



Department
for Education

High needs national funding formula

Technical Note

July 2022

Contents

List of tables	3
Introduction and Overview	4
Chapter 2: High needs funding quantum	8
Chapter 3: Formula factors	10
Chapter 4: Calculation of 2023-24 formula allocations	21
Annex A: IDACI factor weighting	22
Annex B: Special Free School Adjustments	24
Annex C: Data sources	26
Annex D: Glossary	30

List of tables

Table 1: Breakdown of the 2023-24 high needs funding quantum	8
Table 2: Proxy factor weightings	12
Table 3: Proxy factor calculation – illustrative example.....	14
Table 4: Percentile limits of IDACI bands A – G.....	22
Table 5: Proportion of proxy factor funding assigned to each IDACI band.....	23
Table 6: Data sources used for each formula factor	27

Chapter 1: Introduction and Overview

Introduction

- 1.1. This note provides an overview of the high needs national funding formula (NFF). It also gives detailed information on how the 2023-24 provisional allocations to local authorities (LAs) have been calculated, and how later updates will be made prior to finalising the allocations.
- 1.2. There are multiple elements and factors that combine to produce the formula. This note details the data, weightings and any adjustments used for each factor. Full details of the calculations for each LA have been published within the Impact of the high needs NFF tables¹.
- 1.3. This chapter provides a general overview of the high needs NFF and allocations, Chapter 2 summarises the overall high needs quantum and its breakdown, Chapter 3 describes each formula factor and its calculation in detail and Chapter 4 describes how the total provisional allocations are determined. Finally, Annex A gives additional details on the income deprivation affecting children index (IDACI) factor, Annex B details special free school adjustments, Annex C details the data sources that have been used and Annex D contains a list of acronyms. Details on the calculation of the area cost adjustment (ACA) may be found in the separate ACA technical note¹.

Overview of the high needs NFF

- 1.4. This chapter provides an overview of the high needs NFF calculation, with the following chapters providing more detail.
- 1.5. Firstly, each LA is allocated their basic entitlement factor. This provides a per pupil funding amount, adjusted for geographical variation in costs. This is based on the number of pupils who attend special schools and special academies in each LA, and the number of high needs pupils placed in independent schools by the LA.
- 1.6. Secondly, the historic spend factor is calculated for each LA as 50% of their actual high needs spending in 2017-18. The historic spend factor remains unchanged from that used in the 2022-23 model. More details on its calculation may be found in the 2022-23 high needs NFF technical note². The historic spend factor is the first proxy factor.

¹ Department for Education, [National funding formula tables for schools and high needs: 2023 to 2024](#), July 2022

² Department for Education, [National funding formula tables for schools and high needs: 2022 to 2023](#), July 2021.

- 1.7. The funding for all other proxy factors³ is distributed to LAs based on the following indicators: 2–18-year-old population, deprivation, health and disability, and low attainment.
- 1.8. The basic entitlement and proxy factors are subject to an ACA. Area cost variations are implicit in the 2017-18 expenditure amounts, so the ACA is not applied to the historic spend factor.
- 1.9. The formula then applies the protection of a funding floor to the sum of the proxy factors. This ensures that, on a per head basis, these elements of the formula will increase by at least 5% in 2023-24 over the 2022-23 funding baseline⁴. A further layer of protection for LAs with decreasing populations ensures that no LA receives less funding than the equivalent figure from the 2022-23 baseline. For 2023-24, no LA receives any funding as a result of this additional protection.
- 1.10. Hospital education and historic teachers' pay, pensions and pensions supplementary grant funding (subsequently referred to as the AP factor) is then added. No changes are made to the teachers' pay and pensions funding for 2023-24 as it is a historic amount, but the 2023-24 hospital education funding is calculated as the 2022-23 hospital education funding (including any necessary adjustments) increased by 5%. This percentage uplift intentionally aligns with the funding floor percentage, as in previous years.
- 1.11. The allocations are then subject to adjustments to account for high needs pupils and students that attend provision in a different LA to that in which they are resident. This ensures that LAs providing places for pupils and students who are not resident in their authority ("imports") are allocated additional funding for these places. Conversely, if pupils and students who are resident in an LA attend provision elsewhere ("exports"), that authority's allocation is reduced accordingly. As part of this adjustment pupils and students attending non-maintained special schools (NMSSs), special post-16 institutions (SPIs) and centrally funded institutions (CFIs) are treated as exports⁵, to reflect the fact that place funding for these institutions is

³ The funding available for distribution through the other proxy factors is set to allow sufficient funding for all other factors, including the cost of implementing the funding floor.

⁴ The baseline used in determining whether an LA requires protection of the funding floor in 2023-24 is based on LAs' actual 2022-23 high needs allocations, including an adjustment for special free schools that are no longer new and growing, and the supplementary funding allocated in December 2021 as a result of the 2021 spending review.

⁵ Only high needs students in SPIs and CFIs are included within the import/export adjustment; all students at NMSSs are treated as high needs students.

allocated directly by the Education and Skills Funding Agency (ESFA), and not by an LA⁶

1.12. Finally, a cap is placed on allocations such that no LA may receive greater than a 7% increase per head on their 2022-23 baseline amount. This baseline is the same as that used for the funding floor calculations.

1.13. **Figure 1** gives a general overview of the 2023-24 high needs NFF.

