



Department  
for Education

# **School condition funding methodology for 2015 to 2018**

**Explanatory note**

**February 2015**

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## Introduction

The Department for Education announced, on 9 February, indicative allocations for school condition funding for the 3-year period covering financial years 2015-18. These allocations are based on a new approach to investing in the condition of the education estate and are made in respect of:

- Direct funding for individual institutions through **Devolved Formula Capital**; and
- Funding via **School Condition Allocations** for those bodies responsible for individual institutions.

Those bodies not eligible to receive their School Condition Allocations directly will be able to access funding via the **Condition Improvement Fund**.

We have reformed our approach to condition allocations so that funding for those bodies responsible for individual institutions is based on the condition of their buildings, as well as on their pupil numbers and school characteristics.

This note explains how these allocations have been calculated.

## Overview of methodology

Our aim in reforming the allocations methodology is to ensure that all those bodies responsible for individual institutions receive a fair share of funding that reflects their investment needs. Our overall approach to the allocations therefore recognises the need to repair existing defects as well as provide ongoing maintenance to keep all buildings in good condition over their lifecycle.

### Devolved Formula Capital

Devolved Formula Capital remains unchanged and is calculated using the same methodology as in previous years. The budget has been set at approximately £200m a year. Every school gets a fixed lump sum and a variable amount based on pupil numbers. The lump sum and per pupil rates will stay the same for the next 3 years. These allocations will be calculated each year to reflect the January school census.

### School Condition Allocations

School Condition Allocations are made to those bodies responsible for the maintenance of buildings (referred to as 'responsible bodies'). There are 3 components to these allocations:

- **Core condition funding** for all responsible bodies based on their pupil numbers;
- **High condition needs funding** for those with disproportionately high needs; and
- **Floor protections** to provide some stability in the transition to the new system.

School Condition Allocations take into account the information we have collected through the Property Data Survey Programme (PDS) about the condition of schools. For the majority of responsible bodies, the survey data shows that existing condition needs correlate well with pupil numbers, which are also a proxy for the size of the estate that needs managing on an ongoing basis. All responsible bodies therefore get a **core condition funding** component based on pupil numbers.

The PDS shows that some responsible bodies have particularly high existing condition needs relative to their size. In recognition of this, our approach includes a **high condition needs funding** component, in addition to their core condition allocation. This is based on the extent to which the condition needs identified in the PDS exceed a threshold.

We have applied **floor protections** in 2015-16 to ensure that no responsible body gets less than 80% of the funding it received in the 2014-15 maintenance allocations. This level of protection will also apply in 2016-17 and 2017-18 unless the schools for which it is responsible change.

The budget for School Condition Allocations is set at £1.2bn a year for the next 3 years. Responsible bodies will receive a fixed allocation for 2015-16, which is also indicative of their second and third year allocations. Allocations will be revised annually for 2016-17

and 2017-18 to reflect new or closing schools and where a school moves to a new responsible body, in which case the pupil-led core condition funding will move with the schools.

## **Condition Improvement Fund**

Single academies, small multi-academy trusts and sixth form colleges do not receive a direct allocation. The corresponding School Condition Allocations for these institutions are aggregated to form the Condition Improvement Fund. This is the new single bid-based funding stream through which these institutions can access condition funding. The size of this fund therefore reflects the mix of institutions eligible to bid, in terms of the number and age-phase of their pupils, their location, extent of modernisation and condition as identified through the PDS.

The diagram over the page provides a visual overview of the allocations methodology and the detailed calculations underpinning it can be found in the Annex.

