



Department  
for Education

# **National funding formulae: equalities impact assessment**

**December 2016**

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# The Public Sector Equality Duty

1. The Equality Act 2010 identifies the following as protected characteristics for the public sector equality duty:
  - Age
  - Disability
  - Gender Reassignment
  - Pregnancy and Maternity
  - Race (including ethnicity)
  - Religion or belief
  - Sex
  - Sexual orientation
  
2. Under Section 149 of the Equality Act 2010, the Secretary of State is under a duty to have due regard to the need to:
  - a. eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
  - b. advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it, in particular the need to:
    - remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;
    - take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;
    - encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
  - c. foster good relations between persons who share a relevant protected characteristic and persons who do not share it, in particular the need to:
    - tackle prejudice, and
    - promote understanding.

## Schools and high needs funding reform

3. This Government is committed to an education system that works for everyone. No matter where they live, whatever their background, ability or need, children should have access to an excellent education that unlocks talent and creates opportunity. We want all children to reach their full potential and to succeed in adult life.
4. We have protected the national schools budget since 2010 and we will continue to do so, in real terms, to 2020. This year we are spending over £40 billion on schools, the highest amount ever. We need to ensure that the system for distributing this funding is fair. Similar schools and local areas receive unjustifiably different levels of funding, and unfairness in funding levels is seen right across the country - for example, as we said in the first stage of our consultation, a school in Barnsley could receive 50% more funding, with no changes to its circumstances, if it were situated in Hackney instead. Coventry received nearly £500 more per pupil than Plymouth, despite having the same proportion of pupils eligible for the pupil premium. This unfairness confirms our view that funding reform is needed to support the life chances of our most vulnerable children and young people; a fairer funding system will help provide all schools and all areas with the resources needed to provide an excellent education for all pupils.
5. We are mindful that a national funding formula is a significant reform and it is important that we take time to debate the important principles that will underpin these major reforms. Given the importance of consulting widely and fully with the sector and getting implementation right, in July this year we announced that the new system would apply from 2018-19 and that for 2017-18 no local authority would see a reduction from their 2016-17 per-pupil school funding or high needs funding. This reflects the importance of stability and certainty that local authorities need to be able to plan their schools and high needs funding, which was a particular concern highlighted in the first stage consultation responses.

## First stage consultation

6. The first stage consultation set out the principles, building blocks and factors for the national funding formulae. The consultation concluded on 17 April 2016. Our proposals received strong support, confirming the case for proceeding with reform of a system that is not fit for purpose. We have listened carefully where concerns were raised and have been able to improve our proposals as a result. We have set out the Government's response to both the schools and high needs first stage consultations<sup>1</sup> as part of the package of documents accompanying this second stage consultation.

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<sup>1</sup> Department for Education, [Schools first stage consultation response](#), 2016  
Department for Education, [High needs national funding formula and other reforms](#), 2016

## Second stage consultation

7. The second stage consultation builds on the first stage, and sets out the proposed relative weightings of the various formula factors for the schools, high needs and central school services national funding formulae to be used from 2018-19 onwards; provides illustrations of the impact of the proposed national funding formulae on schools and local authority funding; and sets out our proposed approach to transition.
8. To aid understanding of the potential impact of the proposed weightings of the factors in the funding formula for schools, we have provided illustrative allocations for all schools and local authority areas in England. These show the funding schools and local authorities would receive if the national funding formulae were implemented in 2016-17, without any transitional protections. They are not actual allocations for any specific years: they are illustrations based on 2016-17 data to help inform the consultation. Actual allocations for future years will reflect the final formulae (following consultation) and will be updated for the latest characteristics data.
9. The table below summarises the key reforms and proposals set out in the schools and high needs national funding formula consultations.

