

**To: Head teachers of all Lincolnshire maintained Nursery, Primary, Secondary and Special schools. Academy schools for information.**

27 February 2026

Dear Colleague

### **SCHOOL BUDGET INFORMATION 2026/27**

This letter, and the associated documents that have been published are intended to provide the information that schools need to produce their budgets for 2026/27.

School budget shares information for 2026/27 is held on Lincolnshire County Council's external website at [School finances – School budget shares - Lincolnshire County Council](#)

Further information is available for maintained schools on budget preparation material (including budget preparation notes; budget setting for schools – best practice; budget setting guidance for school governors; guidance documents on how to use the on-line budget setting tool; medium term finance plan funding documents; salary scales and buyback information). This information is available in Perspective Lite under Schools Finance Team > Budget Setting > 2026-27

#### Mainstream Schools Funding

The Government implemented the National Funding Formula (NFF) in 2018/19 for mainstream schools to ensure a fairer settlement for each mainstream school. Since its introduction, Councils have continued to be responsible for agreeing and calculating schools funding allocations.

In 2020/21, the Government made available sufficient funding to LAs to replicate the NFF so that all schools would attract at least their full allocations under the formula. In 2021/22, the Government made further refinement to the NFF, which the Council consulted with the sector on to continue adopting the NFF (I021123). The Council has continued to adopt the NFF in the development of the Council's mainstream schools funding. Lincolnshire is one of 123 mirroring<sup>1</sup> the NFF in 2025/26.

The Department for Education (DfE) funding framework will continue to progressively tighten the rules governing flexibilities over school funding by requiring Councils to move their local formula factor values closer by at least a further 10% to the NFF in 2026/27, where they are not mirroring the NFF. For the purposes of the DfE's tightening criteria to move all Councils to the direct NFF (DfE direction of travel), local factor values within 2.5% of the respective NFF values are deemed to be mirroring the NFF, this means that Councils such as Lincolnshire can establish their NFF values anywhere within the +/- 2.5% range. These arrangements continue to operate in 2026/27.

On 17 December 2025, the DfE published LAs allocations through the Dedicated Schools Grant (DSG) for schools, early years, high need and central schools services for 2026/27. Overall, core schools funding has increased by £1.7bn (or 2.6%) in 2026/27 compared to 2025/26, bringing total core

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<sup>1</sup> Formula Factor values within 2.5% of the respective NFF values are deemed to be 'mirroring' the NFF.

schools funding to £67.0bn in 2026/27. This is expected to rise to £68.4bn (or 2.1%) in 2027/28 and £69.5bn (or 1.6%) in 2028/29. Of the £67.0bn in 2026/27, £50.9bn is funding for mainstream schools.

Councils Schools block allocations used to fund mainstream schools budgets are calculated by aggregating schools' notional allocations under the NFF. Table 1 below outlines Lincolnshire's schools overall funding level for 2026/27 through the notional NFF compared to other Councils.

Table 1: Council aggregated schools' notional allocations under the NFF:

<b>2025/26</b>	Lincolnshire's Unit of Funding	England National Average	Difference	Rank
Primary	£5,716	£5,704	£12	105
Secondary	£7,101	£7,450	-£349	54
<b>2026/27</b>				
Primary	£6,039	£6,007	£32	104
Secondary	£7,440	£7,820	-£380	51
<b>Difference</b>				
Primary	£323	£303	£20	-1
Secondary	£339	£370	-£31	-3

The primary and secondary ranked positions for Lincolnshire continue to remain fairly static from a national context for 2026/27. The primary unit of funding continues to be above the England national average. The secondary unit of funding remains below the England national average, as a result of the indices being used.

The fundamental principles of the Government's NFF are not changing for 2026/27. The Council approved the continued application of the NFF, including the 2026/27 measures to address the affordability issue (I038008), before the application of the 0.5% Schools block transfer to the High Needs block to support high needs initiatives.

The main reason that causes Schools block affordability challenges relates to the Government's application of lagged funding arrangements for Councils Schools block funding for pupil-led factors (i.e. the DfE uses the October 2024 schools census). The Council is required to fund mainstream schools 2026/27 budgets using the latest schools census (October 2025).

The October 2025 schools census which is used for 2026/27 mainstream schools budgets has seen a proportionate increase in the growth of both FSMs and FSMs Ever 6 and higher proportions of pupils meeting the primary level low prior attainment threshold. This is also compounded by lower pupil numbers in the primary sector through the Council's aggregated Schools block funding allocation, which attracts both pupil-led proxy funding and school-led funding, reducing the funded baseline.

The affordability gap shortfall is £3.315m to adopt the NFF in its entirety including a +0.0% Minimum Funding Guarantee before the application of the 0.5% Schools block transfer to the High Needs block. The Council is unable to set an affordable formula. Following the consultation with mainstream schools and the Schools' Forum at the meeting held in November 2025, members of the Forum and school respondents, agreed to adopt the same principles as adopted in prior years:

1. To reduce the Schools Growth / Falling Roll funding budget within the Schools block from £2.140m (funded by central Government through a formulaic allocation using prior school level growth data) to £1.319m, which aligns to current commitments, and the remaining £0.821m supporting the NFF.

