High needs national funding formula consultation: technical note

Contents

Introduction

This note provides a brief overview of the proposed high needs national funding formula, and detailed information on how the illustrative 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.

Figure 1 below illustrates how the formula calculation works.

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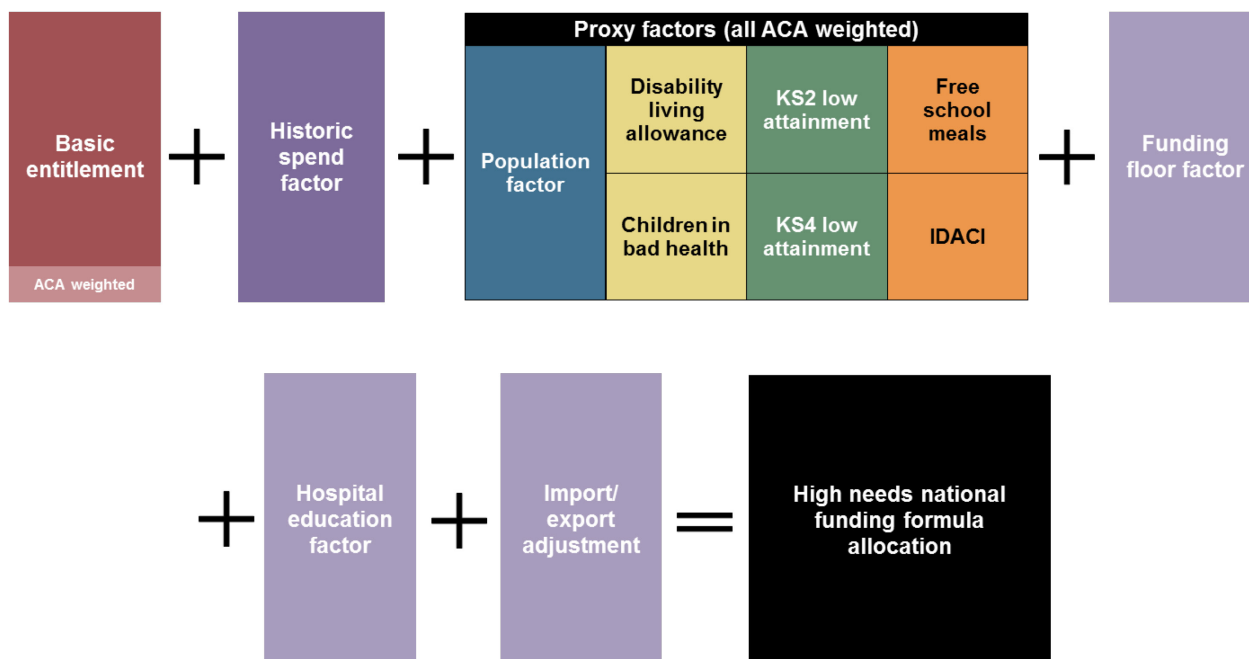
Figure 1: This diagram shows that the factors will be added together to give the formula allocation, with an area cost adjustment applied to the proxy factors and basic entitlement.

Annex A explains how the area cost adjustment 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.

Chapter 1: Overview of the high needs national funding formula

1.1   This chapter provides an overview of high needs national funding formula calculation.

1.2   First, each local authority is allocated their basic entitlement factor funding. This provides £4,000 per pupil, using the pupil numbers in special schools and special academies.

1.3   Second, the historic spend factor is allocated, providing 50% of each local authority's high needs baseline, after some adjustments[1]. This amount will be maintained at a cash-flat level in succeeding years.

1.4   Third, the remaining amount of overall funding is distributed using the following proxy indicators: 2-18 year old population, deprivation, child 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 current 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 no local authority receives less funding than the equivalent figure from the baseline year.

1.7   To remain within the overall national high needs budget, we need to limit the increases for local authorities whose funding increases under the high needs national funding formula. This means that some local authorities will not initially receive the full formula allocation.

1.8   Hospital education funding is then added, which in the illustrative allocations is based on budgeted amounts from each local authority's 2016-17 section 251 budget return.

1.9   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 the place funding in full. Conversely, local authorities that place more children and young people with high needs in provision outside their area

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[1] 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.
Education Funding Agency, 'Schools funding arrangements 2017 to 2018', December 2016.