Figure 1: An overview of the elements and factors comprising the formula

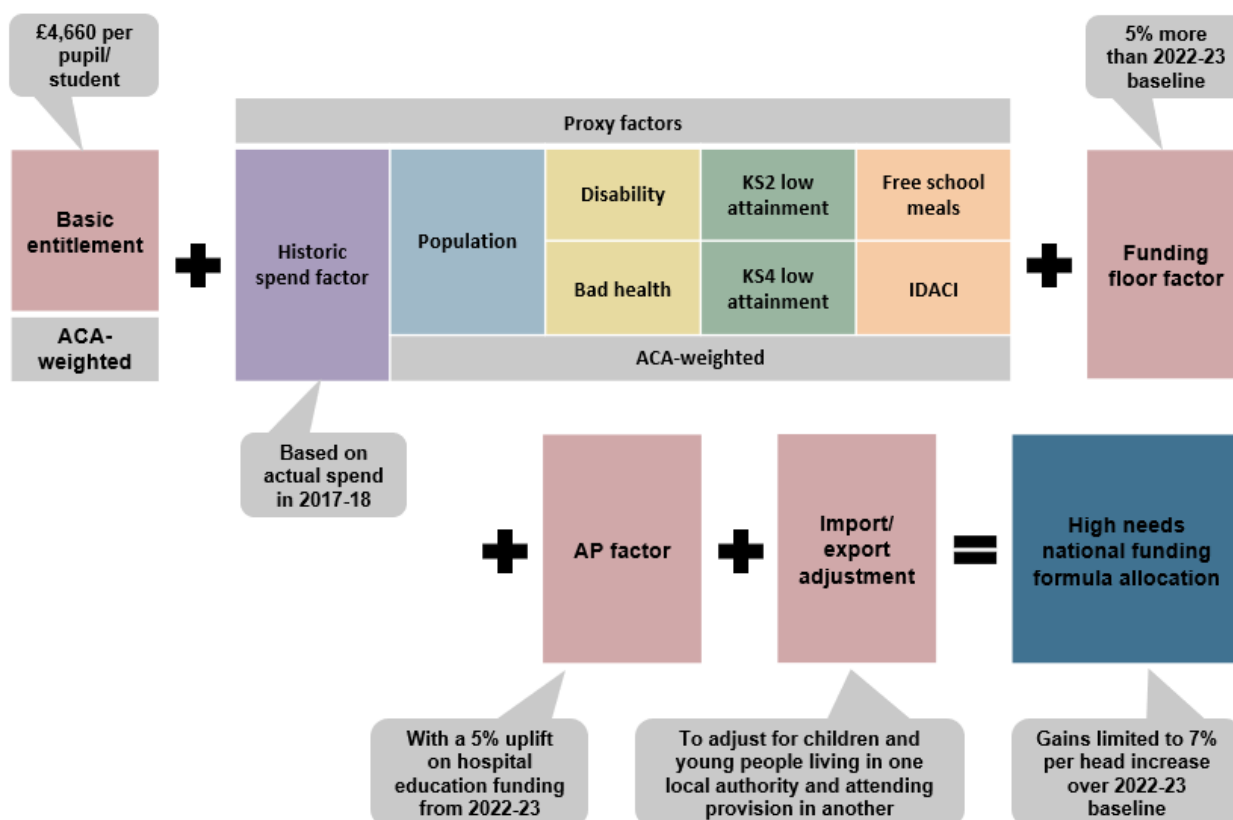


Figure 1: This diagram shows how the elements and factors in the high needs national funding formula combine to produce the allocations.

Status of the allocations

1.14. Provisional high needs allocations for 2023-24 were published in July 2022.

1.15. Some data sources used in the NFF are due to be updated following the publication of the provisional 2023-24 allocations. The following factor and adjustment updates

⁶ Funding for pupils and students in NMSSs and SPIs is included in the NFF through the basic entitlement allocated to the ESFA and is accounted for by the export adjustments. The remainder of the funding for NMSSs and SPIs is included in elements of funding outside the NFF, as per paragraph 2.2.

will be made to reflect these changes in the final 2023-24 Dedicated Schools Grant (DSG) allocations:

- a. December 2022 update to the basic entitlement factor, based on data from the January 2022 alternative provision (AP) census and October 2022 school census.
 - b. May/June 2023 update to the import/export adjustments, based on data from the January 2022 school census and February 2023 R06 Individualised Learner Record (ILR).
 - c. May/June 2023 update to the adjustments for new and growing special free schools⁷, based on data from the January 2023 school census.
 - d. Update to the AP factor, based on information on hospital education provision collected by the ESFA from LAs in autumn 2022.
- 1.16. There are no plans for updates to the remaining elements and factors (the historic spend factor, other proxy factors, funding floor factor and funding gains limit). These elements will remain unchanged from those published in July 2022.
- 1.17. Cumbria will split into two LAs (Cumberland, and Westmorland and Furness) in April 2023. The published 2023-24 provisional allocations do not currently reflect this split but will be updated in the 2023-24 DSG to provide separate allocations for the two new authorities.

⁷ The adjustments for new and growing special free schools are explained in Annex B.

Chapter 2: High needs funding quantum

- 2.1 This chapter explains how the total quantum of high needs funding for 2023-24 will be allocated. Table 1 shows how the quantum is distributed between different elements of the formula.

Table 1: Breakdown of the 2023-24 high needs funding quantum

Symbol	Element of formula	Amount
[a]	2023-24 high needs quantum	£9,702,000,000
[b]	Funding for later adjustments and elements funded outside the high needs NFF	£100,000,000
[c] = [a] - [b]	Funding allocated through high needs NFF	£9,602,000,000
[d]	Provisional basic entitlement allocation	£818,249,578
[e]	Historic spend factor funding	£2,786,086,264
[f]	Hospital education and historic pay, pensions and pensions supplementary grant funding	£130,984,733
[g]	Funding floor cost	£203,588,765
[h]	Funding available through the gains limit	£59,276,542
[i] = [c] - [d] - [e] - [f] - [g] + [h]	Funding available for other proxy factors	£5,722,367,203

Table 1: This table shows how the 2023-24 high needs funding quantum is broken down between the different elements of the formula.

- 2.2 The budgeted total high needs revenue funding for 2023-24 is £9.702 billion. From this, £100 million is to be held back for in-year formula adjustments and elements of high needs funding which are not included in the high needs NFF. These elements include funding for AP free schools and for new and growing special free schools, as well as for additional place funding for NMSSs and SPIs (which comes from the ESFA).
- 2.3 From the remaining £9.602 billion the funding required for the basic entitlement allocation, historic spend factor, AP factor and the 5% funding floor factor is deducted. The funding available from implementing the 7% gains limit is subsequently added to this amount.

