



Title of report: Schools National Funding Formula 2027/28 Update

Meeting: Herefordshire Schools Forum

Meeting date: Friday 23 October 2026

Report by: Head of Strategic Finance (Deputy S151)

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards)

Purpose

To provide an update to the Forum on the Schools National Funding Formula 2027/28, including the recommendations of the Budget Working Group (BWG) on the Herefordshire schools' budget 2027/28.

Recommendation(s)

That:

- a) **Schools Forum to review the budget approach for setting the schools 2027/28 budget; and**
- b) **Agree the draft 2027/28 budget to be prepared in line with the approach taken in 2026/27.**

Alternative options

1. Alternative options will be fully considered by the Budget Working Group (BWG) prior to formulating final budget recommendations for consideration by Schools Forum in January 2027. At this stage only a preliminary view has been sought in order to determine how the budget proposals can be developed further. The high needs budget will require further detailed work following the expected Department for Education (DfE) funding announcement in December 2026 and recommendations will be agreed by Schools Forum in March 2027.

Key considerations

2. The DfE published the preliminary information regarding the NFF 2027/28 on the 2 October 2026. Final NFF allocations and supporting documentation (including operational guidance) will be published in Autumn 2026. We expect that the Dedicated Schools Grant (DSG) allocations using the NFF will be published in December 2026 as in previous years.
3. The authority proforma tool (APT) will be released for local authority submissions in mid-December 2026 with a deadline return date towards the end of January 2027. This is like previous years. The APT will again be populated from schools block data, primarily drawn from the autumn 2026 school census.
4. In light of the funding announcement, the Budget Working Group (BWG) at its meeting on 9th October 2026 considered the principle that **Herefordshire's approach to school funding for 2027/28 should be in line with the approach used for 2026/27 whilst incorporating any changes directed by DfE**
5. Potential key updates for the National Funding Formula 2027/28:

Teachers Pensions Employer Contributions

From April 2027, employer contribution rates for the Teachers' Pension Scheme (TPS) will decrease from 28.6% to 17.6%. Funding for schools and other eligible education settings will be reduced from 1 April 2027 to reflect the decrease in pension costs

The funding reduction in respect of pensions will be incorporated into the schools NFF and the equivalent local authority funding formulae from the start of the financial year 2027/28.

The adjustment will be incorporated into the schools NFF and the local funding formulae in 3 ways, reflecting the 3 different ways in which schools are funded. That is through adjustments to the:

- Basic per pupil factor, the lump sum and the FSM6 factor values.
- Minimum per pupil levels.
- Baseline for each school, which is used to calculate funding protections for schools funded through the funding floor.

This methodology mirrors the methodology used when funding in respect of pension contributions was rolled into the schools NFF in the 2025/26 financial year, following the previous upwards valuation in pension contributions.

Published guidance in July 2026 details the proposed reductions to each factor, for both maintained schools and academies. The guidance also includes an online calculator tool for academies to estimate their funding reduction for April 2026 – August 2026 before the deductions are published.

Rolling in Previous Grants

The Schools Budget Support Grant (SBSG) provided schools with additional funding in financial year 2026 to 2027 to support them with overall costs, including the:

- Costs of the schools teacher pay award from September 2026.
- Local government services pay award in respect of support staff in 2026/27.

The Schools Budget Support Grant (SBSG) was rolled into the NFF for 2026/27 and the latest published NFF guidance confirms 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

The Free School Meals (FSM) Expansion grant provides extra funding to mainstream schools, special schools and alternative provision schools. This is to help with the additional costs of free meals following the expansion to FSM eligibility to all children in households receiving Universal Credit. The expansion was introduced in September 2026 and a separate grant was provided for 2026/27.

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

Upfront SEND Funding into Mainstream Schools

DfE carried out a consultation over the summer regarding the possibility of permitting local authorities to pass more high needs block funding directly into the core budgets of mainstream schools, and for expressions of interest in participating in the pilot. A response to this consultation will be published in Autumn 2026.

Herefordshire Council provided a response to the consultation but did not express an interest in participating in the pilot, as the DfE was not clear in its communications on the financial implications and if additional funding would be provided to ensure it did not create an additional pressure on the high needs block.

Therefore, for 2027/28, schools budget setting will remain as per previous years with £6,000 as the element 2 threshold.

National Funding Formula

As per previous years, all local authorities must continue to move their local formula factor values at least a further 10% closer to the NFF Value. Herefordshire already mirrors the National Funding Formula.

The schools NFF for 2027 to 2028 will use the same factors that were used in the 2026 to 2027 NFF.

The core formula factors are:

- pupil-led factors:
 - basic entitlement
 - deprivation (free school meals ever6 (FSM6)
 - income deprivation affecting children index 2019 (IDACI)
 - low prior attainment,
 - English as an additional language and mobility
- school led factors:
 - lump sum
 - sparsity
 - premises factors (rates, PFI, split sites and exceptional premises).

Funding protection in 2027 to 2028 through the operation of a minimum per-pupil level (MPPL) and the funding floor will continue

These factors will operate in the same way in the NFF for 2027 to 2028 as they did in 2026 to 2027, though the factor values will be updated.