(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 made by the Education Funding Agency (EFA) without recoupment or deductions from local authorities' initial high needs allocations. These adjustments are explained in more detail later.

1.10   The high needs funding block is intended to cover spending on the specialist place funding of £10,000 per place (£6,000 per place for some types of provision), top-up funding, and high needs services and alternative provision (provided or funded directly by the local authority).

Chapter 2: Overall quantum of formula funding

2.1   This section explains how the total quantum of funding for the illustrative allocations through the high needs national funding formula is calculated.

2.2   The overall quantum allocated through the formula consists of the total of the local authority 2016-17 baselines published in July 2016[2], plus the total NMSS and SPI place funding at £6,000 per place, less a baseline transfer to the schools block, with a further adjustment to reflect the latest planned expenditure on hospital education.

2.3   The £6,000 per place funding for NMSSs and SPIs is included, so it flows through the formula factors to individual local authorities[3]. The funding for these places is then deducted, as part of the export adjustments, from the local authorities where the pupils or students are resident. This ensures that the cost of funding these places is borne by the appropriate local authorities and transferred to the EFA before final allocations are made.

2.4   The baseline transfer to the schools block pays for the equivalent of the basic entitlement factor funding for those pupils with special educational needs (SEN) in mainstream schools. They will be funded through the schools block national funding formula, rather than through the high needs block as now. The calculation of the transfer from the high needs block to the schools block is explained in the schools block technical note.

2.5   The City of London and Isles of Scilly are excluded from the illustrative allocations, as they will each receive a single education grant.

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[2] Education Funding Agency, 'Schools funding arrangements 2017 to 2018', December 2016

[3] The £4,000 basic entitlement that, with the £6,000, makes up the £10,000 per place funding that NMSSs receive from the EFA, is not included in the illustrative allocations as this is funding that does not go through local authorities. Similarly, the basic entitlement element for SPIs will be funded by the EFA directly, through the post-16 national funding formula rather than through local authorities.

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 illustrative 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 funding rate is proposed at £4,000 per pupil or student and will also be subject to an ACA. For details of how the ACA is calculated see annex A.

3.4　The basic entitlement factor is calculated using the number of pupils on roll[4] at maintained special schools and special academies, plus the number of pupils with SEN in independent schools as recorded on the alternative provision census.

Calculation of (A) basic entitlement factor

3.5　The calculation for each local authority is as follows:

> a) Total the number of pupils on roll at maintained special schools and special academies, plus the number of pupils with SEN in independent schools, as recorded on the alternative provision census, in the local authority;
>
> b) 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

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[4] Pupils are counted at their main registration only.

authority;

c) Multiply the number of eligible pupils by the local authority's ACA-weighted basic entitlement unit rate to get the total amount of basic entitlement factor funding (a * b).

(B) Historic spend factor

3.6   The historic spend factor value in the illustrative allocations is based on the baselines for each local authority that were published in July 2016, including the £125 million post-16 transfer, and adjusted as described below. A weighting of 50% is applied to this adjusted figure to give the final figure for the formula. The value of this factor will be updated for the year 1 allocations, on the basis of planned spending levels in the 2017-18 baseline year[5], and thereafter the amount will be maintained at a cash-flat level in succeeding years.

3.7   The published local authority baselines include an amount that, in our illustrative allocations, is now included in the schools formula. This is on account of changes to the funding of high needs places in special units and resourced provision in mainstream schools. This amount must therefore be subtracted at this point. The amount has been calculated by undoing the deduction to the pupil number count for schools with units and establishing the additional funding for each school that this higher pupil number would incur.

3.8   To avoid double counting, the basic entitlement factor and hospital education funding are subtracted from the baseline amounts used in the historic spend factor.

3.9   Further, we must reverse 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 is to replicate the position *before* these adjustments have been made, whereas for adjustment (L) the purpose is to reflect the net import/export position as part of the formula.

3.10   For the purpose of the illustrative allocations, these adjustments to the baseline (a deduction of the basic entitlement factor and hospital education funding factor, and a reversal of the import/export adjustment) exactly match the main formula factors for each

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[5] Given the re-baselining we have already carried out, and the imminence of the national funding formula, we would not expect significant movements between the various blocks. Where there have been significant changes we will liaise with local authorities to understand them, and to ensure the revised amounts are appropriate to use as baselines for the high needs national funding formula, or consider whether the 2016-17 position provides a better starting point.

of these elements. In practice, the historic spend factor will remain fixed, based on the calculation for the baseline year, whilst other elements of the formula will use the corresponding year's data.