- 2.4 The remaining £5.722 billion is then the total funding available for distribution through the other proxy factors. This amount is split between them according to specified weightings, which are detailed in Table 2 for each proxy factor.
- 2.5 The funding required for and available from implementing the 5% funding floor and 7% gains limit respectively, and the funding available for the other proxy factors are interdependent; that is, one cannot be known while the others are not. To ensure the exact high needs total is allocated, therefore, an optimisation process is carried out to determine the exact funding amount to be distributed through the other proxy factors.
- 2.6 It should be noted that the City of London and Isles of Scilly are excluded from the high needs NFF allocations, as they each separately receive a single education grant.

Chapter 3: Formula factors

3.1. This Chapter describes each element of the high needs NFF in more detail. The formula comprises twelve factors/adjustments. These are assigned a letter (A) - (L) below, in line with the published allocations:

- (A) Basic entitlement factor
- (B) Historic spend factor
- (C) Population factor
- (D) Free school meals (FSM) factor
- (E) Income deprivation affecting children index (IDACI) factor
- (F) Bad health factor
- (G) Disability factor
- (H) Key stage 2 (KS2) low attainment factor
- (I) Key stage 4 (KS4) low attainment factor
- (J) Funding floor factor
- (K) AP factor
- (L) Import/export adjustments

(A) Basic entitlement factor

- 3.2. The basic entitlement factor for pupils and students in special schools and post-16 institutions has the same function as the basic entitlement funding through the schools funding formula (covering 5-16 provision in mainstream schools) and the national 16-19 funding formula (covering all mainstream post-16 provision in schools, colleges and other institutions).
- 3.3. The basic entitlement funding rate for 2023-24 is £4,660 per pupil or student and is subject to an ACA. For details of how the ACA is calculated see the ACA technical note⁸.

⁸ Department for Education, [National funding formula tables for schools and high needs: 2023 to 2024](#), July 2022

- 3.4. The number of pupils and students used to calculate the basic entitlement factor is determined using: (a) the number on roll at maintained special schools and special academies as recorded in the October 2021 school census, and (b) the number of pupils with special educational needs and disabilities (SEND) in independent schools as recorded in the January 2021 AP census.
- 3.5. As well as allocating the basic entitlement funding to LAs, the high needs NFF allocates funding to the ESFA for certain institutions that it funds directly. For this purpose, the ESFA is treated as an additional LA; it attracts £4,660 for all pupils in NMSSs and students in SPIs nationally.
- 3.6. This factor will be updated based on the October 2022 school census and the January 2022 AP census, as explained in paragraph 1.15.a1.15.

Calculation of (A) basic entitlement factor

- 3.7. The calculation of the basic entitlement factor for each LA is as follows:
 - a. The number of pupils on roll at maintained special schools and special academies (as recorded in the October 2021 school census) are summed with the number of pupils with SEND in independent schools (as recorded in the January 2021 AP census). This gives the number of eligible pupils attending provision in each LA.
 - b. The basic entitlement rate of £4,660 is multiplied by the LA's ACA to give an ACA-weighted basic entitlement rate.
 - c. The number of eligible pupils is multiplied by the ACA-weighted basic entitlement rate to produce the basic entitlement factor.
- 3.8. The ESFA's basic entitlement factor amount is calculated as the number of pupils and students in NMSSs and SPIs multiplied by £4,660.
- 3.9. The basic entitlement factor funding in the 2023-24 provisional allocations is subject to updated data; the final 2023-24 DSG allocations will use the October 2022 school census data and January 2022 AP census data.

(B) Historic spend factor

- 3.10. The historic spend factor for each LA is based on 50% of their actual spend in 2017-18.

3.11. This factor remains unchanged from the historic spend factor used in the 2022-23 high needs NFF; further details on how this factor is calculated may be found in the 2022-23 technical note⁹.

(C) - (I) Other proxy factors

3.12. The funding available for the other proxy factors is set to account for both the cost of implementing the funding floor of 5%, and the funding available from implementing the gains limit of 7%. This section explains how the proxy factor funding is distributed. Information on the data sources used for these factors is provided in Annex C.

3.13. The available proxy factor funding is split between the seven proxy factors according to the proportions set out in Table 2.

Table 2: Proxy factor weightings

Proxy factor	Weighting
(C) Population	50%
(B)(D) FSM	10%
(E) IDACI ¹⁰	10%
(F) Bad health	7.5%
(G) Disability	7.5%
(H) KS2 low attainment	7.5%
(I) KS4 low attainment	7.5%

Table 2: This table shows the weightings used for each proxy factor in the formula.

3.14. 50% of the proxy factor funding is distributed through the population factor (C), 20% is distributed evenly through the two deprivation factors (D) and (E) and 30% is distributed evenly through the two health and two low attainment factors (F)(D) - (I).

3.15. The 10% weighting for the IDACI factor is split further between IDACI bands A-F in the following proportions: Band A, 1.20%; Band B, 1.85%; Bands C, 1.70%; Band D, 1.55%; Band E, 2.15%; Band F, 1.55%. For further details of how the IDACI factor and weightings are calculated, see Annex A.

⁹ Department for Education, [National funding formula tables for schools and high needs: 2022 to 2023](#), July 2021.

¹⁰ For further details of how the IDACI factor and weightings are calculated, see Annex A.

