
Cabinet

6 January 2026

Name of Cabinet Member:

Cabinet Member for Education and Skills – Councillor Dr K Sandhu

Director approving submission of the report:

Director of Children's and Education Services

Ward(s) affected:

All

Title:

Outcomes of the Fair Funding Consultation 2026/27

Is this a key decision?

No - although the proposals affect more than two electoral wards, the impact is not expected to be significant.

Executive summary:

This report sets out the results of the 2026/27 Fair Funding Consultation and seeks approval for recommended changes to the Fair Funding Scheme of Delegation and recommended operation of the 2026/27 Fair Funding Formula.

Recommendations:

Cabinet is requested to:

- (1) Approve the recommended operation of the 2026/27 Fair Funding Formula and changes to the Fair Funding Scheme of Delegation, which are summarised in section 2 of the report.
- (2) Delegate authority to the Director of Children's and Education Services, following consultation with the Cabinet Member for Education and Skills, to:
 - a) make (subject to prior consultation with the Schools Forum) such minor and technical variations to the Fair Funding Scheme of Delegation as is deemed necessary; and

- b) make any necessary amendments to the final detail of these recommended changes, in order to comply with the School Finance (England) Regulations once full detail of the schools funding settlement has been published by the Department for Education for 2026/27. Any such changes will be made following discussion with the Schools Forum as appropriate.

List of Appendices included:

The following appendices are attached to the report:

Appendix 1 – Fair Funding Consultation 2026/27: Summary of Responses

Appendix 2 – De-delegation levels approved for 2025/26

Appendix 3 – Fair Funding Consultation 2026/27

Background papers:

None

Other useful documents

Draft Fair Funding Scheme of Delegation available on the Coventry City Council website:

[Fair Funding Scheme of Delegation - September 2025](#)

Has it or will it be considered by Scrutiny?

No

Has it or will it be considered by any other Council Committee, Advisory Panel or other body?

No

Will this report go to Council?

No

Report title: Outcomes of the Fair Funding Consultation 2026/27

1. Context (or background)

- 1.1 Under Section 48 of the School Standards and Framework Act 1998, Local Authorities (LAs) are required to have schemes of delegation which set out the financial controls and arrangements that will operate between maintained schools and the LA. Any proposed revisions to these schemes and/or the Fair Funding Formula (which impacts all mainstream schools) must be the subject of consultation and require approval by the Schools Forum.
- 1.2 The Department for Education (DfE) introduced its National Funding Formula (NFF) for LAs in 2018/19, whereby mainstream school allocations for LAs were determined under the NFF approach, but LAs retained a level of flexibility over how they choose to distribute that funding amongst their schools. In Coventry the decision since 2018/19 has been to mirror the NFF allocation for schools as far as possible (subject to overall affordability). In the future it is expected that local flexibility will be removed from LAs, and our approach will minimise funding volatility when this occurs.
- 1.3 In a standard funding cycle indicative NFF allocations and operational guides are published in July. Final NFF allocations are issued in December. This year LAs were informed that 2026/27 indicative NFF allocations would not be published in July and instead would be delayed until November. In recognition of this delay, to support schools and LAs with financial planning the DfE published a policy note in June. In this they confirmed there would not be any significant changes to the operation of the mainstream school NFF in 2026/27 compared to 2025/26.
- 1.4 The Coventry Fair Funding Consultation document was circulated on the 7th November to Head Teachers including Academy Head Teachers/Principals, Chairs of Governing Bodies, relevant Councillors, Trade Unions, Diocesan authorities, the Coventry Governors Association and members of the Schools Forum. The consultation period ended after 2 weeks on the 21st November.
- 1.5 Stakeholder groups were briefed throughout the consultation period. These included Primary Finance representative Head Teachers and the Schools Forum. The consultation document also seeks to act as an information document to school stakeholders regarding anticipated cost pressures.
- 1.6 **Context of the National Funding Formula**
 - 1.6.1 The National Funding Formula continues to be in a 'soft' phase. This means that the DfE will run the NFF for each individual school and the total of Coventry schools' allocations will become the total budget available for schools in Coventry. The LA is still required to go through the usual budget setting process and run the local schools funding formula for maintained schools and academies to distribute the resource. Our expectation is the DfE will eventually operate a direct NFF, through which it will allocate funding directly to mainstream schools without LA involvement. Timescales for this are unclear. In a recent letter sent to the Secretary of State for Education by the Leader, Cabinet Member for Education and Skills and Chair of the Coventry Schools Forum

regarding the financial challenges facing schools, it was highlighted that local decision-making flexibility adds value and should be maintained.

