



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 both on how the 2021-22 provisional allocations to local authorities have been calculated, and on how later updates will be made for the final allocations. 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 2021-22 formula calculation works.

Figure 1: Basic building blocks of the formula

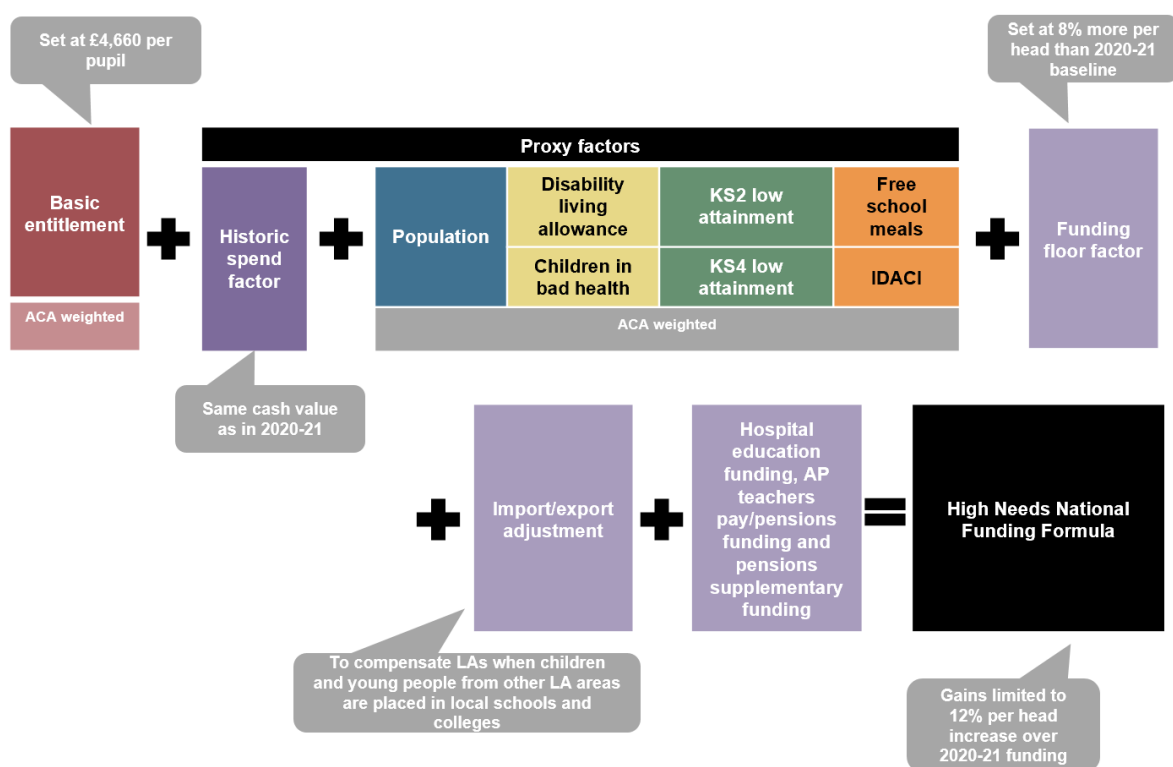


Figure 1: This diagram shows that the factors will be added together to give the formula allocation, with an area cost adjustment applied to the proxy factors and basic entitlement.

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: 2021 to 2022](#), July 2020

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 a per pupil amount, 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. The £4,660 per pupil consists of £4,000 per pupil as in the 2020-21 formula and an additional £660 per pupil to incorporate funding that authorities would have otherwise received outside the formula for teachers pay and pensions grants.²

1.3 Second, the historic spend factor is allocated, calculated using 50% of each local authority's high needs planned spending in 2017-18, subject to some later adjustments³. This amount is maintained at a cash-flat level.

1.4 Third, the other proxy factor funding⁴ 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 8% in 2021-22 over 2020-21 funding baseline levels⁵. A further layer of protection for local authorities with falling population numbers ensures that no local authority receives less

² The teachers' pay (TPG) and pensions employer contribution grants (TPECG) were previously paid outside the high needs NFF. TPG supported costs of the 2018 and 2019 teachers pay awards and TPECG fully funded schools and authorities for the increase in teacher pension employer contributions from September 2019. From 2021-22, we are incorporating funding for these grants into the high needs NFF; the basic entitlement factor will increase by £660 to include funding for TPG and TPECG for special schools. TPG and TPECG funding for AP settings, as well as pensions supplementary funding, will be included through the hospital education and AP factor.

