



Department  
for Education

# **Condition funding methodology for 2015 to 2018**

**Updated explanatory note for the 2016  
to 2017 allocations**

**February 2016**

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## Introduction

The Department for Education announced, on 9 February 2015, 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**;
- Funding for those bodies responsible for individual institutions through the **School Condition Allocations**;
- Those academies and sixth form colleges not eligible to receive a direct School Condition Allocations will be able to access funding via the **Condition Improvement Fund**.

Last year we reformed our approach to the allocations so that funding for responsible bodies was based on the condition of their buildings, as well as on their pupil numbers and school characteristics.

This note explains how the 3-year indicative allocations were calculated and how we have updated them this year for 2016-17 and 2017-18.

## Overview of methodology

Our aim in reforming the allocations methodology was 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 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 whole 3-year allocation period. These allocations will be calculated each year to reflect the latest January school census and Individualised Learner Record for post-16 institutions.

### School Condition Allocations

School Condition Allocations are made to those bodies responsible for the maintenance of buildings (referred to as 'responsible bodies'). The budget for School Condition Allocations is set at £1.2bn a year until 2017-18. Responsible bodies received a fixed allocation for 2015-16, which we said was indicative of their second and third year allocations. We will update these indicative allocations annually to reflect new or closing schools and where a school moves to a new responsible body.

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 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. Each year this pupil-led funding for each school will be allocated to whoever their responsible body is in that year.

The PDS shows that some responsible bodies have particularly high condition needs relative to their size. So our approach includes a **high condition needs funding** component, in addition to the core condition allocation. This funding is based on the extent to which the condition needs identified in the PDS exceeded a threshold per pupil. We have recalculated this component of funding for multi-academy trusts, to reflect

where they have taken on schools in disproportionately poor condition. Local authorities and voluntary aided bodies will receive the same as in 2015-16.

We applied **floor protections** in 2015-16 to ensure that no responsible body got less than 80% of the funding it received in the 2014-15 maintenance allocations. Whilst we have not applied any additional protections for 2016-17, those who received this funding in 2015-16 receive the same amount in 2016-17.

## **Condition Improvement Fund**

Single academies, small multi-academy trusts and sixth form colleges do not receive a direct School Condition Allocation. The corresponding School Condition Allocations for these institutions are aggregated to form the Condition Improvement Fund. This is a 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 budget for CIF is approximately £440m for 2016-17.

## 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. They are local authorities, multi-academy trusts, state-funded special schools and other specialist providers for state-funded pupils. Allocations for voluntary aided schools are calculated for all VA schools, as a group, 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 group funding allocation<sup>1</sup>

**Multi-academy trusts** (and opted-in sponsors) with 5 or more academies and at least 3,000 pupils receive a funding allocation 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 post-16 providers) 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.

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

<sup>2</sup> School Condition Allocations for these institutions are aggregated to finance the Condition Improvement Fund.

## 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 their relative capital costs. These weightings apply to both DFC and the School Condition Allocations;
- **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 and those being addressed in phases one and two of the Priority School Building Programme - where they meet the above modernisation criteria - will be treated as a modernised school. Figure 1 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>3</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>4</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>5</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 need being met by PSBP is excluded

Figure 1 Treatment of PFI, PSBP and modernised schools

<sup>3</sup> Building Cost Information Service.

<sup>4</sup> DFC typically covers much smaller expenditure, where the impact of any cost differentials is likely to be minimal.

<sup>5</sup> Calculated as  $(1 \times 90\%) \times 120\% = 108\%$  or a factor of 1.08.

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

For the 2016-17 allocations, pupil numbers are based on the 2015 January School Census data for DFC. For SCA we continue to use the January 14 data, other than for new schools, as short term changes in pupil numbers should not have a significant impact on condition needs. All pupils On Roll and registered as a Sole or Dual Main enrolment are included in the calculations for each school. For sixth form institutions and specialist post-16 institutions not recorded on the Census, their pupil numbers are taken from the 2014/15 Individualised Learner Record. The table below shows how we count pupils in the different age phases.