1.6.2 Mainstream schools are receiving two additional or supplementary grants in 2025/26 over and above their NFF allocations. These are:

- Schools Budget Support Grant (SBSG)
To support the cost of officers and teachers pay awards in 2025/26
- National Insurance Contributions (NICs) grant
To fund the increase in employer national insurance contributions from April 2025

The DfE have confirmed that from 2026/27 the above will be rolled into the NFF meaning they will no longer be received as separate grants. The SBSG will be annualised to reflect the fact that there was only a part year impact of the September 2025 teachers pay award in 2025/26. The annualisation of SBSG will result in additional funding in 2026/27 compared to 2025/26, however it is important to note that schools will have to fund the full year effect of the September 2025 pay award from this.

Excluding the rolling in of existing supplementary grants and the annualisation of SBSG, the indicative 2026/27 NFF factor values will increase by ca. 2.1% on average compared to 2025/26. The equivalent figure in 2025/26 was an increase of 0.5%.

1.6.3 It remains the case that the pure NFF (without any protection) delivers less resource for Coventry schools as there are still some schools in Coventry who are on the funding floor and are receiving protection funding. The DfE's policy note confirms that for 2026/27 the Minimum Funding Guarantee (MFG) which protects schools against significant year-on-year change in pupil led funding must be set between -0.5% & 0%. This is the same level as was prescribed in 2025/26. Alongside the MFG, LAs must also include a Minimum per Pupil Levels (MPPLs) protection mechanism in their formula which guarantees a minimum amount of funding for every pupil. It is not clear what protection arrangements will be in place after 2026/27 although we do not anticipate that the full protection would be immediately removed from 2027/28 as any significant reductions would be likely to have a detrimental impact on school financial sustainability. Any changes will be subject to further DfE announcements.

1.6.4 Further background and full details of the following proposals can be found in the Fair Funding Consultation 2026/27 which is included in this report at Appendix 3.

2. Options considered and recommended proposal

2.1. Fair Funding Formula Options

- 2.2. As a result of the continued application of the National Funding Formula (NFF), we consulted on a preferred option in relation to the application of the local schools funding formula:

Proposal Continue to mirror, as closely as possible, the allocations and protection arrangements set out in the NFF; meaning some schools will see their funding remain equal to 2025/26 per pupil funding levels plus the annualisation of the Schools Budget Support Grant (subject to affordability).

Under this option, all schools would see the funding they receive in 2026/27 stay at the level they received in 2025/26 on a per pupil basis (plus the annualisation of the Schools Budget Support Grant), with the majority of schools receiving an increase above 2025/26 funding levels as these schools would be on the NFF (i.e. above the floor).

Our ability to maintain funding at the 2025/26 level (set a 0% MFG) will depend on the level of change in overall eligibility for pupil led formula factors in the Oct-25 census data compared to the Oct-24 census data. This is because NFF allocations are received based on Oct-24 but the regulations require the LA to fund schools based on Oct-25.

- 2.3. The consultation document asked stakeholders whether they agreed with the proposal and to feedback any general comments. The consultation responses received were unanimously in favour of the recommended option. Please see Appendix 1 to the report for a summary of the responses.
- 2.4. Whilst schools support the LA's approach to distributing the funding received from the DfE they did comment that their budgets are under significant pressure, and the financial situation remains challenging. They also commented that funding received is based on the number of pupils on roll, and the financial protection mechanisms set by the DfE (MFG and MPPL's) are based on per pupil funding, rather than overall levels of funding. This means that for those schools with falling rolls, particularly across lower age groups, they are likely to see a reduction in overall funding for 2026/27. Other feedback received was in relation to SEND, and the challenges associated with an increasing number of children with EHCP's in mainstream schools.