³ This figure comes from the amounts that local authorities were planning to spend in 2017-18 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.

⁴ The funding available for the proxy factors is set to allow sufficient funding for all other factors including the cost of the funding floor factor.

⁵ The baseline used for the funding floor and gains calculation in 2021-22 is based on local authorities' actual high needs allocations in 2020-21, including an adjustment for special free schools.

funding than the equivalent figure from the baseline year of 2020-21. For 2021-22, however, this further protection does not apply in any authority. There is then a limit of 12% on the gains for those local authorities gaining the most through the formula.

1.7 Hospital education and alternative provision teachers pay/pension funding is subsequently added. In the 2021-22 allocations hospital education funding is calculated as an 8% uplift to adjusted 2020-21 values to align with the funding floor, as in previous years.

1.8 Import/export adjustments are then 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 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), special post-16 institutions (SPIs) and centrally funded institutions (CFIs) as exports⁶, 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.⁷

Status of the allocations

1.9 We have published provisional allocations for 2021-22.

1.10 The following updates will be made to the provisional 2021-22 allocations to ensure that pupil led and hospital education factors and adjustments are as up to date as possible;

- a. December 2020 update to the basic entitlement factor, based on January 2020 AP census and October 2020 school census data.
- b. May/June 2021 update to the import/export adjustment, based on January 2021 school census data and February 2021 R06 Individualised Learner Record (ILR) data.

⁶ Only high needs students in SPIs and CFIs are included within the import/export adjustment.

⁷ Funding for pupils and students in NMSSs and SPIs is included in the NFF comprising of the basic entitlement and export adjustment to the ESFA. The remainder of the funding for NMSSs and SPIs is included in the elements of funding outside the NFF as per paragraph 2.2.

- c. May/June 2021 update to the additional funding for new and growing⁸ special free schools, alongside the import/export adjustment, based on January 2021 school census data.
- d. Any adjustments to hospital education funding as a result of the information collected by the ESFA from local authorities in autumn 2020. This update will also be made in 2021.
- e. June 2021 update of the hospital education and alternative provision teachers pay/pension funding factor to include the 2020-21 pay and pensions allocations for alternative provision, and the addition of the pensions supplementary fund allocation for 2020-21.

1.11 There are no plans for later updates to the remaining elements of the provisional allocations (the funding through the historic spend factor, other proxy factors and funding floor factor, and any gains under the formula). For these elements, therefore, the amounts in the final formula allocations will be the same as published in July 2020.

⁸ As defined in paragraph 3.25

Chapter 2: Overall quantum of high needs funding

2.1 This section explains how the total quantum of high needs funding for 2021-22 will be allocated.

Figure 2: Setting the quantum of formula funding

Overall high needs budget for 2021-22	[a]	£8,050,000,000
Funding held back for later adjustments and elements funded outside the NFF	[b]	£100,000,000
Total high needs funding available for provisional allocations through NFF	[c] = [a] - [b]	£7,950,000,000

2.2 The total high needs revenue funding for 2021-22 is £8,050 million. From this we hold back £100 million for in-year formula adjustments and elements of high needs funding which are funded outside the NFF. The elements outside the NFF include funding for AP free schools and new and growing special free schools, and additional place funding from the ESFA for NMSSs and SPIs in excess of the per pupil/student funding provided through the NFF.

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

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, AP teachers pay/pensions and supplementary funding factor
- (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 for 2021-22 is £4,660 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 £4,660 for each pupil in NMSSs and each student in SPIs.

3.5 The published provisional local authority allocations for 2021-22 are based on the number of pupils on roll at maintained special schools and special academies from the October 2019 school census, plus the number of pupils with SEN in independent schools, as recorded on the January 2019 alternative provision census.

3.6 As this factor is directly pupil led, it will be updated based on the October 2020 school census and the January 2020 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 2019 school census.
- b) Add the number of pupils with SEN in independent schools, as recorded on the January 2019 alternative provision census.
- c) Multiply the basic entitlement base rate of £4,660 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 $((a + b) \times c)$.
- e) The published basic entitlement factor funding is not final and will be updated with October 2020 school census data and January 2020 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 £4,660.

