

# **GUIDANCE FOR SCHOOLS ON REVENUE & PRIVATE CONTRIBUTIONS TO CAPITAL PROJECTS**

## **Introduction**

Every year maintained non-VA schools are allocated a portion of Devolved Formula Capital (DFC) funding of around £8-10k (depending on the size of a school), to help fund small capital projects at the school. Please note that this funding can only be accumulated for a maximum of three years and thereafter maybe clawed back if not used.

Some capital projects may cost more than the school's DFC Allocation in which case the project may be funded by a top up from the school's revenue funding (Revenue Contribution to Capital), assuming that the school has sufficient additional funds for this.

In some cases, especially in VA Schools, the PTA or other organisations, such as the Diocese (VA Schools) may contribute the additional funds required for capital projects. This is known as Private Contribution to Capital, in which case Ledger Code Y690 should be used linked to the Capital Cost Centre. It is important to note that VAT cannot be claimed on any invoices paid against the Diocese contribution.

## **Process**

There is a procedure to be followed when schools need to use some revenue budget allocation to cover the additional cost of a Capital Project. In simple terms the whole of the project cost will be charged against the capital cost centre and an income transfer is made from a revenue cost centre into that capital cost centre for the additional funds required.

Schools are advised to exhaust the DFC held by the school before using the revenue contribution or private contribution to fund the project.

## **STEP 1 - Governor Approval**

Governors should approve the revenue contribution to capital either as part of the initial budget plan or as a virement during the financial year.

### **STEP 1a – Advice to the LA**

An email should be sent to [schoolfinancereturns@hillingdon.gov.uk](mailto:schoolfinancereturns@hillingdon.gov.uk) for the attention of Terry Shaw, Interim Lead Finance Business Partner providing brief details of the contribution (for amounts greater than £15,000).

## **STEP 2 - Budget Allocation**

REVENUE - When setting up your cost centre allocations provision for the school's contribution should be made in:

Cost centre - Revenue Contribution to Capital  
Ledger code - A200  
Amount - Agreed Revenue Contribution

CAPITAL – In the appropriate capital cost centre, budget allocations have to be entered for both the income contribution (from revenue) and the project expenditure.

Income            Ledger code - Y680  
                         Amount        - Agreed Revenue Contribution

Expenditure    Ledger codes - CP04, CP10, CP11, CP12, CP70, CP71, CP73  
                         Amount        - Any remaining capital plus agreed Revenue Contribution

### **STEP 3 - Generating orders**

All project orders should be placed using only the capital cost centre and appropriate capital ledger code(s) i.e. CP04, CP10, CP11, CP12, CP70, CP 71, CP73 in the capital cost centre, NOT the Revenue Contribution to Capital cost centre

### **STEP 4 - Payment of invoices**

Capital cost centres and ledger codes must be used for payments.

Payment of invoices should be made against the order in the usual way. If an order was not generated for any reason STEP 4 will have to be carried out to cover the non-order invoice.

Please note guidance in the **Scheme of Financing Schools – 2.14** when considering capital spend from budget shares.

An example of how this works is shown on APPENDIX A.

### **STEP 5 - Funding Journal**

Select

- Focus/ General Ledger/Manual Journal Processing
- + icon
- Normal journal button
- **Debit** Cost centre - Revenue Contribution  
Ledger code – A200 Revenue Contribution to Capital
- **Credit** Cost centre – Capital cost centre in which order will be placed  
Ledger code – Y680 Revenue Income for capital project

Once the journal is posted you will be able to see how much of your budget for revenue contribution to capital remains, if any, in the Revenue Contribution cost centre. In addition, the actual totals for expenditure and income will be in place ready for your capital return each quarter.

In some instances, it may be useful to set up different Cost Centres in order to record the capital income and expenditure separately. This can make it easier to follow the steps above, makes the transactions more transparent on the Chart of Accounts Reports and when reporting back to the Governors. Please contact your Link Officers for further guidance.

Please Note: Once the journal is posted and revenue funds are transferred, these cannot be reversed. Capital funds cannot be returned to Revenue, this is why it is recommended that only the amount required to cover the additional spend should be journaled once the invoices are paid.

Equally, if a private contribution is sought to fund the additional expenditure required, income should be transferred to Capital before placing the orders and paying invoices in order to ensure that there are sufficient funds available to meet the cost of the capital project.

School Finance Team  
September 2022

**EXAMPLE – Revenue Contribution to Capital**

A capital project will cost £32,000 but the school only holds £12,000 Devolved Formula Capital. The Governors have approved the £20,000 revenue contribution required to fund the project. The following budget allocations need to be set up:

Cost Centre	Ledger Code	Amount
Revenue Contribution to Capital	A200 Revenue Contribution to Capital	£20,000
Capital Cost Centre	CP12 – Capital Building Costs	£20,000
Capital Cost Centre	Y680 – Revenue Income contribution to Capital	£20,000

This example project requires an initial order to be generated for £12,000. This is possible without journaling revenue monies to capital as the school already holds £12,000 in capital.

A second order is required for £15,000 and as the DFC budget has already been committed then the order needs to be entered against the Capital Cost Centre with the expenditure budget of £20,000 as above.

At this stage the cost centres would appear as:

Cost centre	Budget	Commitment	Actual	Balance remaining
Revenue Contribution to Capital	20,000	0	0	20,000
Devolved Formula Capital	12,000	12,000	0	0
Capital Cost Centre	Exp. 20,000, Inc.20,000 Net NIL	15,000	0	-15,000

Once the invoice for £15,000 is paid, a revenue contribution to capital needs to be made for £15,000. The journal needed would be as follows:

	Cost Centre	Ledger Code	Amount
DEBIT	Revenue Contribution to Capital	A200 Revenue Contribution to Capital	£15,000
CREDIT	Capital Cost Centre	Y680 – Revenue Income contribution to Capital	£15,000

Once the project is complete and all invoices have been paid, the cost centres will appear as follows:

Cost centre	Budget	Commitment	Actual	Balance remaining
Revenue Contribution to Capital	20,000	0	20,000	0
Devolved Formula Capital	12,000	0	12,000	0
Capital Cost Centre	Exp. 20,000, Inc.20,000 Net NIL	0	0	0

Please do not hesitate to contact your link officer for support or if you would like the above process explained.