

# **Fair Funding Consultation 2026/27**

DOCUMENTS ENCLOSED: Consultation on Proposed Changes to the Fair Funding Formula and Scheme of Delegation (including a Response Form)

# Consultation on Proposed Changes to the Coventry Fair Funding Formula and Fair Funding Scheme of Delegation

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## 1 Purpose of Consultation

- 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 the financial controls and arrangements that will operate between schools, nursery providers, and the LA.
- 1.2 Any proposed revisions to these schemes and/or the Fair Funding Formula<sup>1</sup> must be the subject of consultation and require approval by the Schools Forum.
- 1.3 **The purpose of this document is to seek your views on proposed changes to the Fair Funding Scheme of Delegation and the Fair Funding Formula from April 2026. It also provides information in relation to funding changes and / or issues affecting funding in 2026/27.**
- 1.4 After the consultation period, the Director of Finance and the Director of Children's and Education Services will make recommendations to Cabinet in January 2026 and the LA will submit the Authority Pro-forma Tool to the DfE later that month.
- 1.5 It is important that you respond to the Consultation, as responses are taken into consideration in the report to Cabinet and Schools Forum.
- 1.6 A summary of responses will be made available to Cabinet Members, and all relevant stakeholders.
- 1.7 **The closing date for responses to the consultation is Friday 21<sup>st</sup> November 2025.** It will not be possible to take account of responses after this date. Please send responses to [lisa.thomas@coventry.gov.uk](mailto:lisa.thomas@coventry.gov.uk)
- 1.8 If you have any queries regarding the proposals, please contact Paul Hammond (Lead Accountant) on 024 7697 2635 or email [Paul.Hammond@coventry.gov.uk](mailto:Paul.Hammond@coventry.gov.uk).

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<sup>1</sup> The Fair Funding Formula is used to fund maintained schools, and calculate DSG recoupment from LA for academies. The DfE mirror the LA Funding formula to fund academies.

## **2 Executive Summary**

### **2.1 Background**

2.1.1 In June, the Department of Education (DFE) published a summary policy document for schools National Funding Formula (NFF) 2026/27 to confirm that the 2026/27 schools NFF will use the same factors as the 2025/26 NFF. According to the Department, the NFF allocation will be published in late November.

2.1.2 The Schools Budget Support Grant (SBSG) and the National Insurance Contributions (NICs) grant will be rolled into the 2026/27 NFF. This means these grants will no longer be separate grants for mainstream schools in 2026/27.

2.1.3 The table below identifies which proposals within this consultation could potentially have a direct effect on each sector from the start of the 2026/27 financial year.

<b>Proposal</b>	<b>Nursery</b>	<b>Primary</b>	<b>Secondary</b>	<b>Special</b>	<b>FE</b>
1	No	Yes	Yes	No	No
2	No	Yes	No	No	No
3	No	Yes	No	Yes	No

Please note proposal 3 relates to Hillfields Nursery School but no other early years provider.

### **2.2 Brief Description of Proposals**

#### **2.2.1 Proposal 1: Fair Funding Formula options**

This proposal recommends that Coventry continues to use the local funding formula in 2026/27 to mirror the National Funding Formula as closely as possible.

This proposal in Section 5 requests that schools feedback general comments.

#### **2.2.2 Proposal 2: De-Delegated services**

De-delegated services must be approved annually. We will be seeking approval at Schools Forum in January 2026 in relation to 2026/27 de-delegated services. This proposal in Section 6 sets out the information we will be sharing with the Schools Forum.

#### **2.2.3 Proposal 3: Fair Funding Scheme of Delegation changes**

Section 7 covers the changes that are being made to the Fair Funding Scheme of Delegation to reflect updated national and local policies.

### 2.3 Consultation Response

Please respond to this consultation using the consultation response form that you will find at [appendix A](#). This should be returned electronically as per the instructions on the response form.

### **3 Dedicated Schools Grant (DSG) Budget Implications**

#### **3.1 Context**

3.1.1 This section is to provide early, high-level information to schools and other stakeholders on the emerging issues that will affect budget levels and financial positions in 2026/27 and beyond. Due to the nature of national policy development and the timing of published information & allocations, this will progress further as we work on the DSG budget setting process between now and March 2026. Stakeholders should refer to Schools Forum papers, and relevant head teacher briefings, for further developments during that time.