- The remaining shortfall of £2.494m has been addressed through a downward adjustment of -0.6120% of the Key Stage Age Weighted Pupil Unit (AWPU) values from the Government's NFF rates in 2026/27.

The Executive Councillor decision was made on the 12 February 2026.

Lincolnshire Schools' Forum approved the 0.5% Schools block transfer to the High Needs block in 2026/27 following a consultation with mainstream schools. The £3.234m transfer has been funded through a further downward adjustment of -0.8265% of the Key Stage Age Weighted Pupil Unit (AWPU) values resulting in an overall downward adjustment of -1.4385%, below the Government 2026/27 NFF values when adopting the NFF for 2026/27, which is illustrated in Table 2. Local factor values within the +/- 2.5% of the respective NFF values are deemed to be mirroring the NFF.

Table 2: AWPU Values for 2026/27:

Sector	Government NFF rate (AWPU)	Monetary Change AWPU reduction	Revised AWPU rate	Monetary change 0.5% block transfer	Lincolnshire Proposed Rate (AWPU)	Overall AWPU Monetary Reduction
Primary	£4,064	-£24.87	£4,039.13	-£33.59	£4,005.54	-£58.46
Key Stage 3	£5,686	-£34.80	£5,651.20	-£46.99	£5,604.21	-£81.79
Key Stage 4	£6,410	-£39.23	£6,370.77	-£52.98	£6,317.79	-£92.21

The key updates of the NFF for 2026/27 are outlined within appendix 1: section Mainstream Schools National Funding Formula.

#### Dedicated School Grant funding

The Dedicated School Grant (DSG) comprises of four blocks: Schools block; Early Years block; High Needs block, and Central School Services block (CSSB), each of these blocks have been determined by a separate NFF. The DSG remains a ring-fenced grant that can only be used in accordance with the School's and Early Years Finance (England) Regulations.

The Government announced a cash-flat settlement for 2026/27 for the Council's High Needs block allocation, which is disappointing with the current forecasted overspend locally (c.£30m in 2025/26) leading to a structural DSG deficit for the first time, and this is even allowing for a local focus on early intervention services and transformation. The latest CCN analysis for SEND reported that the scale of DSG deficits is estimated to rise to £6.6bn by the end of March 2026. The National Audit Office (NAO) has reported concerns with value for money of high needs spending since outcomes for children and young people have not improved proportionally with the increased funding levels. In 2026/27, the total amount of high needs funding is £12.2bn, of which £12.0bn is allocated directly to Councils.

The Government has outlined its commitment to supporting Councils with their DSG deficits, as it plans to transition to a reformed SEND system, which will include addressing 90% of historic deficits up to the end of 2025/26. This High Needs Stability Grant will be paid in Autumn 2026, subject to each Council submitting and securing the DfE's approval of a local SEND reform plan.

Forecast overspends will continue in 2026/27 and 2027/28 covering the period of the Statutory Override (2027/28), caused by the structural in-year spending deficit and forecast demand for SEND support continuing to outstrip the funding available caused by the significant growth in demand for young people requiring specialist support, including whereby mainstream schools are unable to meet

need, and meeting the education needs for pupils through alternative provision arrangements following permanent exclusions.

This override prevents Council's from offsetting DSG deficits caused by high needs spending against their general Council funds, and will impact the overall financial position of the Council with increased debt. The Government has outlined a continuing commitment of appropriate and proportionate support to high needs deficits, though it will not be unlimited and the expectation is Councils continue to manage their system effectively locally, ensuring the money is being spent in line with best practice and appropriate high-quality support is provided. Government advisers will be engaging with Councils throughout this period.

Once the Statutory Override ends at the end of 2027/28, the Government has outlined that funding will be managed within the overall central Government Departmental Expenditure Limit envelope.

The national reforms published this week on the Schools White Paper<sup>2</sup> and SEND reform consultation<sup>3</sup>: putting children and young people first are the key vehicles for the Government in delivering a sustainable SEND system. The Government plans to support early intervention and more flexible support, with settings receiving more funding upfront including £1.6bn over the next three years for mainstream reforms. In addition, £1.8bn over three years in providing additional support services. Local officers will continue to work through these reforms and intend to provide an update to the April 2026 Schools' Forum meeting.

In Lincolnshire, transformational work is still considered fundamental to securing further improved outcomes for young people with SEND through a truly integrated approach, whilst also securing an offer for Lincolnshire that is financially sustainable. The Schools block transfer to the High Needs block in 2026/27 is to provide continued investment in high needs initiatives to alleviate the scale of the deficit caused by the high needs spending, which includes SEND workforce development; pupil re-integration capacity and funding to schools; Behaviour support; Inclusion Quality and Effective team and revenue support to new mainstream SEND Hubs to strengthen the Council's mainstream SEND offer.

Lincolnshire's Inclusive Ambition which incorporates a system ambition aims to ensure that the majority of children with SEND can fulfil their potential in mainstream settings where practitioners are clear how to meet their needs and the right support is available to do so at an early stage. The Better Belongings SEND and AP Sufficiency Strategy, approved by the Council Executive in November 2025 is underpinned by the principle of Better Belonging - where every child should feel respected, included, and optimistic about their future, supported to learn and grow within their local community. This is being supported through DfE capital funding.