**Figure 1: key reforms and proposals in the schools and high needs national funding formulae**

Schools national funding formula	High needs national funding formula
<ul style="list-style-type: none"> <li>• To introduce a national funding formula for schools from 2018-19. Schools will be funded according to a local formula for the first year, and then according to a national formula from 2019-20 onwards</li> <li>• To use 4 building blocks for the formula: basic per-pupil funding; additional needs funding; school-led funding; and geographic funding</li> <li>• To allocate funding for premises factors, growth, business rates and mobility on the basis of historic spend in 2018-19 to local authorities; and to seek longer term solutions for 2019-20</li> </ul>	<ul style="list-style-type: none"> <li>• To introduce a national funding formula for allocating high needs funding to local authorities from 2018-19</li> <li>• To use population; health; disability; low attainment; and deprivation factors in the formula</li> <li>• To ensure stability by allocating through the formula 50% of what local authorities are currently spending</li> <li>• To provide local authorities with up to 3% increases in 2018-19 and 2019-20</li> <li>• To ensure no cash losses to local</li> </ul>

Schools national funding formula	High needs national funding formula
<p>and beyond</p> <ul style="list-style-type: none"> <li>• To provide schools with up to 3% per-pupil increases in 2018-19 and up to 2.5% in 2019-20</li> <li>• To ensure stability by retaining the 'minimum funding guarantee' at minus 1.5% per-pupil per year at school level</li> <li>• To limit the overall reductions for schools to minus 3% per pupil</li> <li>• To create a new 'central school services block' to fund the ongoing duties local authorities hold for both maintained schools and academies</li> </ul>	<p>authorities as a result of the formula</p> <ul style="list-style-type: none"> <li>• To provide financial and practical help to authorities to assist them in reshaping their provision, including a strategic planning fund for 2016-17 and capital funding for special free schools and expansion of existing provision</li> <li>• To provide some local budget flexibility to allow local authorities to transfer funds from the ring-fenced schools block to the high needs block in 2018-19</li> </ul>

10. As a result of the proposed schools national funding formula, 10,740 schools would see an increase in their per-pupil funding, and 9,128 would see a decrease compared to their 2016-17 funding. Under the proposed formula, 101 local authority areas would see their overall per-pupil schools block funding increase and 49 local authority areas would see reductions of up to 3% per pupil. The majority of local authorities would experience a change in their overall schools funding between -3% and +3% per pupil. This reflects a fairer, more consistent and transparent distribution of funding that will, over time, narrow the unreasonable variations in funding that currently exist and ensure that schools with the highest need receive the highest funding.
11. As a result of the proposed high needs national funding formula, we expect around half of local authorities would see an increase in their funding (based on the illustrative allocations) and no local authority would face a reduction.

## Consideration of the protected characteristics identified in the Equality Act 2010

12. As part of our first stage consultation we published and sought views on our initial assessment of the potential impact with regard to protected characteristics. We received a number of responses to the equalities analysis from a variety of schools, local authorities and stakeholders. The vast majority of comments were not specifically in response to the impact on the identified protected characteristics, but were instead general comments on the national funding formulae. We have taken these responses into account under the relevant questions as set out in the government responses<sup>2</sup>.
13. This document sets out our response to the relevant points raised during the first stage consultation and our further assessment of the impact of the second stage proposals with regard to the eight protected characteristics identified in the Equality Act 2010.
14. For the most part, the analysis in this document is based on the assumption that local authorities will fund their schools in accordance with the national funding formula<sup>3</sup>. In practice, for 2018-19, local authorities will retain the discretion to distribute funds in accordance with locally-set formulae (and in doing so, they should also comply with equality considerations). So in the first year the actual impact of the reforms may not be exactly in line with our modelling assumptions. We are confident, however, that our modelling provides a sound basis for considering the potential impact on protected characteristics.
15. Our proposals will create a fairer and consistent distribution of funding that is more closely aligned to need and is essential to support opportunity for all children, irrespective of their background, ability, need, or where in the country they live. Our funding system will target funds to those pupil groups where the evidence is clear that they need additional support. It does not seek specifically to target specific groups of pupils simply because they are protected by the Equality Act, but instead targets funding to those groups which the evidence demonstrates face barriers to their educational achievement. We believe that all pupils will benefit from the clearer and fairer distribution of funding that these reforms will produce. We have reviewed the impact of the proposed funding system to ensure there are no unintended impacts on the protected groups.

