



Department
for Education

High needs national funding formula

Technical note

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Introduction

This note provides an overview of the high needs national funding formula, and detailed information on how the 2019-20 provisional allocations to local authorities have been calculated. For each formula factor, it details the relevant weightings and values applied, the data used and any adjustments made.

We have published full details of the calculations for each local authority within the Impact of the high needs NFF tables¹.

Figure 1 below illustrates how the formula calculation works.

Figure 1: Basic building blocks of the formula

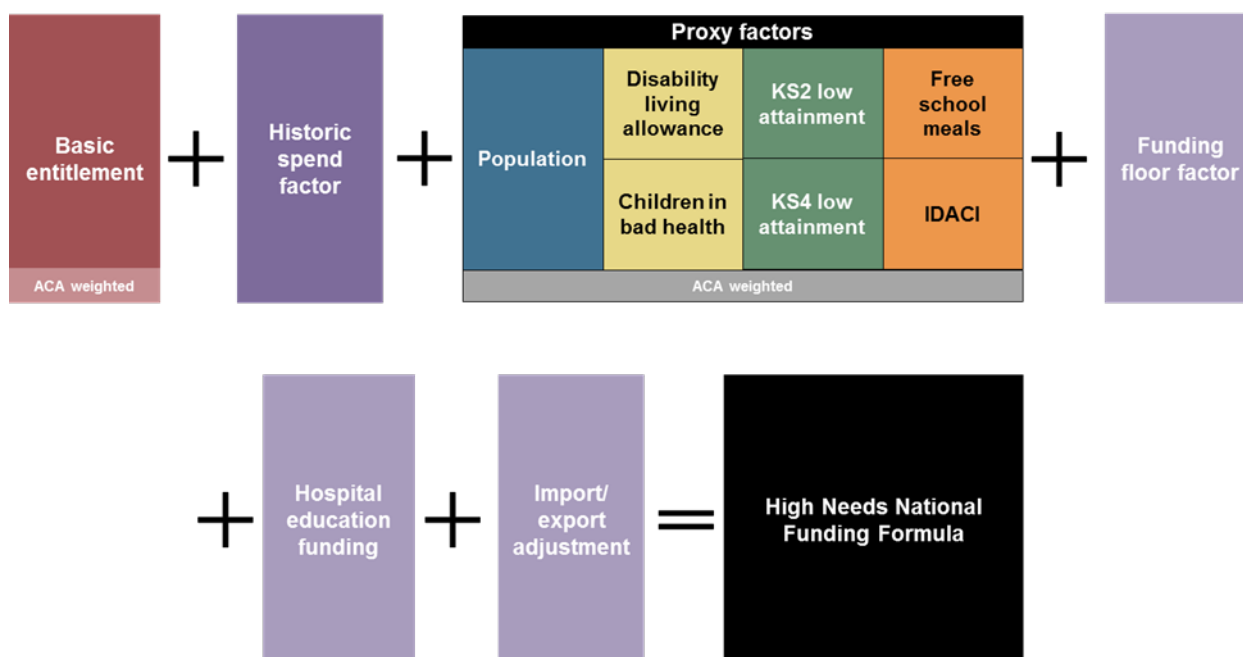


Figure 1: This diagram shows that the factors will be added together to give the formula allocation, with an area cost adjustment applied to the proxy factors and basic entitlement.

Annex A explains how the area cost adjustment (ACA) used in the formula has been calculated, annex B gives additional details on the income deprivation affecting children index (IDACI) deprivation factor, and annex C gives details of the data sources that have been used. Annex D is a glossary of abbreviations and terms used in this document.

¹ Department for Education, [National funding formula tables for schools and high needs](#), July 2018

Chapter 1: Overview of the high needs national funding formula

1.1 This chapter provides an overview of the high needs national funding formula calculation with the following chapters providing more detail.

1.2 First, each local authority is allocated their basic entitlement factor funding. This provides £4,000 per pupil, adjusted for area costs (see paragraph 1.5 below), using the number of pupils who attend the special schools and special academies in that local authority, and the number of pupils placed in independent schools by that authority.

1.3 Second, the historic spend factor is allocated, providing 50% of each local authority's high needs baseline, calculated from the authority's 2017-18 spending levels, subject to some later adjustments². This amount is maintained at a cash-flat level.

1.4 Third, the remaining amount of overall funding is distributed to local authorities using the following proxy indicators: 2-18 year old population, deprivation, health and disability, and low attainment.

1.5 The basic entitlement (1.2) and proxy indicators (1.4) are also subject to an area cost adjustment (ACA). Area cost differences are implicit in the 2017-18 expenditure amounts so we do not need to apply the ACA to the historic spend factor (1.3).

1.6 Next, the formula applies the protection of a funding floor to all the above elements, apart from the basic entitlement factor funding. This ensures that, on a per head of population basis, these elements of the formula will increase by at least 1.0% in 2019-20 over 2017-18 baseline levels. A further layer of protection for local authorities with falling population numbers ensures that no local authority receives less funding than the equivalent figure from the baseline year. There is then a limit on the gains for those local authorities gaining the most through the formula.

1.7 Hospital education funding is subsequently added, which in the 2019-20 allocations is calculated as a 1.0% uplift to adjusted 2017-18 values.

1.8 Import/export adjustments are made. These ensure that local authorities that provide places for children and young people with high needs for whom they are not responsible (i.e. imports) receive additional funding if those imports outweigh the number of children and young people they place in other authorities' provision. Conversely, local authorities that place more children and young people with high needs in provision

² This figure comes from the baselines after adjusting for the transfer to the schools block following a change in the funding of special units and resourced provision attached to mainstream schools; and for items specifically funded through other formula elements: the hospital education funding factor, basic entitlement factor, and import/export adjustments. This technical note explains these adjustments in more detail.

outside their area (i.e. exports) than they import have a negative adjustment because they do not have to meet the costs of the place funding. As part of this adjustment we treat pupils attending non-maintained special schools (NMSSs) and special post-16 institutions (SPIs) as exports, to reflect that place funding for these institutions is allocated directly by the Education and Skills Funding Agency (ESFA) without recoupment or deductions from local authorities' high needs allocations.