2.5. De-delegated Services

- 2.6. Previous school funding reforms have required several former centrally held budgets to be delegated to schools through the NFF. Maintained schools then have the option to 'de-delegate' these amounts back to the LA, pooling this resource to allow continued delivery of a central service. The areas covered by Coventry's current de-delegation arrangements are listed below:
- administration of free school meals eligibility
 - staff costs or supply cover (includes statutory parental payments and trade union representation)
 - support for newly arrived learners where English is an Additional Language (EAL) – referred to as the New Arrivals Fund
- 2.7. De-delegation items must be approved by primary maintained members on Schools Forum. In 2025/26 primary maintained members opted to pool resources for all de-delegated services offered. The table within Appendix 2 shows these values approved for de-delegation.
- 2.8. The same de-delegation arrangements will be made available in 2026/27. Schools Forum will consider and vote on de-delegation arrangements at the January 2026 meeting.
- 2.9. The consultation document asked stakeholders whether they agreed with the proposal and to feedback any general comments. The consultation responses were unanimously in favour of de-delegating funding for these services. Please see Appendix 1 for a summary of the responses.

2.10. Fair Funding Scheme of Delegation

- 2.11. Section 48 of the School Standards and Framework Act 1998, and Schedule 14 to the Act set out that LAs should have a Scheme of Delegation. LAs are required to publish schemes for financing schools setting out the financial relationship between the LA and the schools they maintain.
- 2.12. In making any changes to their schemes, local authorities must consult all maintained schools in their area and receive the approval of the members of their Schools Forum representing maintained schools. Local authorities must follow ¹DfE statutory guidance when they revise their schemes, in consultation with the Schools Forum.
- 2.13. The proposed changes to the scheme for 2026/27 are detailed below.
- 2.14. **Section 2.5.3 (Virement Limits)** has been updated to show that the limit whereby budget virements require Governing Body Approval must not exceed £13,000. This limit was previously £10,000 and has not been updated since 2019. The increase of £3,000 mirrors inflation levels since 2019.

¹ [Schemes for financing local authority maintained schools](#)

2.15. **Section 2.10.3 (Procurement Directives)** has been updated to show the relevant regulations have been updated. This section in the previous Fair Funding Scheme of delegation read as follows:

European Procurement Directives 2014 and Public Contract Regulations 2015 require the City Council to operate a tendering process and appoint suppliers for those goods and services where the total value of the business places by the City Council exceeds a given amount. All parts of the City Council are obliged to use those suppliers, or comply independently with European Procurement Directives and Public Procurement Legislation. Failure to do so can jeopardise the City Council's eligibility for grant funding, incur challenges through court injunctions potentially leading to contracts being revoked with substantial fines and damages.

The proposed way forward is for this section to now read as follows:

The Procurement Act 2023 and associated Procurement Regulations 2024 require the City Council to operate a tendering process and appoint suppliers for those goods, services and works where the total value of the business placed by the City Council exceeds public sector thresholds. Additionally, the Council is required to adhere to the Health Care Services (Provider Selection Regime) Regulations 2023 with regards to the procurement of healthcare related services. All parts of the City Council are obliged to adhere to public sector legislation and the Council's internal Contract Procedure Rules, embedded within its Constitution. Failure to do so can jeopardise the City Council's eligibility for grant funding, incur challenges through court injunctions potentially leading to contracts being revoked with substantial fines and damages.

2.16. **Section 2.10.10 (Governing Body's Own Purchasing Arrangements)** has been updated to show how 5 written quotations must be sought (up from 3 written quotations received) and thresholds where procedures in the Procurement Act 2023 or Health Care Services Regulations 2023 must be followed has increased from £181,302 for goods & services and £4,551,413 for works to £214,904 & £5,372,609 respectively.