Calculation of (C) - (I) proxy factors

- 3.16. The funding for each proxy factor (C) - (I) is calculated in two stages. For the IDACI factors, the calculation is followed separately for each band A – F.
- 3.17. The total funding available for distribution through the proxy factors (excluding the historic spend factor) is multiplied by the relevant factor's combined weighting shown in Table 3. The weightings for the individual IDACI bands are outlined in paragraph 3.15 Table 2.
- 3.18. The funding allocated through the relevant factor to each LA is then calculated as follows:
 - a. The total number of children and young people relevant to the proxy factor in the LA is determined. For example, the population factor requires the total number of 2-18-year-olds resident in the LA; the FSM factor requires the number of children and young people resident in the LA who are eligible for FSM.
 - b. This total number of children and young people is multiplied by the LA's ACA.
 - c. The ACA-weighted numbers of children and young people are summed over all LAs to give the national total.
 - d. The funding to be allocated through the relevant factor is multiplied by the proportion of the national total of ACA-weighted children and young people within each LA.
- 3.19. An example of this calculation is shown in Table 3 for a scenario with three LAs and £1 million of factor funding.

Table 3: Proxy factor calculation – illustrative example

LA	Headcount	ACA	ACA weighted head-count	Calculation	Funding factor
LA ₁	100	1.0	100	£1 million × 100 / 670	£149,254
LA ₂	200	1.2	240	£1 million × 240 / 670	£358,209
LA ₃	300	1.1	330	£1 million × 330 / 670	£492,537
Total	600	-	670	£1 million × 670 / 670	£1,000,000

Table 3: This table shows how £1 million factor funding would be allocated to each of 3 LAs based on their headcounts and ACAs.

3.20. For the KS2 and KS4 low attainment factors, the formula aims to use attainment data from KS2 tests and GCSE exam results over the last 5 years, i.e., the period 2017 to 2021. Actual attainment data has been used for years 2017 to 2019, but the 2019 data has also been used in place of the data that would normally have been collected in 2020 and 2021 but was not due to the Covid-19 pandemic.

(J) Funding floor factor

- 3.21. The formula includes a funding floor factor which ensures LAs receive at least a specified year-on-year increase in funding. This factor is applied only to funding calculated through the proxy factors ((B)-(I)) and excludes funding through the basic entitlement (A), AP factor (K) and import/export adjustments (L). There are two elements to the funding floor:
- a. A “percentage protection” funding floor ensures that the total of the relevant funding elements increase on a per head basis from the per head 2022-23 baseline by at least 5% in 2023-24. The per head calculation is based on the 2018-based projected population of 2–18-year-olds published by the Office for National Statistics (ONS) in October 2019.
 - b. An “absolute” funding floor ensures that the total of the relevant funding elements does not drop below the 2022-23 baseline. This protects the allocations of LAs with decreasing populations, though does not affect any LA in 2023-24.
- 3.22. The 2022-23 baseline is comprised of each LA’s 2022-23 historic spend and proxy factors (after the 2022-23 funding floor and gains limit are applied), as presented in

the impact tables published in July 2021¹¹, and a supplementary funding amount that was allocated following the 2021 spending review¹². An adjustment is also included in the baseline to account for special free schools that are no longer new and growing¹³ - see Annex B for further detail on special free school adjustments.

- 3.23. The basic entitlement factor (A) and import/export adjustment (L) are excluded in the calculation of the funding floor factor to ensure that variation in these elements across LAs is fully accounted for.
- a. If the number of independent or special school pupils attracting basic entitlement funding to an LA benefiting from the funding floor changes, the corresponding change in that authority's basic entitlement factor does not affect their funding floor factor.
 - b. If an LA is a net importer or net exporter of pupils/students – see section (L) – their funding floor factor is not affected by the corresponding import/export adjustment to their allocation.
 - c. AP factor (K) funding is also excluded from the funding floor calculation. To ensure consistency with the funding floor, a 5% uplift is applied to all LAs' 2022-23 hospital education funding amounts (including any additional funding LAs received in 2022-23 on account of changes to hospital education provision).

Calculation of (J) funding floor factor

- 3.24. The percentage protection element of the funding floor factor is calculated as follows for each LA:
- a. The total of the authority's 2022-23 historic spend factor and other proxy factors after the floor and cap are applied is identified from the published 2022-23 impact tables¹¹. The supplementary high needs funding allocation, as published in the 2022-2023 Dedicated Schools Grant¹², is added to this total. Finally, a "baseline adjustment" of £6,000 per pupil is added if the LA has residents attending special free schools that are no longer deemed new and growing for 2022-23 – see Annex B for details. This gives the 2022-23 baseline.

¹¹ Department for Education, [National funding formula tables for schools and high needs: 2022 to 2023](#), July 2021.

¹² Department for Education, [Dedicated schools grant \(DSG\): 2022 to 2023](#), December 2021.

¹³ Further detail on the definition of no longer new and growing special free schools can be found in the special free schools guidance: [Special free schools adjustment: a guide for local authorities](#), February 2022.

- b. This baseline is divided by the mid-2022 ONS population projection of 2-18-year-olds to give the baseline per head.
 - c. The baseline per head is multiplied by 105% to determine the percentage protection funding floor per head.
 - d. The LA's total 2023-24 proxy factor funding is divided by their mid-2023 ONS projected population of 2-18-year-olds to give the 2023-24 formula funding amount per head.
 - e. Where the percentage protection funding floor per head (step c) is greater than the 2023-24 formula funding amount per head (step d), the difference is multiplied by the LA's mid-2023 ONS projected population of 2–18-year-olds. This gives the authority's percentage protection element of the funding floor factor.
- 3.25. The absolute element of the funding floor factor is then calculated as follows for each LA:
- a. The total of the authority's 2023-24 historic spend factor, other proxy factors and the per head element of the funding floor factor is determined.
 - b. This total is compared with the LA's baseline. If the baseline is greater, the difference gives the absolute element of the funding floor factor. This calculation is redundant for the 2023-24 allocations as no LA has a reduction in population great enough for the absolute funding floor to be reached.
- 3.26. The funding floor factor is then the sum of the percentage funding floor factor and absolute funding floor factor elements.