Status of the allocations

1.9 We have published provisional allocations for 2019-20.

1.10 The following updates will be made to the provisional 2019-20 allocations to ensure that pupil led and hospital education factors and adjustments are as up to date as possible;

- a. December 2018 update to the basic entitlement factor, based on January 2018 AP Census and October 2018 school census data.
- b. 2019 update to the import/export adjustment, based on January 2019 school census data and February 2019 R06 Individualised Learner Record (ILR) data.
- c. Any adjustments to hospital education funding as a result of the information collected by the ESFA from local authorities in autumn 2018. This update will also be made in 2019.

1.11 We are making changes to the funding of special free schools, following consultation earlier in 2018. In the autumn of 2018 we will also be consulting on changes to the funding of hospital education and some aspects of post-16 high needs funding. Some of these changes will require further updates to the factors and adjustments listed above. More information about these changes will be provided in September 2018.

1.12 There are no plans for later updates to the remaining elements of the provisional allocations (the funding through the historic spend factor, proxy factors and funding floor factor, and any gains under the formula). For these elements, therefore, the amounts published in July 2018 would be the same as in the actual allocations.

Chapter 2: Overall quantum of formula funding

2.1 This section explains how the total quantum of funding for the 2019-20 allocations through the high needs national funding formula is made up.

Figure 2: Setting the quantum of formula funding

| | | |
|---|--------------------------|-----------------------|
| High needs 2017-18 baseline excluding NMSS/SPI and hospital education funding | [a] | £5,769,896,972 |
| Provisional 2019-20 amount for NMSS/SPIs | [b] | £72,553,333 |
| Additional funding for 2019-20 | [c] | £105,965,106 |
| High needs funding to be distributed through the basic entitlement factor, historic spend factor and proxy factors | [d] = [a]+[b]+[c] | £5,948,415,411 |
| Additional cost of providing 1.0% funding floor in 2019-20 | [e] | £154,913,075 |
| Hospital education funding (including 1.0% uplift on 2017-18 baselines and 0.5% uplift on additional 2018-19 funding) | [f] | £75,725,508 |
| Total 2019-20 high needs quantum | [g] = [d]+[e]+[f] | £6,179,053,995 |

2.2 The total 2019-20 quantum will change in line with pupil number changes in the January 2018 AP and October 2018 school censuses, when the basic entitlement factor is updated in December 2018.

2.3 The 2017-18 baseline data that was used in the 2018-19 allocations has been amended for use in the 2019-20 formula, to account for changes requested by some local authorities and for corrections to the 2017-18 basic entitlement and import/export adjustment data³. For the purposes of this document, the amended 2017-18 baseline data will be referred to as the 'amended 2017-18 baseline'.

2.4 The amount of high needs funding that is distributed through the basic entitlement factor, historic spend factor and proxy factors in the formula is based on the 2017-18 amended baselines plus additional funding. The funding floor factor is an additional cost in the formula, as described in Chapter 3: Formula factors (J) Funding floor factor. Hospital education funding, having been excluded from the baselines as above, is then added, after applying a 1.0% uplift to baselines and a 0.5% uplift to the additional funding

³ The updated 2017-18 amounts are published by the Department for Education, [National funding formula tables for schools and high needs](#), July 2018

that some local authorities received in their 2018-19 allocations. This then gives the total 2019-20 high needs funding quantum.

2.5 The City of London and Isles of Scilly are excluded from the allocations, as they will each receive a single education grant. The City of London and Isles of Scilly are currently a net exporters of pupils. These pupils need to be included in the allocation calculations in order to produce the correct ESFA and local authority allocations. For this reason, the net import/export adjustment figure is not zero.

Chapter 3: Formula factors

3.1 There are twelve elements to the formula, which we denote below with the letters (A) to (L) in line with the published allocations:

- (A) Basic entitlement factor
- (B) Historic spend factor
- (C) Population factor
- (D) FSM factor
- (E) IDACI factor
- (F) Bad health factor
- (G) Disability factor
- (H) Key stage 2 low attainment factor
- (I) Key stage 4 low attainment factor
- (J) Funding floor factor
- (K) Hospital education funding
- (L) Import/export adjustments

(A) Basic entitlement factor

3.2 The basic entitlement factor for pupils and students in specialist provision 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 is £4,000 per pupil or student and is subject to an ACA. For details of how the ACA is calculated see annex A.

3.4 As the formula also allocates high needs funding to the ESFA for certain institutions that it funds directly, we treat the ESFA like a local authority and it attracts £4,000 for each pupil in NMSSs and each student in SPIs.

3.5 The published provisional local authority allocations for 2019-20 are based on the number of pupils on roll at maintained special schools and special academies from the October 2017 school census, plus the number of pupils with SEN in independent schools, as recorded on the January 2017 alternative provision census.

3.6 As this factor is directly pupil led, it will be updated based on the October 2018 school census and the January 2018 alternative provision census, as explained in paragraph 1.10.

Calculation of (A) basic entitlement factor

3.7 The calculation for each local authority is as follows:

- a) Total the number of pupils on roll at maintained special schools and special academies from the October 2017 school census.
- b) Add the number of pupils with SEN in independent schools, as recorded on the January 2017 alternative provision census.
- c) Multiply the basic entitlement base rate of £4,000 by the local authority's ACA to give an ACA-weighted basic entitlement rate for each local authority.
- d) Multiply the number of eligible pupils by the local authority's ACA-weighted basic entitlement unit rate to get the published basic entitlement factor funding $((a + b) * c)$.
- e) The published basic entitlement factor funding is not final and will be updated with October 2018 school census data and January 2018 AP census data.
- f) The ESFA's basic entitlement factor amount is calculated as the number of pupils and students in NMSSs and SPIs, multiplied by £4,000.