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<sup>2</sup> Department for Education, [Schools first stage consultation response](#), 2016  
Department for Education, ['High needs national funding formula and other reforms'](#), 2016

<sup>3</sup> We will legislate in order to bring in a 'hard' formula for schools from 2019-20



## Age

16. The public sector equality duty, so far as it concerns age, does not apply to the exercise of a function relating to the provision of education to pupils in schools<sup>4</sup>, including those pupils over the age of 18.
17. A key consideration in designing the national funding formula for schools is the ratio of funding between the primary and secondary phases. We recognise that there is a differential in funding related to age – that is a deliberate feature of the current funding system, where we require local authorities to provide basic per-pupil funding of at least £2,000 at primary and £3,000 at secondary. As pupils progress through key stages, the breadth and complexity of the curriculum increases, requiring more subject experts, specialist teaching facilities and examination fees expenditure. For this reason, we continue to believe that funding allocations should differentiate between phases to reflect the higher costs in the secondary phase.
18. Our proposal for the schools national funding formula is to increase the basic per-pupil funding rates in steps from primary to key stage 3 and key stage 4, in line with current practice by LAs. This proposal would maintain the current pattern of funding distribution between schools, where almost three quarters of local authorities increase their basic per-pupil funding rates at every key stage. Overall our proposed funding system does not shift the current overall primary to secondary ratio. It is for schools to decide how to use their funding across the age groups within the school.
19. Some respondents to the stage 1 consultation were concerned that reductions in funding could potentially incentivise premature retirement of older teachers in favour of younger, potentially less costly teachers. For a redundancy to be lawful there needs to be a genuine redundancy situation. The concerns described in consultation responses do not strike us as genuine redundancy situations. High quality staff are critical to the success of any school, and all schools will need to ensure that they are getting the most out of their staff investment. This is particularly crucial at a time of funding changes and rising costs for schools. We propose to introduce a funding floor to reduce the impact of the overall reductions that individual schools and local authorities face, and we will be helping schools to make savings which will allow them to direct a greater proportion of their budgets to investment in staff.
20. High needs funding supports provision for pupils and students with special educational needs (SEN) or disabilities from age 0 to 25. We are not proposing to weight any element of the high needs national funding formula towards any

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<sup>4</sup> Legislation, [Schedule 18, Equality Act 2010](#), 2010  
Department for Education, [Equality Act 2010: advice for schools](#), 2014

particular age group because the cost of providing additional support for pupils and students with SEN is not significantly affected by their age. Some respondents to the stage 1 consultation raised concerns that using the population count for 2-18 year olds would ignore the 19-25 year olds with SEN or disabilities for which local authorities are also responsible. We have looked carefully at including the population for 19-25 year olds. However, we are aware that the total number of young people in this age group, in each local authority, is not necessarily proportionate to the number with high needs: for example, areas with significant university student populations are likely to have large concentrations of 19-25 year olds without high needs. As such, we remain convinced that the 2-18 population count is our best available population measure. It is for local authorities to decide how to spend their high needs budget to ensure that there is suitable provision for all pupils, taking account of their responsibilities to the entire 0-25 year old cohort.