3.11   Finally, the 50% weighting is applied to give the historic spend factor value for each local authority.

Calculation of (B) historic spend factor

3.12   The calculation for each local authority is as follows:

a)   Take the published baseline funding for each local authority, (B)[i].

b)   Remove the schools block transfer, (B)[ii].

c)   Remove the basic entitlement amount, (B)[iii].

d)   Remove the hospital education funding amount, (B)[iv].

e)   Remove the import/export adjustments value, (B)[v].

f)   This gives the total historic spend level, (B)[vi]. (NB: this amount is also used as a baseline for the funding floor factor calculation and for calculating the gains in year 1).

g)   Apply the historic spend factor weight of 50% to the historic spend level ((B)[vi] * 50%).

(C)-(I) Proxy factors

3.13   The funding available for the proxy factors is the remaining high needs quantum after deducting basic entitlement factor funding, historic spend factor funding, and hospital education funding[6], and adding the net import/export adjustment costs[7] back in. This section explains how this proxy factor funding is distributed. Information on the data sources used for these factors is provided in annex C.

3.14   We have assigned weightings which determine how much of this remaining amount is allocated through each factor.

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[6] Hospital education funding is subtracted from the proxy factor funding total as it is included as a separate funding factor.

[7] There is a net transfer to EFA for the 'exported' pupils, hence is not cost-neutral for local authorities.

3.15   The weightings for each proxy factor have been specified separately for high needs and alternative provision, and then combined using a relative cost weighting, as shown in the table below.

Figure 2: Factor weightings

Proxy factor		High needs weighting (90%)	Alternative provision weighting (10%)	Combined weighting[8]
(C) Population factor		50%	50%	**50%**
Deprivation factors	(D) Free school meals (FSM) eligibility	8.33%	25%	**10%**
	(E) IDACI[9]	8.33%	25%	**10%**
Health and disability factors	(F) Bad health	8.33%	0%	**7.5%**
	(G) Disability	8.33%	0%	**7.5%**
Low attainment factors	(H) Key stage 2 low attainment	8.33%	0%	**7.5%**
	(I) Key stage 4 low attainment	8.33%	0%	**7.5%**

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

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

3.18   For the IDACI factor, the 10% combined total is split between IDACI bands A-F in the following proportions: Band A, 1.2%; Band B, 2.3%; Band C, 1.6%; Band D, 1.9%;

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[8] Weightings based on current 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 0.1%, totalling to the 10% shown here.

[9] For further details of how the IDACI factor is calculated, see annex B.

Band E, 1.6%; Band F, 1.4%. For further details of how the IDACI factor is calculated, see annex B.

Calculation of (C)-(I) proxy factors

3.19   For each proxy factor (C)-(I), the funding is calculated in two stages.

3.20   First, the remaining quantum, as described above, is multiplied by the relevant factor's combined weight shown in figure 2[10].

3.21   In the second stage, the funding for each local authority is calculated as follows:

   a)   Begin with the total funding for each proxy factor as calculated in 3.20.

   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 to 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)).

3.22   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 3.

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[10] For the IDACI factor (G) we do this separately for each of the six IDACI Bands A-F and then sum each band to give the overall IDACI factor total for each local authority.

Figure 3: Proxy factor calculation – illustrative example

Local authority	No. of children eligible for factor	ACA rate to apply	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

3.23   The formula includes a funding floor factor which stops local authorities from seeing a reduction in their funding, on a like-for-like basis. Because gains are allowed, the final allocation total is greater than the initial funding total.

3.24   This factor compares only the funding through the historic spend factor and the proxy factors, (B)-(I), with the baseline for the funding floor calculated in step (f) of paragraph 3.12. Where the latter is greater than the former, an amount is added equal to the difference between the two. This is the funding floor factor amount.

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. This will also mean that in year 1 and beyond some authorities could see a small reduction, despite the funding floor, for example if they are reducing the number of special school places compared to the baseline year.

3.26   Similarly, hospital education funding (K) can change to reflect actual changes in provision that are outside the control of the local authority, so this element of the formula is also excluded in the funding floor calculation.

(K) Hospital education funding

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

3.28   For the illustrative allocations, we have calculated each local authority's hospital education spend baseline from their 2016-17 section 251 budget return, and added this amount to their funding allocation.