(B) Historic spend factor

3.8 The historic spend factor value is based on the baselines for each local authority that were published in August 2017⁴ and adjusted as described below. A weighting of 50% is applied to this adjusted figure to give the final figure for the formula. This amount is maintained at a cash-flat level.

3.9 To avoid double counting, the basic entitlement factor and hospital education funding were subtracted from the baseline amounts used in the historic spend factor as these will be funded in full in factors (A) and (K) on the basis of the most up-to-date data.

3.10 In the same way, we reversed any transfers of funding between local authorities, due to import/export adjustments implicit in the baseline. See section (L) for details of these adjustments. In calculating the historic spend factor amount (B), the purpose was to replicate the position *before* these adjustments were made so that changes in the movement of pupils and students across local authority borders were fully reflected in the import/export adjustment. Then in (L) import/export adjustments, the most up-to-date import/export position is reflected directly as part of the formula.

3.11 The historic spend factor has been amended for 2019-20 (see paragraph 2.3), to account for changes to the local authority baselines requested by some local authorities

⁴ Education and Skills Funding Agency, [Pre-16 schools funding: guidance for 2018 to 2019](#), August 2017

and to correct minor errors in the basic entitlement and import/export adjustment data. The historic spend factor will not be subject to later amendment.

3.12 The amended 2017-18 baseline data for use in the 2019-20 formula accounts for changes requested by some local authorities where they previously supplied incorrect data on 2017-18 spending baselines and where we have taken a view to accept an alternative to the data originally collected. The amended baseline also corrects for pupils over the age of 19 and those in alternative provision academies who were previously included in the basic entitlement factor data. Local authorities adversely affected by the latter were notified by letter.

Calculation of (B) historic spend factor

3.13 The calculation for each local authority is as follows:

- a) Take the amended 2017-18 baseline funding for each local authority, excluding hospital education funding.
- b) Remove the schools block transfer.
- c) Remove the basic entitlement amount relating to the 2017-18 financial year⁵
⁶. This uses October 2016 school census data and January 2017 alternative provision census data.
- d) Remove the import/export adjustments value relating to the 2017-18 financial year⁷. This uses January 2017 school and alternative provision census data and R06 ILR data as collected in February 2017.
- e) This gives the total historic spend level. (NB: this amount is also used as a baseline for the funding floor factor and gains calculation). ($e = a - b - c - d$).
- f) Apply the historic spend factor weight of 50% to the historic spend level ($f = e * 50\%$).

⁵ The data is based on a lag reflecting the general principle in school funding that funding is on a lagged basis thus giving certainty of allocation.

⁶ The original basic entitlement adjustment included headcount for all enrolment statuses for all pupil ages. The amended adjustment data includes FTE pupil numbers for sole and dual-main registrations of pupils aged under 19, as older pupils in schools cannot be funded through the high needs funding block of the DSG.

⁷ The original import/export adjustment included pupils attending special and AP free schools. The amended adjustment data excludes pupils in those schools as they are currently funded outside the NFF allocations.

(C)-(I) Proxy factors

3.14 The funding available for the proxy factors is the remaining high needs quantum after deducting basic entitlement factor funding, hospital education factor and historic spend factor funding. This section explains how this proxy factor funding is distributed. Information on the data sources used for these factors is provided in annex C.

3.15 Weightings assigned to each factor determine how much of this remaining amount is allocated through each factor.

3.16 The weightings for each proxy factor have been specified separately for special educational needs and alternative provision, and then combined using a relative cost weighting, as shown in the table below. These weightings are exactly the same as in the 2018-19 formula, although the proportions on special and alternative provision have been updated in line with the latest spending data⁸.

Figure 3: Factor weightings

| Proxy factor | SEN weighting (90%) ⁸ | Alternative provision weighting (10%) ⁸ | Combined weighting ⁸ |
|--|----------------------------------|--|---------------------------------|
| (C) Population factor | 50% | 50% | 50% |
| (D) Free school meals (FSM) eligibility | 8.33% | 25% | 10% |
| (E) IDACI⁹ | 8.33% | 25% | 10% |
| (F) Bad health | 8.33% | 0% | 7.5% |
| (G) Disability | 8.33% | 0% | 7.5% |
| (H) Key stage 2 low attainment | 8.33% | 0% | 7.5% |
| (I) Key stage 4 low attainment | 8.33% | 0% | 7.5% |

3.17 For the SEN element, 50% of the funding is distributed through the population factor (C) and there is an even split between the remaining proxy factors (D)-(I).

3.18 For the alternative provision element, 50% of funding is distributed through the population factor, and the remaining funding is split evenly through the deprivation factors (D)-(E) only. The remaining factors are given a weight of zero.

3.19 For the IDACI factor, the 10% combined total is split between IDACI bands A-F in the following proportions: Band A, 1.15%; Band B, 2.30%; Bands C, 1.70%; Band D,

⁸ Weightings based on 2017-18 high needs spending proportions of 90% on SEN provision and 10% on alternative provision. Final weights are then rounded to the nearest 0.5%. The individual IDACI band A-F weights are rounded to the nearest 0.05%, totalling to the 10% shown here.

⁹ For further details of how the IDACI factor and weightings are calculated, see annex B.

1.85%; Band E, 1.60%; Band F, 1.40%. For further details of how the IDACI factor and weightings are calculated, see annex B.

Calculation of (C)-(I) proxy factors

3.20 For each proxy factor (C)-(I), the funding is calculated in two stages. For the IDACI factors, this calculation is followed separately for each band A – F.

3.21 First, the total proxy factor funding, as described in paragraph 3.14, is multiplied by the relevant factor's combined weighting shown in figure 3. In the case of each of the IDACI bands, the weighting to apply is stated in paragraph 3.19.

