



Department  
for Education

# **Condition funding methodology for financial year 2019– 2020**

**Explanatory note for School Condition  
Allocations and Devolved Formula  
Capital**

**December 2018**

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## Introduction

In 2015, the Department for Education introduced a new approach to school condition funding, by basing a proportion of the funding for responsible bodies<sup>1</sup> on the condition of their buildings, as well as on their pupil numbers and school characteristics. This funding includes:

- Funding for individual institutions through **Devolved Formula Capital**;
- Funding for those bodies responsible for individual institutions through direct **School Condition Allocations**; and
- Access to funding for academies not eligible to receive a direct School Condition Allocation, and sixth-form colleges, via the **Condition Improvement Fund**.

## Our approach for 2019–20

We are largely using the same allocations methodology for the financial year 2019–20 with some minor updates described below. This will provide stability for responsible bodies. The Condition Data Collection, which will provide an up-to-date picture of the condition of the school estate, is expected to complete in autumn 2019 and will help inform future funding policy.

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<sup>1</sup> bodies that are responsible for the maintenance of school buildings

## Overview of the methodology

Our aim for the allocations methodology continues to be to ensure that responsible bodies receive a fair share of funding that reflects their investment needs. Our overall approach to the allocations therefore recognises the need to repair 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<sup>2</sup>. Every school gets a fixed lump sum and a variable amount based on pupil numbers. The lump sum and per-pupil rates will be maintained in 2019–20. These allocations will be calculated to reflect the latest spring school census and Individualised Learner Record for post-16 institutions.

### School Condition Allocations

School Condition Allocations are calculated for all responsible bodies, and then paid either directly or through the Condition Improvement Fund. The budget for School Condition Allocations will continue at approximately £1.2bn a year for 2019–20, including the Condition Improvement Fund. Allocations are updated annually to reflect new or closing schools and where a school has moved to a new responsible body, and will follow the same approach in 2019–20.

There are 3 components to the calculations:

- **Core condition funding**, based on responsible bodies' pupil numbers;
- **High condition need funding**, for those with disproportionately high need; and
- **Floor protections**, to provide some stability in the transition to the current 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 need correlates well with pupil numbers, which are also a good indication of the size of the bodies' estates. We therefore calculate a **core condition funding** component based on pupil numbers. Each year, this pupil-led funding for each school is either allocated directly to whichever their responsible body is in that year, or added to the funding available for the Condition Improvement Fund.

The PDS shows that some responsible bodies have particularly high condition need relative to their size, so our approach includes a **high condition need funding** component, in addition to the core condition allocation. This funding is based on the

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<sup>2</sup> This is separate from the one-off additional £400 million provided in Budget 2018.

extent to which the condition need identified in the PDS exceeds 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 high condition need funding 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. Those eligible for the protection will continue to receive it in 2019–20.

## Condition Improvement Fund

Single academies, small multi-academy trusts, and sixth-form colleges do not receive a direct School Condition Allocation. The School Condition Allocations corresponding to 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 calculated on the same basis as for directly-paid School Condition Allocations.

Applications to CIF are due by 13 December at noon. Schools and sixth form colleges eligible for CIF have already been informed.

## 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>3</sup>

**Multi-academy trusts** (and opted-in chains) with 5 or more academies and at least 3,000 pupils receive a funding allocation for their academies

The Department for Education administers funding through the Condition Improvement Fund for **single academy trusts**, **small multi-academy trusts** and **sixth form colleges**<sup>4</sup>

**Non-maintained special schools** and **special 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 need as assessed by the Property Data Survey.

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<sup>3</sup> Funding for VA schools is allocated through the Locally Co-ordinated Voluntary Aided Programme (LCVAP). Following engagement with VA partners, including dioceses, the allocation system for VA schools will move into line with other institutions from 2020–21 and they will access either SCA or CIF directly.

<sup>4</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 weightings reflecting relative capital costs of their provision. These weightings apply to both DFC and the School Condition Allocations.
- **School modernisation** – schools where 80% of their total floor area has been replaced or refurbished in the last 10 years were generally not included in the Property Data Survey. For any school that was not included in the survey, each of its pupils has a 50% weighting applied to reflect that these schools will generally have lower maintenance need. 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>5</sup>, are applied to pupil numbers to reflect the different capital costs faced around the country. Location factors apply only to School Condition Allocations and not DFC<sup>6</sup>.
- **Voluntary aided schools** – the Secretary of State is allowed by law to contribute no more than 90% to the capital costs of VA schools (apart from in exceptional circumstances), so we deduct 10% from their allocations. These schools also do not have access to a VAT refund scheme, so we have increased their allocations to reflect this. The net impact is a VA factor that uplifts their DFC and School Condition Allocations by 8%<sup>7</sup>.

