



## **Variation in High Needs Block allocations to English LAs:**

### **Research commissioned by SEN Policy Research Forum**

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#### **Introduction:**

There have been continuing national concerns, expressed by Local Authorities and voluntary organisations, about the levels of funding available to provide for children with special educational needs. In particular, a large number of Authorities have been spending significantly above the budgets they receive from central government to fund support and provision for those with High Needs<sup>1</sup>. The Government has delivered substantial increases in High Needs Block (HNB) funding over the last 3 years (£125m in 2019/20; an additional £780m in 2020/21 and a further £730m in 2021/22). However, in some areas, this is still insufficient to address the ongoing rise in spend.

When the Government introduced the National Funding Formula, it declared an intention to ensure greater fairness in education funding across England, with mainstream school budgets determined more consistently on demographic need rather than decisions being made at local level. This policy extended to area High Needs budgets which had been set, when DSG was created, on the basis of historical spend.

In setting out its formula for High Needs allocations, the Government drew on national research carried out by ISOS<sup>2</sup> which recommended the use of a range of factors, including low attainment, social disadvantage, along with indicators of disability and ill health. However, account was also taken of history, with 50% of the formula being based on historical funding and the use of a 'funding floor' (which meant no local area experienced financial losses). A cap was also placed on areas that were underfunded, with increases limited to 3% per annum.

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<sup>1</sup> Local areas are given a defined amount of money for this purpose through their Dedicated Schools Grant (DSG).

<sup>2</sup> ISOS (2015) [Research on funding for young people with special educational needs \(publishing.service.gov.uk\)](https://publishing.service.gov.uk)

A recent DfE consultation paper<sup>3</sup> has identified a commitment to reduce reliance on historical elements over time. They point out that the value of the formula factors has reduced from 50% to 34% in the current financial year. However, the continuing use of the funding floor and cap on gains has meant only modest change. All local areas have gained from the increases in HN funding, with only limited efforts to redress the imbalance between high and low spenders.

Given continuing variation in the amounts of High Needs funding received by local areas, the SEN Policy Research Forum commissioned a small research study to look at the reasons for this: whether differences reflected real variation in demographic need or were due to other variables. One particular issue we wanted to look at was the extent to which ‘higher spenders’ had traditionally had greater reliance on the use of specialist provision. We were also interested to consider how far recent increases in spend are linked more generally to increased numbers of specialist placements.

### **Methodology:**

The initial research was carried out in 2019, using data from the 2018/19 financial year. To ensure HN funding could be compared across local areas, allocations were divided by the 2-18 population for the year of study<sup>4</sup>. Local Authority areas were grouped by type : Upper Tier (Counties), London Boroughs, Metropolitan Councils, Unitaries.

Correlations were carried out with data on the percentage of 2-18 eligible for Free School Meals<sup>5</sup>, and with the percentage of the overall 2-18 population in specialist provision (special schools and mainstream resource bases combined<sup>6</sup>).

Findings from these analyses can be summarised as follows:

### **Key points:**

- There was significant variation in the level of HNB allocations to English LAs. These ranged from £798 per 2-18 resident to £365, with an average of £527. The spending gap between the highest and lowest funded LAs has in fact widened in 2021-22, despite the additional £1.5 billion increase to the HNB.
- Despite the aspirations of the National Funding Formula to move to a fairer distribution, variation was still largely determined by history (correlation = 0.98), because of the application of the funding floor/ceiling on increases for low-funded LAs.