3.22 The funding for each local authority in respect of each proxy factor is then calculated as follows:

- a) Begin with the total funding for each proxy factor as calculated in 3.21.
- b) Take the number of children and young people relevant to the proxy factor in each local authority. For example, for the population factor, we use the total number of children and young people aged 2-18 resident in the local authority area; and for the free school meals factor we use the number of children and young people eligible for free school meals resident in the local authority area.
- c) Multiply this number of children and young people by the ACA for each local authority to give an ACA-weighted number.
- d) Sum all of the local authority values calculated above to give the national total of ACA-weighted children and young people.
- e) Multiply total funding for the factor by the proportion of total ACA-weighted children and young people within each local authority ($a * (c / d)$).

3.23 An example of how the calculation would be made in a scenario with just three local authorities and £1 million of total funding for one factor is shown in figure 4.

Figure 4: Proxy factor calculation – illustrative example

| Local authority (LA) | No. of children eligible for factor | ACA rate | ACA weighted no. of children | Calculation of factor funding | Proxy factor funding |
|----------------------|-------------------------------------|----------|------------------------------|-------------------------------|----------------------|
| 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 | | £1,000,000 |

(J) Funding floor factor

3.24 The formula includes a funding floor factor which ensures local authorities do not fall below a minimum level of funding, on a like-for-like basis. This factor is applied to funding through the historic spend factor and the proxy factors, (B) – (I) and excludes funding for the basic entitlement, hospital education funding and import/export adjustments. There are two elements to the funding floor;

- a) A per head floor, that ensures that the relevant elements of the funding increase on a per head basis from the 2017-18 baseline year by at least 1.0% in 2019-20. The per head calculation is based on the projected population of 2-18 year olds published by the Office for National Statistics (ONS) in May 2018.
- b) An absolute floor that ensures that, in any year, the funding does not drop below the 2017-18 baseline year. This prevents any local authorities with a shrinking population from going below their 2017-18 baseline.

3.25 The basic entitlement factor (A) and import/export adjustment (L) are excluded in the calculation of the funding floor factor because we want to ensure that the year-on-year changes reflected by these elements of the formula are fully taken into account. For example, if a local authority that benefits from the funding floor expands the number of places in a special school so that it takes in more pupils, they will receive the corresponding increase in the basic entitlement factor on top of their floor amount. This will also mean that in 2019-20 some authorities could see a small reduction in their final allocation, despite the funding floor, for example if the number of occupied special school places reduces compared to the 2017-18 baseline.

3.26 Hospital education funding is also excluded from the funding floor calculation. However, in order to ensure consistency with the funding floor, a 1.0% uplift is applied to their 2017-18 baseline, and also 0.5% uplift for any additional funding local authorities received in 2018-19 on account of changes to hospital education provision.

3.27 The cost of the funding floor is greater than the result of limiting the gains detailed in Chapter 4. The net cost of the funding floor is shown in line (d) of figure 2.

Calculation of (J) funding floor factor

3.28 The per head funding floor is calculated as follows;

- a) Take the 2017-18 historic spend calculated in paragraph 3.13(e).
- b) Divide (a) by the mid-2017 ONS population projection for 2-18 year olds to give the per head funding in 2017-18.
- c) Multiply (b) by 101% to determine the 2019-20 per head funding floor.
- d) Calculate 2019-20 historic spend factor plus the proxy factor funding.
- e) Divide (d) by the mid-2019 ONS population projection for 2-18 year olds to give the per head funding in 2019-20.
- f) Select the highest of (c) and (e) to use as the per head rate, i.e. $\max(c,e)$.
- g) Multiply the increase in the per head rate by the mid-2019 ONS population estimate for 2-18 year olds. This gives the per head element of the funding floor, i.e. calculate mid-2019 ONS population * (f-e).

3.29 The absolute funding floor is then calculated as follows;

- a) Calculate the 2019-20 historic spend factor plus the proxy factor funding, plus any per head element of the funding floor.
- b) Compare this to the 2017-18 historic spend calculated in 3.13(e). If the 2019-20 funding is lower, calculate the difference to give the absolute element of the funding floor.

3.30 The funding floor factor is then the total of the per head and absolute elements.

(K) Hospital education funding

3.31 Local authorities pay for places in hospital schools and for other hospital education placements and services. This funding comes from their high needs budgets.

3.32 The hospital education baselines have been adjusted to reflect the full year increase for local authorities that were given a part-year increase in 2018-19 to reflect a change in hospital education provision in that year.

3.33 The hospital education factor is calculated as the adjusted baseline plus an uplift of 1.0% in 2019-20. Full year 2018-19 adjustments are uplifted by 0.5% for 2019-20.

3.34 There will continue to be a process in 2019-20 for local authorities to notify the department of changes to their hospital provision, as explained in the high needs funding operational guide¹⁰, which will be updated for 2019-20 in September 2018. Also, in autumn 2018, we will consult on options for changing this formula factor, taking account of further information supplied by local authorities on their planned spending in 2018-19, and data on hospital provision supplied by NHS (England). Further information is set out in the policy document¹¹.

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

3.35 Local authorities' allocations under the high needs national funding formula not only reflect the costs of paying top-up funding to those pupils and students living in their area, for whom they are responsible, but also reflect the costs of the place funding for special schools and other specialist provision located in their area, even if those places are filled by pupils or students from other local authorities.

3.36 NMSSs and SPIs have their full place funding paid directly by the ESFA. As such, from the perspective of the local authority, they are counted as exported pupils and students. Therefore, an adjustment is made to the allocation of the local authority in which the pupil or student is resident, even if the NMSS or SPI is situated within the same local authority. This adjustment is explained in more detail below.

3.37 Similarly, some local authorities are responsible for pupils and students attending special schools and other institutions located outside their borders. In these cases, the place funding for such schools and institutions is met by the local authority where the provider is located.