Previously this section read as follows:

Purchasing Procedure	Order Value
At the discretion of the Governing Body	Up to £10,000
At least 3 written quotations (where appropriate, a minimum of two should be local)	£10,001 to £50,000
Competitive Tendering process, which must be advertised. Minimum of 3 tenders received.	£50,001 to EU Thresholds*
Advert in OJEU and procedures defined in the Public Contract Regulations 2015.	EU Thresholds* & above

*2018 EU thresholds: £181,302 for Goods and Services; £4,551,413 for Works

The proposed way forward is for this section to now read as follows:

Purchasing Procedure	Order Value
At the discretion of the Governing Body	Up to £10,000
Seek at least 5 written quotations (where appropriate, a minimum of two should be local)	£10,001 to £50,000
Competitive Tendering process, which must be advertised. Minimum of 5 tenders sought.	£50,001 to threshold*
Advert in Central Digital Platform and procedures defined in the Procurement Act 2023 or Health Care Services (Providers Selection Regime) Regulations 2023.	Threshold* & above

*2025 thresholds: £214,904 (inclusive of VAT) for Goods and Services; £5,372,609 (inclusive of VAT) for Works. There are no thresholds in relation to the procurement of healthcare related services captured by the Provider Selection Regime, and as such, any such identified procurement must follow the processes set out by the legislation.

- 2.17. **Section 2.14.7 (Capital Spending from Budget Shares)** has been updated to show that where planning permission is not required for proposed works on premises owned by the City Council (including Voluntary Controlled Schools), the LA will require at least 4 week's notice prior to commencement.
- 2.18. **Section 4.9.6 (The Deficit Recovery Plan)** has been updated to include an extra example of when suspension of governing body financial delegation powers could be considered. This example is information is not provided within timescales set by the City Council.
- 2.19. **Section 6.2.8 (Circumstances in which charges may be made to the school budget share)** has been updated to remove the Board of Inland Revenue & include the Environment Agency as examples of bodies whereby penalties imposed can be recovered by charging the school budget share.
- 2.20. **Section 6.2.9 (Circumstances in which charges may be made to the school budget share)** has been updated to include the example of pension deductions as an error in calculating charges that can be corrected by charging the school budget share.
- 2.21. Previous years **Section 6.2.20 (Circumstances in which charges may be made to the school budget share)** has been removed as it is no longer included in the DfE guidance. Below is the section that has been removed:

Costs of successful claims made against the City Council under the Late Payment of Commercial Debts (Interest) Act 1998, where liability for that claim has arisen due to a school's failure to process invoices within the given credit period.

2.22. **Section 6.2.20 & 6.2.21 (Circumstances in which charges may be made to the school budget share)** have been added due to updated DfE guidance. These sections read as follows:

Costs incurred by the local authority in administering admissions appeals, where the local authority is the admissions authority and the funding for admission appeals has been delegated to all schools as part of their formula allocation.

The cost of an undisputed invoice for energy where a school has entered into an agreement with the Secretary of State for the supply of energy and failed to pay such an invoice (Regulation 23 of the regulations).

2.23. **Section 13.2 (Community Facilities – Consultation with the LA – Financial Aspects)** has been updated to show that schools no longer have to consult with the City Council when establishing community facilities. Previously, this section read as follows:

School governing bodies are required to consult the City Council before exercising their community facilities power, and have regard to advice given to them.

Before exercising community facilities power a business and financial plan approved by the full Governing Body should be submitted at least 12 weeks before the facility is due to begin. This plan should detail:

- the nature of the community facility
- the funding arrangements
- a detailed costing of how the project including income projections
- an explanation of how the project will comply with relevant Health and Safety and Child Protection legislation

The City Council will provide advice to the school governing body within 6 weeks of being consulted on the proposal. The school governing body are required to inform the City Council of the action taken following receipt of this advice before the commencement of the project.

The proposed way forward is for this section to read as follows:

Schools no longer need to consult the City Council when establishing community facilities under Section 27 of the Education Act 2002. Nor do they have to have regard to advice given to them by the City Council.

However, as public bodies, schools are expected to act reasonably, and this includes consulting those affected by decisions that they make.

2.24. The link to the consultation version of the Fair Funding Scheme of Delegation is:

[Fair Funding Scheme of Delegation - September 2025](#)

2.25. The fair funding consultation document asked stakeholders to feed back any general comments on the revised scheme. The responses were unanimously in favour of adopting the proposed changes. Please see Appendix 1 to the report for a summary of the responses.

2.26. When discussing the proposed changes, maintained schools asked for further clarity on some of the procurement aspects and implications. A response will be provided to schools in due course.

3. Results of consultation undertaken

3.1. The Fair Funding Consultation is annual. All LAs are required by the DfE to consult with all relevant stakeholders on the proposed operation of their local fair funding formula.