Figure 1: Treatment of PFI, PSBP and modernised schools

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

<sup>5</sup> Building Cost Information Service.

<sup>6</sup> DFC typically covers much smaller expenditure, where the impact of any cost differentials is likely to be minimal.

<sup>7</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 2019–20 allocations, pupil numbers are based on the spring 2018 School Census data for DFC. For SCA, we continue to use the spring 2014 School Census, as short-term changes in pupil numbers should not have a significant impact on condition need. The only exceptions to this are:

- new schools, for which we use the first spring census after they open; and
- responsible bodies whose schools have collectively increased their pupil count by more than 10% since 2015, for which we fund any growth in excess of 10%.

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 2017/18 Individualised Learner Record. The table below shows how we count pupils in the different age phases.

**Figure 2: How pupil numbers are counted**

<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 or 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

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>8,9</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  $(50 \times 1) + (500 \times 1.5) = 800$ . The number of phase weighted pupils is multiplied by the per-pupil rate of £11.25, to get the pupil numbers based element of DFC. For the previous example, the school would receive  $800 \times £11.25 = £9,000$ ; in addition to the lump sum this would result in a total DFC allocation of  $£9,000 + £4,000 = £13,000$ .

**Figure 3: Funding rates for Devolved Formula Capital allocation**

Phase	Phase-related weighting	Non-boarding pupil rate	Boarding pupil rate
Nursery / Primary	1.0	$1.0 \times £11.25 = \mathbf{£11.25}$	$3.0 \times £11.25 = \mathbf{£33.75}$
Secondary	1.5	$1.5 \times £11.25 = \mathbf{£16.88}$	$3.0 \times £11.25 = \mathbf{£33.75}$
Post-16	2.0	$2.0 \times £11.25 = \mathbf{£22.50}$	$3.0 \times £11.25 = \mathbf{£33.75}$
Special / PRU	3.0	$3.0 \times £11.25 = \mathbf{£33.75}$	$3.0 \times £11.25 = \mathbf{£33.75}$

The allocations are calculated afresh each year to reflect the latest pupil numbers. In order that DFC allocations can be paid alongside SCA, the 2019–20 allocations are based on the spring 2018 school census and 2017/18 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 spring 2018 census will not receive a DFC allocation for 2019–20.

Local authorities receive the DFC payments for their maintained schools and the LAs are required to pass on these allocations to the schools. Academy trusts and other institutions receive their DFC direct from the DfE. Local authorities will receive a DFC payment for all those maintained schools that convert to academy status after 1 April 2019. They are required to pass this on to schools in the usual way, regardless of conversion status.

<sup>8</sup> For voluntary aided schools, both the lump sum and per pupil rates are uplifted by the VA factor.

<sup>9</sup> Specialist post-16 institutions will only receive DFC or SCA 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. This section explains how the 2018–19 allocations were calculated and how we have updated them for 2019–20.

### Overview of the methodology

When we announced the funding allocations in 2015, we set out the methodology in an explanatory note published alongside them.

**Figure 4: Summary of the methodology for allocations**

The School Condition Allocations 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 weighted to reflect all of the factors explained in the earlier section on weighted pupils.

**High condition need funding** was allocated to those with disproportionately high condition need 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 need 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>10</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>11</sup> per weighted pupil - high condition need threshold) x weighted pupil numbers. Responsible bodies received this funding in equal instalments over the 3-year period 2015–2018.

**Floor protection funding** protected responsible bodies in the transition to the reformed system. Floor protections were 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.

For the high condition need funding, condition need was based on the Property Data Survey (PDS), which assessed the condition of approximately 18,500 institutions. The PDS classed each building element according to grades that indicate the severity of degradation (figure 5, below).

<sup>10</sup> Single academies and those in small multi-academy trusts are grouped according to their LA. High condition need funding is calculated for each local academy 'group' and aggregated into the Condition Improvement Fund.

<sup>11</sup> Property Data Survey condition C and D need after excluding condition need in PFI schools, those meeting the modernisation criteria and those condition needs expected to be addressed by PSBP2.

**Figure 5: Summary descriptions of condition grades in Property Data Survey**

	<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 at serious risk of imminent failure

In using the PDS to inform the allocations, we also took the following things into account:

- **Priority School Building Programme** – Some of the condition need identified in the PDS will be addressed by the second phase of the Programme (PSBP2). In calculating responsible bodies' condition need we excluded those needs that are being addressed through PSBP2.
- **Highest priority need** – 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 need, components classified in the PDS as bad (D) or poor (C).

