CUMBERLAND COUNCIL SCHOOLS FORUM
Report Title: School Funding Formula 2027/28
Meeting date: 12th October 2026
Report of: Emma Hamer, Assistant Director Education, SEND & Inclusion

1.0 Executive Summary

1.1 Historically in July of each year the Education & Skills Funding Agency (ESFA) usually announce details of the dedicated schools grant (DSG) funding for the next financial year. However, the indicative allocations for 2027/28 have not yet been published with, at the time of writing, no indication of when these may be published. The schools national funding formula summary policy document, however, which is usually published alongside the indicative allocations has been published meaning policy changes around DSG are known to a degree with the cash values to follow.

1.2 In previous years, the Cumberland school funding formula has mirrored the NFF in full but if there was a shortfall in Schools Block funding after allocating funding on this basis, and after taking into account the Growth Fund budget, a shortfall was managed by reducing the basic per pupil funding factor in the formula.

1.3 Similarly, if a balance remained within the Schools Block after applying the NFF in full and after taking into account the Growth Fund budget, up to a maximum of 0.5% was transferred to the High Needs (HN) block to support the ongoing budget pressures. Thereafter, if there was any residual balance remaining it was allocated to schools through the school funding formula by increasing the basic per pupil funding factor.

1.4 As the NFF is still a soft formula, LAs are required to consult schools on whether to adopt the NFF in full. The actions set out in paragraphs 1.2 and 1.3 on how to deal with a shortfall or surplus in the NFF are also consulted on annually. The outcome of the consultation is presented to Schools Forum who then make a recommendation to Council Executive who will then ratify this decision at the Council Executive meeting.

1.5 Executive approval is required before submission of the Authority Proforma Tool (APT) to DfE which calculates the budget share for each maintained and academy school.

1.6 Due to the lead in timescale for the Executive and the time needed to consult schools and report to Schools Forum it is proposed that a consultation is undertaken on the principles of applying the NFF in full and the treatment of a shortfall or surplus in the formula, but that no modelling of potential budget shares is included as the data is unavailable.

1.7 The paper sets out the rationale behind this proposal and includes an example draft consultation document. If the proposal is supported by Schools Forum, three recommended questions to ask schools are presented. Once finalised the consultation will be launched on 14 October for a period of 2 weeks.

1.8 A report will be presented at the next Schools Forum meeting on 4 November to share the outcomes from the consultation; the Executive meeting on 14 December will ratify the final decision on the school funding formula for 2027/28.

2.0 Link to Council Plan Priorities

2.1 Ensuring that schools are appropriately funded is supportive of the Council Plan "to improve the health and wellbeing of its residents" and the priority to "address inequalities and enable its residents to access opportunities that will empower them to achieve their goals."

3.0 Recommendation

3.1 The Schools Forum is asked to:

- note that the provisional DSG allocations for 2027/28 are not, at the time of writing, published and the impact of this;
- support the recommendation to consult all schools on the proposal to apply the National Funding Formula in full in 2027/28;
- support the recommendations to

  a) reduce the basic per pupil funding factor values in the formula if there is a shortfall, after applying the National Funding Formula in full and taking into account the Growth Fund budget

  b) transfer any remaining balance up to 0.5% to the HN Block and allocate any leftover balance thereafter, to schools by increasing basic per pupil funding factor values in the formula.

- support the draft consultation document at Appendix 1 which includes three recommended questions.

4.0 Rationale & Evidence for the Recommendation

4.1 A national funding formula was introduced for schools from 2018/19 and since then local authorities have been able to decide, in consultation with schools and the Schools Forum whether to use the NFF to allocate funding to schools. Alternatively, there remained the option to apply a locally determined schools

funding formula, within some restrictive parameters set by the ESFA. In 2023/24 the DfE began the first year of transition towards a direct NFF, whereby all schools (including academies) will be funded using a single NFF and in doing so placed further restrictions on local flexibility.

4.2 In 2026/27 Executive, on the recommendation of Schools Forum, ratified the decision for the NFF to be used to allocate funding to schools and academies in Cumberland, as in previous years and since the introduction of the NFF in 2018/19. When the final DSG Schools Block allocation for Cumberland was published by the ESFA in December 2025, after applying the NFF in full and taking into account the Growth Fund budget of £0.298m, there was a shortfall of £0.485m which the AWPU had to be reduced to account for.

Provisional DSG Allocations 2027/28

4.3 The Education Skills and Funding Agency (ESFA) historically announced indicative DSG allocations in the July of each year preceding the year the allocation relates to. At the time of writing, allocations have not been published, and it is not known when they will be published.

4.4 The schools national funding formula summary policy document for 2027/28 has been published. This guide sets out any changes required by local authorities in setting their funding formula, such as changes required to move closer to the NFF.

4.5 In 2027/28 where local factors are within +/- 2.5% of the respective NFF values, the LA is deemed to be mirroring the NFF.

4.6 DfE have announced the schools budget support grant (SBSG) grant will be rolled into the NFF for 2027/28. The Schools national funding formula (NFF) summary policy document for 2027 to 2028 states the following:

‘The SBSG 26 is providing additional funding in 2026 to 2027 to support schools with their overall costs, including teacher and support staff pay awards.

The mainstream schools’ element of the SBSG 26 is being rolled into the schools NFF for 2027 to 2028, ensuring that this funding continues to form part of schools’ core budgets going forward.’

Grant Allocations for the 2026/27 SBSG have not yet been published at Local Authority Level therefore this amount is not known, only the SBSG 2026 calculator for mainstream schools has been published.