3.38 The formula we are implementing includes a system of adjustments that will be applied each year, so that:

- a) If the local authority is a net exporter, the adjustment will be negative, taking funding from the authority's formula share for redistribution to net importers.
- b) If the local authority is a net importer, the adjustment will give the authority additional funds, contributing to the costs of the places it provides for children and young people from other authorities.

3.39 This system of adjustments provides a dynamic and automatic way of reflecting the cross-border movement of pupils and students with high needs living in one local

¹⁰ Education and Skills Funding Agency, [High needs funding 2018 to 2019: operational guide](#), September 2017

¹¹ Department for Education, [National funding formula for schools and high needs](#), September 2017

authority who attend provision in another. The intention is that the adjustments will enable local authorities to make decisions about placements and the creation of new places, secure in the knowledge that there will be a cost-neutral impact on their high needs budgets, subject to the normal lag between data collection and funding allocations. This is because any “imported” child or young person with high needs, in excess of a balanced number of “imports” and “exports”, will attract £10,000 through the formula: £4,000 through the basic entitlement factor and £6,000 through the import/export adjustment. The adjustments will therefore reflect changing patterns of pupil and student numbers, in such circumstances as:

- a) when a local authority imports a lot of pupils and students into the schools and colleges located in the area;
- b) when a local authority exports a lot of pupils and students to provision outside the area;
- c) when a local authority creates new places or a new institution, even if the places are partially occupied by children or young people from outside the area; and
- d) when a local authority wants to provide funding from its high needs budget to help its mainstream schools be more inclusive, even if some of the pupils come from outside the local authority area.

3.40 As the first £4,000 of place funding will go direct to the local authority in which the special school or other institution is based, through the £4,000 basic entitlement element of this high needs formula, or the equivalent in the schools or post-16 national funding formulae, the amount of the adjustment is the remaining £6,000 making up the £10,000 cost per place, as noted above.

3.41 The adjustments use data that take into account all pupils and students with high needs who are attending NMSSs and SPIs, or who are crossing local authority borders to attend other types of provision for pupils and students with high needs, both specialist and mainstream provision, but not alternative provision. The adjustments will be recalculated every year, and work outside both the funding floor and application of the gains calculation. This is so that year-on-year changes in where children and young people are placed can be reflected in full.

3.42 Adjustments will not be made for alternative provision places as insufficient data is held to calculate them, and the way in which funding for alternative provision is actually deployed is much more variable between authorities. We will keep this under review as we consider changes to the funding of alternative provision in future.

Calculation of (L) import/export adjustment

3.43 For the import/export adjustment calculations we consider the following pupils and students:

- a) Pupils under 19 in maintained special schools or special academies¹²;
- b) Pupils under 19 and in primary¹³ or secondary schools, for whom the school is in receipt of top-up funding¹⁴;
- c) Students over 14 and under 25 in further education¹⁵ for whom the institution is in receipt of top-up funding;
- d) Pupils under 19 in NMSSs; and
- e) Students over 14 and under 25 in SPIs.

3.44 For (a), (b) and (d) we calculate pupil numbers using the January school census. For (c) and (e) we calculate student numbers using the February R06 cut of the ILR. In both cases we use data collected in the January/February immediately preceding the year for which the high needs allocations are made, and the adjustment for those allocations is updated at the earliest opportunity. For the calculation of the historic spend factor we used data relating to the 2017-18 financial year (as set out in paragraph 3.13(e)). For the calculation of the import/export adjustment for the published provisional allocations for 2019-20, we have applied the data used for the 2018-19 adjustments published in June 2018¹⁶, as this is the most recent available. This adjustment will be updated to 2019-20 data in 2019 using January 2019 school census data and February 2019 R06 ILR data as per paragraph 1.10(b).

3.45 For (a)-(c) above we look at both the resident and provider local authority¹⁷ for each pupil or student. Where the resident local authority is unknown we assign the pupil or student to the provider local authority. Any pupils and students who reside outside England are excluded from our final counts.

3.46 For (d) and (e), the ESFA are deemed to be the equivalent of the provider local authority as they pay the place funding directly to institutions. Thus all pupils and

¹² Special free schools currently sit outside the funding formula.

¹³ Excluding pre-school pupils.

¹⁴ As identified by having a top-up funding “flag” in the school census.

¹⁵ Includes further education colleges, sixth form colleges and independent learning providers, but excludes school sixth forms. The students are identified in the individualised learner record (ILR). Students attending more than one provider will have their headcount split evenly for each provider, e.g. a student in two providers will count 0.5 in each.

¹⁶ Department for Education, [Dedicated schools grant \(DSG\): 2018 to 2019](#), June 2018

¹⁷ The resident local authority is that in whose area a pupil resides. The provider local authority is that from whose high needs funding allocation the costs of the high needs place funding are met.

students in NMSSs and SPIs are treated as “exports” to the ESFA from the local authority in which the pupils and students are resident. Again, we exclude any known to reside outside England.

3.47 This means that across all local authorities there is a net cash transfer to the ESFA through the formula as they only “import” pupils and students. The existing funding the ESFA holds for these pupils has been added to the quantum for the allocations, as explained in paragraph 2.4 above, so that it goes to local authorities through the formula, and is then returned to the ESFA through the import/export adjustments. In this way the amount for the ESFA will be dynamic, reflecting changes in usage of NMSSs and SPIs by the authorities that are placing children and young people in these types of provision.

3.48 Rather than adjusting for the specific movements of individual pupils between individual local authorities, we simply adjust for the net position. That is, we look at the difference between the provider local authority and resident local authority counts for each local authority to give a net number of imported or exported pupils/students. Net importers will have a positive value and net exporters will have a negative value. We published in November 2017 the institution-level data on which the initial calculations were based, so local authorities could see the detail and discuss with the institutions involved any discrepancies, in time for an agreed position to be included in the school census and ILR data collection that was then used for the later adjustments and final 2018-19 allocations.