## Sex

21. In the first stage consultation we set out our proposal to replicate the current funding arrangements for schools and high needs by not differentiating funding levels on the basis of gender. We concluded that, whilst we recognise there is an attainment gap between boys and girls<sup>5</sup>, evidence does not suggest funding levels disproportionately benefit a particular sex; targeting funding on the sex of pupils would have virtually no impact as the vast majority of schools have a broadly equivalent number of boys and girls.
22. Some respondents to the first stage consultation raised concerns about this proposal. Although we recognise that boys, and in particular white boys, often have lower attainment, they will benefit from our proposal to target funding through low prior attainment and therefore differentiating funding on the basis of sex would not narrow this attainment gap.
23. We have also considered consultation responses that argued the female workforce will be impacted disproportionately by any primary school staffing changes that schools decide to put in place as a result of funding reductions. Remuneration of teachers will continue to be determined at a local level by schools and local authorities in accordance with the framework for teachers pay set out in the School Teachers' Pay and Conditions Document<sup>6</sup>. Therefore, although decisions about funding levels for schools will have an impact on sex, it is only one factor that affects teachers' pay.
24. It is crucial that schools have the right mix of staff to best support pupil outcomes and that both teachers and support staff are utilised as effectively as possible. We want all schools to take a strategic, long term approach to budget planning to ensure that their staffing matches their curriculum needs. We have published a collection of tools and guidance intended to help schools improve their financial management and find efficiency savings, without compromising the quality of education for their pupils, and we are developing further support in this area to help schools achieve efficient staff structures<sup>7</sup>. We are supporting schools to ensure that any changes to current staffing structures in schools are not driven by direct discrimination, where a decision is made because of a particular protected characteristic. Recognising our responsibility to ensure that, as far as possible, schools understand their responsibilities under equalities law, we have

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<sup>5</sup> Department for Education, [National curriculum assessments at Key Stage 2: 2015 \(revised\)](#), 2015

<sup>6</sup> Department for Education, [School teachers' pay and conditions 2015](#), 2015

<sup>7</sup> Department for Education, [Schools financial health and efficiency](#), 2016

published advice to help schools understand how the Equality Act 2010 affects them and how to fulfil their duties under the Act<sup>8</sup>.

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<sup>8</sup> Department for Education, [Equality Act 2010: advice for schools](#), 2014

## **Gender reassignment, pregnancy and sexual orientation**

25. In the first stage consultation our initial assessment was that there is no direct link between the funding reform proposals and the protected characteristics of gender reassignment, pregnancy or sexual orientation. We received no responses relating to these characteristics in the first stage consultation and have not been made aware of any evidence indicating that our funding reform proposals would differentially affect these characteristics. We therefore do not believe there to be any direct impact on the protected characteristics of gender reassignment, pregnancy or sexual orientation from our funding reform proposals.