3.2. The consultation document was circulated on the 7th November 2025 to Head Teachers including Academy Head Teachers/Principals, Chairs of Governing Bodies, relevant Councillors, Trade Unions, Diocesan authorities, the Coventry Governors Association and members of the Schools Forum. The consultation period ended on the 21st November 2025.

3.3. In addition, stakeholder consultative groups were briefed. These include Primary Finance representative Head Teachers and the Schools Forum.

3.4. The result of the consultation is set out in Appendix 1 to the report and summarised under each proposal within section 2 of this report.

4. Timetable for implementing this decision

4.1. The Council is required to submit a proforma to the DfE by 21st January 2026 confirming how the Fair Funding Formula will operate in Coventry. Once the proforma is checked for compliance and approved by the DfE, the formula will be effective from April 2026 for maintained schools and September 2026 for academy schools.

4.2. De-delegation arrangements will be effective from April 2026.

4.3. Changes to the Fair Funding Scheme of Delegation will be effective from April 2026.

5. Comments from Director of Finance and Resources and Director of Law and Governance

5.1. Financial Implications on Schools

5.2. Schools will face significant cost pressures in 2026/27 resulting from general inflation and increased staffing costs which are likely to be higher than the funding increases announced, with some schools not seeing an increase to the funding they received in 2025/26 other than the annualisation of SBSG. At this stage there is no indication that there will be any supplementary grants to support with pay awards in 2026/27, therefore schools should be planning on that basis. It is therefore key that schools

continue to evaluate their financial positions, especially in these times of rising costs, to ensure they have sustainable budgets over the medium term and not have a reliance on the use of reserves. Where schools have concerns about this, they need to be scenario planning and managing vacancies sensibly so that they are able to take swift informed decisions to manage expenditure should these be necessary.

- 5.3. Mainstream schools will continue to be subject to MFG protection arrangements in 2026/27. The MFG seeks to protect schools against significant year-on-year change in per pupil led funding for the purposes of stability. The level of the MFG in 2026/27 will be set at 0%, subject to affordability as discussed in 2.2. In recent years there has been an affordability gap on the formula (for context this was £1.3M in 2025/26) and in this scenario we will reduce all school per pupil funding gains, on an equivalent % basis until the affordability gap is bridged. If there was still an affordability gap once all gains had been reduced to zero the MFG protection level would have to be set at a value lower than 0%. The MFG protection mechanism operates on a per pupil basis, therefore schools may see a funding reduction if they are experiencing falling pupil numbers.
- 5.4. Within the National Funding Formula (NFF) there is a level of protection being applied to school budgets compared with the pure NFF allocations. It is not clear what protection arrangements will be in place for schools after 2026/27 as these will be subject to future announcements. We do not anticipate that the full protection will be immediately removed, but schools must be made aware of the level of protection included within their funding allocations, so that they can begin to scenario plan and manage vacancies so that they are prepared to take swift informed decisions should the level of protection reduce in 2027/28 or beyond.
- 5.5. Financial implications on the LA
- 5.6. De-delegation arrangements are reviewed and approved by the Schools Forum on an annual basis. Should schools choose not to de-delegate this funding the LA would need to look at how it would exit from the service delivery and there may be some costs associated with this.
- 5.7. The financial climate over recent years has resulted in additional cost pressures on schools. The high levels of general inflation, high levels of pay inflation and small increases to school funding levels means that school budgets will continue to be under pressure.
- 5.8. This could result in a number of schools needing to carry out restructures and make potential staffing redundancies, which could create a financial pressure for the LA, as in some circumstances we are required to fund these costs for maintained schools. Work to mitigate this is continually discharged through the LAs Schools Finance function, working with schools on scenario planning and vacancy management in order to reduce the likelihood that redundancies are required. Although given the potential level of cost increase that may materialise, some of these costs may be unavoidable.