3.49 To summarise the calculation, the steps for each local authority are;

- a) Calculate the total number of resident pupils and students from the local authority.
- b) Calculate the total number of pupils and students attending providers in the local authority.
- c) Calculate the number of net imports to the local authority ($c = b - a$). If this is negative then the local authority is a net exporter.
- d) Calculate the required adjustment ($d = c * £6,000$). This will be negative for net exporters.

Chapter 4: Calculation of 2019-20 formula allocations and gains

4.1 The national funding formula allocation is calculated as the sum of formula factors (A) - (L).

4.2 The funding floor factor ensures that every local authority receives a 1% increase in 2019-20, compared to the amended 2017-18 baseline, calculated on a per head of population basis. Arrangements are also in place to provide further increases for those local authorities set to gain under the high needs national funding formula. A limit is applied to the per head gains that each local authority will see over the amended 2017-18 baseline, in order to manage the gains from the available resource. This limit will be 6.09% in 2019-20, equivalent to a 3% gain on 2018-19.

4.3 For the 2018-19 allocations, the baseline level from which gains were calculated was the same as that used in the funding floor (paragraph 3.24). To calculate the 2019-20 allocations;

- a) Take the 2017-18 historic spend calculated in paragraph 3.13(e).
- b) Divide (a) by the mid-2017 age 2-18 ONS population projection to give a per head amount.
- c) Multiply (b) by 106.9% to give the gains cap per head¹⁸.
- d) Calculate the equivalent elements of the 2019-20 allocation, that is, the historic spend factor plus the proxy factor funding plus the per head funding floor factor.
- e) Divide (d) by the mid-2019 age 2-18 ONS population projection to give a per head amount.¹⁹
- f) Take the lower of the gains cap per head (c) and the 2019-20 per head amount (e) to give the 2019-20 per head allocation, i.e. calculate $\min(c,e)$.
- g) Multiply the per head allocation by the 2019 population and add on the absolute funding floor factor (calculated as at paragraph 3.29 (b)) where applicable to give the capped allocation, i.e. calculate the mid-2019 2-18 year old population * (f) and then add the absolute floor factor. This part of

¹⁸ This is the same calculation as carried out in 3.28(c).

¹⁹ This is the same calculation as carried out in 3.28(e).

the high need allocation for 2019-20 is a final allocation as it comprises components which are not subject to later updates.

4.4 The total provisional allocation for 2019-20 is then calculated by adding back the basic entitlement factor (A), hospital education funding (K) and import/export adjustments (L). The basic entitlement factor (A) and import/export adjustments (L) are provisional until later data is used to calculate the final allocations. The hospital education funding may also be subject to later adjustments if local authorities notify the ESFA of relevant changes, and may be subject to further adjustments following consultation on different options for the calculation of funding allocated through this factor.

Annex A – Area cost adjustment (ACA)

A.1 The high needs area cost adjustment (ACA) is used to take into account geographical variations in staff costs. The basis of the ACA is the same as used in the schools national funding formula²¹ and is not subject to any data updates for use in the 2019-20 funding formulae.

A.2 The ACA weightings are made up of two factors: general labour market (GLM) data for non-teaching staff, and school workforce census data for teaching staff. As the ratio of teaching to non-teaching staff in special schools is different from that in mainstream schools, this calculation is different to that used for the schools national funding formula.

A.3 The ACA is a combination of:

- a) the teacher pay element – the teachers-specific cost adjustment which reflects the differences in the basic pay ranges between the four regional pay bands for teachers, and
- b) the non-teacher pay element – a GLM cost adjustment to reflect geographical variation in wage costs for non-teaching staff.

Teacher pay element

A.4 The methodology for the teacher pay element of the ACA is designed to bring out the differences in pay scales between the four regional pay bands (inner London, outer London, London fringe and rest of England), but not to reflect any regional differences in distribution along the pay scale.

A.5 This has been calculated from data collected in the school workforce census in November 2016²⁰. We have not used data from the November school workforce census as this data was not published before July 2018

Non-teacher pay element

A.6 The non-teacher pay element of the ACA is the GLM cost adjustment calculated by the Department for Communities and Local Government for 2013-14. This is calculated from wage rates in the full Annual Survey of Hours and Earnings²¹.

²⁰ For further details, refer to the schools block national funding formula technical note. Department for Education, [Schools block national funding formula: Technical note](#), September 2017

²¹ Department for Communities and Local Government, ['Methodology Guide for the Area Cost Adjustment 2013/14'](#), March 2014

High needs funding formula ACA

A.7 The teacher and non-teaching staff elements of the ACA are weighted in proportion to reported expenditure²² on teaching and non-teaching staff in special schools.

A.8 The teacher proportion is the total expenditure on teachers, divided by the total expenditure on teachers, non-teaching staff and non-pay. The non-teaching staff proportion is total expenditure on non-teaching staff divided by total expenditure on teachers, non-teaching staff and non-pay.

A.9 The high needs formula ACA (“A” below) is given by

$$A = 1 + 41.8\% * (T - 1) + 41.6\% * (G - 1)$$

Where:

41.8% is the teaching staff expenditure proportion

T is the teachers-specific cost adjustment

41.6% is the non-teaching staff expenditure proportion

G is the GLM cost adjustment.

Part fringe local authorities

A.10 There are five local authorities²³ which cross the border of the London fringe. These local authorities have two ACA rates, one for the fringe and one for non-fringe districts.

A.11 In order to calculate an ACA for these local authorities, we have taken a weighted average of the two ACAs based on the population of 2-18 year olds²⁴ in the fringe and non-fringe districts of each of these five authorities. As with the rest of the ACA calculation, we have not changed the data inputs for 2019-20.