(K) AP factor

- 3.27. LAs pay for places in hospital schools and for other hospital education placements and services. The factor also includes funding for AP (including hospital education) teachers' pay and pensions costs that, prior to April 2021, were paid in separate grants: the teachers' pay grant (TPG), teachers' pensions employer contribution grant (TPECG) and the pensions supplementary grant funding.
- 3.28. The hospital education funding baseline is adjusted to provide a full year increase in funding for any LAs that were given a part-year increase in 2022-23. These part-year increases reflect changes in hospital education provision in that year, resulting from a change in medical provision reported to the ESFA.
- 3.29. The 2023-24 hospital education funding is calculated as the total of the 2022-23 hospital education funding and the full year equivalent of adjustments, uplifted by 5%.

- 3.30. The AP teachers' pay and pension funding, including the pensions supplementary grant funding, are historic costs based on the relevant funding paid in 2020-21 and are therefore held at the same level as in the 2022-23 NFF. The teachers' pay and pension funding was calculated by summing the September to April high needs providers TPG¹⁴ and TPECG¹⁵, multiplying by place numbers and annualising, as explained in the high needs funding operational guide and other information published by the ESFA¹⁶.
- 3.31. The AP factor is calculated as the sum of the hospital education funding and AP pay and pensions funding (including pensions supplementary grant funding).
- 3.32. LAs will continue to be able to notify the department of changes to their hospital provision in 2023-24, as explained in the high needs funding operational guide and other information published by the ESFA¹⁶.

(L) Import/export adjustments to reflect cross-border movement

- 3.33. An LA's allocation under the high needs NFF reflects the costs of the high needs provision in their area. This includes provision for pupils and students resident in the LA as well as specialist provision attended by residents of other LAs, referred to as "imported pupils and students".
- 3.34. Conversely, an LA's allocation reflects any reduction in costs where its residents attend specialist provision in other authorities. These pupils and students are referred to as "exported pupils and students".
- 3.35. Place funding for NMSSs, SPIs and CFIs is paid directly by the ESFA, and not by LAs. As such, the pupils and students occupying places in these institutions are counted as exported pupils and students. Adjustments are made to the allocations of the LAs with residents with high needs attending NMSSs, SPIs and CFIs¹⁷, even if the institutions are situated within that LA.
- 3.36. Adjustments are not made for AP places as insufficient data is available to calculate them, and AP funding is deployed more variably between authorities. This will be

¹⁴ Department for Education, [Teachers' pay grant: allocations for 2020 to 2021 financial year - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/92422/teachers_pay_grant_allocations_2020_to_2021_financial_year.pdf), November 2020.

¹⁵ Department for Education, [Teachers' pension grant: 2020 to 2021 allocations - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/92422/teachers_pension_grant_2020_to_2021_allocations.pdf), November 2020.

¹⁶ Education and Skills Funding Agency, [High needs funding: 2022 to 2023 operational guidance](https://www.esfa.gov.uk/High-needs-funding/2022-to-2023-operational-guidance), February 2022.

¹⁷ All pupils in NMSSs are treated as high needs. Students in SPIs and CFIs are only treated as high needs if they are receiving top-up funding.

kept under review, following the publication of the SEND and AP Green Paper in March 2022 and subsequent consultation on proposals for AP reform.

- 3.37. The described adjustments ensure that:
- a. If an LA is a net exporter, their funding allocation is reduced by £6,000 per net exported pupil/student. The amount by which it is reduced is redistributed to net importers.
 - b. If the LA is a net importer, their funding allocation is increased by £6,000 per net imported pupil/student.
- 3.38. This £6,000 per pupil/student is in addition to the basic entitlement that every institution attracts for its pupils and students through either the high needs place funding from LAs' high needs NFF allocations, or the schools NFF, or the national funding formula for institutions with post-16 students.
- 3.39. The adjustments are recalculated every year and are applied after the funding floor.
- 3.40. The adjustments enable LAs to make decisions about placements and the creation of new places, knowing that the impact on their high needs budgets will be cost-neutral, subject to the lag between data collection and the adjustment of funding allocations. Such decisions may be about:
- a. The creation of new places or a new specialist institution, with places to be partially occupied by residents of other LAs;
 - b. The provision of part of an LA's high needs budget to its mainstream schools to reflect their admission of pupils with high needs, where some pupils at those schools are resident in other LAs.
- 3.41. Where there are significant increases in the places offered by new and growing special free schools, allocations will be adjusted outside the formula so that this provision is cost neutral for local authorities - see Annex B for further detail on special free school adjustments.
- 3.42. The latest high needs operational guide¹⁸ includes further information about the role of LAs that host providers, in funding additional places required in other institutions.

Calculation of (L) import/export adjustment

- 3.43. The following pupils and students are considered for the import/export adjustments:

¹⁸ Education and Skills Funding Agency, [High needs funding: 2022 to 2023 operational guidance](#), February 2022.

- a. Pupils aged 2-18 in maintained special schools, special academies or special free schools;
 - b. Pupils under 19 and in primary or secondary schools, for whom the school is in receipt of top-up funding¹⁹;
 - c. Pupils under 19 in NMSSs;
 - d. Students over 14 and under 25 in further education (FE) for whom the institution is in receipt of top-up funding²⁰;
 - e. High needs students over 14 and under 25 in SPIs; and
 - f. High needs students over 14 and under 25 in CFIs.
- 3.44. Pupil numbers are determined using data from the January 2022 school census and student numbers using data from the February 2022 R06 cut of the ILR. In both cases new data will be available in January/February 2023, and the import/export adjustments will consequently be updated as per paragraph 1.15.b.
- 3.45. For a, b and d, where the LA in which the pupil or student is resident is unknown, they are assumed to be resident in the LA that hosts the provider. Any pupils and students residing outside England are excluded from the final counts.
- 3.46. For c, e and f, the ESFA are treated as an additional LA that hosts the relevant providers, as place funding is paid directly from ESFA to NMSSs, SPIs and CFIs. Where the LA in which a pupil or student resides is unknown, the pupil or student is assumed to reside in the ESFA "LA". Any pupils and students residing outside England are excluded from the counts.
- 3.47. This means the ESFA is a net importer and therefore there is a net cash transfer to the ESFA through the formula. The funding provided by the ESFA for these pupils and students is included in the high needs NFF quantum. It is allocated to LAs through the formula and returned to the ESFA through the import/export adjustments. In this way the allocation to the ESFA reflects changes in usage of NMSSs, SPIs and CFIs by LAs.
- 3.48. Adjustments are not made on a pupil/student-specific basis; only net imported pupils/students are considered.