4.7 DfE have also announced that there will be a Teachers’ pension employer contributions funding adjustment in 2027/28. This adjustment will reduce funding for schools in line with the reduction in contribution rate. The schools national funding formula (NFF) summary policy document for 2027 to 2028 states the following:

‘From April 2027, employer contribution rates for the teachers’ pension scheme (TPS) will decrease from 28.6% to 17.6%. This change will not reduce the value of the defined benefit teachers’ pension for current or retired teachers. The TPS is a defined benefit scheme, which means that the pensions teachers receive depend on their salary as well as the number of years they have been working for.

Funding for schools will be reduced to reflect the decrease to employer contribution rates for the TPS from April 2027. The funding reduction will reflect the decreased cost at a national level. The spending power of the schools sector as a whole will therefore not decrease.'

4.8 In the 2026/17 academic year FSM eligibility was expanded. The DfE have detailed in the policy document how this will be reflected in schools funding for 2027 to 2028 as follows:

'Due to the lag in data used to calculate the 2027 to 2028 NFF, the funding allocated to local authorities through the schools NFF will not take into account the FSM expansion. As a result, local authorities will receive additional funding through their dedicated schools grant (DSG) schools block allocations, when that is issued in December 2026. This will reflect the increase in FSM-eligible pupils that they will have to fund through their local mainstream schools formula.'

School Funding Formula 2027/28

4.9 Given that the DfE have previously said they are moving forward with their plans to transition to a 'hard' formula, it is proposed that schools are consulted on adopting the NFF in full in 2027/28, as in previous years.

4.10 It is also proposed that if, after allocating the funding on the basis of the NFF and taking into account the Growth Fund budget requirement, there is a shortfall in Schools Block funding this will be managed by reducing the basic per pupil funding factor up to a maximum of -2.5% or the allowable value per DfE guidance once published.

4.11 If there is a balance remaining in the Schools Block, after allocating the funding using the NFF, it is proposed that a transfer of up to a maximum of 0.5% is transferred to the High Needs block to support budget pressures.

4.12 Any change to basic per pupil funding, either to increase or decrease it, will not affect every school as some will be protected through the Minimum Per Pupil Funding Levels (MPL) and Minimum Funding Guarantee (MFG) factors.

4.13 It is not possible to estimate the value of a 0.5% transfer as the value of the Schools Block allocation is unknown. It is not possible to confirm the actual value of any potential transfer to the HN Block, if any, until the DfE publish the final data set to be used to calculate the school budget shares in December 2026. This takes into account the October 2026 census pupil data and characteristics.

4.14 The alternative option is not to transfer any funding to the High Needs Block and allocate any surplus budget, after taking into account the Growth Fund budget, to schools through increasing the basis per pupil unit factor values. This will need to be within the +2.5% factor value threshold range as detailed above. However, this option is not recommended as there is a risk that, due to the proposal requiring local authorities to move their local formula closer to the NFF, 'topping up' the NFF factor values by allocating additional funding through the formula will create greater turbulence for some schools in future years. It may also make applying the NFF in full unaffordable in future years as the additional funding would be built into the schools budget share baselines, but the funding for this is not reflected in the notional school budgets used by the DFE to calculate local authority level core NFF funding.

4.15 A shortfall or balance remaining in the Schools Block after allocating the funding using the NFF can arise due to the way in which local authorities are funded. The actual primary and secondary units of funding at local authority level are based on October 2026 pupil data and changes in pupil characteristics, such as eligibility for FSM or changes in attainment levels, are not reflected in the primary and secondary units of funding used to allocate the core NFF funding to local authorities in 2027/28. Only changes in pupil numbers are taken into account.

4.16 The Growth and Falling Rolls factor within the Schools Block is not ring-fenced and local authorities can decide on the level of growth/falling rolls budgets needed locally in consultation with Schools Forum. This funding can be also used to fund the school funding formula if required, which can also impact on whether there is a shortfall or balance remaining to transfer to the High Needs Block.

4.17 In anticipation that the Schools Forum support the recommended proposal to allocate funding to schools on the basis described above, a draft consultation document has been prepared at Appendix 1.

4.18 The draft consultation asks the following 3 questions:

1) Do you agree with your Schools Forum recommendation that the National Funding Formula continues to be used to allocate funding to schools in 2027/28?
2) Do you agree that, if there is a shortfall in Schools Block funding after applying the National Funding Formula in full that this is managed by reducing the basic per pupil funding factor?
3) Do you agree that, if there is any Schools Block funding remaining (up to a maximum of 0.5%) after allocating the school funding formula in full to schools using the NFF, it should be transferred to the High Needs Block?

4.19 Whilst Question 1 must be included in the consultation, Schools Forum can recommend alternative questions to include. Once the outcome of the consultation is known the Schools Forum will be asked to make a recommendation to Cabinet members on school funding formula for 2027/28.

5.0 Options

5.1 Schools Forum is asked to:

- note that the provisional DSG allocations for 2027/28 are not, at the time of writing, published and the impact of this;

- support the recommendation in principle to adopt the National Funding Formula in full in 2027/28

- support the recommendation to apply the following principles if there is a shortfall or remaining balance after applying the National Funding Formula in full and after taking into account the growth fund budget:

    a) if there is shortfall to reduce the basic per pupil funding factor values in the formula;

b) if there is a remaining balance transfer up to 0.5% to the HN Block and allocate any leftover balance after that, if available, to schools by increasing the basic per pupil funding factor values in the formula.

- support the draft consultation document at Appendix 1 and the three recommended questions to ask schools as set out above;

  or

- recommend alternative questions to ask schools

6.0 Financial & Other Relevant Implications

6.1 Financial implications are considered throughout this report. No equality/legal/ implications have been identified.

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Appendices:

1. Draft Cumberland School Funding Formula Consultation Document

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