²² Department for Education, ['LA and school expenditure: 2015 to 2016 financial year'](#), May 2017

Department for Education, ['Income and expenditure in academies in England: 2015 to 2016'](#), July 2017

²³ Buckinghamshire, Essex, Hertfordshire, Kent and West Sussex

²⁴ Office for National Statistics, ['Mid-2015 Lower Super Output Area Mid-Year Population Estimates'](#), October 2017

Annex B – Income deprivation affecting children index (IDACI) factor weighting

B.1 The formula includes two deprivation factors, FSM and income deprivation affecting children index (IDACI). These factors target funding to more deprived areas as a proxy for higher incidence and cost of high needs.

B.2 The IDACI measures the proportion of all children aged 0-15 living in income deprived families. It is a subset of the Income Deprivation Domain which measures the proportion of the population in an area experiencing deprivation relating to low income. The definition of low income used includes both those people that are out-of-work, and those that are in work but who have low earnings (and who satisfy the respective means tests).

B.3 The factor uses the IDACI for each lower-layer super output area (LSOA) as published by the Department for Communities and Local Government²⁵.

B.4 The IDACI scores are classified into bands A-G by the Department for Education, with band A being the most deprived. The bands are defined as per the table below;

Figure 5: IDACI bands

| IDACI band | Start of band | End of band |
|------------|---------------|-------------|
| A | ≥ 0.50 | ≤ 1.00 |
| B | ≥ 0.40 | < 0.50 |
| C | ≥ 0.35 | < 0.40 |
| D | ≥ 0.30 | < 0.35 |
| E | ≥ 0.25 | < 0.30 |
| F | ≥ 0.20 | < 0.25 |
| G | ≥ 0.00 | < 0.20 |

B.5 The high needs formula is designed so that the unit funding for each band increases from F to A in the same proportions as the per-pupil unit values in the calculation for the IDACI factor in the schools block national funding formula.

B.6 To allocate funding for the IDACI factor, it is split into six separate factors, which cover the bands A, B, C, D, E, and F. The differences in the band unit costs used within the schools block IDACI factor, together with the mid-2015 age 2-18 population estimates within each band is used to produce these splits as described below and set out in figure 6.

²⁵ Department for Communities and Local Government, '[English indices of deprivation 2015](#)', September 2015

B.7 For each IDACI band the average of the schools block primary and secondary unit values is calculated.

B.8 Next, the relative increase of each schools block band average from the schools block band F average is calculated.

B.9 For each band, these relative increases are weighted by the corresponding 2-18 population figures²⁶. This gives the relative funding required for each band. From this the percentage, relative funding for each band is then calculated.

B.10 Finally, this percentage is multiplied by 10%, which is the weighting of the total ICADI factor, and rounded to the nearest 0.5%.

B.11 The full calculation is as set out in the table below.

Figure 6: IDACI band calculations

| | | Band F | Band E | Band D | Band C | Band B | Band A |
|---|----------------------|--------------|--------------|--------------|----------------|--------------|--------------|
| SB NFF unit values | Primary (a) | £200 | £240 | £360 | £390 | £420 | £575 |
| | Secondary (b) | £290 | £390 | £515 | £557.50 | £600 | £810 |
| Average unit rate (c) = ((a)+(b))/2 | | £245 | £315 | £437.50 | £473.75 | £510 | £692.50 |
| Relative increase from band F (d) = band rate/band F rate | | 1.000 | 1.286 | 1.786 | 1.934 | 2.082 | 2.827 |
| 2-18 population per band (e) | | 1,081,832 | 943,004 | 798,403 | 681,064 | 845,473 | 317,246 |
| Population per band uplifted by the relative increase from band F (f) = (d) * (e) | | 1,081,832 | 1,212,434 | 1,425,720 | 1,316,955 | 1,759,964 | 896,706 |
| Weighting to apply (g) = (f)/total of row (f) | | 14.1% | 15.8% | 18.5% | 17.1% | 22.9% | 11.7% |
| Factor weight (h) = (g) * 10% | | 1.40% | 1.60% | 1.85% | 1.70% | 2.30% | 1.15% |

²⁶ Office for National Statistics, [Lower Super Output Area Mid-Year Population Estimates](#), October 2017

Annex C – Data sources used

Basic entitlement factor data sources

We will use data from the most recent October school census and January alternative provision census at the time the allocations are finalised. This includes all pupils under 19 in maintained special schools and special academies (from the school census) and pupils with special educational needs in independent schools (from the alternative provision census).

Where a pupil has a primary registration ('Current' or 'Main' registration type in the School Census or appears at more than one provider in the ILR) at more than one school we will apportion that pupil equally between each provider. Where providers are in differing local authorities pupils will be split between each of them before applying any ACA. For example, if a pupil appears in school A in LAx and school B in LAy then this pupil will count as 0.5 pupil in each of LAx and LAy; if both schools were in LAx this would not affect that LA's total pupil count.

For the provisional 2019-20 allocations published in July we use data collected in the October 2017 school census and the January 2017 alternative provision census. The basic entitlement factor funding will be updated in December 2018 using data from the October 2018 school census and January 2018 alternative provision census.

Historic spend factor data sources

C.1 The 2019-20 allocations use the amended 2017-18 spending baselines to produce the historic spend factor (details of the amendments can be found at paragraph 3.12). For the local authority amended 2017-18 baselines we use as the starting point the high needs block baseline figures published in the Impact of the High Needs NFF²⁷.

Proxy factor data sources

C.2 The table below lists each of the formula proxy factors, and the data sources we use in the 2019-20 allocations.

C.3 Where information is collected and data sets published infrequently – for example, the data from general population censuses (every 10 years) and IDACI data from MHCLG (every 3-5 years) – we will look carefully at the impact of using any new data sets because of the step change that might result from using the latest data without transitional arrangements.