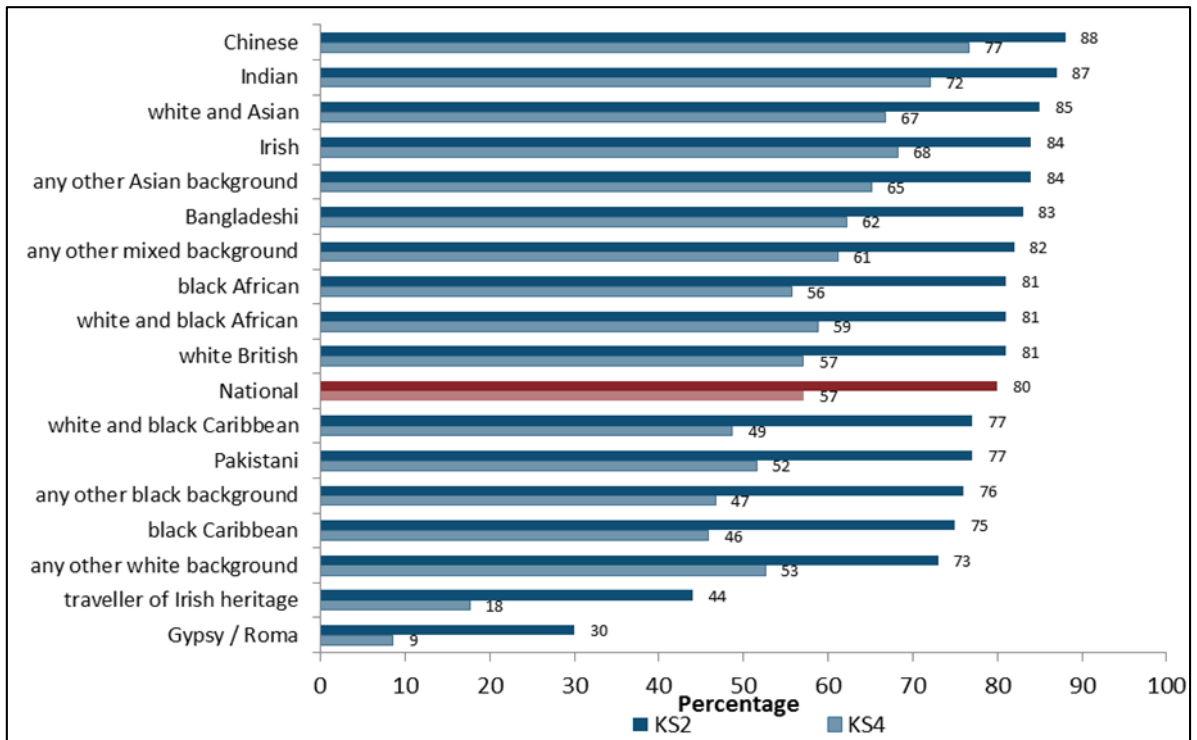
## Religion

26. Our funding reform proposals will be applied to all schools consistently, including faith schools. Schools' funding will increase or decrease to bring them in line with funding of other similar schools around the country. It follows that schools designated with a religious character would see their funding change, not due to the status of their school, but because they are subject to the funding reform in the same way as all other local state-funded schools.
  
27. Under the proposed national funding formula, 52% of all Christian faith schools would see an increase in funding – broadly in line with the national picture for all schools. For those faith schools seeing a reduction in funding, the overall reduction would be no more than 3% per pupil – again, as will be the case for all schools. Non-Christian faith schools are more likely to see a reduction in funding, reflecting their higher occurrence in London and other urban areas who have been funded at a higher rate in the past. But, again reflecting their location, they will still be funded higher than the national average.

## Race (including ethnicity)

28. In our initial equality analysis, we considered the impact of our funding reform proposals on the protected characteristic of race. For schools we proposed to use 3 'additional needs' factors – deprivation, low prior attainment and English as an additional language. For high needs, we proposed to target funding according to low attainment, children's health and disability, and deprivation.
  
29. In our initial assessment we showed the achievement variation between different ethnic groups. The chart below shows that the majority of ethnic groups achieve above the national average. Those ethnic groups that achieve below the national average will be targeted for additional funding through the additional needs factors we proposed to include in the formulae, particularly low prior attainment which we have increased significantly in weighting compared to the current spend by local authorities.

**Figure 2: percentage of pupils in key stage 2 and key stage 4 achieving the expected level, by ethnicity: England, 2015 (state-funded schools)**



The chart shows that attainment continues to vary between different ethnic groups across all ages.

Sources: Department for Education, [‘National curriculum assessments at Key Stage 2: 2015’ \(revised\)](#), December 2015,  
 Department for Education, [‘Revised GCSE and equivalent results in England: 2014 to 2015’](#), January 2016

30. Some respondents to the first stage consultation raised concerns about our proposal to exclude a mobility factor from the national funding formula. Some felt that this could disproportionately impact Gypsy / Roma and traveller of Irish heritage pupils. We acknowledge the concerns raised and have decided to include a mobility factor. We will allocate funding for mobility on an historic basis in 2018-19, pending development of a more sophisticated indicator to use from 2019-20.
31. Some respondents also expressed concern that the introduction of a national funding formula could divert money away from ethnic minority groups. We have deliberately chosen not to include the broad characteristic of ethnicity as a funding factor in the national funding formula. However, we know that there is a significant overlap between areas of high deprivation and the proportion of pupils from an ethnic minority background.