(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 2017⁹ and adjusted as described below. A weighting of 50% was 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.

⁹ Education and Skills Funding Agency, [Pre-16 schools funding: guidance for 2018 to 2019](#), August 2017.

(C)-(I) Other proxy factors

3.11 The funding available for the other proxy factors is set to allow sufficient funding for the cost of the funding floor factor at 8% and gains of up to 12%. This section explains how this proxy factor funding is distributed. Information on the data sources used for these factors is provided in annex C.

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

3.13 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 2020-21 formula¹⁰.

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) IDACI ¹¹	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%

3.14 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).

¹⁰ The weightings were originally based on 2017-18 high needs spending proportions of 90% on SEN provision and 10% on alternative provision. They remain valid, having been checked against the latest available data on local authorities' planned spending in 2019-20. Final weights were 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.

¹¹ For further details of how the IDACI factor and weightings are calculated, see annex B.

3.15 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) and (E) only. The remaining factors are given a weighting of zero.

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

Calculation of (C)-(I) proxy factors

3.17 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.

3.18 First, the total proxy factor funding, as described in paragraph 3.11, is multiplied by the relevant factor's combined weighting shown in Figure 3: Factor weightings. In the case of each of the IDACI bands, the weighting to apply is stated in paragraph 3.16.

3.19 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 3.18.
- 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 ($a \times (c / d)$).

3.20 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

3.21 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

3.22 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 AP teachers pay/pension and supplementary factor 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 2020-21 funding baseline by at least 8% in 2021-22. The per head calculation is based on the projected population of 2-18 year olds published by the Office for National Statistics (ONS) in March 2020.
- b) An absolute floor that ensures that, in any year, the funding does not drop below the funding baseline. This prevents any local authority with a shrinking population from going below their funding floor baseline, and does not affect any local authority in 2021-22.

3.23 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 2021-22 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 2020-21 baseline or if the authority is a net exporter of pupils/students for the purpose of the import/export adjustment.

3.24 Hospital education, AP teachers pay/pension and supplementary factor (K) funding is also excluded from the funding floor calculation. However, in order to ensure consistency with the funding floor, an 8% uplift is applied to their 2020-21 hospital education funding (including to any additional funding local authorities received in 2020-21 on account of changes to hospital education provision).

3.25 The formula calculates the per head funding floor by comparing the 2021-22 per head amount with a 2020-21 baseline position. The 2020-21 baseline calculation begins with the sum of each local authorities' historic and proxy factors in 2020-21, after floors and gains calculation, as shown in the impact tables published in October 2019. To this we add the adjustment to the resident local authorities for special free schools that are no longer new and growing, as has been included in the final adjustments to the 2020-21 high needs national funding formula allocations¹².

Calculation of (J) funding floor factor

3.26 The per head funding floor is calculated as follows;

- a) Take the total 2020-21 allocation paid through the historic spend and other proxy factors after floors and gains calculation are completed¹³.
- b) Add to this £6,000 per pupil to the resident local authorities in relation to special free schools that are no longer deemed new and growing for 2020-21, based on the resident local authority pupil numbers from the January 2020 school census.
- c) This gives the funding floor baseline.
- d) Divide (c) by the mid-2020 ONS population projection for 2-18 year olds to give the per head funding in 2020-21.
- e) Multiply (d) by 108% to determine the 2021-22 per head funding floor.
- f) Calculate 2021-22 historic spend factor plus the other proxy factor funding.
- g) Divide (f) by the mid-2021 ONS population projection for 2-18 year olds to give the per head funding in 2021-22.

¹² Further detail on the definition of no longer new and growing special free schools can be found in the special free schools guidance to be published in Autumn 2020, [High needs funding guidance and regulation](#).

¹³ Department for Education, [National funding formula tables for schools and high needs: 2020 to 2021](#), March 2020.

- h) Select the highest of (e) and (g) to use as the per head rate, i.e. $\max(e,g)$.
- i) Multiply the increase in the per head rate by the mid-2021 ONS population estimate for 2-18 year olds. This gives the per head element of the funding floor, i.e. calculate mid-2021 ONS population \times (h-g).