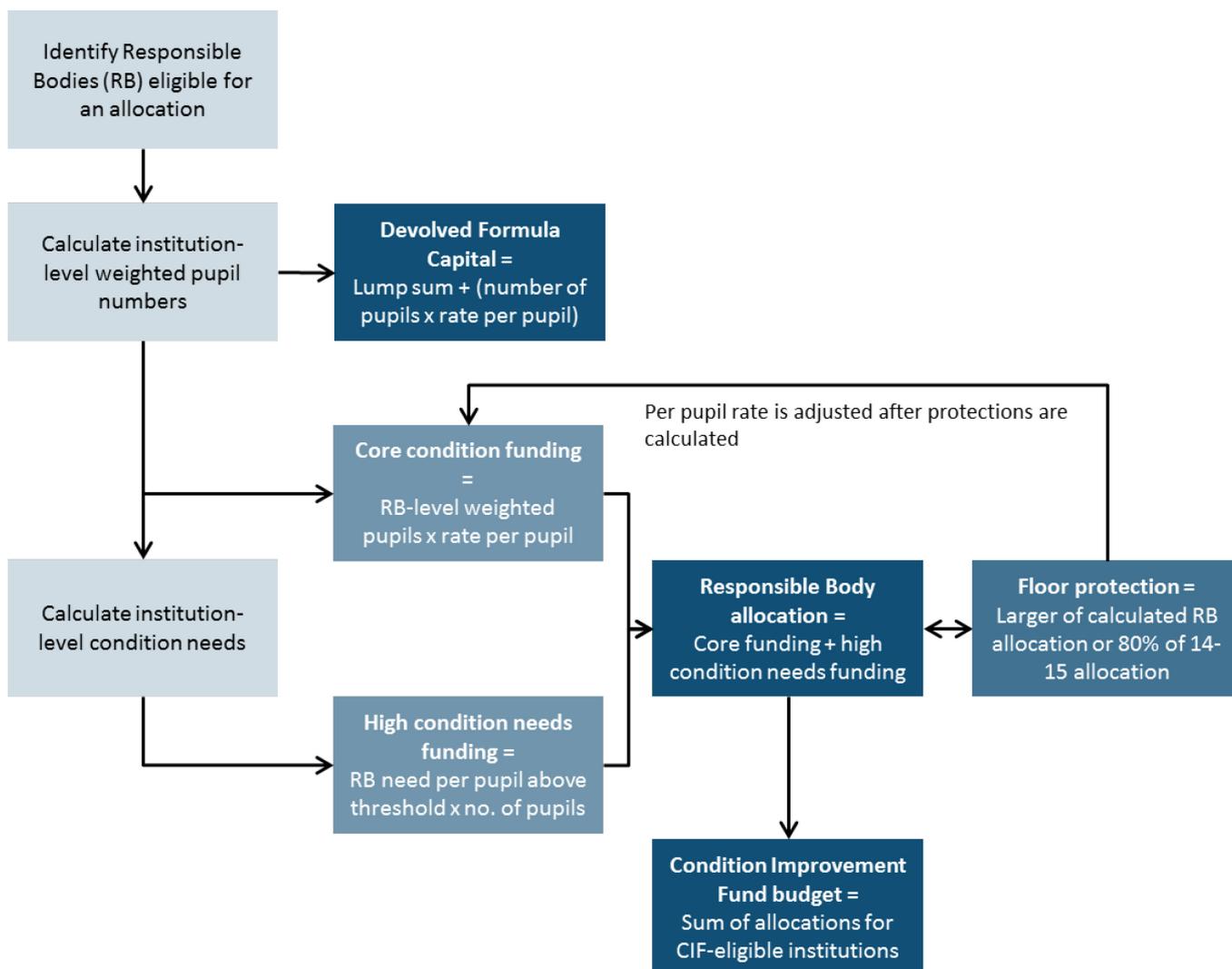


Figure 1 Outline of the condition funding methodology for 2015-18

# Explanation of the methodology

## Responsible bodies

Every institution eligible for an allocation is assigned to a responsible body, which is the body responsible for maintaining the condition of that institution's buildings or, in the case of VA schools, which co-ordinates that allocation on behalf of others. They are local authorities, multi-academy trusts, state-funded special schools and other specialist providers of state-funded pupils. Allocations for Voluntary Aided (VA) schools will be calculated for all VA schools in each local authority area. Responsible bodies receive funding for all the institutions for which they are responsible.

### Responsible bodies for School Condition Allocations

**Local authorities** are responsible and receive funding for **maintained** non-VA schools

**Voluntary Aided schools** are notionally assigned to their local authority, which co-ordinates the administration of their funding<sup>1</sup>

**Multi-academy trusts** with 5 or more schools and at least 3,000 pupils will receive funding for their academies

**Education Funding Agency** administers funding through the Condition Improvement Fund for single academy trusts, small multi-academy trusts and sixth form colleges<sup>2</sup>

**Independent institutions** (non-maintained special schools and specialist providers) will receive a direct allocation in respect of their state-funded pupils

Funding allocations for individual institutions and each responsible body are driven by the characteristics of their pupils, schools and, in the case of School Condition Allocations, condition needs as assessed by the Property Data Survey. We identify these characteristics for every institution then aggregate them for each responsible body to derive their allocations.