It therefore remains important that the Council working with schools and other key stakeholders support the transition to a reformed SEND system, including local transformation to secure improved value for money and a financially sustainable solution for Lincolnshire's high needs spending and the taxpayer. Difficult decisions are however required going forward on all aspects of High Needs spending ensuring the Council continue to meet the expectations and requirements of the Government's financial support to high needs deficits. A review has commenced on a revision to the existing special schools funding formula to support more higher needs of children locally, reducing the need to place in high cost independent specialist placements, including a simplification of the funding arrangements to support improved financial management and planning and stability in funding to meet changing needs flexibly.

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<sup>2</sup> [Every child achieving and thriving - GOV.UK](#)

<sup>3</sup> [SEND reform: putting children and young people first - GOV.UK](#)

The Council is also reviewing its mainstream SEND targeted funding arrangements. Councils can provide targeted funding from its High Needs block to schools in exceptional circumstances. This funding supplements the school's notional SEN budget as calculated under the local funding formula - notional SEN budget provides the schools sector in 2026/27 on average £3,868<sup>4</sup> per pupil identified as on SEN support having deducted £6,000 per pupil whom the school receives top up funding for. Councils are required to carefully consider the criteria for allocating such supplementary targeted funding and considerations can be made whereby there is a disproportionate number of pupils with SEN in relation to its size, phase and characteristics.

Lincolnshire has a targeted funding approach (local decision) in the High Needs block to support inclusive practice, thereby supporting schools with a higher number of EHC plans. Targeted funding is currently automatically triggered when a school's notional funding EHC requirements exceed the value that is equivalent to 30% of the Notional SEN in their delegated budget. Analysis previously reported in the Mainstream Schools Funding 2025/26 – Notional SEN consultation showed Lincolnshire to be in the top decile of per capita spending and gross expenditure when providing a targeted SEN approach. Lincolnshire is adopting the Government's NFF, therefore there is no justification why Lincolnshire should be in this position compared to other Councils when providing targeted funding. The percentage of schools in receipt of targeted funding is 53% with forecast spending of over £5m in 2025/26, therefore this is no longer exceptional, as per the DfE expectations of such a funding mechanism. The local approach was designed to ensure that schools are not being financially disadvantaged by having a disproportionate number of pupils with more complex needs, therefore it is important this is reviewed.

Over the coming months, officers will review the current approach and will engage with schools and key stakeholders on the outcomes of this and any future proposals of targeted funding arrangements. It remains important to ensure funding deployed through the exceptional circumstances criteria supports schools with a disproportionate number of pupils with SEN in relation to its size, phase and characteristics to support inclusive practice.

Please note that no decisions have been made at this stage, however, for budget setting purposes, schools should be prudent and not assume the current methodology will continue past 2026/27. Schools are therefore advised to budget using the indicative 2026/27 figures only, and not to plan for any future years targeted funding. Should changes take place, protection funding will be applied to support schools in a planned way.

### Early Years funding

The DfE announced that in 2026/27 they expect to spend over £9.5bn on the early years entitlements, which equate to over a £1bn increase compared to 2025/26 due to the full rollout of entitlement.

Further information on the 2026/27 early years funding is outlined within appendix 1: section Early Years National Funding Formula.

### Special Schools funding

A review of the existing special schools funding formula is taking place for 2026/27, building upon the core components of the existing funding formula. Key objectives of the review include:

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<sup>4</sup> The DfE requires the total notional SEN budget provides schools with at least £1,800 per pupil identified as on SEN support, having deducted £6,000 per pupil for whom the school receives top-up funding (normally those with an EHC plan).

- Simplification of the funding arrangements for special schools to support improved financial management and planning and stability in funding to meet changing needs flexibly – ensuring the formula remains underpinned by key cost drivers and are costed.
- Consideration and updates to the funding levels schools receive.
- To support special schools meet higher needs of pupils through funding provided.
- To support schools with increasing place numbers, where possible..

Funding will be presented entirely through the Place and Top up arrangements, including the DfE requirements of reporting historic grants, such as the Core Schools Budget Grant outside the Place and Top up arrangements. Funding levels will be based on updated place numbers and pupil updated pupil moderations.

A special schools working group is in place to support the development of the formula, planned for 2026/27, and this will be subject to consultation with the sector and Council decision-making. Managed transition will be in place, including the operation of the Minimum Funding Guarantee, where a +0% protection applies based on a like-for-like comparison with the prior year funding levels. Work is progressing at speed.

### Summary

Budget information for nursery, primary and secondary, were published on 27<sup>th</sup> February in line with the DfE regulations.

Appendix 1 to this letter highlights a number of key points for schools to consider.

I hope you find the contents helpful.

Yours sincerely

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## Mainstream Schools National Funding Formula (NFF)

Lincolnshire County Council is to continue adopting the National Funding Formula (NFF) factors and monetary values in 2026/27 except for a -1.4385% downward adjustment to the Age Weighted Pupil Units (AWPU) NFF rates in the primary and secondary sectors.

