

## **CHANGES TO FLOOR AREA FUNDING**

### *Report of the Director of Children Schools and Families*

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#### **1. Purpose of Report**

- 1.1 To seek the agreement of the Forum to consult all schools on proposed changes in the arrangements for floor area related funding in school budget shares.

#### **2. Background**

- 2.2 Floor areas are used to distribute approximately £20m of funding in budget shares. Since the start of Local Management the floor area data has largely been derived from the measurements held by Hertfordshire Business Services (HBS) originally for the purposes of arranging cleaning contracts. Until 2006/07 the floor areas used in the previous year's budget shares were sent out to schools annually as part of the formula funding data checking exercise. Amendments submitted by schools relating to, for example, new extensions, were made to the formula funding data. On occasion the School Funding Unit (SFU) has arranged for a school's premises to be re-measured by HBS where, for example, there have been a large number of amendments or there is particular lack of clarity about the floor area, For 2007/08 budget shares, funded floor areas were generally frozen (in accordance with the DCSF's preference for funding stability within a multi year funding period). It is intended that floor area data for budget shares will be updated again for the new three year multi year funding period starting in 2008/09.
- 2.3 The existing process for establishing funded areas can be cumbersome and has the potential for inaccuracy. Amendments often have to be calculated by school and SFU staff from hand measuring plans. There is no process for automatically updating floor area data for changes. This depends on schools bringing any changes to the SFU's attention.
- 2.4 The Integrated Asset Management System (IAMS) has been developed jointly between CSF and Herts Property to ensure that all data relating to HCC property comes from a single source, is collected and presented in a consistent and accurate format and is made available to all stakeholders resulting in significant resource savings. All areas in the database are calculated by Spatial Intelligence, a professional organisation

producing Computer Assisted Drawing (CAD) plans for all HCC properties. In producing these plans, Spatial Intelligence follow the RICS Code of Measuring Practice – the industry standard for measurements, and DCSF guidance on net areas for schools. The RICS methodology involves calculating areas using polygons, a highly accurate method that takes into account the shape of buildings. This brings the HCC estate into line with national and statutory requirements for accurate measurements.

It is proposed that the IAMS database be used for formula funding. This would:

- gain the benefit of the accuracy of the IAMS data,
- and avoid unnecessary duplication in the process for collecting floor areas.

### 3. Comparison between the IAMS floor area data and the existing formula funding floor area data.

3.1 Considerable analysis work has been done on the two data sets to reconcile the areas. The IAMS data includes a number of areas that are not part of the existing funded area such as staff accommodation, garages and sheds. Also the IAMS data treats outdoor swimming pools and covered walkways as grounds rather than buildings areas, whereas they are counted as part of buildings floor area for funding purposes. However, these areas can be separately identified in the IAMS data and thus the IAMS data can be adjusted to the same basis as the current funding data. The remaining differences are shown below.

3.2 Table 1- Difference in floor areas between the adjusted IAMS data and the formula funding data.

	Range Sq. Mtrs	Primary Schools
Increases	Over + 700	0
	600 to 700	1
	500 to 600	0
	400 to 500	1
	300 to 400	4
	200 to 300	14
	100 to 200	34
	0 to 100	143
Decreases	-0 to -100	146
	-100 to -200	47
	-200 to -300	13
	-300 to -400	1
	-400 to -500	2
	-500 to -600	1
	-600 to -700	0
	Over -700	0
		407

	Range Sq. Mtrs	Secondary Schools
Increases	Over + 5000	0
	4000 to 5000	1
	3000 to 4000	0
	2000 to 3000	1
	1000 to 2000	6
	100 to 1000	54
	0 to 100	9
Decreases	-0 to -100	4
	-100 to -1000	7
	-1000 to -2000	0
	Over -2000	0
		82

For 70% of primaries the difference in area is less than 100m<sup>2</sup>. for 90% of secondary's the difference is less than 1000m<sup>2</sup>.

- 3.3 We have investigated those cases where the difference is more than 1000 square metres. The main reason for these differences appears to be new building work but in certain cases it reveals the previous areas to have been significantly incorrect. However, there are three particular differences which we are still investigating and will resolve before the calculation of budget shares. In addition we are pursuing with Spatial Intelligence the detailed classification of some stores and some community areas.