Growth and falling rolls funding will continue, where applicable, to local authorities.

The factor values assigned to each factor for 2027 to 2028 will be confirmed alongside the publication of the schools NFF allocations later in autumn 2026.

The schools NFF for 2027 to 2028 will include additional funding in respect of improved maternity pay from September 2027, as committed to in the Every child achieving and thriving schools white paper.

Minimum Funding Guarantee

It is currently unclear how the adjustments to the Teacher Pension Contributions will affect the Minimum Funding Guarantee.

Disapplication's

All disapplication's are to be submitted before the 16 November 2026, this is to ensure decisions are communicated back to Local Authorities prior to the APT submission deadline. As per previous years, Herefordshire will be submitting one disapplication for 2027/28, which is noted under a separate agenda item.

Block Transfers

As in previous years, local authorities will be allowed to transfer up to and including 0.5% of the schools block into another block, with Schools Forum approval, without submitting a disapplication request. For a transfer exceeding 0.5%, or without school's forum approval, a disapplication request must be submitted to the Secretary of State.

De-delegations

The latest guidance published regarding the NFF 2027/28 did not include any specific updates in relation to de-delegations, therefore we are assuming there will be no change to the principles and process of the de-delegated services. The details of Herefordshire's proposals for de-delegated services are noted under a separate agenda item.

6. Therefore, as per previous years, we propose to follow the following principles:

- Seek to fund schools at the National Funding Formula (NFF) values.
- To fund schools at the maximum permitted Minimum Funding Guarantee (MFG) (2026/27 value 0%).
- De-delegations to be agreed for 2027/28, with a proposed annual increase assumed in line with 2026/27, and will be reviewed once allocations are published in December 2026.

7. Using 2026/27, the indicative timescale for setting the schools budgets is as follows:
- School budgets will reflect the schools funding settlement for 2027/28 and October 2026 verified School Census data (subject to this being provided by the DfE no later than mid-December).
 - Publication of 2027/28 individual school budgets are expected to mirror last year's timeline, following final budget decisions taken by Schools Forum at the March 2027 meeting.

Community impact

8. Increasingly schools funding is directed by government, and the council can only allocate funding given by government. School governing bodies retain the responsibility to spend the school budget on meeting pupil needs. Schools, colleges and post-16 providers and potentially parents will need to be consulted on any changes to the high needs services.

Environmental Impact

9. This is a consultation with Schools Forum on school funding and will have no direct environmental impacts. School governing bodies and trustees are responsible for deciding on expenditure and they will be encouraged to minimise waste and resource use in line with the Council's Environmental Policy.

Equality duty

10. The Public Sector Equality Duty requires the Council to consider how it can positively contribute to the advancement of equality and good relations and demonstrate that it is paying 'due regard' in our decision making in the design of policies and in the delivery of services.
11. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows: A public authority must, in the exercise of its functions, have due regard to the need to – (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act; (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
12. In relation to school finance, it is the responsibility of individual governing bodies to commit expenditure according to individual pupil need. Changes in high needs provision will require consultation with users and further advice from legal services will be sought should this be necessary. However, the decisions of the school forum should have regard to this duty and the potential implications of any decisions made.

Resource implications

13. This report relates to the Dedicated Schools Grant (DSG) only.

Legal implications

14. The Schools Forum is a statutory decision making and consultative body constituted in line with the School Standards and Framework Act 1998, and its associated regulations, including the Schools Forum (England) (Coronavirus) (Amendment) Regulations 2020, to enable members of the local school community to work in partnership with Herefordshire Council when making decisions about school funding and finances.
15. The funding of schools is prescribed by the Department for Education (DfE) through the School and Early Years Finance (England) Regulations 2026.

Risk management

16. Budget Working Group (BWG) reviews all reports and proposals in detail prior to making recommendations to the Schools Forum. This two-stage process helps to ensure greater scrutiny of budget proposals and mitigate against any risks that may be identified. Any identified risks will be monitored and managed by the Children and Young People directorate jointly with the Schools Forum.

Consultees

17. Budget Working Group (BWG) was consulted on 9th October 2026 and recommended the 2027/28 school budget be prepared on the same basis as 2026/27 in the absence of the final DfE operational guidance and technical notes. BWG will consider the budget proposals further once the DfE have announced the final DSG allocations and guidance in December 2026.

Appendices

Schools Forum Presentation Slides

Background papers

[Teachers' pension employer contributions funding adjustment: methodology - GOV.UK](#)
[Schools national funding formula summary policy document for 2027 to 2028 - GOV.UK](#)

Please include a glossary of terms, abbreviations and acronyms used in this report.

ACA	Area Cost Adjustment
APT	Authority Proforma Tool
BWG	Budget Working Group (of Schools Forum)
DfE	Department for Education
DSG	Dedicated Schools Grant
FSM	Free School Meals
MFG	Minimum Funding Guarantee
NFF	National Funding Formula
SBSG	Schools Budget Support Grant
TPS	Teachers Pension Scheme