

Maintained Schools Budget Setting Guidance 2026/27

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OFFICIAL

 **RESET**

 **RESHAPE**

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Budget Setting Guidance for Maintained School

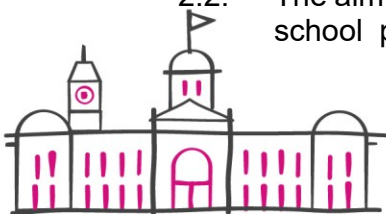
Financial Year 2026/2027

1. Introduction

- 1.1. This guide aims to help schools understand and prepare an Annual Budget or a sequence of budgets to cover a number of years. Furthermore, a section on budget monitoring is also included which is also part of the overall budgeting sequence in schools.
- 1.2. The Governing Body has a strategic role in the financial management of schools and one of its core functions is to oversee financial performance and make sure money is well spent. It should do this by ensuring it has at least one individual with specific, relevant skills and experience of financial matters. These include:
 - building a relationship with the school business professional (SBP) responsible for finance or procurement, such as the finance manager or school business manager
 - acts as the link between the SBP and the governing body
 - ensures the governing body has a correct understanding of the school's finances and financial performance
- 1.3. However, everyone on the board should have a basic understanding of the financial cycle and the legal requirements of the school on accountability and spend. Some of the Governing Bodies responsibilities are:
 - a basic understanding of their school's financial cycle and legal requirements on accountability, spend and procurement
 - an oversight of school spending
 - an understanding of the school's financial position
- 1.4. A template for the 2026/27 budget plan and two-year forecast has been provided by BCC. This template will be updated with 2025/26 year end surpluses when these are finalised however if you are submitting your budget early, you will need to estimate your 2025/26 balances carried forward for both revenue and capital. **All budgets must be submitted using on this template in Consistent Financial Report (CFR) format.**

2. What is the Annual Budget?

- 2.1. The Annual Budget is a statement of what the likely income and expenditure will be in a school. It needs to be considered carefully so that schools can weigh up whether they have enough funds to pay for the activities that they believe are necessary for the school to deliver its School Development Plan (SDP).
- 2.2. The aim of the budget setting process is to ensure resource allocation matches school priorities. Unplanned over-spending or under-spending of a school



budget can deflect schools from previously agreed spending priorities, and this can affect the achievement of SDP. Each can equally be a sign of weak financial management.

- 2.3. The important things a school needs to decide are whether their ***budget is realistic***, and whether ***they have satisfactory systems*** in place to aid both the setting of the Annual Budget and subsequent regular period reporting (monitoring) to the Head Teacher and Governors. For instance, an error in calculating the teaching staff budget could leave a school with an end of year shortfall and could result in spending cuts being necessary.
- 2.4. Key benefits of setting a realistic budget that directs limited school resources in line with school priorities are:
- **Financial** – A good budget lowers the risk of financial crisis in the year; hence, the school is more likely to be able to fund its planned activities and less likely to spend valuable teaching and management time responding to funding shortages.
 - **Educational** – The school needs to have the right resources to support the changing needs of the curriculum and the mix of pupils (e.g. inclusion of special educational needs pupils). A good budget will allocate resources to these areas of need or development and therefore helps the school to achieve its aims.

3. Multi and Three-Year Budgets

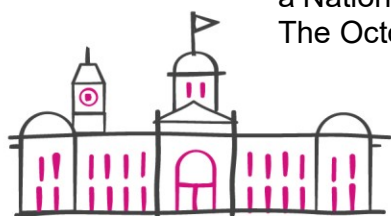
- 3.1. Under the Scheme for Financing Maintained Schools, schools must submit an annual budget plan and a 2-year forecast to the Local Authority (LA) not later than 31 May for that financial year. This budget must be ratified by the full Governing Body and signed by the Chair of Governors before submission. The plan should set out the School's expected income and intended expenditure for the financial year and the assumptions which underlie the plan. An annual budget is an absolute requirement as part of the LA's own budgeting arrangements (schools' accounts are part of the LA statutory accounts).

4. Planning the Annual Budget

- 4.1. The Annual Budget runs from the 1st of April each year. Schools may face difficulties if they leave their budget planning until they are advised of their final School Budgets in February/March, weeks before the start of each new financial year. Schools should begin to plan their annual and multiyear budget well in advance of receiving their final budget from the LA. Schools will have already indicated likely expenditure levels and therefore approximate income requirements for the forthcoming year. The following should be considered:

4.2. Income

For mainstream maintained schools, the Schools Block budget share typically accounts for over 90% of annual school income. This funding is determined by a National Funding Formula (NFF) which is agreed at Schools Forum annually. The October Pupil Census return will form the main basis for income levels for



the new financial year. Note, this income is fixed and the only adjustment likely to be made is for excluded pupils where income follows the pupil.