3.27 The absolute funding floor is then calculated as follows;

- a) Calculate the 2021-22 historic spend factor plus the other proxy factor funding, plus any per head element of the funding floor.
- b) Compare this to the 2020-21 funding floor baseline calculated in 3.26(c). If the 2021-22 funding is lower, calculate the difference to give the absolute element of the funding floor. This calculation is redundant for the 2021-22 allocations as no local authority has a reduction in population significant enough for the absolute funding floor to be reached.

3.28 The funding floor factor amount is then the total of the per head and absolute elements of the calculation.

(K) Hospital education, AP teachers pay/pension and supplementary funding factor

3.29 Local authorities pay for places in hospital schools and for other hospital education placements and services. The factor also includes funding for alternative provision pay and pensions costs.

3.30 The hospital education funding baselines have been adjusted to provide a full year increase for some local authorities that were given a part-year increase in 2020-21 to reflect a change in hospital education provision in that year resulting from a change in medical provision.

3.31 The hospital education funding is calculated as the 2020-21 hospital education funding plus the full year equivalent of adjustments made during 2020-21, all uplifted by 8% to get the 2021-22 funding.

3.32 The provisional alternative provision (including hospital education) teacher pay and pension funding is calculated as being equal to the annual equivalent¹⁴ of the 2019-20 grant funding. The pay and pension funding will be updated to use 2020-21 grant funding as per paragraph 1.10. The 2020-21 pensions supplementary fund allocations

¹⁴ The actual 2019-20 pay and pension allocation in relation to alternative provision for the period September 2019 to March 2020 has been divided by 7 and multiplied by 12 to give a (provisional) figure representative of a full year allocation.

will also be included as per paragraph 1.10 and local authorities will be funded with an equal amount in 2021-22.

3.33 The total hospital education, AP teachers pay and pension and supplementary factor funding is calculated as a sum of the hospital education funding, alternative provision pay and pensions, and pensions supplementary funding. The pay, pensions and pensions supplementary funding will be updated in 2021 when the 2020-21 grant funding amounts have been finalised.

3.34 There will continue to be a process in 2021-22 for local authorities to notify the department of changes to their hospital provision, as explained in the high needs funding operational guide and other information published by the ESFA¹⁵.

(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, SPIs and CFIs¹⁶ have their place funding paid directly by the ESFA. As such, from the perspective of the local authority, the pupils and students occupying places in these institutions 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 includes a system of adjustments, 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

¹⁵ Further information will be available in the High needs operational guide, to be published by Education and Skills Funding Agency in Autumn 2020, [High needs funding guidance and regulation](#).

¹⁶ The basic entitlement element for CFIs comes from the post-16 participation budget.

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 authority who attend provision in another. The adjustments 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 £6,000 through the import/export adjustment. The adjustments 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 This £6,000 is in addition to the basic entitlement that every institution type attracts, through the high needs formula allocation to local authorities for special schools, the schools national funding formula for mainstream schools or the national funding formula for institutions with students aged over 16.

3.41 The adjustments use data that take into account all pupils and students with high needs who are attending NMSSs, SPIs and CFIs¹⁷, or who are crossing local authority borders to attend other types of provision (both specialist and mainstream) for pupils and students with high needs, but not alternative provision. The adjustments are recalculated every year, and work outside both the funding floor and application of the gains

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

calculation. This is so that year-on-year changes in where children and young people are placed can be reflected in full¹⁸.

3.42 Where there are significant increases in the places offered by new and growing special free schools, we will adjust local authority allocations outside the formula so that this provision is cost neutral for local authorities. For resident local authorities these adjustments will be applied before the import/export adjustment, which will transfer all relevant funding to the provider local authorities. Provider local authorities may see a further adjustment where the number of places exceeds the number of pupils for such schools.

3.43 The latest high needs operational guide¹⁹ includes further information about the provider local authority's role in funding additional places required in other institutions, reflecting the operation of the import/export adjustment.

3.44 Adjustments are not 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

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

- a) Pupils of academic ages 2 to 18 in maintained special schools, special academies or special free schools.
- b) Pupils under 19 and in primary or secondary schools, for whom the school is in receipt of top-up funding²⁰;
- c) Students over 14 and under 25 in further education²¹ for whom the institution is in receipt of top-up funding;
- d) Pupils under 19 in NMSSs;

¹⁸ The City of London and Isles of Scilly are currently net exporters of pupils. These pupils need to be included in the allocation calculations in order to produce the correct local authority allocations. For this reason, the net import/export adjustment figure is not zero.