## Weighted pupil numbers

Pupil numbers underpin the allocation of both Devolved Formula Capital and the School Condition Allocations. These allocations are based on pupil numbers that are weighted to reflect a number of factors:

- **Age-phase and type of pupils** - primary, secondary, sixth form, special school and boarding pupils have different weights reflecting the relative capital costs for these schools. These weightings apply to both DFC and School Condition Allocations;

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<sup>1</sup> Funding for VA schools is allocated through the Locally Controlled Voluntary Aided Programme (LCVAP).

<sup>2</sup> Allocations in respect of these institutions are aggregated to finance the Condition Improvement Fund.

- **School modernisation** – for schools where 80% of their total floor area has been replaced or refurbished in the last 10 years, each of their pupils has a 50% weighting applied to reflect that these schools will generally have lower maintenance needs. All PFI schools<sup>3</sup> and those identified as part of PSBP1 and PSBP2 – where they meet the above modernisation criteria - will be treated as a modernised school. Figure 2 below summarises the treatment of these schools. The modernisation factor applies only to School Condition Allocations not DFC;
- **School location** – location factors, produced by BCIS<sup>4</sup>, are applied to pupil numbers to reflect the differential capital costs faced around the country. Location factors apply only to School Condition Allocations and not DFC<sup>5</sup>;
- **Voluntary Aided schools** – VA schools are required by law to make a 10% contribution towards capital costs so we deduct this from their allocations. These schools also do not have access to a VAT refund scheme so we have, historically, increased their allocations to reflect this. The net impact is a VA factor that uplifts their allocations by 8%<sup>6</sup>. This factor applies to both DFC and School Condition Allocations.

Type of school	DFC allocation	Core condition need funding	PDS-identified need counted in high condition needs funding
PFI schools	✓	50%	×
Modernised schools	✓	50%	×
PSBP schools meeting modernised criteria	✓	50%	×
PSBP schools not meeting modernised criteria	✓	100%	PDS-identified need being met by PSPB is excluded

**Figure 2 Treatment of PFI, PSBP and modernised schools**

Fully-weighted pupils for each school are calculated as pupil numbers x phase weight x modernisation factor x location factor x VA factor. These school-level weighted pupils are then aggregated for all the schools within each responsible body.

<sup>3</sup> Schools rebuilt under the Private Finance Initiative, where some level of ongoing maintenance is usually covered in the PFI contracts.

<sup>4</sup> Building Cost Information Service.

<sup>5</sup> DFC typically covers much smaller expenditure, where the impact of any cost differentials is likely to be minimal.

<sup>6</sup> Calculated as  $(1 \times 90\%) \times 120\% = 108\%$  or a factor of 1.08.

## Condition needs

Existing condition needs are estimated on the basis of information about the condition of buildings as identified through the PDS, which assessed on a consistent basis the condition of circa 19,000 institutions. The PDS categorises each building element according to pre-determined grades that indicate the severity of degradation (figure 3).

	Property Data Survey Condition Grades
A	Good – performing as intended with day-to-day servicing needs only
B	Satisfactory – performing as intended but with minor deterioration
C	Poor – not performing as intended or with major defects
D	Bad – Life expired and / or serious risk of imminent failure

Figure 3 Summary descriptions of condition grades in Property Data Survey

In using the PDS to inform the allocations we have taken 3 things into account:

- **Priority School Building Programme** - Some of the condition needs identified in the PDS will be addressed by the second phase of the Programme (PSBP2), which will rebuild or refurbish those schools or building units - blocks - in the very worst condition. In calculating responsible bodies' condition needs we have excluded those needs that are expected to be addressed through PSBP2;
- **Highest priority needs** – Not all issues identified by the PDS have the same level of urgency or state of repair so we have based the allocations only on the worst needs - those classified in the PDS as bad (D) or poor (C);
- **Disproportionately high condition needs** - Pupil numbers are closely related to the magnitude of need for most responsible bodies. However, some have total needs that are disproportionately high relative to their size and relative to average needs across responsible bodies. The allocations take these disproportionate needs into account through additional high condition needs funding.