3.29   This funding is removed from the quantum that goes through the proxy factors, as explained above.

3.30   Later in 2017, we will explain in more detail how changes to hospital education provision will be reflected in the actual allocations process for year 1. In addition, the development of other funding options will continue to be considered with representatives of the hospital education sector.

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

3.31   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.

3.32   NMSSs and SPIs have their full place funding paid directly by the EFA without these allocations first being included in (and later deducted from) local authorities' high needs funding allocations. 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.

3.33   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.

3.34   The formula we are proposing includes a system of adjustments that would be applied each year, so that:

   a) If the local authority is a net exporter, the adjustment would 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 would give the authority additional funds for the places it provides for children and young people from other authorities.

3.35   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.

3.36   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 of 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 the formula without detriment or advantage to any local authority, on the basis of lagged data.

3.37   Adjustments will not be made for alternative provision places as insufficient data is held to calculate them, and the ways 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.

3.38   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 authority who attend provision in another. The intention is that the adjustments would 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 the adjustments would 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 an 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.

Calculation of (L) import/export adjustment

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

a)   Pupils and students under 19 in maintained special schools or special

academies[11];

b) Pupils and students under 19 and in primary[12] or secondary schools, for whom the school is in receipt of top-up funding[13];

c) Students over 14 and under 25 in further education (FE)[14] for whom the institution is in receipt of top-up funding;

d) Pupils and students under 19 in NMSSs; and

e) Students over 14 and under 25 in SPIs.

3.40   For (a), (b) and (d) we calculate pupil and student numbers using the most recent January school census. For (c) and (e) we calculate student numbers using the individualised learner record (ILR) from the academic year preceding the year in which the allocations are made.

3.41   For (a)-(c) above we look at both the resident and provider local authority[15] 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 who reside outside England are excluded from our final counts.

3.42   Local authorities will want to look carefully at the data used in the formula, as some of the data sets have not been used for funding purposes since 2013-14, and others not at all, and they will wish to ensure they are correct and complete. We will provide later opportunities for local authorities to scrutinise the relevant data sets, on the basis of more detailed information, so that we can make sure that the adjustments accurately capture the numbers of children and young people with high needs that they are importing and exporting. In the meantime, local authorities should do all they can to check the accuracy of the numbers of those for whom top-up funding has been allocated, as recorded by their maintained schools in the January 2017 school census.

3.43   For (d) and (e), as the EFA are deemed to be the equivalent of the provider local authority, in all instances these are exports to the EFA from the local authority in which the pupils and students are resident. Again, we exclude any known to reside outside England.

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[11] Special free schools currently sit outside the funding formula.

[12] Excluding pre-school pupils.

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

[14] Includes FE colleges, sixth form colleges and commercial and charitable providers, but excludes school sixth forms. The students are identified in the individualised learner record (ILR).

[15] 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.

3.44   This means that across all local authorities there is a net cash transfer to EFA as they only import pupils. The existing funding the EFA holds for these pupils has been added to the quantum for the allocations, so that it goes to local authorities through the formula, and is then returned to the EFA through the import/export adjustments. In this way the amount for the EFA 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.

3.45   Where the data shows pupils or students in receipt of top-up funding in two providers[16], for the purposes of the import/export adjustment they are treated as 0.5 of a pupil/student at each provider.

3.46   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 here and net exporters will have a negative value.

3.47   For each local authority we need to take the net figure as above and multiply by £6,000 as per paragraph 3.35.

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[16] For example, where a student changes provider during the year.

Chapter 4: Allocation calculations

4.1   The final formula allocation is equal to the sum of formula factors (A)-(L).

4.2   Arrangements will be in place to manage the transition to the final formal allocation for authorities who are set to gain under the high needs national funding formula. A limit will be applied to the gains that each local authority will see over the previous year's allocations, in order to match the available resource. The illustrative allocations show a limit of 3%[17] applied in the first year of the formula.

4.3   For the year 1 allocations, the baseline level from which gains are calculated is the same as that used in the funding floor (paragraph 3.24). However, unlike in the funding floor calculations, the baseline for the gains calculation will be recalculated each subsequent year using the previous year's historic spend and proxy factor funding total, so that the percentage gain is a year-on-year calculation.

4.4   To calculate the year 1 illustrative allocations we compare the baseline, as above, with the high needs national funding formula allocation before any basic entitlement factor or hospital education funding is added or import/export adjustments are made.