## Updating the allocations for 2019–20

The allocations have been revised annually to take into account schools opening and closing, and changing responsible body. Funding for responsible bodies will have changed only if their schools have changed. The approach is summarised below and Annexes A and B provide high-level diagrams of the methodology.

**Eligibility for an allocation:** Multi-academy trusts are eligible for directly-allocated SCA, instead of the Condition Improvement Fund, if they had 5 or more open academies at the beginning of September 2018 and these academies (or their predecessor schools) had at least 3,000 pupils on the spring 2018 census.

If academy chains (groups of more than one trust that appear as linked in the Department for Education chains data) met our size criteria as a group on 1 April 2018, then we wrote to them to offer them the option of a single direct SCA, as we want to align funding with where decisions are made across the chain.

**Core condition funding:** Where a school has changed its responsible body (for example, on becoming an academy or moving between multi-academy trusts) its new responsible body receives the pupil-led funding attached to it. The amount of funding attracted by each school is fixed, and moves with the school (except that we remove the VA uplift when a VA school becomes an academy). New institutions receive funding based on pupil numbers in the first spring census or Individualised Learner Record after their opening, multiplied by the funding rate of £115.15 per pupil.

In 2019–20, if any responsible body's schools have collectively increased their total pupil number by more than 10% since 2015, then we fund any growth in excess of 10%.

**High condition need funding:** Local authorities and VA responsible bodies receive the same amount of high condition need funding as in previous years, if they received any, even if their schools have changed. This funding is intended to cover high need 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 September 2018. This is to ensure that those schools in disproportionately poor condition (according to the PDS) are not disadvantaged when they move responsible body.

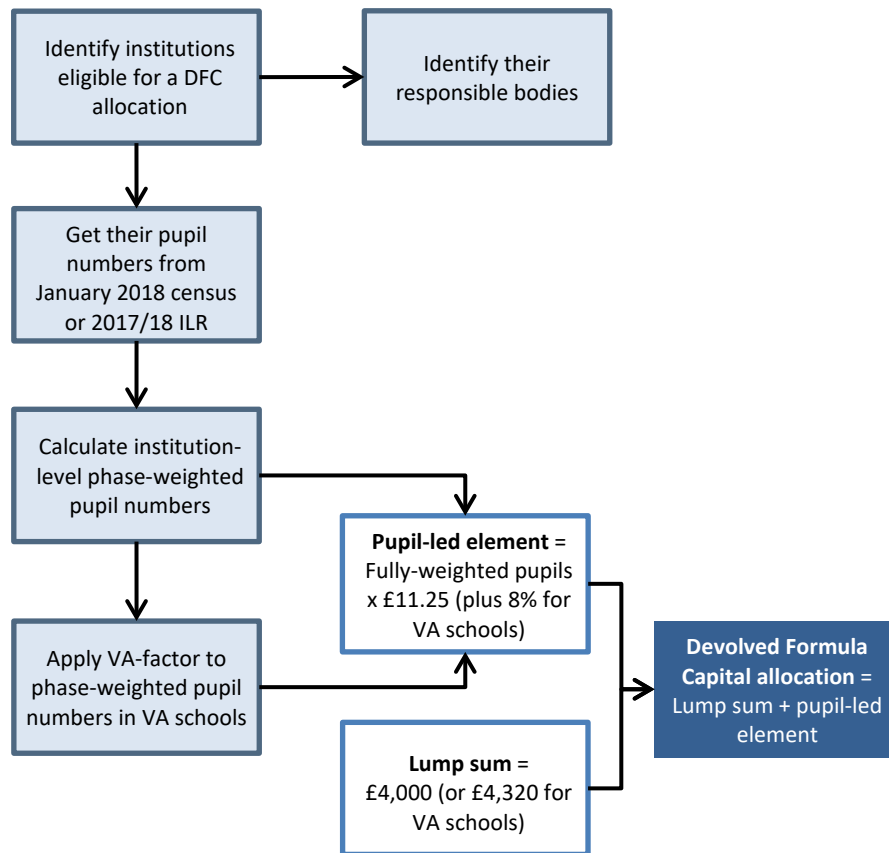
**Floor protection funding:** Where responsible bodies received floor funding in 2015–16 they receive the same amount in 2019–20. But if any responsible bodies have lost schools, and therefore the core funding for those schools, they do not receive any further protection even if it tips them below 80% of what they got in 2014–15.

**Condition Improvement Fund:** The aggregated funding for single academies, small multi-academy trusts, and sixth form colleges is retained centrally for the Condition Improvement Fund. This central pot is calculated using pupil numbers from all open academies, plus those schools with academy orders where the intended opening date is on or before 1 April 2019.