¹⁹ Further information will be available in the High needs operational guide, to be published by Education and Skills Funding Agency in Autumn 2020, [High needs funding guidance and regulation](#).

²⁰ As identified by having a top-up funding "flag" in the school census.

²¹ 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.

- e) High needs students over 14 and under 25 in SPIs; and
- f) High needs students over 14 and under 25 in CFIs.

3.46 For (a), (b), and (d) we calculate pupil numbers using the January school census. For (c), (e) and (f) 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 3.8). For the calculation of the import/export adjustment for the published provisional allocations for 2021-22, we have applied the data used for the 2020-21 adjustments published in July 2020²², as this is the most recent available. This adjustment will be updated to 2021-22 data in 2021 using January 2021 school census data and February 2021 R06 ILR data as per paragraph 1.10(b).

3.47 For (a)-(c) above we look at both the resident and provider local authority²³ 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.

3.48 For (d), (e) and (f), 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 students in NMSSs, SPIs and CFIs 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.

3.49 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 and students has been added to the quantum for the allocations, as explained in paragraph 2.2 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, SPIs and CFIs by the authorities that are placing children and young people in these types of provision.

3.50 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

²² Department for Education, [Dedicated schools grant \(DSG\): 2020 to 2021](#), July 2020

²³ 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.

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.

3.51 In addition to the above we make a further adjustment in relation to special free schools. For new and growing special free schools an upward adjustment of £6,000 per special free school pupil is allocated to resident local authorities prior to the import/export adjustment²⁴. This ensures that provider local authorities receive funding for these pupils without penalising the resident local authority. Provider local authorities, in whose area new and growing schools are located, will receive a further increase where their allocation in relation to these special free schools does not cover the previously agreed place numbers. Further details on special free school funding, including how we decide which special free schools are new and growing (as indicated in paragraph 3.24 above), are available in the published guidance on special free schools adjustments²⁵.

3.52 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 ($d = c \times £6,000$). This will be negative for net exporters.
- e) Add any additional funding made for new and growing special free schools.

²⁴ This additional funding for special free schools is provisional and will be updated along with the pupil numbers used to calculate net imports as per paragraph 3.43. The provisional allocations for 2021-22 are calculated from January 2020 school census data and will be updated based on January 2021 school census data.

²⁵ Further detail on the definition of no longer new and growing special free schools can be found in the special free schools guidance to be published in Autumn 2020, [High needs funding guidance and regulation](#).

Chapter 4: Calculation of 2021-22 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 an 8% increase in 2021-22, compared to their 2020-21 baseline, calculated on a per head of population basis. In addition, a limit is applied to the per head gains that each local authority will see over their 2020-21 funding baseline, in order to manage the gains from the available resource. This limit will be 12% in 2021-22.

4.3 As in prior years, the baseline level from which gains are calculated is the same as that used in the funding floor (paragraph 3.26). To calculate the 2021-22 allocations;

- a) Take the 2020-21 funding floor baseline as per section J.
- b) Divide (a) by the mid-2020 age 2-18 ONS population projection to give a per head amount²⁶.
- c) Multiply (b) by 112% to give the maximum gains per head.
- d) Calculate the equivalent elements of the 2021-22 allocation, that is, the historic spend factor plus the other proxy factor funding plus the per head funding floor factor.
- e) Divide (d) by the mid-2021 age 2-18 ONS population projection to give a per head amount.²⁷
- f) Take the lower of the maximum gains per head (c) and the 2021-22 per head amount (e) to give the 2021-22 per head allocation, i.e. calculate $\min(c,e)$.
- g) Multiply the per head allocation by the 2021 population and add on the absolute funding floor factor (calculated as at paragraph 3.27) where applicable, i.e. calculate the mid-2021 2-18 year old population \times (f) and then add the absolute floor factor. This part of the high need allocation for 2021-22 is a final allocation as it comprises components which are not subject to later updates.

²⁶ This is the same calculation as carried out in 3.26(e).