The key updates to the NFF in 2026/27 are as follows:

- Free School Meals factor will increase by 1.66%, in line with GDP deflator forecast.
- Excluding the downward adjustment to AWPU, all other formula factors in the NFF will on average increase by c.2.11%<sup>5</sup>.
- A Minimum Funding Guarantee (MFG) of +0.0% per pupil protection. The MFG range is between -0.5% and +0.0% per pupil in 2026/27. This ensures no school will receive a per pupil reduction in funding.
- No gains ceiling cap.
- The schools budget support grant (SBSG) (teacher' September 2025 pay award and support staff pay award April 2025) and the National Insurance contributions (NICs) grant (additional costs for the employer NICs rates in April 2025 from 13.8% to 15% and the threshold for contributions lowered to £5,000) will be rolled into the NFF factors for 2026/27 using a similar approach to previous grants and how the current grant allocations are determined, namely through the NFF lump sum, basic per pupil rates and FSM Ever 6 formula factors. For the SBSG, the amounts incorporated into the NFF reflect the full year equivalent of the SBSG funding rates, as the grant previously provided funding for part year costs of the teachers' pay award from September 2025.
- The minimum per pupil funding levels (MPPFL) will be set at £5,115 for primary schools (currently £4,955) and £6,640 for secondary schools (currently £6,465). Although the MPPFLs have increased to incorporate the rolling in of SBSG and NICs grant funding, no further percentage uplift has been applied to the MPPFL levels in 2026/27 (similar to that applied to other formula factors).
- Continuation of the 'prior' methodology for the payment of Non-Domestic rates.
- Continuation of the primary school rents factor relating to schools premises.
- The notional SEN budget, within schools overall budget allocation, continues to use the notional SEN percentages assigned to each formula factor from the 2025/26 update.

School funding for 2026/27 is based on the October 2025 pupil census for mainstream schools (April 2026 to March 2027) and academies (September 2026 to August 2027). The key components of the NFF are as follows:

- To differentiate basic per-pupil funding between key stages by maintaining stepped rates between primary, key stage 3 and key stage 4, to reflect the higher costs as pupils progress.
- To maximise the proportion of funding allocated to pupil-led factors;
- Councils must allocate at least 80% of the delegated Schools block funding through pupil-led factors in 2026/27;
- The lump sum rate of £152,700 is applied for all schools. The Government has set the lump sum in the context of maximising pupil-led funding and encouraging efficiency;
- The MPPFL for each sector are a mandatory factor.

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<sup>5</sup> The recommended 2026/27 AWPU rates for Lincolnshire schools compared to the locally agreed 2025/26 AWPU funded rates (including grants rolled in) will increase by c.2.4%.

The Council has provided reports to the Schools' Forum on the NFF developments since 2018/19, which can be found through the link below. It is important that schools read these reports to understand the background and direction of travel to enable schools to plan financially for the future.

[Lincolnshire's Schools Forum Agenda and Minutes](#)

### **Early Years National Funding Formula**

From April 2026, Councils will receive Government funding for all early years entitlements through a termly census headcounts. The Government will also use the number of funded weeks Councils fund providers each term (13 weeks in summer, 14 weeks in autumn and 11 weeks in spring). This change is intended to improve the accuracy of funding allocations receive.

A key decision (I030817) was taken by the Council for 2024/25 to establish the new funding formula rates for early years entitlement following the Government extended rollout. Funding formulas have been reviewed following the Government's updated guidance and funding levels. Lincolnshire's local early year's entitlement funding formula principles and approach remain in place for 2026/27.

Lincolnshire's universal 3-&-4-year-old hourly rate per pupil will be increased to a new rate of £5.53p in 2026/27. The same hourly rate will be applied for the universal free entitlement (up to 15 hours) and the additional hours for working families up to 30 hours. Funding will continue to be based on participation. The funding formula continues to have the mandatory deprivation supplement and SEN inclusion fund to target resource to vulnerable groups. Lincolnshire meets the pass-through threshold established by the Government of ensuring that at least 97.01% of early years funding is passed onto providers. Lincolnshire is however one of 50 out of 151 Councils funded on the DfE minimum funding rate.

The hourly rate for the 2-year-old entitlements are £7.73p plus a further £0.20p Deprivation supplement for Early Learning (previously referred to as disadvantaged 2-year-olds). The supplement is to support the additional costs associated with supporting children from disadvantaged backgrounds.

Lincolnshire's funding for under 2-year-olds will be £10.57p per pupil per hour.

The Maintained Nursery School supplementary funding rate is £3.92p per pupil per hour for 3-& 4-year-old entitlement for 2026/27 to be applied across universal free entitlement and the additional hours for working families. The overall MNS funding rate is £9.45p (including the £5.53p universal rate) for 2026/27.

Early years funding will continue to be allocated on a monthly basis using the number of eligible hours each child receives. The Early Years Provider Hub is the online system being utilised by all early year providers to ensure accurate and up to date claims are submitted to ensure payments are correctly made.

On the 15 January 2026, a Schools' Forum report was presented on the early year's national funding formula, which can be found from the link below:

[Early Years Funding Formula 2026-27 – Schools' Forum Paper](#)

### **School Reorganisations**

Primary, secondary, and special school policies are in place to provide a formalised approach to the funding of school reorganisations by sector to support the Council's statutory duty to provide sufficient school places for the children of Lincolnshire. The policy seeks to address situations when, as part of its strategic planning of school places, the Council asks a school / academy to take in

additional pupils in support of basic need requirements<sup>6</sup> typically above the planned admission number (PAN) temporarily or as a permanent expansion.