#### **3.2 Cost Pressures**

##### **Pay Inflation**

3.2.1 The officers' pay award from April 2025 was an increase of 3.2%. Current assumptions are that there will be an additional 3% increase from April 2026.

3.2.2 The teachers pay award for September 2025 was an increase of 4% across all pay points and allowances. Current assumptions are that there will be an additional 3% increase across the pay bands from September 2026. The Secretary of State for Education has requested a recommendation from the School Teachers Review Body (STRB) by February 2026 on teachers pay awards for September 2026 and September 2027.

3.2.3 The National Insurance Contribution (NICs) grant which supported the change in employer National Insurance (NI) contributions from April 2025 will be rolled in the Schools NFF for 2026/27.

3.2.4 The Schools Budget Support Grant which supported schools with increased costs in 2025/26, including officers' pay award and teachers pay award will be rolled into the Schools NFF for 2026/27.

##### **Pensions**

3.2.5 The Local Authority employer superannuation contribution rate for officers in the Local Government Pension Scheme (LGPS) is 21.2% in 2025/26. This is the final year of a 3-year valuation cycle, and we are therefore expecting a rate change from April 2026. We have not had confirmation on what the rate will be, however we are expecting a rate reduction. The final employer superannuation contribution rate will be communicated in due course.

- 3.2.6 Changes to non-teaching staff employer pension contributions for academies and free schools will be dependent on the schemes employees are in, and their own scheme review date.
- 3.2.7 The employer superannuation contribution rate for teachers in the Teachers' Pension Scheme (TPS) is 28.6% from April 2024. We do not have any information regarding changes to this during 2026/27.

### **Price Inflation**

- 3.2.8 The largest part of a school's expenditure is staffing, so changes within that area of expenditure are by far the most significant, however the general inflation level will also affect other areas of expenditure within schools. For your information please note that the Consumer Price Index (CPI) inflation measure is currently running at 4.1%.
- 3.2.9 Please also note that any increases to officers' pay, teachers pay, energy inflation and general inflation (detailed above) will also affect other providers and services; this is likely to result in higher fees for these services.

## **4 Schools Block National Funding Formula**

*The below is a high-level summary of the impact of the National Funding Formula on Coventry's Dedicated Schools Grant allocation, including changes for 2026/27 and an indication of how this may impact on schools.*

### **4.1 The Schools Block National Funding Formula**

- 4.1.1 The school and education system is funded from the Dedicated Schools Grant (DSG), which is a ring-fenced grant. In 2025/26 the total amount of grant for Coventry is £475M, and this is spent across 4 areas/blocks: Early Years, Schools, Central Schools Services and High Needs (including special school provision). The majority of this resource funds provision (including all schools) for children and young people across the city.
- 4.1.2 From April 2018 the Government introduced a new "National Funding Formula" (NFF) for school funding which set nationwide funding formula values and determined the overall level of Schools Block funding for each Local Authority.
- 4.1.3 The government's stated intention behind the NFF is to "introduce a funding formula that addresses the long-standing inequalities in school funding that have existed for many years". Under the NFF, 18 out of 107 mainstream schools in Coventry were on the NFF funding floor in 2025/26.
- 4.1.4 At the time of publication, the DfE have not published Schools Block NFF factor values therefore we have no further information on funding levels for schools in 2026/27.
- 4.1.5 Since 2018/19, in consultation with schools, Coventry has taken the decision to mirror the NFF as closely as possible.

### **4.2 The NFF in Coventry**

- 4.2.1 The NFF is currently in a 'soft' phase, meaning that the DFE will run the NFF for each school, and then the total of the Coventry schools' allocations will become the Schools Block DSG allocation for Coventry to use in its own formula. We then need to go through the usual budget setting process and decide the local funding formula and minimum funding guarantee (MFG) arrangements that we will use to calculate budget shares for Coventry schools.
- 4.2.2 Whilst most of the Schools Block funding is based on the NFF factors, funding for premises factors (i.e. Rates) is based on historic allocations. The extent to which our premises costs in 2026/27 are higher or lower than the allocation we receive, will

impact on the affordability of the formula - i.e. whether we are able to afford the maximum MFG funding floor.