²⁷ This is the same calculation as carried out in 3.26(h).

4.4 The total provisional allocation for 2021-22 is then calculated by adding back the funding for the basic entitlement factor (A), hospital education, AP teachers pay/pensions and supplementary funding factor (K) and import/export adjustments (L). The basic entitlement factor funding (A) and import/export adjustments (L) are provisional until more recent data is available to calculate the final allocations. The hospital education, AP teachers pay/pensions and supplementary funding is also subject to later adjustments.

4.5 Any additional funding for new and growing special free schools allocated outside the NFF is also subject to later adjustments.

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 mirrors the ACA calculation in the schools national funding formula²⁵.

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 2018²⁸.

Non-teacher pay element

A.6 The non-teacher pay element of the ACA is the GLM cost adjustment calculated by the then Department for Communities and Local Government for 2013-14. This is calculated from wage rates in the full Annual Survey of Hours and Earnings²⁹.

²⁸ For further details, refer to the schools block national funding formula technical note. Department for Education, [Schools block national funding formula: Technical note](#), July 2020

²⁹ Department for Communities and Local Government, '[Methodology Guide for the Area Cost Adjustment 2013/14](#)', March 2014

Calculation of high needs funding formula ACA

A.7 The teacher and non-teaching staff elements of the ACA are weighted in proportion to reported expenditure³⁰ 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

$$A = 1 + 41.8\% \times (T - 1) + 42.4\% \times (G - 1)$$

Where:

41.8% is the teaching staff expenditure proportion

T is the teachers-specific cost adjustment

42.4% is the non-teaching staff expenditure proportion

G is the GLM cost adjustment.

Part fringe local authorities

A.10 There are five local authorities³¹ 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 olds³² in the fringe and non-fringe districts of each of these five authorities.

³⁰ Department for Education, ['LA and school expenditure: 2017 to 2018 financial year'](#), December 2018
Schools Financial Benchmarking, ['Academies' accounting returns \(AARs\) 2017/18'](#), May 2019

³¹ Buckinghamshire, Essex, Hertfordshire, Kent and West Sussex

³² Office for National Statistics, ['Mid-2018 Lower Super Output Area Mid-Year Population Estimates'](#), October 2019

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 For the 2021-22 high needs NFF, we have updated this factor to use the 2019 IDACI for each lower-layer super output area (LSOA) as published by the Ministry of Housing, Communities and Local Government (MHCLG)³³. The same approach is taken in the schools NFF³⁴.

B.4 The IDACI ranks are classified into bands A-G by the Department for Education, with band A being the most deprived. These bands have been chosen to align with existing proportions of pupils covered, subject to retaining simple boundaries. The bands are defined as per the table below;

Figure 5: IDACI bands

IDACI band	Start of band	End of band
A	≥ 0th percentile	≤ 2.5th percentile
B	> 2.5th percentile	≤ 7.5th percentile
C	> 7.5th percentile	≤ 12.5th percentile
D	> 12.5th percentile	≤ 17.5th percentile
E	> 17.5th percentile	≤ 27.5th percentile
F	> 27.5th percentile	≤ 37.5th percentile
G	> 37.5th percentile	≤ 100th percentile

B.5 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. These weightings have been revised to minimise shifts relating to realignment of the IDACI band boundaries.

³³ Ministry of Housing, Communities and Local Government, ['English indices of deprivation 2019'](#), September 2019

³⁴ Department for Education, Schools block national funding formula: Technical note 2021-22, July 2020

Figure 6: IDACI band weightings

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

Annex C – Data sources used

Basic entitlement factor data sources

We use data from the most recent October school census and prior 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 2021-22 allocations published in July we use data collected in the October 2019 school census and the January 2019 alternative provision census. The basic entitlement factor funding will be updated in December 2020 using data from the October 2020 school census and January 2020 alternative provision census.

Historic spend factor data sources

C.1 The 2021-22 allocations use the amended 2017-18 spending baselines to produce the historic spend factor. 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 NFF³⁵.

Proxy factor data sources

C.2 The table below lists each of the formula proxy factors, and the data sources we use in the 2021-22 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

³⁵ Department for Education, [National funding formula tables for schools and high needs](#), July 2018. The historic spend factors for the new Dorset and Bournemouth, Christchurch and Poole local authorities have been calculated and confirmed with the relevant local authorities. There has been a correction made to Nottingham's historic spend factor. This factor has remained cash-flat for all other local authorities.

sets because of the step change that might result from using the latest data without transitional arrangements.