32. It follows, therefore, that the impact on schools with a high proportion of ethnic minority pupils will be similar to that of schools in highly deprived areas. Schools with a high proportion of ethnic minority pupils will continue to be funded well above the national average as their pupils will attract more funding through the additional needs factors we are including, for which we are using broad measures. Under our proposals, for example, a secondary school pupil with significant additional needs could attract over £10,000 to their school through the national funding formula and the pupil premium. Thus the schools with the high proportions of ethnic minority pupils will continue to receive significantly higher levels of funding than the national average.
33. However, schools with a high proportion of ethnic minority pupils tend to be concentrated in areas with higher deprivation levels. Many of these areas have seen a significant reduction in their level of deprivation since 2005-06, when a formula was last used to allocate funding to local authorities. Thus, schools with the highest proportions of ethnic minority pupils will continue to receive a higher level of funding than the national average but are more likely to see losses from the introduction of the formula. The table below shows the impact of the national funding formula on schools grouped by their proportions of pupils who are from low-achieving ethnic groups. Under our proposed formula, by comparison with schools with a low proportion of pupils from low-achieving ethnic groups, schools with a high proportion of pupils from low-achieving ethnic groups would be funded higher per pupil on average. This reflects the overlap between low-achieving ethnic groups and deprivation. The funding floor and minimum funding guarantee we are proposing to put in place will protect these schools, ensuring that no school's per-pupil funding can reduce by more than 1.5% each year or 3% overall. As a result they will still be funded above the national average.

**Figure 3: percentage change in funding by ethnicity quartile**

Ethnicity quartile	Percentage change in funding	Average per-pupil funding under our proposals (across primary and secondary phases)	Percentage of schools gaining
1	1.0%	£4,378	57%
2	1.3%	£4,352	59%
3	1.4%	£4,415	58%
4	0.2%	£4,920	43%
National average	0.9%	£4,547	54%

**This table shows the percentage change in funding as a result of the schools national funding formula, the average per-pupil funding under our proposals (across the primary and secondary phases) and the percentage of schools gaining in each of the ethnicity quartiles and the national average.**

34. As well as the impact of the national funding formula on schools serving higher proportions of children from low-achieving ethnic groups, we have also looked at its impact on total funding for members of those groups. We have estimated the average level of funding that might be spent on each of the groups in the current system and under our proposed formula – see Figure 4<sup>9</sup>.
35. Two of the under-achieving ethnic minority groups see a small reduction in funding on average, but still attract the highest level of funding of all the under-achieving ethnic groups. On average, a pupil of black Caribbean ethnic origin would be at a school that attracts more than £725 per-pupil than the national average of £4,547 per pupil.

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<sup>9</sup> We have assumed that the average per-pupil rate for each school is spent equally across all pupils and, using census data, have aggregated the total amount that would be spent on each of the under-attaining ethnic groups in each school and nationally.

**Figure 4: percentage change in funding for under-achieving ethnic minority groups**

Ethnic group	Average per-pupil funding in baseline	Average per-pupil under our proposals	Percentage change	Average per-pupil funding change	Number of pupils
Any other black background	£5,082	£5,069	-0.3%	-£13	50,019
Any other white background	£4,682	£4,713	0.7%	£31	400,543
Black Caribbean	£5,302	£5,272	-0.6%	-£31	82,891
Gypsy / Roma	£4,662	£4,756	2.0%	£95	21,516
Pakistani	£4,807	£4,808	0.0%	£1	294,663
Traveller of Irish heritage	£4,565	£4,612	1.0%	£48	5,315
White and black Caribbean	£4,689	£4,709	0.4%	£20	102,342
National average	£4,507	£4,547	0.9%	£40	7,009,755

**This table shows the average per-pupil funding in the baselines and under our proposals, the % change and average per-pupil increase or reduction, and the number of pupils in each ethnic minority group**

36. The impact of the national funding formula on the protected characteristic of race is explained not by the pupils' ethnicity, but by the wider characteristics of the areas in which they are more likely to live. Our assessment is that the proposals in this consultation will deliver a fairer funding system for all pupils, with pupils from all backgrounds funded on a consistent and transparent basis.