- 4.2.3 The October 2025 census will inform the level of funding we are required to distribute for 2026/27 and we will therefore not be able to fully understand the financial implications and affordability of Coventry's funding formula until we have the finalised October 2025 census data and received the final Schools Block DSG settlement in December 2025.
- 4.2.4 The pupil led factors within the City Council's 2026/27 funding will be based on the October 2024 census, however, the City Council must pay out funding to schools based on the October 2025 census. This can result in the City Council having to pay out to schools more than it receives from the DfE via the NFF.
- 4.2.5 We will be working with the Schools Forum, in consultation with Headteacher Partnerships, to understand financial implications and to implement the appropriate formula changes to deliver school funding allocations for 2026/27.

## 5 **Proposal 1 – Fair Funding Formula options**

This proposal recommends that Coventry continues to use the local funding formula in 2026/27 to mirror the National Funding Formula protection levels as closely as possible.

### 5.1 Background

- 5.1.1 Despite the National Funding Formula announcements and shadow school allocations published by the Department for Education (DFE), the LA is still required to operate its local funding formula within a strict legal framework which does not allow the flexibility to simply allocate funding to schools at the NFF level.
- 5.1.2 However, since 2018/19, in consultation with schools, Coventry has taken the decision to mirror the NFF as closely as possible.
- 5.1.3 As set out in section 4.2 the LA retains flexibility in how it sets the school funding formula and could choose to move away from mirroring the NFF protection levels, instead protecting all schools with a blanket protection %.
- 5.1.4 It has been the consensus to mirror the NFF during the past eight years, therefore we have again decided to put only one 2026/27 formula approach forwards for consultation, and we welcome your views on this proposal.

### 5.2 Proposed Option: Continue to mirror the National Funding Formula (NFF) protection levels as closely as possible (subject to affordability).

- 5.2.1 This would mean all schools would receive the higher of their NFF increase or the Minimum Funding Guarantee protection level. This is subject to overall Schools Block affordability.
- 5.2.2 Should it not be affordable to deliver this option in full (see 4.2.2 – 4.2.4 for context) we will reduce all school per pupil funding gains, on an equivalent % basis until the affordability gap is bridged.
- 5.2.3 Should there still be an affordability gap after capping gains, we would then have to reduce allocations of those schools who have not gained via the NFF. The reduction would not fall below the minimum funding protection level set by DfE.

### 5.3 Consultation

*Please indicate whether you agree with this proposal and feedback any general comments you may have on this proposal.  
(Please respond on the Consultation Response Form - [Appendix A](#))*

## 6 Proposal 2 – De-delegated Services

*Funding for some centrally provided services must be allocated direct to schools through the formula but can then be returned to the LA by maintained schools via local de-delegation agreement. This Proposal highlights that the de-delegation decision will need to be agreed by Schools Forum.*

### 6.1 Background

- 6.1.1 The budgets for a number of centrally provided services have to be delegated to schools through the funding formula but can be de-delegated for maintained schools. This means that maintained schools can choose to pool resources to continue delivery of a service. Academies are not able to opt into de-delegation but can choose to buy back into the services if offered.
- 6.1.2 In 2025/26 Primary maintained schools opted to pool resources for all of the de-delegated services offered by the LA.

### 6.2 Proposed way forward

- 6.2.1 The pooling arrangements must be approved by Primary representatives within the School Forum.
- 6.2.2 We will be seeking approval from the School Forum in January in relation to de-delegated services. The table below shows the values approved for de-delegation in 2025/26. (These figures are subject to in-year change, where LA maintained schools convert to academies). There are no longer any maintained secondary schools within Coventry therefore de-delegation decisions will only be taken by maintained primary school representatives.