Figure 7: Data sources for each proxy factor

Proxy factors	Data used for 2021-22 allocations	Data source
Population factor	The projected number of children and young people aged 2-18 resident in the local authority area in mid-2021, based on mid-2018 population estimates data.	ONS ³⁶
Bad health	The number of children aged 0-15 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 ³⁷
Disability	The number of children aged 0-15 for whom parents resident in the local authority area are entitled to disability living allowance as at November 2019 (published in May 2020).	Stat-Xplore ³⁸

³⁶ Office for National Statistics, ['Subnational Population Projections, Local Authorities in England: SNPP Z1'](#), March 2020

³⁷ Office for National Statistics, ['LC3203EW – general health by religion by sex by age, nomis database of labour market statistics'](#), August 2013

³⁸ Stat-Xplore, ['DWP benefit claimants - disability living allowance, DLA: Cases with entitlement - Data from May 2020'](#), November 2019. Table 4 – Local Authority; England only; Age bands: under 5, 5 to 10, 11 to 15

Proxy factors	Data used for 2021-22 allocations	Data source
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 2015.</p> <p>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 to 2019.</p> <p>The numbers are taken from the test results for all mainstream and special maintained schools and academies.</p>	Department for Education ³⁹
Key stage 4 low attainment	<p>The number of pupils resident in the local authority area who did not attain 5 GCSEs at grades A* to G in 2015 to 2016</p> <p>PLUS</p> <p>The number of pupils in the lowest 5% of Attainment 8 results in 2017 to 2019.</p>	Department for Education ⁴⁰

³⁹ Department for Education, ['Statistics: key stage 2'](#), December 2019

⁴⁰ Department for Education, ['Statistics: GCSEs \(key stage 4\)'](#), February 2020

Proxy factors	Data used for 2021-22 allocations	Data source
FSM eligibility	<p>The number of pupils resident in the local authority area who are registered as eligible for FSM, as recorded in the January 2020 school census. FSM eligibility is determined by the household's benefit entitlement status.</p> <p>Also, the number of pupils eligible for the 2 year old offer or Early Years Pupil Premium (EYPP) as recorded in the 2020 early years census.</p>	Department for Education
IDACI	<p>The number of children aged 2-18 living in a lower super output area captured by the IDACI bands⁴¹. Data from ONS mid-2018 population estimates⁴² is matched to the IDACI dataset published in September 2019.</p>	Ministry of Housing, Communities and Local Government and ONS

C.4 Where there are future changes in the available data 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 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 2021-22⁴³.

⁴¹ Ministry of Housing, Communities and Local Government, '[English indices of deprivation 2019](#)', September 2019

⁴² Office for National Statistics, '[Lower Super Output Area Mid-Year Population Estimates](#)', October 2019

⁴³ Department for Education, 'Import|Export Adjustments Data, [Impact of the high needs NFF, 2020 to 2021](#)', July 2020

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 2021-22 allocations we have used January 2020 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 2021-22 allocations we have used ILR data R06 cut taken in February of the 2019/20 academic year.

C.8 We have made available to local authorities, via Document 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 2021 the import/export adjustment will be updated with January 2021 school census data and data from the February R06 ILR for 2020/21 .

Hospital education funding data sources

C.10 The hospital education funding amounts for 2020-21 are included in the published high needs NFF impact tables⁴⁴. These form the basis of the amounts in the 2021-22 provisional allocations. In a small number of cases we have made some further adjustments to reflect changes notified by local authorities, including the full year increase for local authorities that were given a part-year increase in 2020-21 to reflect a change in hospital education provision.

⁴⁴ Department for Education, '[Impact of the high needs NFF, 2021 to 2022](#)', July 2020

Annex D – Glossary

The following abbreviations and terms are used in this technical note, the 2021-22 allocations and the high needs consultation document:

ACA	Area cost adjustment
CFI	Centrally funded institution
DSG	Dedicated schools grant
ESFA	Education and Skills Funding Agency
FSM	Free school meals
GLM	General labour market
GIAS	Get Information About Schools
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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