The current school reorganisation policies can be found using the following link (handbooks and guidance section): [School Reorganisation Policies](#)

### **Falling Rolls Policy**

Falling Rolls funding will be allocated to Councils on the basis of the reduction in pupil numbers that it experiences each year. The DfE has established a mandatory requirement for a Councils Falling Roll factor whereby the latest school capacity (SCAP) survey shows that these school places are expected to be required in 2026/27 and/or the subsequent 2 years.

The Council will only consider exceptional requests where there is a strong case for the receipt of a funding allocation from the Falling Rolls Fund considered against a number of measures. This consideration will take the form of the submission of an application for funding, which would be presented to a Panel of Council officers.

### **Energy Supply Scheme for Schools**

The DfE has an energy supply scheme for schools, known as 'DfE Energy', which allows schools and academy trusts to buy into the Department's own supply contract with Crown Commercial Service. The purpose is to secure competitive rates through bulk purchasing of gas and electricity.

Schools will be responsible for paying their own bills when they join this scheme. However, to protect the Secretary of State in the event that a school does not pay a bill for energy that has been supplied, the Department had previously updated the School and Early Years Finance Regulations to ensure recovery of costs.

### **Other School Grants**

At the point of publishing school budgets, the Government has not provided Councils with updates to a number of 2026/27 school grant allocations. When further information becomes available, updates will be provided to schools through the Schools Bulletin.

### **Pupil Premium**

Pupil Premium rates for 2026/27 have been confirmed as per the table below, allocations will continue to be based on the October census.

Funding	Primary (per pupil)	Secondary (per pupil)
Pupil Premium Free School Meal	£1,550	£1,100
Post Looked After Children	£2,690	£2,690
Looked After Children	£2,690	£2,690
Service Children	£360	£360

The Early Years Pupil Premium funding rate has increased to £1.15 for 2026/27.

As part of the Schools White Paper publication, the Government have stated they intend to consult in this Summer on a new approach to allocating Pupil Premium funding to schools. The Government's objective is to target the funding where children's needs are greatest.

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<sup>6</sup> Basic need definition is that local authorities need to fulfil their duty to make sure there are enough school places for children in their local area.

### **Primary PE and Sport Premium**

The Primary PE and Sport premium is in place for the current academic year 2025/26. The Government will provide details on the academic year 2026/27 funding arrangements in due course. It is assumed funding will continue and will remain at the same rates as 2025/26. Any allocation unspent at the end of this academic year (31 July 2026) will be recovered by the DfE.

Government guidance for 2025/26 is available at:

[PE and sport premium: conditions of grant 2025 to 2026 - GOV.UK](#)

### **Universal Infant Free School Meals (UIFSM)**

The grant for Universal Infant Free School Meals (UIFSM) funds a meal rate of £2.61 for the 2025/26 academic year. This allocation assumes that pupils will take 190 school meals over the academic year, providing £495.90 per eligible pupil. The Government will provide details on the academic year 2026/27 funding arrangements in due course. It is anticipated that this funding will rise by 1.66% in line with the GDP deflator forecast.

Government guidance for 2025/26 is available at:

[Universal infant free school meals \(UIFSM\): 2025 to 2026 - GOV.UK](#)

### **Employer Pension Contribution Rate Support Staff**

Lincolnshire County Council's Local Government Pension Scheme Employer Pension Contribution rate for support staff will reduce from 24.1% to 17.8% from 2026/27 due to the fund performing well. This will not impact Employee Pension Contribution rates.

### **Future Pay Awards**

The DfE has indicated at this stage there will be no new grants to support schools with the cost of any new pay awards. Schools will therefore be required to budget for next year's pay award through the published 2026/27 funding settlement.

### **Holiday Activities and Food Programme (HAF)**

The DfE have confirmed a three year national funding settlement of over £200m per year for HAF covering financial years 2026/27 to 2028/29. The purpose of the programme is to provide holiday provision for children who receive benefits-related free school meals in the Easter, Summer, and Christmas.

Further details can be found using the following link:

[Holiday Activities and Food Programme – Lincolnshire County Council](#)

### **Crisis and Resilience Fund (CRF)**

The Crisis and Resilience Fund (CRF) replaces the Household Support Fund (HSF) which ends on 31 March 2026. The new scheme covers the period of 1 April 2026 to 31 March 2029 and represents a shift from short term emergency help under HSF towards a more preventative, needs based approach, which builds financial resilience and enables individuals to better manage future financial crisis, while still providing a safety net to support low-income households who encounter an unexpected financial shock. The CRF requirements do not allow for a continuation of the funding provided to schools and early years providers, targeting children eligible for benefit related FSMs.

### **Public Sector Pay**

In recent years, the Local Government pay award has been agreed during the financial year. This will continue to be the case in 2026/27. The Council recommends budgeting for a provisional 3.0% pay increase in 2026/27 for financial planning purposes.

It is recommended to budget pay awards for future years as follows:

- April 2027 onwards – 2.5%

This is consistent with the approach the Council's has applied in setting their budgets.

The School Teachers' Review Body (STRB) has not published its recommendations regarding pay awards for teachers from September 2026 therefore schools are advised to include a provisional pay award of 3.0% for 2026/27 and then 2.5% from September 2027 onwards.

Budget preparation guidance notes explain how to budget for this within the Schools Medium Term Finance Plan. Pay scales do not build in future pay offers.