<b>Pupil phase</b>	<b>Coverage</b>
Early Years	Full-time equivalent (FTE) pupils
Primary, Secondary and Sixth Form	Headcount of pupils in relevant year groups
Sixth Form and specialist post 16 providers (on ILR not Census)	Full-time equivalent pupils (both boarders and non-boarders).
Special School / Pupil Referral Unit (any phase)	Headcount of pupils (including hospital schools and non-maintained special schools)
Boarders (any phase)	Based on the appropriate rule above

**Figure 2 How pupil numbers are counted**

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.



## Devolved Formula Capital methodology

Devolved formula capital (DFC) is direct funding for individual institutions to maintain their buildings and fund small scale capital projects. It is allocated to maintained nursery, primary and secondary schools, special schools, pupil referral units, academies and free schools, non-maintained special schools and sixth form colleges. It is also allocated to those specialist post-16 institutions that have eligible state-funded pupils.

Each institution gets a lump sum of £4,000 and a variable amount based on their pupil numbers multiplied by the appropriate rate per pupil<sup>6,7</sup>. These weightings are applied at the pupil rather than school level. This means that a school with 50 primary pupils and 500 secondary pupils would have phase-weighted pupils of 800 = (50 x 1) + (500 x 1.5).

<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 3 Funding rates for Devolved Formula Capital allocations**

The allocations are calculated afresh each year to reflect the latest pupil numbers. In order to announce the allocations before the start of the financial year, the 2016-17 allocations are based on the January 2015 school census and 2014/15 Individualised Learner Record. Pupil numbers taken from the census are all pupils on roll and registered as a sole or dual main enrolment. Any new schools or academies opening after the January 2015 census will not receive a DFC allocation for 2016-17 but will receive one in 2017-18, once they appear on the next January census.

The allocations announced in February 2016 are based on open academies at the beginning of November 2015 and those due to open on or before 31 March 2016.

Local authorities receive the DFC payments for their maintained schools and the LAs are required to pass on these allocations to the schools. All other institutions receive their DFC direct from the EFA. Local authorities will receive a DFC payment for all those maintained schools that convert to academy status after 31 March 2016. They are required to pass this on to schools in the usual way, regardless of conversion status.

Final DFC allocations will be confirmed after March 2016, when it will be clear which schools have converted to academy status by the end of that month. This update ensures that we are routing the DFC payments through the appropriate channels.

<sup>6</sup> For voluntary aided schools, both the lump sum and per pupil rates are uplifted by the VA factor.

<sup>7</sup> Specialist post-16 institutions will only receive DFC or SCA in 2016-17 if they have any eligible state-funded pupils.

## School Condition Allocations methodology

School Condition Allocations provide funding to those bodies responsible for one or more schools to meet their own local condition priorities across their schools. In February 2015, we announced the 2015-16 School Condition Allocations, based on a new methodology, and said these were indicative for 2016-17 and 2017-18. We also said we would be updating the indicative allocations each year to take into account schools opening, closing or schools changing responsible body. This section explains how the 2015-16 allocations were calculated and how we have updated them for 2016-17. These updated allocations are the revised indicative allocations for 2017-18.

### Overview of the methodology for the 2015-16 allocations

When we announced the 3-year indicative allocations in February 2015, we set out the methodology in an explanatory note published alongside the allocations. Figure 4 summarises the methodology for how we calculated those allocations.

The School Condition Allocations for 2015-16 had three funding components:

Every responsible body received **core condition funding** based on a flat rate of £115.15 per weighted pupil. Pupil numbers for SCA funding are fully-weighted reflecting all of the factors explained in the earlier section on weighted pupils.

**High condition needs funding** was allocated to those with disproportionately high condition needs per weighted pupil above a threshold. We set the threshold at the point where our data showed 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 under pure pupil number allocations. Responsible bodies received this funding if they were in the worst 25% of responsible bodies, according to aggregate need per pupil<sup>8</sup>. The amount of additional funding was proportionate to how much higher their need was above the threshold and calculated, in simplified terms, as: (PDS need<sup>9</sup> per weighted pupil - high condition needs threshold) x weighted pupil numbers. Responsible bodies receive this funding in equal instalments over the 3-year allocation period.

**Floor protection funding** protected responsible bodies in the transition to the reformed system. Floor protections applied in 2015-16 to ensure that no responsible body got less than 80% of the funding it received in the 2014-15 maintenance allocations.

