

Cabinet

13 January 2026

2026-27 Provisional Funding Formula for Mainstream Schools and Academies

Portfolio Holder: Councillor Tracy Coombs, Portfolio Holder for Education

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Summary

Officers are formulating the 2026-27 funding arrangements for schools and academies and recommend the following changes to Medway's local mainstream schools and academies funding formula.

The Schools Forum will meet on 14 January 2026 to discuss, consider and make final recommendations on the 2026-27 Final Funding Formula. It is requested that the Cabinet agrees to delegate authority to enable the Final Funding Formula to be submitted to the Department for Education to avoid the need for the Cabinet to consider the Final Funding Formula at its meeting on 10 February 2026 and thus avoid further delay in submission to the Department for Education.

1. Recommendations

- 1.1. The Cabinet is asked to instruct officers to implement the 2026-27 Provisional Funding Formula for mainstream schools and academies, as set out in section 5 of this report and to note that the Schools Forum, on 14 January 2026 will be considering recommending approval of the final funding formula to Cabinet. Subject to agreement of recommendation 1.2 below, this will be agreed under delegated authority.
- 1.2. The Cabinet is asked to agree to delegate authority to the Director of People, Children and Adults Services, in consultation with the Portfolio Holder for Education, to agree and implement the 2025-26 Final Funding Formula for mainstream schools and academies, following the Schools Forum meeting due to be held on 14 January 2026.

2. Suggested reasons for decisions.

2.1. The local authority is required to implement the Funding Formula changes for 2026-27 in accordance with the regulations and to inform the Department of Education.

3. Budget and policy framework

3.1. Funding for schools and academies is provided by central government in the form of the Dedicated Schools Grant (DSG). The DSG is a ring-fenced grant and regulations prevent the DSG being spent on anything other than schools or academies.

3.2. The remainder of this report deals with the provisional funding formula used to distribute the schools block DSG funds to Medway schools and academies in a fair and transparent way, as well as the funding retained centrally to support schools and is therefore a matter for decision by the Cabinet.

4. Background

4.1. The then coalition government announced its intention to reform the school and academy funding system in its White Paper *The Importance of Teaching*, (November 2010) referring to the existing arrangements as:

- opaque and extremely complex;
- unfair as they lead to schools and academies with similar intakes; receiving very different levels of funding;
- failing to reflect need accurately;
- failing to support the new school system (i.e. academies and free schools).

4.2. In July 2011 the then government launched its first consultation on school and academy funding reform. This included proposals for a national funding formula (NFF) for schools and academies but having reflected on the responses, the government decided to delay its introduction. Governments have made several changes to the school funding system over the years but have stopped short of a hard national funding formula.

4.3. In July 2016 the then government began consulting on a new schools national funding formula. This was a two-stage consultation and resulted in a soft NFF introduced in April 2018.

4.4. The Education Skills Funding Agency (ESFA) was formed in April 2012 to take over the operational functions of the Department for Education (DfE) and has a significant role in overseeing the funding arrangements. From March 2025 the ESFA closed with the functions returning to the DfE.

4.5. The latest government paper *Schools Funding 2026-27: Operational Guide*, outlines the schools and academies funding arrangements for the 2026-27

financial year was delayed and was published on the 19 November 2025 with the DSG funding allocations published in the week beginning 15 December 2025.

- 4.6. The total Schools Block DSG funding for each Local Authority (LA) will be calculated using the NFF and for the next financial year, each LA can either opt to implement the NFF or a Local Funding Formula (LFF) which is moving to within 10% of the hard NFF.
- 4.7. In previous years Medway has set a LFF based on a staged move towards the NFF and anticipates this continuing for 2026-27.
- 4.8. The government has set a Minimum Per Pupil Funding level Guarantee (MFG) and a Primary school will receive at least £5,115 per pupil, and a secondary school will receive at least £6,640 per pupil. This is mandatory.
- 4.9. LA's must also set a MFG Floor of between minus 0.5% and 0.0% per pupil and can choose to set a cap on gains at a per pupil level. Medway's 2025-26 LFF included a 0% MFG Floor and a 3% cap on school gains. However, for 2026-27 Medway are consulting with schools to set a minus 0.5% MFG Floor and removing the cap on school gains. The Schools Forum will agree the minimum uplift at their meeting on 14 January 2026.
- 4.10. The DfE has removed the requirement for local authorities to submit a formal provisional funding formula, but Medway must confirm their final funding formula by 23 January 2026.