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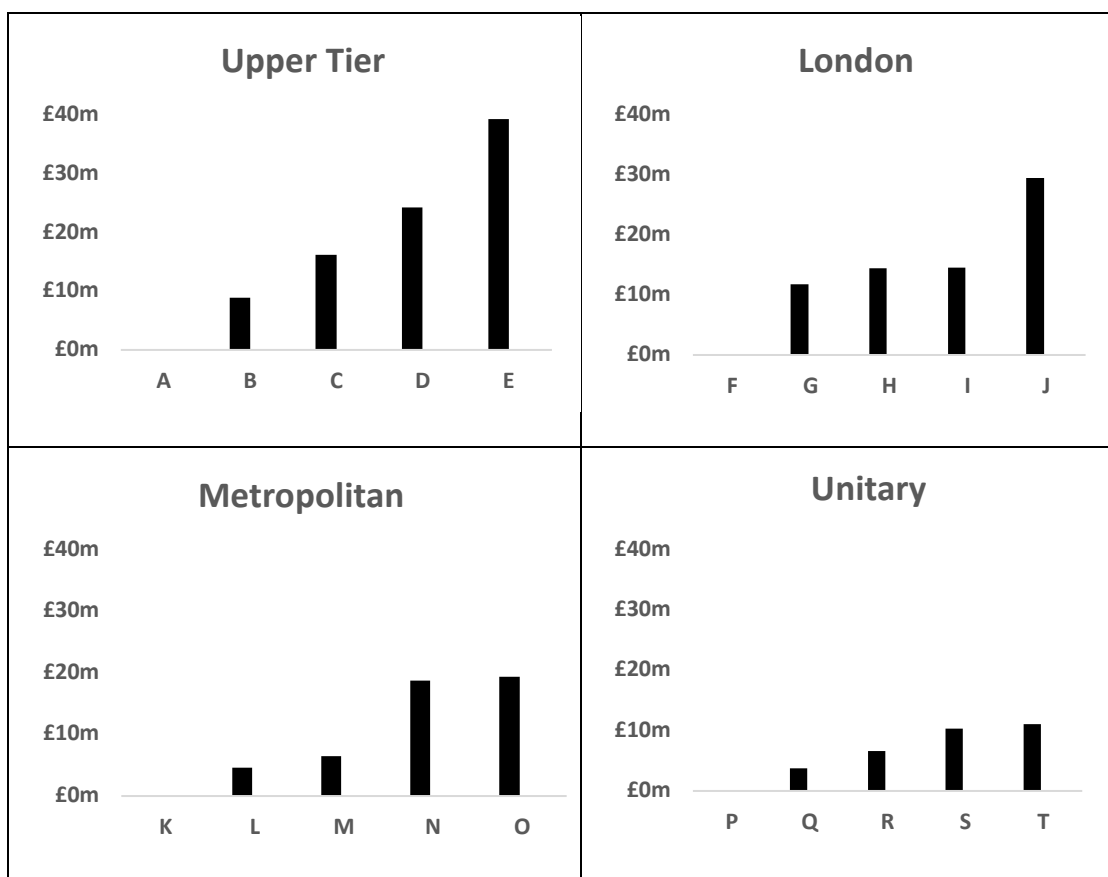
<sup>3</sup> DfE (2021). Review of national funding formula for allocations of high needs funding to local authorities: changes for 2022-23. Launch date: 10 February 2021. [High needs consultation document \(education.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/97414/high_needs_consultation_document.pdf)

<sup>4</sup> Data used: ONS mid-year population projections for 2018; adjustments for the import/export of pupils between LAs; the use of a funding floor to ensure that every LA receives at least 0.5% increase per head and a funding ceiling to limit the maximum gain to 3% per head; deductions for hospital education.

<sup>5</sup> It was not possible to access data on other HNB indicators.

<sup>6</sup> From data produced by Centre for Studies in Inclusive Education (2019). This did not include data on numbers of pupils placed in alternative provision funded by HNB. [report2019.pdf \(csie.org.uk\)](https://www.csie.org.uk/reports/reports/2019-report)

- There was only a modest correlation ( $r=0.42$ ) overall between HNB allocations and levels of need (as measured by social disadvantage alone). So the levels of need account for approximately 18% of the variations in the HNB allocations. However, when the analysis was broken down by type of LA, correlations were only significant for Unitaries and London Boroughs ( $r=0.39$  for both). There was no correlation for Upper Tier or Metropolitan Councils: some got considerably more than others that had similar levels of need. And despite some correlation for London Boroughs and Unitaries, there are also significant outliers, with some less disadvantaged areas getting higher allocations than others with greater need.
- The impact of this variation is considerable, with differences of up to £40m in the amounts of funding received by demographically similar Local Authority areas after controlling for the 2-18 population (see Figure 1).



