorities.

Examples of capital expenditure include:

- ICT hardware replacement
- Furniture and equipment replacement
- Vehicles
- Building adaptations and upgrades

To account for capital changes correctly, all planned capital expenditure greater than £1,000 should be captured on a 'Capital Expenditure Request Form' (see appendix 1) and submitted to the COO prior to any expenditure. On receipt of a completed form, the COO will authorise one of the following actions:

1. Request further information or contest the request
2. Agree in principle and propose the school use its own balances
3. Agree in principle and propose the type of capital funding which is most appropriate

There will be occasions where capital expenditure is funded from Revenue Income and Expenditure, in these instances the expenditure will be capitalised and recorded on the balance sheet and the school/academy balances adjusted accordingly.

The types of capital funding available to Multi- Academy Trusts are listed below.

### **Devolved Formula Capital (DFC)**

Devolved Formula Capital (DFC) remains based on a per academy basis. Each academy receives a lump sum and a variable amount based on their student numbers multiplied by the appropriate rate per student.

Allocations for each academy will be monitored on the monthly management accounts. The funding will be used to collectively to support refreshes of ICT teaching suites and other minor related ICT projects. Academies and Schools should apply for DFC funding using the LCT Capital Expenditure Request form (appendix 1).

## **School Condition Allocation (SCA)**

Multi Academy Trusts (MATs) with at least 5 academies and more than 3,000 students, receive a School Condition Allocation (SCA) to deploy strategically across their estate to address their priority maintenance needs. Investment will be prioritised on keeping the buildings safe and in good working order by tackling poor building condition, building compliance, energy efficiency, and health and safety issues.

School Condition Allocations will consider the information that has been collected through the LCT Condition Survey programme. The survey data will demonstrate that the condition need correlates with student capacity numbers. It also gives a representation of the size and complexity of the estate that requires managing on an ongoing basis.

The guaranteed annual School Condition Allocation (SCA) replaces annual Condition Improvement Fund (CIF) bidding process for academies, which was not guaranteed, thereby providing some certainty for capital expenditure planning.

### **Summary of procedure for SCA funds**

1. Funding is received from the ESFA annually
2. A 10% contingency fund is set aside from the annual allocation of SCA
3. Priority projects identified from Condition surveys and Health & Safety audits (including Fire and Water), asbestos surveys
4. Other non-priority projects are also identified for future cycles of SCA allocation
5. There is a bidding process open to all our academies for the remainder of SCA funds

### **Urgent Capital Works**

Any significant capital funding that is required for urgent unforeseen works (e.g. unserviceable heating boiler replacement) will be funded from the SCA reserves. Minor urgent capital works (e.g. replacement PC in excess of £1,000) will be taken from the individual academy reserves.

### **Other Capital Grants**

Other Capital Grants received that have not been included in this policy will be applied under the conditions of the specific grant allocation requirement.

## Annual cycle

The table below sets out the intended annual cycle and the process for the capital allocation across LCT estate but the Trust reserves the right to direct priorities to suit the appropriate requirements.

Month	Process
May	Funding is allocated to the trust and paid in instalments in May, June, July and August
June	10% of the funding is set aside each year as a contingency fund to provide assurance against any unknown and unplanned emergencies that may emerge during the year.
August/September	<p>Larger projects completed from the previous year's allocation.            Condition surveys reviewed annually and resurveyed every 3 years.            H&amp;S audit carried out annually.</p> <ul style="list-style-type: none"> <li>• COO to arrange with site staff access to buildings during holiday period</li> <li>• Cost of condition surveys are covered by the SCA fund</li> <li>• COO to arrange with Operations Managers for asbestos surveys if required</li> <li>• This cycle will commence in August/September.</li> </ul>
October	All condition surveys, Health & Safety and asbestos reports to be returned by end of October to COO.
November	<p>COO and CEO to meet early November to prioritise outcomes into:</p> <ul style="list-style-type: none"> <li>• Immediate (this year) – quotes will be sought for these following the meeting.</li> <li>• Required (next year)</li> <li>• Non-urgent (longer term)</li> </ul> <p>A summary report will be issued to Business &amp; Personnel Committee for information</p>
January	Quotes/Tenders received for immediate projects and agreed with the CEO and COO.
February	<p>Work can begin on the smaller immediate projects            Schools to prepare bids and submit to COO by February half term</p>
March	<p>COO and CEO to meet to score the individual academy bids against the criteria and agree allocation of funding.            Headteachers are informed of the bid outcomes and next steps            A summary report is issued to Business &amp; Personnel Committee for information</p>
April/May	Work on smaller projects commences during Easter Holidays

## Assessment criteria

The table below sets out the scoring process for bids received from schools. This should assist schools in ensuring that all relevant information has been included in the bid application.