### **National Living Wage Increase**

The National Living Wage (NLW) will increase by 4.1% from £12.21 to £12.71 per hour from April 2026 for workers aged 21 and over. This increase follows the Low Pay Commissions' recommendations and ensures that the National Living Wage continues to meet the Government's aim of keeping the rate at or above two-thirds of the median earnings. Officers are currently assessing the impact of this in terms of the GLEA salary scales, more information will be shared as soon as possible.

### **Apprentice National Minimum Wage Increase**

The Apprentice National Minimum Wage will increase by 6.0% from £7.55 per hour to £8.00 per hour from April 2026. This increase forms part of the wider minimum wage uplift coming into effect from April 2026.

### **These next sections specifically relate to maintained schools only:**

#### **Managing Change / School Redundancies**

The maintained primary school representatives on the Schools' Forum have continued to vote to de-delegate a budget for 'schools in financial difficulty' for 2026/27.

No such budget was retained for maintained secondary schools as they did not have sufficient critical mass, or for nursery schools and special schools, therefore these schools will be required to finance the total cost of redundancy payments.

The Staffing Reduction Panel will therefore continue to meet to carefully consider maintained primary schools' applications to access the 'schools in financial difficulties' budget. Schools will need to demonstrate that without implementing its proposed staffing reductions it will fall into a deficit within two years. Only then will this budget contribute to the redundancy costs.

The financial contribution that maintained primary schools will be required to make towards redundancies (if they meet the 'schools in financial difficulties' criteria) will be the first £5,000 of the total cost of every redundancy; or 50% of the total cost of every redundancy, whichever is the greater, subject to a maximum of overall redundancy costs of 2.5% of the school's budget share for the financial year.

The Panel is happy to consider the proposals from other maintained school sectors; however, those redundancy costs will need to be met by the school.

It continues to remain important for schools to regularly monitor their spending against the budget (current and future years), to enable timely decisions to be made by the school. Scenario planning by the school is encouraged to support this process.

### **De-Delegation Budgets for 2026/27**

As detailed above, the maintained primary schools' representatives of the Schools' Forum have voted to continue to de-delegate a number of budgets in 2026/27.

The de-delegation rate for 2026/27 is £38.36 to support termination of employment costs for schools in financial difficulties; school improvement locality lead support and intervention funding, and the Ethnic Minority and Traveller Education Team (EMTET).

### **Audit Services for 2026/27**

In 2025/26, the Council re-established routine audits across all maintained schools, with schools receiving an audit on a three-year cycle following maintained schools members of the Schools' Forum agreement. Maintained schools members of the Schools' Forum at the January 2026 meeting agreed to continue retaining an amount of funding from maintained schools budgets for nursery, primary, secondary and special schools in 2026/27 for this functioned to be carried out.

A typical schools audit will cover Governance Arrangements, Budget Preparation, Budget Monitoring and Reporting, HR Processes, Payroll, Purchasing and Asset Management, Contract Regulations, Procurement and Credit Cards, Income Collection and Banking, Bank Reconciliation, Bank Account Payments, Financial Returns, Petty Cash and School Fund Management.

The per pupil rate for 2026/27 for nursery, primary and secondary schools is set at £6.18 and will be based on number on roll on the October 2025 census. The rate for special schools will be based on place numbers at a rate of £26.25 per place using the DfE multiplier of 4.25.

Prime account schools will be required to meet the cost supplement from their delegated budgets for the additional audit work from operating their own bank account. Schools with no or limited assurance in their three yearly school audit will be required to meet the cost of the follow up audit. Further cost information for these can be obtained by contacting the following email address where the audit team will be happy to discuss your individual requirements:

[SchoolsAndAcademies@lincolnshire.gov.uk](mailto:SchoolsAndAcademies@lincolnshire.gov.uk)

### **Devolved Formula Capital (DfC) for 2026/27**

The Government has not published information on DfC for 2026/27, however in the June 2025 Spending Review, it was announced that funding would be increased in line with inflation covering the period up to 2029/30. It is to be assumed for budgetary planning that the same allocations methodology will be applied as the current financial year to support schools in maintaining their buildings and to fund small scale capital projects.

The 2025/26 DfC allocations to schools are based on pupil numbers using the latest January school census data multiplied by the pupil rate. A lump sum of £4,000 has been provided together with a per pupil sum of: £11.25 for nursery and primary schools; £16.88 for non-boarding secondary schools, and £50.63 for boarding schools, special schools / alternative provision schools.

Voluntary Aided (VA) schools are required by law to make a 10% contribution of their total DfC allocation therefore, only 90% of the allocation is provided for these schools by the DfE. However, as VA schools do not have access to any VAT refund scheme for their capital costs, the DfC allocation paid to these schools includes an element of funding for VAT (20% of 90%).

Further details on school capital funding are available at:

<https://www.gov.uk/government/publications/capital-allocations>

### **Council School Carry Forward Policy**

The Council's school carry forward policy states that primary and special schools may retain for any purpose, up to 8% of their budget shares, or £30,000 (whichever is greater). The corresponding figure for secondary schools is 5%, or £30,000 (whichever is the greater). The figure for nursery schools is 10%, or £30,000 (whichever is the greater) based on total childcare income received. Additional sums can only be retained for specific, time limited, costed, capital projects that are consistent with the priorities set out in the school's Asset Management Plan.