4.5   Local authorities seeing formula allocation gains of greater than 3% in the first year of the high needs national funding formula will see their gain limited to 3%. This means that, through the application of the formula, which includes the funding floor factor, all local authorities with gains of less than 3% will move directly on to their formula allocation.

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[17] As with the funding floor factor, the funding through the basic entitlement factor, hospital education factor and import/export adjustments are excluded from the gains calculation. As such, the illustrative allocation for a gaining local authority in the first year could be more than a 3% increase.

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 that used in the schools national funding formula, for which more details can be found in the schools block national funding formula technical note.

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 early November each year[18].

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 Earnings[19].

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[18] For full details of this calculation, please refer to the schools block national funding formula technical note.

[19] 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 expenditure[20] 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

$$A = 1 + P_T(T - 1) + P_S(G - 1)$$

Where:

P_T is the teacher proportion
T is the teachers-specific cost adjustment
P_s is the non-teaching staff proportion
G is the GLM cost adjustment.

Part fringe local authorities

A.10   There are five local authorities[21] which cross the border of the London fringe. These local authorities have two ACA rates for the fringe and non-fringe elements.

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 olds[22] in the fringe and non-fringe districts of each of these five authorities.

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[20] Department for Education, 'LA and school expenditure: 2014 to 2015 financial year', December 2015
Department for Education, 'Income and expenditure in academies in England: 2014 to 2015', July 2016
[21] Buckinghamshire, Essex, Hertfordshire, Kent and West Sussex
[22] Office for National Statistics, 'Mid-2014 Lower Super Output Area Mid-Year Population Estimates', October 2016

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

B.1   The formula includes an income deprivation affecting children index (IDACI) factor which is a proxy factor for deprivation. The factor is designed to target funding to more deprived areas.

B.2   The factor uses the IDACI for each lower-layer super output area (LSOA) as published by the Department for Communities and Local Government[23].

B.3   The IDACI values 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 4: 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.4   To allocate funding for the IDACI factor, it is first split into 6 separate factors, which cover bands A-F.

B.5   The per person[24] 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 . For each IDACI band the average of the primary and secondary unit values is calculated.

B.6   Next, the relative increase of each band average from the band F average is calculated.

B.7   For each band this increase is weighted by the corresponding 2-18 population figures. This gives the relative funding required for each band. From this the percentage relative funding for each band is then calculated.

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[23] Department for Communities and Local Government, 'English indices of deprivation 2015', September 2015

[24] Office for National Statistics, 'Small Area Population Estimates, Mid-2014 and Mid-2013', November 2015

B.8   Finally, this percentages is multiplied by 10%, which is the weighting of the total ICADI factor, and rounded to one decimal place.

B.9   The full calculation is as set out in the table below.

Figure 5: IDACI band calculations

		Band F	Band E	Band D	Band C	Band B	Band A
IDACI rates used for the schools block national funding formula consultation							
SB NFF unit values	**Primary (a)**	£199	£238	£362	£362	£418	£574
	Secondary (b)	£289	£388	£514	£514	£598	£808
Average unit rate (c) = ((a)+(b))/2		£244	£313	£438	£438	£508	£691
Relative increase from band F (d) = band rate/band F rate		1.000	1.284	1.796	1.796	2.083	2.833
Applying this funding to the high needs national funding formula							
2-18 population per band (e)		1,066,262	929,827	786,227	670,459	829,630	311,358
Population per band uplifted by the relative increase from band F (f) = (d) * (e)		1,066,262	1,193,684	1,412,207	1,204,267	1,728,448	881,995
Weighting to apply (g) = (f)/total of row (f)		14.2%	15.9%	18.9%	16.1%	23.1%	11.8%
Factor weight (h) = (g) * 10%		**1.4%**	**1.6%**	**1.9%**	**1.6%**	**2.3%**	**1.2%**

Annex C – Data sources used

Basic entitlement factor data sources

C.1   We will use data from the most recent January school census and alternative provision census at the time the allocations are set. 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). For the illustrative allocations we use data collected in January 2016.

Historic spend factor data sources

C.2   For the local authority spend baselines we use the revised planned spend baseline figures published in July 2016, following the exercise earlier in 2016 to collect planned spending information from local authorities[25].