We have set the threshold for high condition needs funding at the point where our data shows that the level of need *per pupil* starts to increase rapidly, which also reflects where overall condition needs tend to be much higher than could typically be met with the funding that would be received under pure pupil number allocations. This threshold means that responsible bodies will receive high condition needs funding if the condition of their institutions puts them in the worst 25% of responsible bodies, according to aggregate need per pupil<sup>7</sup>.

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<sup>7</sup> For this purpose, single academies and those in small multi-academy trusts are grouped according to their local authority area. High condition needs funding is calculated for each local academy 'group' and their total high condition needs funding is aggregated into the Condition Improvement Fund.

The estimated value of condition needs are based on a set of standard unit values in the PDS condition need model. These values are not intended to indicate actual repair costs, as these will be site-specific and will not cover any consequential works that may need to be done at the same time. The PDS condition need model allows us to estimate the scale of existing need across responsible bodies, so that we can fairly allocate a fixed overall budget according to relative need. Further information on the Property Data Survey Programme and the PDS condition need model can be found on the PDSP web page at [gov.uk](https://www.gov.uk)<sup>8</sup>.

We are providing each responsible body with a personalised condition dashboard that shows how their particular condition needs compare to others. This will provide the context behind their allocation and it will also provide a breakdown of the 3 components of their School Condition Allocation: core condition funding; high condition needs funding; and floor protection funding.

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<sup>8</sup> <https://www.gov.uk/government/publications/property-data-survey-programme>

## Calculation of Devolved Formula Capital

Devolved Formula Capital is calculated for all maintained mainstream nursery, primary and secondary schools, special schools, pupil referral units, academies and free schools, studio schools and university technical colleges, non-maintained special schools, independent specialist providers with state-funded pupils and sixth form colleges.

Each institution gets a fixed lump sum of £4,000 and a variable amount based on their pupil numbers multiplied by the appropriate rate per pupil<sup>9</sup>.

Pupil numbers are based on the school census collected in January 2014 and the 2013/14 Individualised Learner Record.

<b>Funding rates 2015-2018</b>	<b>Phase-related Differential</b>	<b>Non-boarding pupil rate</b>	<b>Boarding pupil rate</b>
Nursery / Primary	1.0	£11.25	£33.75
Secondary	1.5	£16.88	£33.75
Post-16	2.0	£22.50	£33.75
Special / PRU	3.0	£33.75	£33.75

**Figure 4 Funding rates for Devolved Formula Capital allocations**

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<sup>9</sup> For VA schools, both the lump sum and per pupil rate is uplifted by the VA factor.

## Calculation of School Condition Allocations

Each responsible body gets an allocation for the whole 3-year period, which is divided by 3 to provide indicative flat allocations for each year.

Every responsible body receives a **core condition funding** component based on their weighted pupil numbers. Pupil numbers for SCA funding are fully-weighted reflecting all of the factors explained in the earlier section on weighted pupils. A responsible body's core allocation is simply their weighted pupil numbers multiplied by an overall rate per weighted pupil.

Those responsible bodies that are eligible will also receive a **high condition needs funding** component. The amount of additional funding is proportionate to how much higher their need is above the threshold.

It is calculated, in simplified terms, as: (PDS need<sup>10</sup> per weighted pupil - high condition needs threshold) x weighted pupil numbers.

Since the additional funding only reflects need above the threshold there is no funding cliff edge and responsible bodies do not lose out if they are just below the threshold. For those with high condition needs, this approach brings their funding - relative to need - more closely into line with that of other responsible bodies.

Allocations are first calculated without applying the floor protection and these are compared to the 2014-15 allocations, to calculate how much protection funding each responsible body receives and to calculate how much of the overall budget is needed for the protections. We then adjust the rate per pupil for the core condition funding component to remain within the overall budget. The final rate is £115.15 per weighted pupil.

### Floor protections

We are protecting responsible bodies in the transition year to the reformed system and, together with the introduction of 3-year indicative allocations, this provides more stability to help them plan their maintenance investments over time.