**Figure 1.** The amount of funding needed to match the highest funded Authority (A, F, K and P) from within a set of five demographically comparable Statistical Neighbours.

- There are a range of possible reasons for historical variation in High Needs spend. One possibility is that differences in HNB levels are matched by corresponding variation in budgets allocated to mainstream schools. This data is increasingly difficult to access.

Moreover, the Government has decided not to ‘co-vary’ High Needs and Schools Block funding in the National Funding Formula. So, if the aim is to fund similar mainstream schools at the same level across the country, then one would expect High Needs funding to be similarly equitable.

- One hypothesis explored by the SENPRF research is that historical variation may relate to the extent to which LAs have relied on specialist provision. There was a modest correlation (0.38) between HNB allocations and percentage of 2-18 pupils in special schools and special units/resource bases. However, when analysed by type of LA, correlations are generally much higher ( $r=0.60$  for Unitaries;  $0.55$  for Metropolitans and  $0.50$  for Upper Tier) but lower for London ( $0.44$ ). There is some tendency for greater use of specialist provision to link to the HNB funding level.
- It is possible that higher use of specialist provision could be linked to a greater level of need. However, the research found no significant relationship for most types of LAs between provision use and social disadvantage – except for Unitaries ( $r=0.51$ ). In our view, this is probably due to the way in which specialist provision was disaggregated at the time of Local Government Reorganisation<sup>7</sup>.

## Conclusions:

- 1) There is continuing and considerable inequity in the levels of HNB funding allocated to English LAs, which cannot be explained by differences in need.**

Since the original study, correlations have been carried out using data for subsequent financial years. History continues to correlate very strongly with size of HNB allocations, indicating little impact of any changes to formula weightings. Lack of any substantial differentiation in the distribution of new money has simply compounded existing inequities despite the Government’s policy of ‘Levelling Up’.<sup>8</sup>

- 2) LA systems that make greater use of specialist provision are likely to involve greater financial costs**

Numbers of placements in specialist provision have increased substantially since the most recent CSIE analysis in 2017. Some LAs are reporting growth in numbers of 30% or more during this period. Given the way in which specialist provision is funded, each additional placement adds at least £10k to the local area HN spend.

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<sup>7</sup> Special schools tended to be located in more disadvantaged City areas, which then became Unitaries and assumed responsibility for them. Unitaries with less disadvantage (eg East Riding, Herefordshire) tended to be more rural, and less likely to have special schools in their area.

<sup>8</sup> Gov.UK (2021) [Government to publish Levelling Up White Paper - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/white-papers/levelling-up)  
Press release 4 May 2021.

**Other considerations:**

- 1) We are not seeking to diminish the need to ensure that children and young people with high needs are funded properly. However, there was no evidence from these comparisons that higher funded areas were doing better in terms of outcomes and performance. Evidence of outcomes from Ofsted Area SEND inspections carried out to date suggests no clear relationship between funding and Ofsted levels of concern. And there is some evidence that a higher spend and higher levels of provision can reflect a more exclusive culture, leading to greater demand (and dissatisfaction if this is denied).
- 2) Given the need to ensure best value for money from HN expenditure, the Government should consider the potential benefits of more inclusive systems. If it continues to remain neutral with regard to increasing use of specialist provision, then it should at least ensure that all LAs have an equitable share of HN funding, so that local areas with more inclusive local arrangements are not penalised for their success. On the other hand, if more inclusive systems are generally more cost-efficient (and current research reviews show that there is no evidence of worse outcomes), then the Government should consider what can be done to support the development of more inclusive practice countrywide, building on existing positive examples.