**Devolved Formula Capital – Eligible Expenditure**

**DFC can only be used for capital expenditure**. The definition of capital in this context is based on the current *CIPFA code of practice on local authority accounting in the United Kingdom 2011/12 (The Code).*

The definitive answer as to what is capital and can be funded by DFC, and what is revenue and cannot be funded by DFC, can only be obtained by interpreting these accounting rules (your local authority can help).  But in general terms:

DFC can be used for:

structural improvements to buildings, also fixtures and fittings

the purchase of capital equipment, including ICT

other long-term improvement to the school estate

A special case

Leases that transfer to the lessee substantially all the risks and rewards of ownership of the asset (finance leases), should be treated as capital assets.  E.g. a long term car contract, with the car maintained by the lessee. But, the cost counts as borrowing, for which approval has to be obtained from the Secretary of State.  As this scores against Departmental budgets, and budgets are generally fully committed, approval is seldom given

DFC cannot be used:

* + for routine repairs, redecoration or maintenance included in delegated schools budgets
  + for the purchase of small-value books, also training materials and services;
  + for the hire of accommodation ( unless this can be legitimately capitalized as part of building costs )

to meet any periodic PFI charge, or service contracts, which are revenue costs.

for operating leases where risk stays with the leasing company, e.g. a photocopier maintained by the lessor. The lessee, i.e. school, should simply recognise the rental payment as an expense. This expense cannot be funded from DFC, as it is not capital

for expenditure on small value capital items where the amount falls below the LA’s minimum capital spend threshold, and which therefore counts as recurrent expenditure. This tends to be around £2,000. (note, a number of items of the same class bought at the same time, e.g. computers, may be added together and, where the total value exceeds this threshold, count as capital.