## Disability

37. The national core schools budget has been protected in real terms overall, and per pupil funding in cash terms. As pupil numbers increase, so will the amount of money in our schools. This settlement provides a protection for the funding for children and young people with SEN and disabilities, and year-on-year amounts that will recognise demographic changes and support continuing implementation of important SEN reforms introduced by the Children and Families Act.
38. It is reasonable to draw the conclusion that the number of SEN pupils in a school closely correlates with the number that have a disability, as most of the 12 types of SEN either relate explicitly to disability, or will encompass learning disabilities.

## Schools funding

39. The department does not currently collect statistics on school pupils with a disability. We have decided not to include a specific SEN or disability factor in the national funding formula for schools because of the lack of reliable information or robust data, and because using such a measure would create a perverse incentive to over-identify SEN and disability. We have instead chosen to use low prior attainment as a proxy indicator of need, in part because of its strong correlation to SEN. The low prior attainment factor directs additional funding for every pupil who did not reach the expected standard at the previous stage. It takes into account every pupil in the school, and eligible pupils continue to attract this additional funding for as long as they are at the school.
40. As well as helping schools to support all pupils who need to catch up with their peers, a particularly important function of this factor is to direct funding to schools likely to be supporting pupils with special educational needs in mainstream provision. With the new key stage 2 tests, it could be possible to 'tier' the secondary low prior attainment factor, differentiating funding by likely level of need. We would like to explore whether this could make the factor an even more effective proxy for pupils with SEN.
41. Schools are required to identify and address the special educational needs of the pupils they support. Mainstream schools are expected to meet the first £6,000 of additional costs for each child. We are not proposing to change these arrangements. The deprivation and low prior attainment factors, reflecting additional need, in the schools national funding formula will direct extra resources towards mainstream schools that are likely to face additional costs in making provision for pupils with SEN and disabilities. But we know that schools can be disadvantaged if they admit a disproportionate number of pupils with high needs, or a significant number of pupils with needs for which the formula does not have a suitable proxy. Where this is the case, it is entirely appropriate for local authorities to use funding from their high needs budgets to support mainstream schools that adopt a particularly inclusive approach, and many authorities already do this. Authorities with a high proportion of mainstream places for those pupils with high needs will not need to resource as many high needs places elsewhere, and the consequent savings should be directed into the inclusive schools.
42. We are clear that the rules regarding admission have not changed and forbid any discrimination against admitting pupils with high needs. To ensure that the funding system reflects how inclusive schools are, we are proposing to allow some flexibility whereby schools in an area can agree, with their local authority,

to pool some funding that could then be directed towards those schools that need it most for their pupils with SEN – both more inclusive mainstream provision, and specialist provision (for example special units, resourced provision or special schools) funded from the local authority’s high needs budget.

43. We have looked at the impact the national funding formula could have on schools with high numbers of SEN pupils. Under a national funding formula, schools with higher proportions of pupils with a statement of SEN, an educational health and care (EHC) plan, or in receipt of SEN support would receive higher average per-pupil funding rates.

**Figure 5: average per-pupil funding for pupils with a statement of SEN or an EHC plan, and for pupils with SEN support, in primary and secondary schools**

SEN quartile	Primary – pupils with a statement of SEN or EHC plan	Primary – pupils with SEN support	Secondary – pupils with a statement of SEN or EHC plan	Secondary – pupils with SEN support
Lowest	£4,124	£3,867	£5,076	£4,930
Low	£4,032	£3,977	£5,212	£5,161
High	£4,052	£4,165	£5,250	£5,294
Highest	£4,241	£4,427	£5,413	£5,630