Although the CIF budget and multi-academy trust allocations have been calculated to include new academies that we expect to be established by 1 April 2019, there will be many schools not included that will convert to academy status after 1 April. Accordingly, local authorities and voluntary aided bodies are expected to treat schools considering conversion fairly, including by investing in high priority condition issues and honouring any other commitments of capital funding that they have made. On conversion, at a minimum, schools should be handed over in a safe condition with no health and safety or compliance issues.

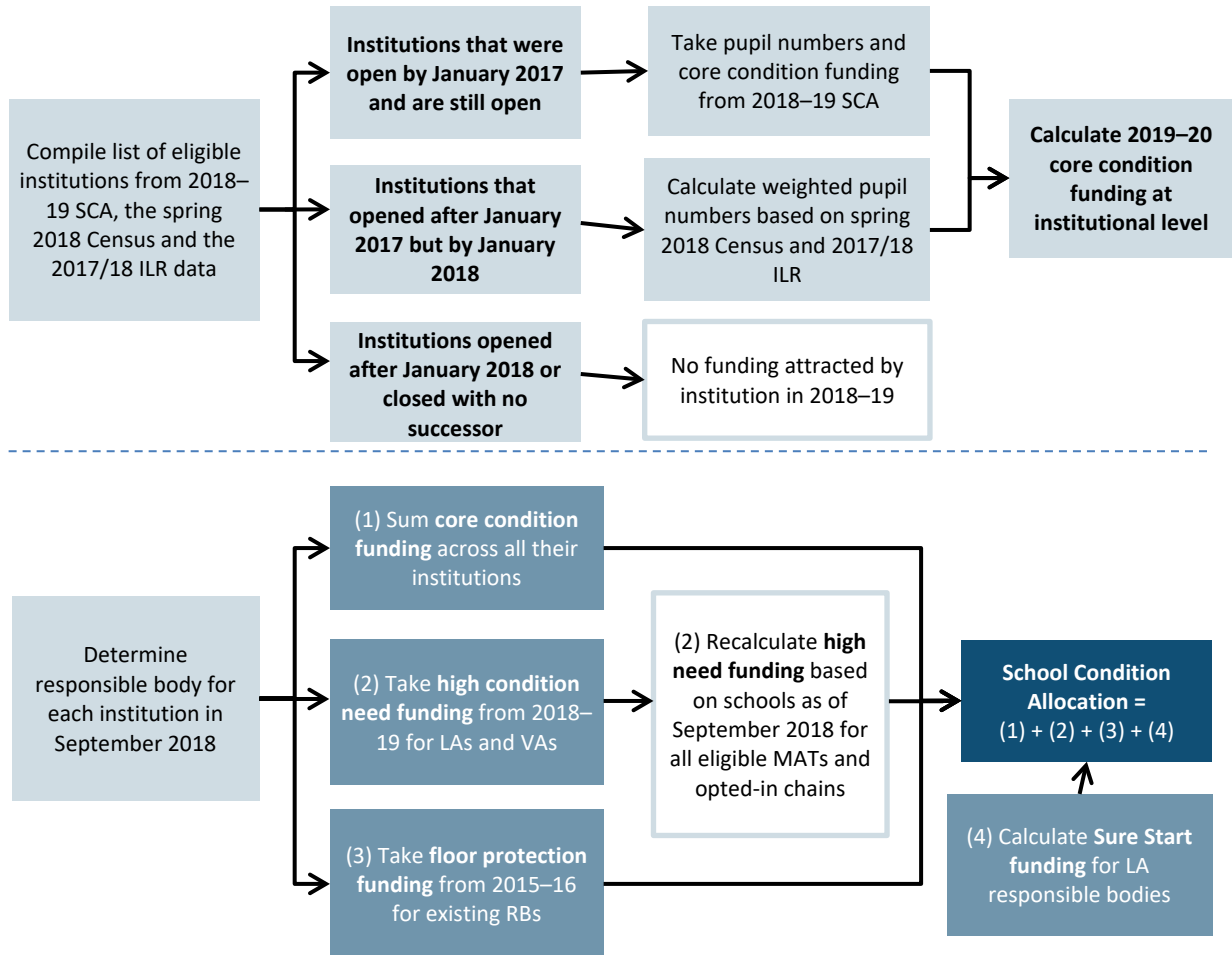
## Annex A – Diagram for DFC methodology

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



# Annex B – Diagram for SCA methodology

This diagram provides an overview of how the School Condition Allocations are calculated.





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