Floor protections will apply to the School Condition Allocations in 2015-16. They ensure that no responsible body will get less than 80% of the funding it received in the 2014-15 maintenance allocations. Its overall funding will be the same in 2016-17 and 2017-18 as in 2015-16 *unless* the schools for which it is responsible change.

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<sup>10</sup> Condition C and D needs after excluding condition needs in PFI schools, those meeting the modernisation criteria and those condition needs expected to be addressed by PSPB2. See figure 2.

If in years 2 and 3, a responsible body still has the same schools it will continue being protected at the same level as in 2015-16. If it loses any schools it will lose the funding notionally apportioned to them, so the 80% protection will no longer apply.

## **Future years**

The indicative allocations for 2016-17 and 2017-18 will be revised annually to take into account schools opening and closing and schools changing responsible body.

The amount of funding that we will transfer when schools move will be based on the core condition funding notionally attached to those schools in 2015-16 – on the basis of their pupil numbers. Responsible bodies will keep their high condition needs funding for the full allocation period as this reflects their aggregate rather than school-level needs; these allocations are not associated with individual schools.

We will treat schools that are classed as modernised at the beginning of the allocation period as modernised schools throughout the whole period.

We will hold back £5m a year as a contingency that we will use to fund allocations for brand new schools in subsequent years, so that we do not need to reduce everyone's allocation.

## Annex - Condition funding detailed calculations

This annex provides the detailed calculations behind the allocations methodology that was summarised in figure 1.

### Step 1: Calculate school and responsible body information

<b>STEP 1a: IDENTIFY RESPONSIBLE BODIES ELIGIBLE FOR AN ALLOCATION</b>		
A. Assign schools to responsible bodies receiving funding	Assign schools to the following responsible bodies: <ul style="list-style-type: none"> <li>- Local authorities (non-VA schools)</li> <li>- Local authorities (VA schools)</li> <li>- Multi-academy trusts (with =&gt;5 schools and =&gt; 3,000 pupils)</li> <li>- Condition Improvement Fund (remaining academy trusts and sixth form colleges)</li> <li>- Individual SPIs and NMSSs</li> </ul>	Inputs: Census Data; Edubase
<b>STEP 1b: CALCULATE INSTITUTION LEVEL CHARACTERISTICS</b>		
A. Phase weighted pupil numbers	For most schools: =(Primary Pupils x Primary Weight) +(Secondary Pupils x Secondary Weight) +(Sixth Form Pupils x Sixth Form Weight) +(Boarding Pupils x Boarding Weight)  For special schools: =(Special School Pupils x Special School Weight) +(Boarding Pupils x Boarding Weight)  Note: boarders are not double-counted	Inputs: Census Data
B. VA-weighted pupil numbers	VA weighted Pupils <sub>school</sub> = VA weight x Phase weighted Pupils <sub>school</sub>	Inputs: 1b.A
C. Modernisation weighted pupil numbers	Modernisation weighted Pupils <sub>school</sub> = Modernisation weighting x Phase weighted Pupils <sub>school</sub>	Inputs: 1b.A
D. Fully weighted pupil numbers	Fully weighted pupils <sub>school</sub> = Phase weighted Pupils <sub>school</sub> x VA weight x Location Factor x Modernisation Factor	Inputs: 1b.A
E: Total PDS condition need	Total Condition need <sub>school</sub> = Total C and D PDS need - C and D need excluded for allocation purposes (see figure 2)	Inputs: PDS data
<b>STEP 1c: AGGREGATE PUPILS AND CONDITION NEEDS FOR RESPONSIBLE BODIES</b>		
A. Fully weighted pupil numbers	Fully weighted pupils <sub>RB</sub> = $\sum$ Fully weighted pupils <sub>school</sub>	Inputs: 1b.D
B. PDS condition need per pupil	Condition Need per Pupil <sub>RB</sub> = $\frac{\sum \text{Total Condition Need}_{\text{school}}}{\text{Modernisation weighted Pupils}_{\text{RB}}}$	Inputs: 1b.C 1b.E