²⁷ Department for Education, [National funding formula tables for schools and high needs](#), July 2018

Figure 7: Data sources for each proxy factor

| Proxy factors | Data used for 2019-20 allocations | Data source |
|-----------------------------------|--|--|
| Population factor | The projected number of children and young people aged 2-18 resident in the local authority area in mid-2019, based on mid-2016 data. | ONS ²⁸ |
| Bad health | The number of children aged 0-16 in bad or very bad health who were resident in the local authority area, as reported by parents in the 2011 general population census. | ONS ²⁹ |
| Disability | The number of children aged 0-16 for whom parents resident in the local authority area are in receipt of disability living allowance as at November 2017 (published in May 2018). | ONS ³⁰ |
| Key stage 2 low attainment | <p>The number of pupils resident in the local authority area who did not attain level 3 in reading at key stage 2 tests in years: 2013 to 2015.</p> <p style="text-align: center;">PLUS</p> <p>The number of pupils resident in the local authority area who did not attain a scaled score in the key stage 2 reading test or who weren't entered into the test due to being below the standard or unable to access the test in 2016 and 2017.</p> <p>The numbers are taken from the test results for all mainstream and special maintained schools and academies.</p> | Department for Education ³¹ |

²⁸ Office for National Statistics, '[Subnational Population Projections, Local Authorities in England: SNPP Z1](#)', May 2018

²⁹ Office for National Statistics, '[LC3203EW – general health by religion by sex by age, nomis database of labour market statistics](#)', August 2013

³⁰ Office for National Statistics, '[DWP benefit claimants - disability living allowance, nomis database of labour market statistics](#)', November 2017. Select geography;countries: England only; Local authorities: county / unitary (prior to April 2015): All; Select age: aged under 5, aged 5 to under 11, aged 11 to under 16

³¹ Department for Education, '[Statistics: key stage 2](#)', Junly 2018

| Proxy factors | Data used for 2019-20 allocations | Data source |
|-----------------------------------|---|---|
| Key stage 4 low attainment | The number of pupils resident in the local authority area who did not attain 5 GCSEs at grades A* to G for the last 5 years: 2013 to 2016 PLUS The number of pupils in the lowest 5% of Attainment 8 results in 2017 | Department for Education ³² |
| FSM eligibility | The number of pupils resident in the local authority area who are registered as eligible for FSM, as recorded in the January 2018 school census. FSM eligibility is determined by the household's benefit entitlement status. | Department for Education |
| IDACI | The number of children aged 2-18 living in a lower super output area captured by the IDACI bands ³³ . Data from ONS mid-2016 population estimates ³⁴ is matched to the IDACI dataset published in September 2015. | Department for Communities and Local Government and ONS |

C.4 Where there are future changes in the available data (as has been the case this year, for example, with changes to attainment data following new assessments in 2017 at the end of key stage 4) we will carefully consider how best to use the available data in the formula factor calculations.

C.5 Where we have used data from the school census or ILR, counting pupils or students resident in a local authority using postcode information collected (for example, for key stage 2 low attainment and free school meals), this data has not been published before, but is derived from data that has been published in a different form, i.e. according

³² Department for Education, '[Statistics: GCSEs \(key stage 4\)](#)', January 2018

³³ Department for Communities and Local Government, '[English indices of deprivation 2015](#)', September 2015

³⁴ Office for National Statistics, '[Lower Super Output Area Mid-Year Population Estimates](#)', October 2017

to the school or institution attended by the pupil or student, or the local authority in which the school or academy is located). The counts of pupils and students for whom top-up funding is paid to schools and other institutions – which is used for the calculation of the import/export adjustments in the illustrative allocations – have been published as part of the information supporting the high needs national funding formula calculations for 2018-19.

Import/export adjustment data sources

C.6 Data from the school census is used for the import/export adjustments: special schools' (maintained special schools, special academies and NMSSs) pupil numbers and the numbers of pupils for whom mainstream schools receive top-up funding. For the provisional 2019-20 allocations we have used January 2018 school census data.

C.7 Data from the ILR is also used for these adjustments: the numbers of students in SPIs and the numbers of students for whom other non-school post-16 further education (FE) institutions receive top-up funding. For the published 2019-20 allocations we have used ILR data R06 cut taken in February of the 2017/18 academic year.

C.8 We have made available to local authorities, via Information Exchange (a secure data exchange portal), the detailed data at institution level used in the provisional allocations, and will also make available the data used in the final adjustments and allocations.

C.9 In 2019 the import/export adjustment will be updated with January 2019 school census data and data from the February R06 ILR for 2018/19 .

Hospital education funding data sources

C.10 The hospital education funding amounts for 2017-18 are included in the published August 2017 baselines³⁵. These form the basis of the amounts in the 2019-20 provisional allocations. In a small number of cases we have made some further adjustments to reflect changes notified by local authorities before March 2018, including the full year increase for local authorities that were given a part-year increase to reflect a change in hospital education provision in 2018-19.

³⁵ Education and Skills Funding Agency, '[DSG funding baseline tables](#)', August 2017

Annex D – Glossary

The following abbreviations and terms are used in this technical note, the 2019-20 allocations and the high needs consultation document:

| | |
|---------------------------------|---|
| ACA | Area cost adjustment |
| DSG | Dedicated schools grant |
| ESFA | Education and Skills Funding Agency |
| FSM | Free school meals |
| GLM | General labour market |
| IDACI | Income deprivation affecting children index |
| ILR | Individualised learner record |
| LSOA | Lower-layer super output area |
| MHCLG | Ministry of Housing, Communities and Local Government |
| min(x,y) | The minimum of x and y |
| max(x,y) | The maximum of x and y |
| NFF | National funding formula |
| NMSS | Non-maintained special school |
| ONS | Office for National Statistics |
| Provider local authority | The local authority that meets the costs of the high needs place funding from its high needs funding allocation, usually the authority of the area in which the provider (e.g. school or college) is located. |
| Resident local authority | The local authority of the area in which a pupil resides. This authority is responsible for securing the provision for the pupil and paying any associated top-up funding. |
| SEN | Special educational needs |
| SPI | Special post-16 institution |



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