5.9. Legal Implications

- 5.10. S48 (1) of the School Standards and Framework Act 1998 requires Local Authorities (LAs) to maintain and publish schemes connected with the financing of maintained schools. The Council must adhere to the School and Early Years Finance (England) Regulations 2025 and take into account the DfE Schools Operational Guide 2025/26.
- 5.11. The LA is required to consult the governing body and head teacher of every school maintained by the authority and to submit the proposals for approval to the Schools Forum.
- 5.12. Public authority decision makers are under a duty to have due regard to 1) the need to eliminate discrimination: 2) advance equality of opportunity between people who share a protected characteristic and those who do not: 3) foster good relations between persons who share a relevant protected characteristic and people who do not (public sector equality duty - s 149(1) Equality Act 2010). The applicable protected characteristics are disability, gender reassignment; race, religion or belief, sex; sexual orientation, pregnancy or maternity.
- 5.13. Decision makers must be consciously thinking about these three aims as part of their decision-making process with rigour and with an open mind. The duty is to have “due regard”, not to achieve a result but to have due regard to the need to achieve these goals. Consideration being given to the potential adverse impacts and the measures needed to minimise any discriminatory effects.

6. **Other implications**

6.1. **How will this contribute to the One Coventry Plan?**

<https://www.coventry.gov.uk/strategies-plans-policies/one-coventry-plan>

A clear and transparent method of allocating funding to schools across Coventry is a key enabler, which supports them to improve the lives of those who are educated here.

It is important to ensure that the financial relationship between the Council and the schools it maintains is clear and transparent, and this is set out in the Fair Funding Scheme of Delegation.

6.2. **How is risk being managed?**

The consultation document is sent to all relevant stakeholders within Coventry.

The Council has a statutory responsibility to ensure maintained schools can balance their budget, and the Department for Education (DfE) has a statutory responsibility to ensure academies are setting balanced budgets. The Council also has a moral obligation to support all Coventry's children and young people.

Any potential school deficit or long-term sustainability issues will be reported back to the Council as early as possible to ensure plans are put in place to achieve a balanced

budget. This will include liaising with the DfE where the school is an academy, and the problem is brought to our attention.

The updated Fair Funding Scheme of Delegation will enable Schools and Council officers to clearly understand and uphold the financial responsibilities of each organisation.

6.3. What is the impact on the organisation?

If there is a requirement for maintained schools to restructure, then full consultation will be undertaken with both Coventry City Council staff and the trade unions in accordance with Council policies.

6.4. Equalities / EIA?

The proposals in this report are designed to be compliant with DfE statutory guidance.

The DfE carried out an Equality Impact Assessment on the significant changes caused by the introduction of the National Funding Formula. The details of this EIA can be obtained via the link below:

[National Funding Formula for Schools: Equalities Impact Assessment](#)

The DfE has also carried out an Equality Impact Assessment specifically on the changes to their funding formula for 2026/27. Details of this EIA can be found in Annex B obtained via the link below:

[2026/27 National Funding Formula: Equalities Impact Assessment](#)

Overall, the DfE expects the impact of the increases to the 2026/27 schools NFF factor values to be positive, in comparison with the 2025/26 NFF. Additional needs factors in the NFF are increasing by a higher percentage in 2026/27 than in 2025/26, which will tend to have a positive impact on pupils with disabilities, whilst the funding floor remains at the same level as in 2025/26

6.5. Implications for (or impact on) climate change and the environment?

There is no impact on climate change and the environment as a result of this report.

6.6. Implications for partner organisations?

There are no implications for partner organisations, other than schools.

Report author(s):

Sarah Kinsell
Finance Manager – Children’s & Education Services

Service Area:

Financial Management

Tel and email contact:

Tel: 024 7697 6885

Email: Sarah.Kinsell@coventry.gov.uk

Enquiries should be directed to the above person

Contributor/approver name	Title	Service Area	Date doc sent out	Date response received or approved
Contributors:				
Suzanne Bennett	Governance Services Coordinator	Law and Governance	28/11/25	01/12/25
Paul Hammond	Lead Accountant	Financial Management	28/11/25	28/11/25
Names of approvers for submission: (officers and members)				
Finance: Barry Hastie	Director of Finance and Resources	Financial Management	28/11/25	05/12/25
Legal: Oluremi Aremu	Head of Legal & Procurement Services	Law and Governance	28/11/25	05/12/25
Director: Sukriti Sen	Director of Children’s and Education Services	-	28/11/25	05/12/25
Members: Cllr. Dr Kindy Sandhu	Cabinet Member for Education and Skills	-	28/11/25	30/11/25

This report is published on the council's website: www.coventry.gov.uk/meetings