¹⁹ As identified by having a top-up funding "flag" in the school census.

²⁰ Includes FE colleges, sixth form colleges and independent learning providers, but excludes school sixth forms. The students are identified in the ILR. Students attending more than one provider have their head-count split evenly between the providers, e.g., a student in two providers counts as 0.5 in each.

3.49. Further adjustments are made regarding new and growing special free schools:

- a. A “resident LA adjustment” allocates an extra £6000 per special free school pupil to the LA in which they are resident (which will be redistributed through the import/export adjustments);
- b. A “provider LA adjustment” allocates additional funding where host LAs are deducted more funding by ESFA than is allocated for their special free schools.
- c. Special free school adjustments are described in more detail in Annex B. Further details on special free school funding, including how special free schools are categorised as new and growing, are available in the published guidance on special free schools adjustments²¹.

3.50. The calculation of the import/export adjustment for each LA is summarised as:

- a. The total number of high needs pupils and students resident in each LA is determined;
- b. The total number of high needs pupils and students attending providers in each LA is determined;
- c. The number of net imported pupils and students is calculated for each LA (a negative number signifies the LA is a net exporter);
- d. The required adjustment is calculated by multiplying the number of net imported pupils and students by £6000;
- e. Additional funding for new and growing special free schools is added where applicable - see Annex B for further detail on special free school adjustments.

²¹ Education and Skills Funding Agency, [Special free schools adjustment: a guide for local authorities](#), February 2022.

Chapter 4: Calculation of 2023-24 formula allocations

- 4.1. The high needs NFF allocation is calculated as the sum of formula factors (A) - (L).
- 4.2. As well as the funding floor factor, which ensures that every LA receives at least a 5% increase in 2023-24 compared to their 2022-23 funding baseline on a per head of population basis, a cap is applied to the per head gain that each LA may see over their baseline. This limit is 7% for the 2023-24 allocations. The funding baseline used for determining each authority's gain is the same as that used for the funding floor – see paragraph 3.22.
- 4.3. To calculate the 2023-24 allocation for each LA:
 - a. The baseline and baseline per head are determined as in paragraph 3.24;
 - b. The baseline per head is multiplied by 107% to give the maximum per head funding amount;
 - c. The 2023-24 historic spend factor, other proxy factors and the funding floor factor are summed to produce a pre-cap 2023-24 funding amount;
 - d. The pre-cap allocated funding amount is divided by the mid-2023 age 2-18 ONS population projection to give the pre-cap allocated funding amount per head;
 - e. The post-cap 2023-24 allocated funding amount per head is the lower of the maximum per head funding amount (step b) and the pre-cap funding amount per head (step d)
 - f. The post-cap 2023-24 funding amount, basic entitlement factor (A), AP factor (K) and import/export adjustments (L) are summed to produce the total provisional allocation for 2023-24.
- 4.4. The basic entitlement factor (A) and import/export adjustments (L) are provisional until further data is available to calculate the final allocations. The hospital education funding, within the AP factor (K), and adjustments for new and growing special free schools are also subject to later adjustments.

Annex A: IDACI factor weighting

- A.1. The IDACI factor is one of two deprivation factors used in the formula (the FSM factor being the other). These factors target more deprived LAs, assuming high needs costs are greater in these areas.
- A.2. The IDACI measures the proportion of all children aged 0-15 living in income-deprived families. It is one of the English Indices of Deprivation (IoDs), as published by the Ministry of Housing, Communities and Local Government (now called Department for Levelling Up, Housing and Communities (DLUHC)), which provide relative measures of deprivation for geographical areas across England²². The 2019 IDACI dataset is used for the 2023-24 formula, which ranks all lower-level super output areas (LSOAs) from most to least deprived.
- A.3. In calculating the IDACI factor:
- a. The LSOAs are split into bands A - G according to where they rank in order of deprivation, where rank 1 is most deprived and rank 32844 is least. The band limits are defined on percentiles, where the Xth percentile is the rank below which X% of LSOAs fall. Table 4 shows these limits.

Table 4: Percentile limits of IDACI bands A – G

IDACI band	Percentile Limits
A	$0\% < \left(\frac{rank}{32844} \times 100\% \right) \leq 2.5\%$
B	$2.5\% < \left(\frac{rank}{32844} \times 100\% \right) \leq 7.5\%$
C	$7.5\% < \left(\frac{rank}{32844} \times 100\% \right) \leq 12.5\%$
D	$12.5\% < \left(\frac{rank}{32844} \times 100\% \right) \leq 17.5\%$
E	$17.5\% < \left(\frac{rank}{32844} \times 100\% \right) \leq 27.5\%$
F	$27.5\% < \left(\frac{rank}{32844} \times 100\% \right) \leq 37.5\%$
G	$37.5\% < \left(\frac{rank}{32844} \times 100\% \right) \leq 100\%$

Table 4: This table shows the percentile limits of each IDACI band.

²² Ministry of Housing, Communities and Local Government, ['English indices of deprivation 2019'](#), September 2019.

- b. The number of children aged 0-15 in each LSOA is determined according to the mid-2020 population estimates published by the ONS²³;
- c. The number of children aged 0-15 in each band within each LA is then determined by summing over all LSOAs in that band and LA.
- d. The IDACI factor funding (10% of the proxy factor funding) is split into 6 separate amounts to cover bands A -F, according to the proportions set out in Table 5.