**Figure 4 Summary of the methodology for the indicative 2015-18 allocations**

<sup>8</sup> Single academies and those in small multi-academy trusts are grouped according to their LA. High condition needs funding is calculated for each local academy 'group' and aggregated into the Condition Improvement Fund.

<sup>9</sup> Property Data Survey 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 PSBP2.

For the high condition needs funding, condition needs were based on the Property Data Survey (PDS), which assessed the condition of c.18,500 institutions. The PDS classed each building element according to pre-determined grades that indicate the severity of degradation (figure 5).

	<b>Property Data Survey Condition Grades</b>
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 5 Summary descriptions of condition grades in Property Data Survey**

In using the PDS to inform the allocations we also took the following 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). In calculating responsible bodies' condition needs we excluded those needs that are being 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 based the allocations only on the worst needs - those classified in the PDS as bad (D) or poor (C).

## **Updating the indicative allocations for 2016-17**

The indicative allocations for 2016-17 and 2017-18 will be revised annually to take into account schools opening and closing and changing responsible body. Funding for responsible bodies will have changed from 2015-16 only if their schools have changed. The approach is summarised here and Annexes A and B provide high-level diagrams of the methodology.

**Eligibility for an allocation:** Multi-academy trusts are eligible for SCA, instead of the Condition Improvement Fund, if they had 5 or more open academies at the beginning of November 2015 and these academies (or their predecessor schools) had at least 3,000 pupils on the January 2015 census. Brand new schools that had not opened in January 2015 are excluded when applying this rule, as funding is based on schools open and on the January census. This year we offered an allocation to sponsors of academies in different trusts, where they meet our size criteria as a group, as we want to align funding with where decisions are made across the group.

**Core condition funding:** Where a school has changed their responsible body (for example, on becoming an academy or moving between multi-academy trusts) their new responsible body now receives the pupil-led funding attached to them. The amount of

funding attracted by each school is fixed for the 3 years, and moves with schools, except that we remove the VA uplift when a VA school becomes an academy, as the uplift no longer applies. Brand new institutions have received funding based on pupil numbers in the January 2015 census, or Individualised Learner Record, multiplied by the funding rate of £115.15 per pupil.

**High condition needs funding:** Local authorities and VA responsible bodies have received the same amount of high condition needs funding as in 2015-16, where they had received some, even if their schools have changed. This funding is intended to cover high needs right across the responsible body. We have, however, recalculated this element of funding for multi-academy trusts and sponsors based on their open academies at the beginning of November 2015. This is to ensure that those schools in disproportionately poor condition (according to the PDS) are not disadvantaged when they move responsible body.