<b>2025/26 De-delegated Amounts</b>	
	<b>Primary</b>
Free School Meal eligibility	12,619
Statutory Parental Payments	634,125
Trade Union facility	76,812
EMAS (new arrivals fund)	170,150
<b>Total</b>	<b>893,706</b>

### 6.3 Consultation

*Please feedback general comments on de-delegated services. We will report the overall response at the Schools Forum (SF) meeting. Schools can also make representation to their SF representative.*

*(Please respond on the Consultation Response Form - [Appendix A](#))*

## 7 **Proposal 3: Fair Funding Scheme of Delegation changes**

*This section covers changes that are being made to the Fair Funding Scheme of delegation to reflect updated national and local policies.*

### 7.1 Background

- 7.1.1 Section 48 of the School Standards and Framework Act 1998, and Schedule 14 to the Act set out that Local Authorities should have a Scheme of Delegation.
- 7.1.2 Local authorities are required to publish schemes for financing schools setting out the financial relationship between them and the schools they maintain.
- 7.1.3 In making any changes to their schemes, local authorities must consult all schools in their area and receive the approval of the members of their schools forum representing maintained schools. Local authorities must take this guidance into account when they revise their schemes, in consultation with the schools forum.
- 7.1.4 The link to the draft consultation version of Fair Funding Scheme of Delegation is available at

<https://www.coventry.gov.uk/downloads/file/45972/fair-funding-scheme-of-delegation-september-2025>

### 7.2 Proposed way forward

- 7.2.1 **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.
- 7.2.2 **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 amounts. 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.*

**7.2.3 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.

7.2.4 **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.

7.2.5 **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.*

7.2.6 **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

7.2.7 **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

7.2.8 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.*

**7.2.9 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).*

**7.2.10 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 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.*

### 7.3 Consultation

*Please feedback any general comments on the Fair Funding Scheme of Delegation. Please respond on the Consultation Response Form - [Appendix A](#)*

## Response Form

# Consultation on Proposed Changes to the Fair Funding Scheme of Delegation and Formula 2026/27

Name of Respondent: .....

Name of setting: .....

Position: .....

Responding as (please ✓ the box)

Group

Individual

**Stakeholder Group:** (please ✓ the box)

<input type="checkbox"/>	Trade Union Representatives
<input type="checkbox"/>	Diocesan Church Authorities
<input type="checkbox"/>	Governors Associations
<input type="checkbox"/>	Head Teachers
<input type="checkbox"/>	Chairs of Governors/Governing Body
<input type="checkbox"/>	Schools Forum
<input type="checkbox"/>	Councillor

*PLEASE RETURN BY 21<sup>st</sup> November 2025 to:*

E-mail: [lisa.thomas@coventry.gov.uk](mailto:lisa.thomas@coventry.gov.uk)

## **Proposal 1 Response**

### **Fair Funding Formula options**

(for further information see the Fair Funding Consultation, [section 5](#))

*This proposal recommends that Coventry continues to use the local funding formula in 2026/27 to mirror the National Funding Formula protection levels as closely as possible.*

*Please indicate whether you agree with this proposal and feedback any general comments you may have on this proposal.*

**Please indicate whether you Agree or Disagree with this proposal**

**Agree**

**Disagree**

### **Proposal 1: Comments**

## **Proposal 2 Response**

### **De-delegated Services**

(for further information see the Fair Funding Consultation, [section 6](#))

*Funding for some centrally provided services must be allocated direct to schools through the formula but can then be returned to the LA by maintained schools via local de-delegation agreement. This proposal highlights the de-delegation decision that will need to be agreed by Schools Forum.*

*Please feedback general comments on de-delegated services. We will report the overall response at the Schools Forum meeting.*

### **Proposal 2: Comments**

## **Proposal 3 Response**

### **Fair Funding Scheme of Delegation**

(for further information see the Fair Funding Consultation, [section 7](#))

*This section covers the changes that is being made to the Fair Funding Scheme of delegation to reflect updated national and local policies.*

*Please feedback any general comments on the Fair Funding Scheme of Delegation.*

### **Fair Funding Scheme of Delegation changes: Comments**

**Other General Comments:**

**Fair Funding Consultation 2026/27: Comments**

### **Circulation List**

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