5. Allocation and changes for the 2026-27 Funding Formula

- 5.1. The Final Funding Formula options will be presented to the Schools Forum on 14 January 2026 for their consideration. There are three proposed changes to the formula for 2026-27:
 - i) To transfer 1% from the Schools Block to High Needs Block;
 - ii) To change the Notional SEND Formula calculation;
 - iii) To reduce the MFG Floor from 0% to minus 0.5%, increase the lump sum to the NFF and remove the cap on school gains.
- 5.2. Local authorities must set a MFG Floor of between minus 0.5% and 0% per pupil. Medway's 2025-26 LFF included a 0% MFG. For 2026-27 Medway are consulting with schools to set a minus 0.5% MFG Floor. In practice the MFGF is calculated on the per pupil basis factors before the school factors are added. If in 2025-26 a school received an average of £5,200 for the pupil factors, they must receive a minimum funding of £5,174 in 2026-27 for the same factors.
- 5.3. The 2026-27 NFF does not include a cap on what schools can gain via the funding formula on a per pupil level. However, Medway's 2025-26 LFF did contain a gains cap of 3% and its proposed this will be removed for the 2026-27 formula but is held in reserve if it is needed to balance for the formula for

affordability. This cap does not protect against an increase or decrease in pupil numbers.

- 5.4. Local authorities are responsible for calculating this notional budget. The notional SEN budget is not a budget that is separate from a school's overall budget but it's an identified amount within a school's delegated budget share through the formula. There is currently no national approach to the calculation of schools' notional budget for pupils with SEN through the NFF but local authorities, are asked to continue to review the formula.
- 5.5. Medway's current notional SEND formula is, 50% of all deprivation funding factors plus 100% of low prior attainment funding. Medway propose to change this formula to 3% of the basic entitlement factor, plus 40% of all deprivation funding factors, plus 100% of low prior attainment funding for the 2026-27 formula.
- 5.6. At their meeting on November 2025 the Schools Forum did not agree the 1% schools block to high needs block transfer. They did, however, agree to continue with the 0.5% transfer as in 20205-26. Medway have submitted a disapplication request to the Secretary of State asking for approval to transfer the additional 0.5%.
- 5.7. The timescales for review and consultation on the LFF have once again been squeezed this year, given the delay to the NFF publication and therefore Medway aims to keep the number of changes to a minimum.
- 5.8. The Schools Forum are expected to recommend to Cabinet to implement a Local Funding Formula which is moving towards the NFF including offering the government's MFG requirements as outlined in sections 4.6-4.10, 5.1-5.6 of this report at their meeting on 14 January 2026.
- 5.9. The Cabinet is asked to approve the above methodology in order that the local authority can balance the funding formula budget to the funding received from government for 2026-27.

6. Advice and analysis

- 6.1. The membership of the Schools Forum includes representatives of head teachers and governors from primary, secondary and special schools and academies.
- 6.2. On 14 January 2026, the Schools Forum will consider the issues relating to the funding formula and are expected to ask the Cabinet to implement a local funding formula.
- 6.3. If the recommendations outlined in paragraph 5.8 above, are approved, Medway's LFF is expected to mirror the national funding formula in all but one funding factors which is used to adjust the formula so it is affordable within the budget envelope

6.4. Subject to agreement of the recommendation 1.2, the Director of People – Children and Adults Services, in consultation with the Portfolio Holder for Education, will receive the the final recommendations from the Schools Forum (14 January 2026) for the final funding formula taking account of the latest school census data. This will then be agreed under delegated authority and the final funding formula submitted to the Department for Education.

7. Risk management

| Risk | Description | Action to avoid or mitigate risk | Risk rating |
|--|--|--|-------------|
| Small schools and academies become financially non-viable. | The revised formula impacts adversely on small schools and academies and leaves them with insufficient funds to operate effectively. | A significant lump sum has already been included in the formula. The 'Sparsity' factor is targeted at small rural schools and academies to ensure small schools remain viable. | DII |
| Increase in schools and academies with a budget deficit. | Schools and academies that lose funding under the formula do not act to reduce their expenditure and incur deficits. | Officers will work with schools to help them amend their budget plans and manage the impact. Academies will work with the Education Funding Agency. | DIII |
| Increasing redundancy costs. | Schools and academies that lose funding under the formula may need to reduce their staffing. | The minimum funding guarantee provides schools and academies with transitional protection that will help them take advantage of natural wastage. | DIII |

8. Consultation

8.1. The Funding Formula options and consultation responses will be discussed with the Schools Forum on 14 January 2026. The Schools Forum are expected to provisionally agree to implement a revised local funding formula for 2026-27.

8.2. All schools and academies were consulted on the difference changes to local funding formula in two separate consultations. One consultation was open during November 2025 and discussed with the Schools Forum on 10 December 2025. The second consultation was open between the 8 December 2025 to 20 December 2025 and will be discussed with the Schools Forum on 14 January 2026.

8.3. Using the Council's online contact system, e-mails were sent to Head teachers, Finance Officers and office/finance at addresses of both maintained

schools and academies. Copies of the consultation were uploaded to SLA. The LA recognise the consultation time for schools was squeezed again this year and therefore proposed to keep changes to the formula to a minimum.