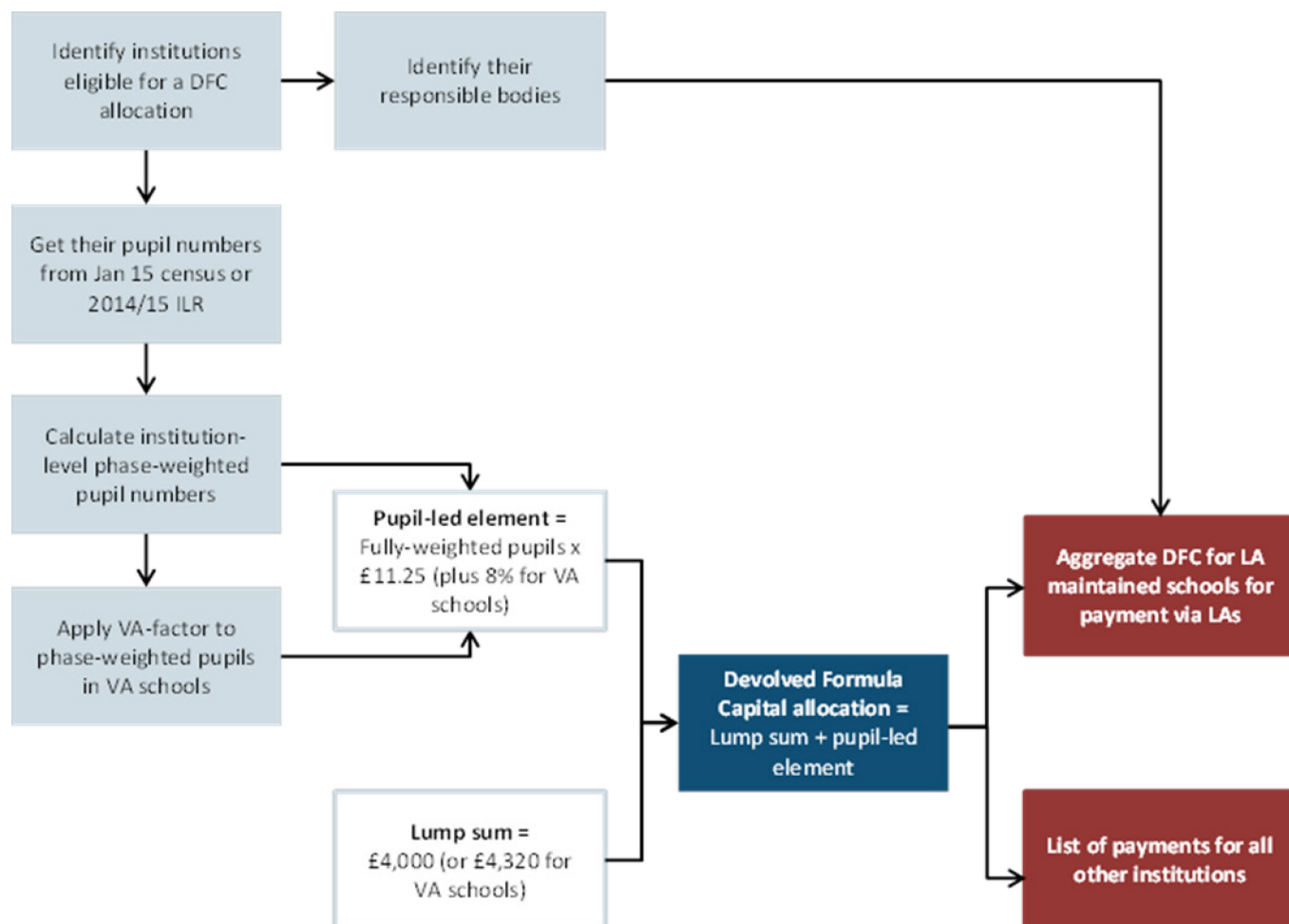
**Floor protection funding:** Where responsible bodies received floor funding in 2015-16 they receive the same amount in 2016-17. But if any responsible bodies have lost schools, and therefore the core funding for those schools, they have not received any further protections even if it tips them below 80% of what they got in 2014-15.

The aggregated funding for single academies, small multi-academy trusts and sixth form colleges has been retained centrally for the **Condition Improvement Fund**. This central pot, which totals c.£440 million in 2016-17, has been calculated using pupil numbers from the January 2015 school census relating to all open academies, plus those schools with academy orders where the intended opening date is on or before 31 March 2016.

Although the CIF budget and multi-academy trust allocations have been calculated to include new academies that, as of beginning of November 2015, we expect to be established by the end of March 2016, there will be many schools not included that will convert to academy status from April 2016 to March 2017. Accordingly, local authorities and voluntary aided bodies are expected to treat fairly those schools considering conversion and to honour any commitments of capital funding that they have made, in respect of building projects at those schools.

