Appendix 7. The argument against using additional SEND top up funding.

A7.1 The approach of using the notional SEND budget as a basis on which to make additional SEND top up payments to schools relies upon the notional SEND budget itself being closely correlated with the incidence of SEND within a school. It was noted as early as 2015 in the Isos research report commissioned by the DfE, (Research on funding for young people with special educational needs July 2015, Isos Partnership) that 'too often notional SEND budgets appear to correlate poorly with levels of reported need in schools and vary greatly from school to school in the amount each child with SEND is 'notionally' allocated. If schools were to use the notional SEND budget as a guide to how much they should spend, it would lead to some very inconsistent spending decisions.'

A7.2 The formula used to calculate the additional SEND top up payment results in a marginal per high needs pupil additional funding rate of £15,000 once the 40% threshold has been breached. A school could receive up to £23,900 (£15,000 + £8,900) for a band 3 high needs placement for example, in addition to the £6,000 that is already being spent on additional resources. In 2019/20 the average total funding rates (banded plus notional allowance) ranged from £3,435 to £19,066 per pupil. This impact is illustrated in the example overleaf for band 2 pupils where the notional subsidy activates when the school reaches 7 high needs pupils. The marginal funding rate increases to £20,636 (ie £15,000 +£5,636) once the threshold has been breached.

A7.3 The occurrence of such a significant variation in marginal funding rates for high level SEND pupils means that schools who are more inclusive and retain more pupils with SEND but who have a relatively low notional SEND budget, are being penalised to allow for the payment of these significant additional payments.

A7.4 In City schools in 2020/21, 80% of the £4.4m notional SEND allowance budget subsidy is allocated to 26% of schools who themselves take 37% of the total number of high needs pupils. Not only do the current arrangements lead to a distorted funding distribution, the marginal funding rate of £15,000 per pupil means the whole system will become increasingly unaffordable when sufficient schools have breached the 40% threshold. The conclusion therefore is that the current system is not financially sustainable.

A7.5 It seems clear therefore that given the doubts over the accuracy of the SEND notional budget to predict the actual level of SEND within a particular school, together with the resulting inequitable variations in per pupil funding across all schools, means that the use of the additional SEND top up is inappropriate.

Table showing per pupil top up funding and additional SEND top up funding

School A						No high needs pupils	Banded	Notional	Total	Marginal funding rate per pupil	Average per pupil funding
Total budget	£1,000,000					0	£0	£0	£0		
Notional SEN %	10%					1	£5,636	£0	£5,636	£5,636	£5,636
Notional SEN %	£100,000					2	£11,272	£0	£11,272	£5,636	£5,636
Band 2 rate	£5,636					3	£16,908	£0	£16,908	£5,636	£5,636
Subsidy level	40%					4	£22,544	£0	£22,544	£5,636	£5,636
						5	£28,180	£0	£28,180	£5,636	£5,636
						6	£33,816	£0	£33,816	£5,636	£5,636
						7	£39,452	£5,000	£44,452	£10,636	£6,350
						8	£45,088	£20,000	£65,088	£20,636	£8,136
						9	£50,724	£35,000	£85,724	£20,636	£9,525
						10	£56,360	£50,000	£106,360	£20,636	£10,636
						11	£61,996	£65,000	£126,996	£20,636	£11,545
						12	£67,632	£80,000	£147,632	£20,636	£12,303
						13	£73,268	£95,000	£168,268	£20,636	£12,944
						14	£78,904	£110,000	£188,904	£20,636	£13,493
						15	£84,540	£125,000	£209,540	£20,636	£13,969
						16	£90,176	£140,000	£230,176	£20,636	£14,386
						17	£95,812	£155,000	£250,812	£20,636	£14,754
						18	£101,448	£170,000	£271,448	£20,636	£15,080
						19	£107,084	£185,000	£292,084	£20,636	£15,373
						20	£112,720	£200,000	£312,720	£20,636	£15,636

Top up funding

Line chart: y-axis "Top up funding total" from £0 to £350,000; x-axis "No of high needs pupils" from 1 to 21. Series: Banded, Notional, Total.