C.3   The schools block transfer is a baseline transfer calculated as part of the schools national funding formula and the calculation is explained in the schools national funding formula technical note.

Proxy factor data sources

C.4   The table below lists each of the formula proxy factors, and the data sources we use in the illustrative allocations.

C.5   Where information is collected and data sets published infrequently – for example, the data from general population censuses (every 10 years) and data from the income deprivation affecting children index (IDACI) (every 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.

C.6   We have also taken into account how robust the data sets are, and the extent of data cleansing that may be required to make the allocations accurate. For example, we know that the top-up funding indicator in the school census has not yet been used for funding purposes, even though we have made adjustments for cross-border placements before (e.g. in 2013-14), so we will consider a process for checking the data more carefully, at least in the initial years of the formula.

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[25] Education Funding Agency, 'Schools funding arrangements 2017 to 2018', December 2016

C.7   Where there are changes in the data published (for example, changes to attainment data following new assessments at the end of key stage 2) we will carefully consider how best to use the available data in the formula factor calculations.

C.8   Where we have used data from the school census or individualised learner record (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 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 not been published previously.

Figure 6: Data sources for each proxy factor

Proxy factors	Data used for illustrative allocations	Data source
Population factor	The projected number of children and young people aged 2 to 18 resident in the local authority area in mid-2018, based on mid-2014 data.	Office for National Statistics (ONS)[26]
Bad health	The number of children aged 0 to 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[27]
Disability	The number of children aged 0 to 16 for whom parents resident in the local authority area are in receipt of disability living allowance (DLA) as at February 2016 (published in August 2016).	Department for Work and Pensions[28]
Key stage 2 low attainment	The number of pupils resident in the local authority area who did not attain level 3 in reading at key stage 2 tests for the last 5 years: 2011 to 2015.	Department for Education[29]

[26] Office for National Statistics, 'Subnational Population Projections, Local Authorities in England: SNPP Z1', May 2016
[27] Office for National Statistics, 'LC3203EW – general health by religion by sex by age, nomis database of labour market statistics', August 2013
[28] Office for National Statistics, 'DWP benefit claimants - disability living allowance, nomis database of labour market statistics', May 2016
[29] Department for Education, 'Statistics: key stage 2', November 2016

Proxy factors	Data used for illustrative 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: 2011 to 2015.	Department for Education[30]
Free school meals (FSM) eligibility	The number of pupils resident in the local authority area who are registered as eligible for FSM, as recorded in the January 2016 school census. FSM eligibility is determined by the household's benefit entitlement status.	Department for Education
IDACI	The number of children aged 2 to 18 living in a lower super output area captured by the IDACI bands[31]. Data from ONS mid-2014 population estimates[32] is matched to the IDACI dataset published in September 2015.	Department for Communities and Local Government and ONS

Import/export adjustment data sources

C.9   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 illustrative allocations we have used January 2016 census data.

C.10   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 illustrative allocations we have used ILR data for the 2014-15 academic year.

From 2016, attainment will not be measured by levels, so a suitable alternative measure of low attainment will be used.
[30] Department for Education, 'Statistics: GCSEs (key stage 4)', October 2016
[31] Department for Communities and Local Government, 'English indices of deprivation 2015', September 2015
[32] Office for National Statistics, 'Small Area Population Estimates, Mid-2014 and Mid-2013', November 2015

Hospital education funding data sources

C.11   The hospital education funding in the illustrative allocations for each local authority is calculated from the most recent section 251 budget return for 2016-17, published in September 2016[33], with academy hospital education funding coming from published dedicated schools grant allocations for 2016-17[34].

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[33] Education Funding Agency, 'Schools funding arrangements 2017 to 2018', December 2016
[34] Department for Education, 'Dedicated schools grant (DSG): 2016 to 2017', November 2016

Annex D – Glossary

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

ACA   Area cost adjustment

DLA   Disability living allowance

EFA   Education Funding Agency

FE institutions Post-16 institutions that are not schools or academies, i.e. further education (FE) colleges, sixth form colleges and commercial and charitable providers (CCPs); not school sixth forms. Although this definition normally includes special post-16 institutions, in this note we have excluded these.

FSM   Free school meals

GLM   General labour market

IDACI   Income deprivation affecting children index

ILR   Individualised learner record

LSOA   Lower-layer Super Output Area

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.

SB   Schools block

SEN   Special educational needs

SPI   Special post-16 institution

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