Table 5: Proportion of proxy factor funding assigned to each IDACI band

	Band F	Band E	Band D	Band C	Band B	Band A
Factor weight	1.55%	2.15%	1.55%	1.70%	1.85%	1.20%

Table 5: This table shows the proportion of the proxy factor funding assigned to each IDACI band.

²³ Office for National Statistics, ['Mid-2020 Lower Super Output Area Mid-Year Population Estimates'](#), September 2021.

Annex B: Special Free School Adjustments

- B.1. Place funding for new special free schools is initially funded by the ESFA outside the NFF. The ESFA deducts the required funding from LAs' NFF allocations.
- B.2. The special free school funding allocated to LAs through the NFF is the basic entitlement per pupil (according to the October school census), plus an adjustment of £6000 per pupil (according to the January school census), plus an adjustment to account for differences in ESFA deductions and NFF allocations due to increasing place numbers in special free schools which have not yet reached their capacity. The adjustment of £6000 per pupil is applied separately for schools that have reached their capacity, and for those that have not.
- B.3. As for other provision types, import/export adjustments redistribute £6000 funding per pupil in special free schools from resident LAs to provider LAs, where the resident and provider LAs differ.

Schools at Capacity

- B.4. Where special free schools have reached their capacity, £6000 per pupil (as recorded in the January school census) is incorporated into the resident LAs' allocations through the 2022-23 baseline, to cover the amount that will be redistributed to provider LAs through the import/export adjustment. Funding will already be included in the baseline for schools that were at capacity last year. Funding must be added for any that are newly at capacity for 2023-24, and this is called the "baseline adjustment".

New and Growing Schools

- B.5. When a special free school is new and hasn't reached its capacity, its place numbers are likely to increase over time. For this reason, it cannot be included in the baseline adjustment yet, and other adjustments are made instead.
- B.6. These adjustments in the HN NFF for new and growing special free schools are provisional and will be updated prior to the publication of final high needs allocations.

Resident LA adjustment

- B.7. For special free schools that are still growing, therefore, the funding is added to the LAs' allocations in a "resident LA adjustment".

B.8. Resident LAs are allocated £6000 per pupil attending a growing special free school (as recorded in the January school census). Like the top-up funding incorporated into the baseline for schools that have reached capacity, this amount is redistributed through the import/export adjustments to the provider LAs.

Provider LA adjustment

B.9. The basic entitlement and the resident LA adjustment (which is redistributed to provider LAs through import/export adjustments) make up the special free school allocation received by each LA through the NFF. This allocation is therefore calculated based on pupil numbers reported in the school census.

B.10. The ESFA, however, deducts £10,000 per place (up to a maximum of the school's capacity) from LAs' allocations to account for the place funding it passes on to the special free schools. For growing schools, LAs can request an increase to their number of funded places through a place change notification process.

B.11. The pupil and place numbers that are used for the NFF allocations and ESFA deductions respectively are not necessarily equal. Growing special free schools will often have fewer pupils than funded places. In these cases, more is deducted from than allocated to the LA. A "provider LA adjustment" is added to the LA's allocation to make up this difference.

B.12. If an LA receives more funding than is deducted, no provider LA adjustment is made.

Annex C: Data sources

(A) Basic entitlement factor

- C.1. Data collected in the October 2021 school census and the January 2021 AP census is used for the basic entitlement calculations²⁴. This data includes numbers of all pupils under 19 in maintained special schools and special academies (school census) and pupils with SEND in independent schools (AP census).
- C.2. Where a pupil has a primary registration ('Current' or 'Main' registration type in the school census) at multiple schools, that pupil is apportioned equally between them. Where the schools are in differing LAs, pupils are apportioned before applying an ACA.
- C.3. Data from the ILR is used to calculate the basic entitlement funding allocated to the ESFA.
- C.4. The basic entitlement factor will be updated in December 2022 using data from the October 2022 school census and January 2022 AP census.
- C.5. The data from the school census, AP census and ILR that is used for the basic entitlement factor has not been published and has been sourced internally.

(B) Historic spend factor

- C.6. The historic spend factor remains unchanged from the 2022-23 allocations. Details of its calculation and data sources are provided in the 2022-23 technical note²⁵.

(C) - (J) Other proxy factors

- C.7. Table 6 lists the data sources used for each proxy factor in the 2023-24 allocations.

²⁴ SPIs and NMSSs are included in the basic entitlement funding through the NFF, with ESFA acting as the "LA" that hosts these providers. The most recent ILR data is used to determine student numbers in SPIs. School census data is used to determine pupil numbers in NMSSs.

²⁵ Department for Education, '[National funding formula tables for schools and high needs: 2022 to 2023](#)', July 2021.

Table 6: Data sources used for each formula factor

Factor	Data used for 2023-24 allocations	Sourced from
(C) Population	The projected number of people aged 2-18 resident in each LA in mid-2023, based on mid-2018 population estimates.	ONS ²⁶
(D) FSM	The number of pupils resident in each LA and registered as eligible for FSM, as recorded in the January 2022 school census. FSM eligibility is determined by a household's benefit entitlement status. The number of pupils in each LA eligible for the 2-year-old offer or Early Years Pupil Premium for economic reasons, as recorded in the 2022 early years census.	Department for Education
(E) IDACI	The IDACI rank of each LSOA as specified in the IoD IDACI dataset. The number of 2-18-year-olds in each LSOA based on mid-2020 population estimates.	DLUHC ²⁷ ONS ²⁸
(F) Bad health	The number of children aged 0-15 in bad or very bad health and resident in each LA, as reported by parents in the 2011 general population census ²⁹ .	ONS ³⁰
(G) Disability	The number of children aged 0-15 with parents entitled to disability living allowance and residing in each LA, as of November 2021 (published in May 2022).	Stat-Xplore ³¹

²⁶ Office for National Statistics, '[Subnational Population Projections, Local Authorities in England: SNPP Z1](#)', March 2020.