Schools with excess balances at 31 March 2026 will be required to complete a pro-forma outlining their plans for the use of those funds (in line with the policy). A declaration form completed by the head teacher will be required confirming this has taken place each year, if applicable. The Council will adopt sample checking with schools on compliance with the policy going forward.

It is sensible for schools to retain a reasonable level of reserves (subject to the carry forward levels), and this should be considered as part of each school's budget setting, school development planning and Schools Medium Term Finance Plan work.

### **Scheme for Financing Schools**

The scheme sets out the financial relationship between the Council and the maintained schools that it funds. It contains requirements relating to important financial management and associated matters, which are binding on both the Council and on schools. It is important that schools review this annually to ensure schools understand their responsibilities. A fundamental review of the scheme was completed during 2025/26.

The scheme applies to all maintained schools and is available on the below link:

[Scheme For Financing Schools September 2025](#)

### **School's Medium Term Finance Plan (MTFP)**

In 2025/26, the Council's Schools Finance Team rolled out an on-line budget setting tool via School Business Services for financial planning.

A copy of the 2025/26 budget (either the version advised by schools through the MS form issued on 9 February 2026, or if no response was received, the working budget version) has been used as a starting position for the 2026/27 MTFP. Schools will be required to review all entries to ensure they are accurate and update accordingly. There are no fundamental changes to the MTFP for 2026/27.

The Council will ask schools to approve their MTFP by 31 May 2026. Approval of the budget should be minuted at the Full Governors Meeting. The Schools Finance Team will undertake a high-level review of the schools MTFP and provide feedback to individual schools on its findings in the Summer term. We believe this approach continues to assist schools with strengthening their financial management.

In order to assist schools with the completion of their MTFP, Schools MTFP documents for 2026/27 have been created per sector. These documents will allow schools to calculate High Needs and Early Years Funding, and any provisional Minimum Funding Guarantee for future years. An enhancement for 2026/27 is the creation of a Checklist tab, which is designed to help schools ensure they have considered all elements of the budget setting process before submission of the draft MTFP to the Governing Body. It is the Council's expectation that this Checklist will be provided within the documentation presented to the Governing Body, for completeness.

### **Budget Setting Guidance**

To support schools and Governing Bodies with the budget-setting process, a series of additional guidance documents has been produced. These include:

- **Budget Setting for Schools – Best Practice:** this guidance outlines the key principles and recommended processes that help schools develop robust and sustainable budgets.
- **Budget Setting Guidance for School Governors:** this document provides Governors with clear advice on their role in budget setting, including the information they should expect from school leaders throughout the process.

### **Financial Training (Budget Preparation Courses for maintained schools)**

The Schools Finance Team will be running its annual budget preparation courses through MS Teams. The sessions are taking place in March 2026. These are half day sessions with 2 sessions running per day.

Virtual sessions have availability on the following dates:

- 04/03/2026 PM Wednesday
- 10/03/2026 PM Tuesday
- 16/03/2026 PM Monday
- 20/03/2026 AM/PM Friday

To book onto one of the courses please email the following address:

[Schools\\_Fin\\_Training@lincolnshire.gov.uk](mailto:Schools_Fin_Training@lincolnshire.gov.uk)

### **Schools Benchmarking**

Schools should be regularly undertaking financial benchmarking to identify areas of potential efficiencies. The DfE Schools Financial Benchmarking and Insights tool can assist with this process:

<https://financial-benchmarking-and-insights-tool.education.gov.uk/>

Schools are not permitted to overspend without the prior approval of the Council; therefore, adopting the following practices will help schools reduce the risk of overspending:

- Setting a detailed, balanced, and realistic budget at the start of the financial year.
- Monitoring expenditure against the budget each month to identify material variances, including completion of the payroll reconciliation.
- Projecting the forecast spend for the year-end position (including for every member of staff) at least three times and entering the forecast on the finance system.
- Taking timely action to address potential overspendings.
- Ensuring all grants are fully utilised.
- Considering the schools financial position beyond the next financial year, having regard to pupil number changes and cost rises. Maintaining an up-to-date MTFP remains an important activity.

It is important that schools are familiar with the Council's Monitoring & Intervention framework including the recommended best practice. This is available on Perspective Lite.

### **Budget Monitoring and Forecasting**

It is essential that schools monitor their budgets on a regular basis, particularly due to the more challenging financial climate being faced. Robust financial planning and monitoring supports excellent financial management:

- This enables evidence-based decisions to take place.
- Supports the delivery of schools spending within your agreed budget.
- Monitoring financial performance regularly will enable schools to take measurable, timely and corrective actions to address risks to overspends.
- Ensures forecasts are realistic and can be evidenced and provides timely reporting to the Governing Body.

- Considers the medium-term financial implications from changes.

Budget management requires income and expenditure to be monitored and compared with the latest approved budget throughout the financial year to ensure that it is contained within the budget available, and any problems can be identified at an early stage, allowing sufficient time for any necessary corrective action to take effect.

It is therefore essential that schools undertake regular budget monitoring to support its financial health.

Schools should reconcile their payroll and review all income and expenditure on a monthly basis. It is recommended that schools undertake monthly forecasting against the budget and for variances to be reported to the Schools Finance Team. Schools are required, as a minimum to provide the Schools Finance Team with an updated forecast of planned year-end spending in the months of September, November and January.