#### **4. Proposed Changes**

- 4.1 It is proposed that from 2008/09 the IAMS floor area data would be used for funding purposes. The total IAMS floor area for each school will be adjusted as described above so that it covers the same types of areas as have historically been treated as funded areas.
- 4.2 The IAMS data is updated annually, with surveys in the spring. The new data is available by June. It is proposed that each year's budget share will use the latest available data i.e. 2008/09 budget shares will be based on 2007 data. Thus there will be a slight time-lag between changes in premises areas occurring and their feeding through to area related funding. However, it is not intended to freeze area data for the whole funding period. Funded areas will be updated each year. Using a single count for the whole of the following financial year is consistent with virtually all other formula allocations. It is proposed to make an exception for brand new schools still under construction (e.g. Yavneh College) where an estimate of the area to be in use during the financial year would be used for funding.

#### **5. Formula for Floor Area funding**

- 5.1 This is currently extremely complex. Some funding is distributed on the total floor area, some on the total area less the kitchen, some on the total area less the swimming pool. Swimming pool areas are weighted for the purposes of distributing energy and water funding, with different weightings for indoor and outdoor pools. As a result the floor area funding is probably the most complicated part of the primary and secondary school funding formula. Some of this complexity is no longer relevant. For example that related to the kitchen is less significant now that school meals provision is delegated. Also some of the complexity has a minimal impact on the distribution of funding.
- 5.2 The current weighting for outdoor pools of 1.03 is minimal. However, the weighting for indoor pools of 4.20 is significant. It is therefore proposed to use some of the existing floor area funding budget (which includes the additional weighting for pools) to provide for a lump sum per indoor pool of £6,000, the average per indoor pool currently generated by the additional weighting. The remainder of the floor area budget would be distributed on the basis of total floor area with no distinction between the kitchen, the pool and the rest of the school premises.

#### **6. Modelling the Impact**

The table below shows the impact of the proposed new system of funding (i.e. all funding based on total floor area with an additional lump sum for indoor pools, and using the IAMS data) compared to the existing allocations (which have been adjusted to put V/A fire insurance up to the same level as other schools see section 7 below).

Table 2 - Difference in area related funding between proposed new system and existing allocations:

Range £	Primary Schools	Range £	Secondary Schools
Over + 10000	0	Over +80000	0
9000 to 10000	1	70000 to 80000	1
8000 to 9000	0	60000 to 70000	0
7000 to 8000	0	50000 to 60000	0
6000 to 7000	0	40000 to 50000	0
5000 to 6000	1	30000 to 40000	1
4000 to 5000	6	20000 to 30000	2
3000 to 4000	12	10000 to 20000	3
2000 to 3000	11	5000 to 10000	8
1000 to 2000	53	1000 to 5000	8
100 to 1000	107	100 to 1000	4
0 to 100	19	0 to 100	1
-0 to -100	17	-0 to -100	1
-100 to -1000	93	-100 to -1000	5
-1000 to -2000	53	-1000 to -5000	27
-2000 to -3000	18	-5000 to -10000	17
-3000 to -4000	10	-10000 to -20000	3
-4000 to -5000	2	-20000 to -30000	1
-5000 to -6000	1	Over -30000	0
-6000 to -7000	2		82
-7000 to -8000	0		
-8000 to -9000	1		
Over -9000	0		
	407		

We are investigating the largest losers and gainers. There is potential to protect the largest losers, for example by capping any losers at £5000 for primary and £10,000 for secondary (at an estimated cost of £30,000).

## 7. Voluntary Aided (V/A) Schools Fire Insurance

7.1 Fire insurance is delegated on the basis of floor area. V/A schools are funded for fire insurance at 60% of the level of other schools. This reflects the past difference in responsibilities for premises in V/A schools. Insurance costs have been expected to be lower in V/A schools because the DCSF has previously aided rebuilding work and therefore only a proportion of the rebuilding cost may have to be insured for. The County Council has recently re-tendered its insurance contracts and the underwriters have advised of a potential area of concern regarding the fire risk at V/A schools. There is concern that the DCSF grant aid cannot be relied on.

7.2 Whilst this issue is still being investigated, it would seem prudent to raise V/A schools fire insurance funding to the same level as that for other schools from April 2008. The cost of this change would be £110,000.

## **8. Conclusions**

8.1 The Forum is asked to agree that the following proposals go forward to consultation with all schools:

- a) that the IAMS floor area data be used for funding purposes,
- b) that the latest available IAMS data be used for each year's budget shares. (In practice this will represent the IAMS survey from the previous year). There will be an exception for brand new schools still under construction.
- c) that area related funding be based on the total floor area of each school with no distinctions within this.
- d) that there be a lump sum per indoor swimming pool.
- e) that voluntary aided schools' funding per square metre be increased to the same level as for community and foundation schools.

It is intended that a separate report looking at grounds area funding will be brought to the next meeting of the Forum.