Criteria	Detail of the bid	Score
Meets the condition requirement that is required for next year	20%	1-10
Meets non-urgent condition from condition survey	15%	1-5
Has scoped the likely timescale from start to finish and likely dates work would take place	5%	5
Plan for minimising disruption and ensuring the safety of pupils, staff and site during the work	10%	5
Use of other funding streams to contribute to this project. (1=up to 5%, 5=more than 50%)	15%	1-5
The project contains estimates of the savings that will occur through greater efficiency e.g. reduction in lighting, heating or energy costs.	5%	5
The project improves safeguarding / health and safety practice or teaching & learning environment	15%	5
Clarity of the long-term impact of the work and how it links to strategic development of the school	5%	5
Immediate funding invested from SCA this year (1=more than 4x DFC allocation, 2= more than 3x DFC allocation, 3= more than 2x DFC allocation ,4 = more than DFC allocation, 5= none)	10%	1-5

## Appeals

The effective management of our Capital funds is key to the further development of individual academies and the whole organisation, the Trust will aim to ensure that related decisions are fair and fully transparent. The appeals process has two stages: Firstly, to its defined Committee, then a final appeal to the Trust Board.

**Appendix 1 – Capital Expenditure Request Form**
**Capital Expenditure Request Form (Above £1,000)**

Academy	
Requestors Details	
Date Requested:	
Date Needed:	
Total Amount Requested: (£)	
Curriculum Lead? (Y/N)	
Budgeted? (Y/N)	
Replacement? (Y/N)	

**Line Items**

Item No	Description	Quantity	Unit Price (£)	Total Cost (£)

**Additional Annual Operating Costs**

Maintenance	£
Energy	£
Salary	£
Other	£

<b>Justification if Unbudgeted</b> (Include documentation if needed)	
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**Signatures**

Requestor: \_\_\_\_\_

Principal/Headteacher: \_\_\_\_\_

CEO/COO: \_\_\_\_\_

**For Finance Use Only:**

Head of Finance Approval: \_\_\_\_\_

Date: \_\_\_\_\_

**Appendix 2 – SCA Application Form**

<b>Academy</b>	
<b>Requestors Details</b>	
<b>Date Requested:</b>	

<b>1 The Scope of the Project – Please describe your project and proposed time scales</b>
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<b>2 Please state the expected impact of the project – Where appropriate this could include estimated improvement in efficiency or energy reduction, benefits for safeguarding, Health &amp; Safety.</b>
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<b>3 Lettings potential: Could the new facility generate additional revenue? What would be the estimated income per year?</b>	<b>£</b>
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<b>4 Impact on Services – What are the requirements in terms of use?</b>
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<ul style="list-style-type: none"> <li>a) Additional Drainage</li> <li>b) Additional ICT Network points</li> <li>c) Additional phones</li> <li>d) Additional powers supplies</li> <li>e) Additional heating</li> <li>f) Additional gas outlets</li> <li>g) Additional WC</li> <li>h) Additional CCTV/Security</li> <li>i) Additional fire Precautions</li> </ul>	
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**5 Health & Safety** – Is the areas of planned works identified on the asbestos register? If so, have considerations been made for testing and/or removal? Will the proposed works take place during the school holidays? If not, what provisions will be made for minimising disruption and ensuring the safety of pupils, staff and site during the works?

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<b>6 Have written estimates of quoted or tenders been obtained?</b>	<b>Yes/No</b>
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**7 Project Costs and Timescales**

Cost of works	£
Professional fees	£
Furniture and Equipment	£
ICT	£
Other (please state)	£
Contingency (max 10% of the project total)	£
<b>TOTAL PROJECT COST</b>	<b>£</b>
Anticipated month of commencement	
Anticipated month of completion	

**8 Project Approvals**

Role	Name	Signature	Date
<b>Requestor:</b>			
<b>Principal/Headteacher:</b>			
<b>COO:</b>			
<b>CEO:</b>			