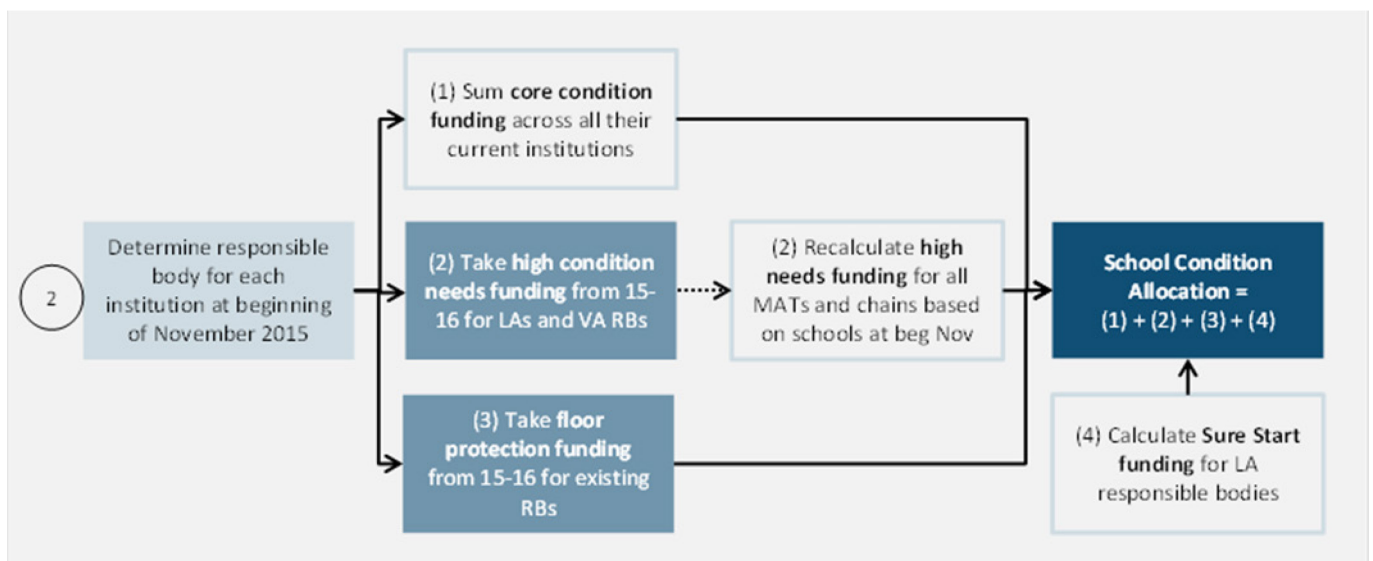
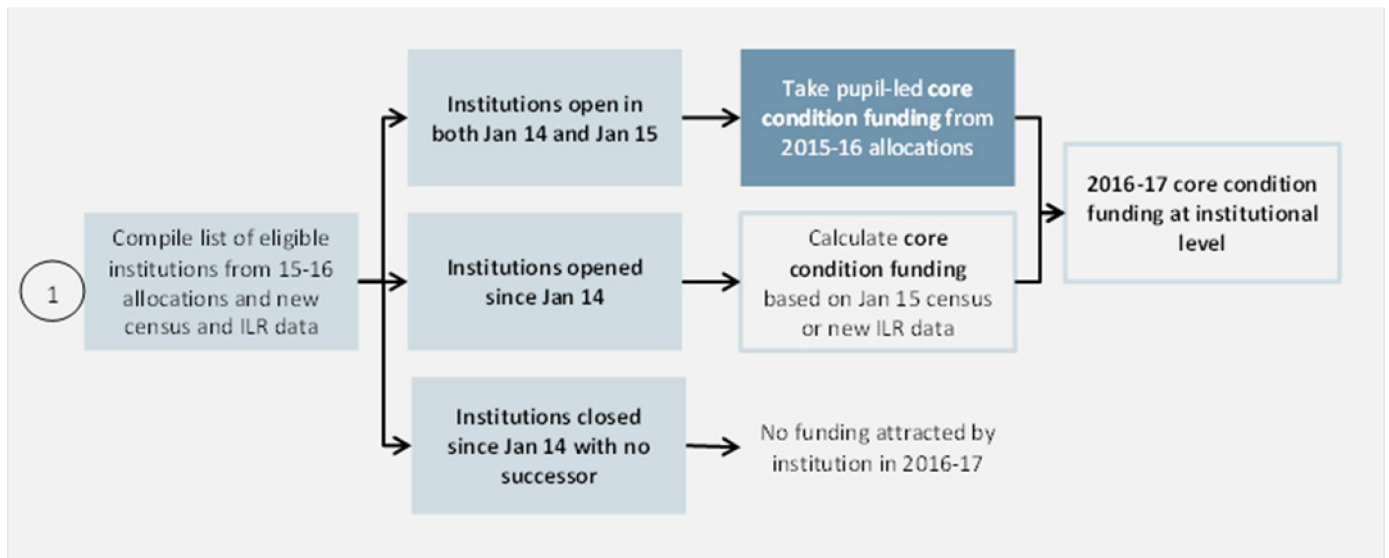
## Annex A – Diagram for DFC methodology

This diagram shows how the Devolved Formula Capital allocations are calculated.



## Annex B – Diagram for SCA methodology

This diagram provides a high level overview of how the School Condition Allocations are calculated.





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