

---

## Capital expenditure

*The schools financial procedures provides maintained schools with guidance on a range of financial management processes that are set out as individual sections.*

Capital expenditure is an important element in the development of the Local Authority's (LA) services since it represents a major investment in providing new and improving existing assets.

The LA's Financial Regulations provide a consistent framework for the preparation and appraisal of the capital programme, to provide appropriate authorisations for schemes to proceed and to allow Committees to manage their capital programmes within defined parameters.

The director for children and adults services or their representatives in consultation with other strategic directors is responsible for the preparation of the children's services draft capital programme in accordance with financial regulations.

However, it is open to Schools to finance Capital Expenditure from their Delegated Budgets. Governing Board (GB) and Headteachers also need to be aware that certain lease agreements (finance leases) constitute Capital Expenditure and count against LA's total expenditure approvals.

### Capital expenditure

Relates mainly to the acquisition, construction, or improvement of tangible fixed assets, which will provide benefits to the LA over a period of years. Where however, such expenditure is not material to the size and nature of the LA, it is common practice not to capitalise it.

### Revenue expenditure

Expenditure usually of a recurring nature necessary for the continuing functioning of an authority, and which, whilst it may contribute to the maintenance or enhancement of an asset, produces no lasting asset.

The distinction between capital and revenue expenditure is important, since, whereas revenue expenditure may not be met by borrowing, except temporarily pending the receipt of revenue income, capital expenditure can be financed by borrowing, subject to statutory constraints. The cost of capital expenditure can therefore be spread over a period of years subject to these statutory constraints.

### Capital expenditure is defined as:

- The acquisition, reclamation, enhancement or laying out of land
- The acquisition, construction, preparation, enhancement or replacement of roads, buildings, and other structures
- The acquisition, installation, or replacement of movable or immovable plant, machinery, vehicles, apparatus and vessels
- Advances, grants or financial assistance to another person towards expenses to be incurred by them in respect of the items mentioned above
- The acquisition of share or loan capital in a corporate body
- Expenditure incurred on the acquisition or preparation of a computer program for use for a period of at least one year.

### Capital expenditure regulations

GB's are entitled to use their revenue budget to finance the cost of capital expenditure on the school premises. GB's are permitted to use their budget shares to meet the cost of capital expenditure on the school premises in addition to any devolved capital grant. This includes expenditure by the GB of a voluntary aided school on work that is their responsibility under paragraph 3 of schedule 3 of the [School Standards and Framework Act 1998 \(legislation.gov.uk\)](#)

Schools must follow the approval procedure for self-financed building, engineering, and grounds improvement projects before undertaking any works. No work can be undertaken until written approval has been received from Ealing LA. Where Governors approve one-off capital expenditure details of both the scheme and it's financing, from all sources, should be sent to the LA.

Finance from external sources, such as lottery money or private funds, must be clearly shown as such, and its provision guaranteed in writing. Details of progress and payments are to be included in the headteachers monitoring statements.

### Contact

School accountancy service, [SchoolsAccountancyServices@ealing.gov.uk](mailto:SchoolsAccountancyServices@ealing.gov.uk)

### Related content

[Schools financial procedures](#)

### Related services

[School bursarial service 2024/25](#)

### Was this page useful?

- [Yes](#)
- [Neutral](#)
- [No](#)

Last updated: 04 Sep 2024

---