²⁷ Department for Levelling Up, Housing and Communities, '[English indices of deprivation 2019](#)', September 2019.

²⁸ Office for National Statistics, '[Lower Super Output Area Mid-Year Population Estimates](#)', September 2021.

²⁹ The health data from the most recent (2021) general population census is not yet available as of June 2022.

³⁰ Office for National Statistics, '[LC3203EW – General health by religion by sex by age](#)', August 2013.

³¹ Stat-Xplore, '[DWP benefit statistics - Disability Living Allowance; DLA: Cases with entitlement - Data from May 2022; Table 4 – Local Authority; England only; Age bands: under 5, 5 to 10, 11 to 15](#)', May 2022.

Factor	Data used for 2023-24 allocations	Sourced from
(H) KS2 low attainment	<p>The number of pupils resident in each LA who did not attain a specified scaled score in the KS2 reading test or who weren't entered into the test due to being below the required standard or who were unable to access the test, for years 2017-2019.</p> <p>The numbers are taken from the test results across all mainstream and special maintained schools and academies.</p> <p>2019 test data is used as a proxy for 2020 and 2021 due to a lack of appropriate data from those years.</p>	Department for Education ³²
(I) KS4 low attainment	<p>The number of pupils in the lowest 5% of Attainment 8 results for years 2017-2019.</p> <p>2019 Attainment 8 results are used as a proxy for 2020 and 2021 results due to a lack of appropriate data.</p>	Department for Education ³³
(J) Funding floor	<p>The projected number of people aged 2-18 resident in each LA in mid-2022 and mid-2023, based on mid-2018 population estimates.</p>	ONS ³⁴

Table 6: This table summarises the data sources used for each factor in the high needs national funding formula.

- C.8. Where information is collected and datasets published infrequently – for example, the data from the general population census (collected every 10 years) and IDACI data from DLUHC (collected every 3-5 years) – the impact of using new datasets is examined carefully. This is to consider the impact of step changes that may result from using new, significantly different data without a gradual transition.
- C.9. The data from the school census and EY census that is used for the proxy factors has not been published and has been sourced internally; this is because the data is specifically requested in a bespoke form relevant to the NFF calculations.

³² Department for Education, '[Statistics: key stage 2](#)', April 2020.

³³ Department for Education, '[Statistics: GCSEs \(key stage 4\)](#)', November 2021.

³⁴ Office for National Statistics, '[Subnational Population Projections, Local Authorities in England: SNPP Z1](#)', March 2020.

(K) AP factor

- C.10. The 2022-23 hospital education funding amounts may be found in the published 2022-23 high needs NFF impact tables³⁵. These form the basis of the 2023-24 hospital education amounts. Usually, some further adjustments would be made to reflect changes in hospital provision, including full year increases for LAs that were given a part-year increase to their previous year's allocation.
- C.11. The historic teachers' pay, pensions and pensions supplementary grant funding may also be found in the 2022-23 high needs NFF impact tables³⁵; it remains unchanged for 2023-24 as it is a historic cost. The teachers' pay and pension funding was calculated using the September to April high needs providers teachers' pay grant (TPG)³⁶ and teachers' pensions employer contribution grant (TPECG)³⁷.

(L) Import/export adjustment

- C.12. Data from the January 2022 school census is used for the import/export adjustments: numbers of pupils in special schools (maintained special schools, special academies and NMSSs) and numbers of pupils for whom mainstream schools receive top-up funding.
- C.13. Data from the February R06 cut of the 2021/22 ILR is also used for these adjustments: the numbers of students in SPIs and the numbers of students for whom other post-16 FE institutions receive top-up funding.
- C.14. The institution-level data used to determine the 2023-24 provisional adjustments and allocations has been made available to LAs via Document Exchange, a secure data exchange portal. The data used to determine the final adjustments and allocations will also be made available.
- C.15. The import/export adjustments will be updated with data from the January 2023 school census and the February R06 cut of the 2022/23 ILR in early summer 2023.

³⁵ Department for Education, '[Impact of the high needs NFF, 2022 to 2023](#)', July 2021.

³⁶ Department for Education, '[Teachers' pay grant: allocations for 2020 to 2021 financial year - GOV.UK \(www.gov.uk\)](#)', November 2020.

³⁷ Department for Education, '[Teachers' pension grant: 2020 to 2021 allocations - GOV.UK \(www.gov.uk\)](#)', November 2020.

Annex D: Glossary

The following abbreviations and terms are used in this technical note:

ACA	Area cost adjustment
AP	Alternative provision
AP factor	Hospital education and historic teachers' pay and pensions funding
CFI	Centrally funded institution
DLUHC	Department for Levelling Up, Housing and Communities
DSG	Dedicated Schools Grant
ESFA	Education and Skills Funding Agency
FE	Further education
FSM	Free school meals
KS2	Key stage 2
KS4	Key stage 4
IDACI	Income deprivation affecting children index
ILR	Individualised learner record
IoD	Index of deprivation
LA	Local authority
LSOA	Lower-layer super output area
NFF	National funding formula
NMSS	Non-maintained special school
ONS	Office for National Statistics
SEND	Special educational needs and disabilities
SPI	Special post-16 institution



Department
for Education

© Crown copyright 2022

This publication (not including logos) is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

To view this licence:

visit www.nationalarchives.gov.uk/doc/open-government-licence/version/3

email psi@nationalarchives.gsi.gov.uk

write to Information Policy Team, The National Archives, Kew, London, TW9 4DU

About this publication:

enquiries [https://form.education.gov.uk/service/Education and Skills Funding Agency ESFA enquiry form](https://form.education.gov.uk/service/Education_and_Skills_Funding_Agency_ESFA_enquiry_form)

download www.gov.uk/government/publications



Follow us on Twitter:
[@educationgovuk](https://twitter.com/educationgovuk)



Like us on Facebook:
facebook.com/educationgovuk