### **Schools Financial Value Standard (SFVS)**

The SFVS is a mandatory annual return for schools to complete, which is designed to help schools manage their finances and to give assurance that they have secure financial management in place.

The checklist asks questions of governing bodies in 6 key areas of resource management:

- Financial Management and Governance
- Strategy
- Setting the annual budget
- Staffing
- Value for Money
- Protecting public money

Maintained schools are required to evidence that they have arrangements in place to manage related-party transactions. Schools are also required to submit a completed related-party transactions template which records any applicable contracts and agreements that are live in the year. The Council has a duty to oversee and advise on related party transactions.

The SFVS has not been published by the Government for 2026/27. The Council does not expect changes to the 2026/27 process. A communication will follow including timescales for submission of the 2026/27 SFVS.

[Schools financial value standard \(SFVS\) and assurance statement - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/schools-financial-value-standard-and-assurance-statement)

### **Sickness Insurance Scheme for 2026/27**

The premium and reimbursement rates are currently being calculated and will be communicated to schools shortly.

The application form and employee template, like last year, will be included as part of the Sickness Insurance Scheme Template document. Schools will receive an email when the template is ready. Applications must be based on the staffing levels as at 21 April 2026, i.e. the first day of the summer term.

### **Lincolnshire's Finance Buyback charges for 2026/27**

The Finance Buyback charges for 2026/27 have been calculated and will shortly be available on Perspective Lite. The service is a non-profit making service and is primarily a staffing-led model. The percentage increase is to reflect updated pay levels and the updated costs of the exchequer services provided to schools following its insourcing.

As in previous years', schools will receive notification once available and the sign up process through Edulincs. Should schools wish to discuss upgrading to a higher level of service or wish to discuss the different levels of service please contact: [sbss@lincolnshire.gov.uk](mailto:sbss@lincolnshire.gov.uk). Charges will be based on the October 2025 schools census.

### **Licences**

The Government continue to purchase a single National Copyright Licence managed by the DfE for all state-funded schools (including nursery schools) in England. The cost continues to be met from the Central Schools Services Block of the DSG; therefore, schools no longer pay for them directly.

For 2026/27 the licences covered by the central arrangement are:

- print and digital copyright content in books, journals and magazines (Copyright Licensing Agency (CLA)),
- printed music (Printed Music Licence (PML)),
- copyright content in newspapers and magazines (the Newspaper Licensing Agency media access (NLA) licence),
- recording and use of copies of radio and television programmes, including from a number of catch-up services (the Educational Recording Agency (ERA) licence),
- the showing of films (the Public Video Screening Licence (PVSL) and Motion Picture Licensing Company (MPLC) licences),
- payments for musical performances of covered work (Performing Right Society for Music (PRS);
- playing recorded music (Phonographic Performance Ltd. (PPL)),
- rights to make CDs and DVDs containing copyright music (the Mechanical Copyright Protection Society (MCPS)), and
- hymns and other Christian music (Christian Copyright Licensing International (CCLI)).

### **Keeping up to date on developments**

All schools are encouraged to keep up to date with further developments in school funding arrangements by reading reports that are presented to the Schools' Forum at its four meetings each year. The reports are available in Committee Records on LCC's website by following the link below: [Committee details - Lincolnshire Schools' Forum \(moderngov.co.uk\)](https://www.moderngov.co.uk)

Also, useful information is available to support schools in managing their finances at the following link:

[School finances – School budget shares - Lincolnshire County Council](#)

Financial information and guidance are also available on Perspective Lite under the Schools Finance Team section.

### **Contact details**

Should you wish to discuss any particular aspect of this pack of information, please refer to the named contact officer(s) on the relevant letter, or contact colleagues in the Council's Finance Team:

#### Overall Schools Funding

Ebuka Ani, Senior Finance Technician: [ebuka.ani@lincolnshire.gov.uk](mailto:ebuka.ani@lincolnshire.gov.uk)  
Adam Emson, Senior Finance Technician: [adam.emson@lincolnshire.gov.uk](mailto:adam.emson@lincolnshire.gov.uk)

#### Early Years Funding Formula

Tracey Harrison, Finance Manager: [tracey.harrison@lincolnshire.gov.uk](mailto:tracey.harrison@lincolnshire.gov.uk)  
Hannah Edwards, Senior Finance Technician: [hannah.edwards@lincolnshire.gov.uk](mailto:hannah.edwards@lincolnshire.gov.uk)

Special Schools Funding Formula

Ke Zhang, Finance Manager:

[ke.zhang@lincolnshire.gov.uk](mailto:ke.zhang@lincolnshire.gov.uk)

Sue Bainbridge, Senior Finance Technician:

[susan.bainbridge@lincolnshire.gov.uk](mailto:susan.bainbridge@lincolnshire.gov.uk)

Alternatively, please contact the Schools Finance Helpdesk on: [schools\\_finance@lincolnshire.gov.uk](mailto:schools_finance@lincolnshire.gov.uk)

For individual high needs pupil level detail queries, please contact the SEND team on 01522 554682 or [SENFinanceproject@lincolnshire.gov.uk](mailto:SENFinanceproject@lincolnshire.gov.uk)