- 8.4. Following Cabinet, the Schools Forum will meet on 14 January 2026 to consider the final funding formula taking account of the latest school census data.

9. Financial implications

- 9.1. The report relates to potential changes in the distribution of the Dedicated Schools Grant (DSG). Any impact will remain within the DSG and will not affect the Council's general fund.
- 9.2. The funding formula only affects mainstream schools and academies. The funding of special schools and academies and Pupil Referral Units do not form part of these changes.
- 9.3. The potential impact on individual schools is mitigated by the Government's Minimum Funding Guarantee. However, the actual impact will depend on pupil numbers and other data drawn from the Autumn 2025 school census.
- 9.4. The funds provided through the pupil premium grant, the early years single funding formulas and school sixth form grants are unaffected by changes to the mainstream schools funding formula.

10. Legal implications

- 10.1. Dedicated School Grant is paid to local authorities under section 14 of the Education Act 2002.
- 10.2. Medway Council has responsibility for setting the overall level of its individual Schools budget and for determining schools' and academies' budget shares, subject to the School and Early Years Finance (England) Regulations 2014.
- 10.3. Other than the legal framework within which Cabinet is being asked to make these decisions, which is set out in the body of this report, there are no other legal implications.

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Appendices

Appendix 1 - Minimum and Maximum provisional factor values in 2026 to 2027

Background papers

[Education Funding Agency \(July 2015\) - Schools Funding 2016 to 2017: Operational Guide](#)

[Final Funding Formula for Mainstream Schools and Academies 2015-16 – Cabinet 10 February 2015](#)

[Funding formula for Mainstream Schools and Academies – Cabinet 28 October 2014](#)

Appendix 1

Minimum and Maximum provisional factor values in 2026 to 2027

| Formula Factor | 2025-2026 Medway LFF | Lower Limit -2.5% | NFF 2026 to 2027 | Upper Limit +2.5% |
|--|----------------------------|----------------------|---------------------|-------------------------|
| Basic per pupil funding | | | | |
| Basic entitlement | | | | |
| Primary basic entitlement | £3,760 | £3,962 | £4,064 | £4,166 |
| Key stage 3 basic entitlement | £5,313 | £5,544 | £5,686 | £5,828 |
| Key stage 4 basic entitlement | £5,994 | £6,250 | £6,410 | £6,570 |
| Additional needs funding | | | | |
| Deprivation | | | | |
| Primary free school meals (FSM) | £495 | £492 | £505 | £518 |
| Secondary FSM | £495 | £492 | £505 | £518 |
| Primary free school meals Ever 6 (FSM6) | £1,060 | £1,180 | £1,210 | £1,240 |
| Secondary FSM6 | £1,555 | £1,682 | £1,725 | £1,768 |
| Primary IDACI A | £685 | £683 | £700 | £718 |
| Primary IDACI B | £520 | £517 | £530 | £543 |
| Primary IDACI C | £490 | £488 | £500 | £513 |
| Primary IDACI D | £445 | £444 | £455 | £466 |
| Primary IDACI E | £285 | £283 | £290 | £297 |
| Primary IDACI F | £235 | £234 | £240 | £246 |
| Secondary IDACI A | £950 | £946 | £970 | £994 |
| Secondary IDACI B | £745 | £741 | £760 | £779 |
| Secondary IDACI C | £695 | £692 | £710 | £728 |
| Secondary IDACI D | £635 | £634 | £650 | £666 |
| Secondary IDACI E | £450 | £449 | £460 | £472 |
| Secondary IDACI F | £340 | £336 | £345 | £354 |
| Low prior attainment (LPA) | | | | |
| Primary LPA | £1,175 | £1,170 | £1,200 | £1,230 |
| Secondary LPA | £1,785 | £1,779 | £1,825 | £1,871 |
| English as an additional language (EAL) | | | | |
| Primary EAL | £595 | £595 | £610 | £625 |
| Secondary EAL | £1,595 | £1,589 | £1,630 | £1,671 |
| Mobility | | | | |
| Primary mobility | £965 | £960 | £985 | £1,010 |
| Secondary mobility | £1,385 | £1,380 | £1,415 | £1,450 |
| School-led Funding | | | | |
| Lump sum | | | | |
| Primary lump sum | £137,000 | £148,883 | £152,700 | £156,518 |
| Secondary lump sum | £137,000 | £148,883 | £152,700 | £156,518 |
| Sparsity | | | | |
| Primary sparsity | £57,400 | £57,135 | £58,600 | £60,065 |
| Secondary sparsity | £83,400 | £83,070 | £85,200 | £87,330 |
| Premises | | | | |
| Split sites | £80,600 | £80,633 | £82,700 | £84,768 |
| Minimum per pupil | | | | |
| Primary minimum per pupil funding | £4,955 | £5,115 | £5,115 | £5,115 |
| Secondary minimum per pupil funding | £6,465 | £6,640 | £6,640 | £6,640 |