**This table shows the average per-pupil funding for pupils with a statement of SEN or an EHC plan, and the average per-pupil funding for pupils with SEN support, in primary and secondary schools, by SEN quartile**

## High needs funding

44. As part of the national schools budget protection, we added £92.5 million to the high needs block of the dedicated schools grant in 2016-17 and will also be providing an uplift to the 2017-18 high needs block. This provides additional funding for children and young people with SEN or disabilities.
45. In the first stage consultation we set out our proposal to improve the funding system that supports provision for children and young people with special educational needs and disability (primarily, but not solely, through the high needs block of the dedicated schools grant) and to allocate more funding on a formulaic basis using proxy indicators to identify that need:
- a. **health and disability:** we proposed to introduce two new funding factors that directly relate to disability: disability living allowance and children in bad health. The disability factor specifically targets funding towards children who receive disability living allowance; both factors are specific indicators of the health and disability aspects of SEN and disability
  - b. **low attainment:** reflecting the strong correlation between attainment and SEN. 16% of pupils with SEN achieved the expected level in reading, writing and mathematics at key stage 2 in 2014/15 compared to 90% of those with no SEN<sup>10</sup>
  - c. **socio-economic disadvantage:** we proposed to include two indicators of deprivation: pupil-level and area-level deprivation data to reflect the significant overlap between pupils eligible for free school meals and SEN
  - d. **population:** we proposed to use population data to allocate high needs funding to reflect that in every given population of a certain size there will be a proportion of those with high needs
46. The proposed weightings of the formula factors, as set out in the second stage consultation<sup>11</sup>, will ensure that schools and local authorities with the highest level of need attract the most funding which, in turn, will have a positive impact on the protected characteristic of disability. The second stage consultation also proposes that no local authority will lose funding as a result of the formula, which will ensure that children and young people in existing high needs placements will not need to have their provision changed simply because we are introducing a national funding formula.

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<sup>10</sup> Department for Education, [National curriculum assessments at Key Stage 2: 2015 \(revised\)](#), 2015

<sup>11</sup> Department for Education, [High needs national funding formula and other reforms](#), 2016

47. A small majority of respondents agreed with the underpinning principle of using proxy indicators to identify need, and much larger majorities agreed with each of the specific proxy indicators we proposed<sup>12</sup>. We acknowledge that proxy indicators of need will not reflect every type of SEN or disability but believe that using proxy indicators is most appropriate to avoid any perverse incentives for a local authority to over-identify SEN to secure additional funding. We are also proposing to allocate 50% of funding according to existing spending patterns. Importantly, we are proposing to retain the system of top-up funding at local level, so that resources can be linked directly to the support that institutions give to individual pupils and students.
48. Concerns were expressed in both the schools and high needs consultations about the proposal to ring-fence the schools block impacting those pupils with a disability. We accept that some local authorities may face particular challenges and we confirmed in July we would not ring-fence the schools block in 2017-18. In the second consultation we are consulting on some local budget flexibility from 2018-19, to address the concerns raised. We have also set out a range of other support for local authorities, including a strategic planning fund to help them review, plan ahead and implement changes locally to make sure that suitable provision for children and young people with SEN and disabilities is available<sup>13</sup>.

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<sup>12</sup> Department for Education, [‘High needs national funding formula and other reforms’](#), 2016

<sup>13</sup> Department for Education, [‘High needs national funding formula and other reforms’](#), 2016



## Next steps

49. This document forms part of the second stage of our consultation on the proposed weighting of factors to be used in the schools and high needs funding formulae from 2018-19. We would welcome further views and evidence to inform our response to this consultation, when we will finalise our proposals for reform of the funding system. We will review our assessment in the light of responses received to the second stage consultation and continue to review the impact of our proposals in line with the public sector equality duty throughout the consultation process.

## Consultation question

Is there any evidence relating to the eight protected characteristics as identified in the Equality Act 2010 that is not included in the assessment above and that we should take into account?



Department  
for Education

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