## Step 2: Calculate responsible body allocations

<b>STEP 2a : CALCULATE HIGH CONDITION NEEDS FUNDING ALLOCATIONS</b>		
A. Funded Need per pupil	Funded need per pupil <sub>RB</sub> = PDS need per phase & modernisation weighted pupils <sub>RB</sub> - Threshold	Inputs: 1c.B
B. RB high condition needs funding	High condition needs funding <sub>RB</sub> = Funded need per pupils <sub>RB</sub> x Fully weighted pupil numbers <sub>RB</sub>	Inputs: 2a.A 1c.A
C. Total high condition needs funding	Total high condition needs funding = $\sum$ High condition need funding <sub>RB</sub>	Inputs: 2a.B
D. Annual high condition needs funding	Annual high condition needs funding <sub>RB</sub> = Total high condition needs funding <sub>RB</sub> / 3 years	Inputs: 2a.C
<b>STEP 2b : CALCULATE CORE CONDITION FUNDING ALLOCATIONS</b>		
A. Budget for core condition funding	Core condition funding budget: = (Total budget - Total high condition needs funding) / 3 years	Inputs: 2a.C
B. Per pupil rate	Per pupil rate: = $\frac{\text{Budget for core condition funding}}{\sum \text{Fully weighted pupils}_{RB}}$	Inputs: 1c.A 2b.A
C. Funding apportioned to school	Core condition funding allocation <sub>school</sub> = per pupil rate x fully weighted pupil numbers <sub>school</sub>	Inputs: 1b.D 2b.B
D. RB core condition funding	Core condition funding allocation <sub>RB</sub> = $\sum$ Core condition funding allocation <sub>school</sub>	Inputs: 2b.C
<b>STEP 2c : APPLY THE FLOOR PROTECTION</b>		
A. Total RB allocation	Total Allocation: = Core condition funding <sub>RB</sub> + High condition needs funding <sub>RB</sub>	Inputs: 2a.B 2b.D
B. Identify RBs on the floor	Identify RBs with Total Allocation less than 80% of their 2014-15 allocation (excluding Sure Start)	Inputs: 2c.A 2014-15 allocations
C. Calculate protection funding	If Total RB Allocation < 80% of 14-15 allocation, protection funding: = (14-15 allocation x 80%) - Total RB Allocation	Inputs: 2c.A 2c.B
D. Adjust core condition funding per pupil rate	Reduce the per pupil rate to accommodate protection funding. Repeat from step 2.bA until budget balances and re-calculate core condition funding for all RBs	Inputs: 2c.C
E. Re-calculate RB core condition funding	Core condition funding allocation <sub>RB</sub> : = $\sum$ Core condition funding allocation <sub>school</sub>	Inputs: 1b.D 2c.D

F. Calculate Sure Start funding	LA capital funding for Sure Start facilities (in non-VA schools) = $\frac{\text{Individual LA's Total Allocation}}{\sum \text{LA Total Allocations}_{\text{LA}}} \times \text{Sure Start budget (£2m)}$	Inputs: 2a.D 2c.C 2c.E
E. Final RB total allocation	Total RB allocation: = Core condition funding + High condition needs funding + Floor protection funding + Sure Start funding	Inputs: 2c.E 2a.D 2c.C 2c.F

### Step 3: Calculate Devolved Formula Capital

STEP 3a : CALCULATE DEVOLVED FORMULA CAPITAL ALLOCATIONS		
A. DFC (Year 1)	DFC allocation: = (£4000 ×VA weight) + £11.25 ×VA weighted pupils <sub>school</sub>	Inputs: 1b.B

### Re-calculate allocations for 2016-17 and 2017-18

STEP 2d : RE-CALCULATE CORE CONDITION FUNDING ALLOCATIONS		
A. re-assign schools to RBs	Update mapping of institutions to RBs (e.g. academy conversions, school openings and closures)	Inputs:
B. re-assign allocations	Reassign core condition funding allocations. Amount moved is based on original allocation in 2015-16	Inputs: 2c.C
STEP 3b : RE-CALCULATE DEVOLVED FORMULA CAPITAL ALLOCATIONS		
A. DFC allocations	Re-calculate DFC allocations with revised pupil numbers and changes to institutions using year one unit values	Inputs: School census (Jan 15; Jan 16);  ILR (14/15; 15/16)



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