The DfE have published the NFF allowable factor rates for 2026/27 for illustration purposes as set out in Table X. The LA is responsible for setting the annual schools budgets and Birmingham does this using the NFF rates and factors. Rates have a minimum and maximum value and when setting the budgets, BCC will ensure the formula is both affordable and sustainable. This will mean that the exact rate used for each of the funding factors will not be decided until the budget is set. Schools are advised to use the 2026 to 2027 national funding formula (NFF) value including area cost adjustment (ACA) for modelling budgets which is an average of the minimum and maximum allowable rate. Final rates will be published at the Schools Forum meeting on 15 January 2026.

The DfE have also published the impact of the NFF on schools from 2025/26 to 2026/27. The link below shows budgets by school at an average funding rate. Select "Impact of School NFF". Note, BCC may not use the average funding rate for each factor so please only use this budget below as an illustration and budget modelling.

[National funding formula tables for schools and high needs: 2026 to 2027 - GOV.UK](#)

For maintained special schools, resource bases and pupil referral units, 2026/27 allocations will be announced in December 2025. Funding is based on commissioned numbers plus top-up. When estimating income, it is vital that correct top-up bandings are used to ensure an accurate budget. Top-up funding is based on actual pupil at the school and can change throughout the year based on changes in pupil numbers.

For early years, 2026/27 allocations are due to be announced in December 2025. Income is based on the number of early years hours taken up and will be adjusted to reflect real time take up of hours.

In addition, there may be other sources of income such as: Pupil Premium, 6th Form, Devolved Formula Capital, High Needs Top Ups etc plus private income which should be considered.

Unless income levels or rates are provided by the LA, schools should budget for income using either the previous years rates plus inflation where this figure is provided by the LA.

4.3. **Expenditure**

Staffing costs in schools typically account for 75% to 85% of the overall school expenditure and premises costs 10% to 12%. It is therefore important to forecast likely costs in these areas early in the calendar year. Again, once the Pupil Census return is completed in October, provisional arrangements can be made in estimating the staffing requirements from the new academic year Curriculum Planning timetable. The School's ICT and Premises Development



Plans can also be costed and prioritised at this stage and put into the provisional budget figures.

5. Linking the Budget to the School Development Plan

- 5.1. This document may go under different names, such as a 'School Development Plan', a 'School Improvement Plan' or a 'Post-Inspection (Ofsted) Action Plan'. Whatever its name, it is a high-level strategic planning document covering all the school's activities over a period of three or four years. This document will demonstrate the quality of the school's leadership and direction. Ofsted inspectors will look at it closely during inspection.
- 5.2. To ensure that the School Development Plan is viable and that its implementation is feasible, it should be supported by a financial plan or multi-year budget covering the same period. When drawing up the plan, it is important that:
 - the first year of the SDP must be fully costed with subsequent years showing indicative costings.
 - the multi-year budget should be the financial expression of the SDP.
 - the same group of staff have responsibility for devising, planning and setting the budget.
 - the SDP does not become unrealistic through a disproportionate focus on the costs of initiatives in year 2 and year 3.

6. Other Plans that require Linkage to the Budget

- 6.1. It is good practice for the SDP to summarise the information from other, more detailed, long term strategic plans to show how the allocation of resources and the budget for the year supports the priorities identified in the plans. These plans might include, for example:
 - Asset Management Plan
 - Premises Development Plan
 - Staff Development Plan
 - ICT Development Plan
 - Local Authority Plans
 - Central Government Plans
 - Ofsted Reports

7. Financial Benchmarking & Schools Financial Efficiency Tool

- 7.1. Through the recording of income and expenditure at ledger code level schools must report through "Consistent Financial Reporting" their costs to the Department for Education (DfE). This data is uploaded on to the benchmarking website [Home - Financial Benchmarking and Insights Tool - GOV.UK](#) where schools can compare their costs with specific schools or statistical neighbours. This allows schools to identify areas for meaningful challenges as to how and



why particular budgets are set before embarking upon their own budget calculations.

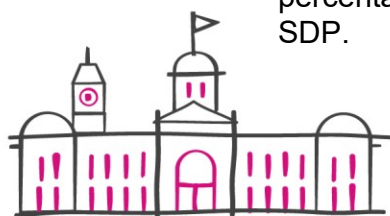
- 7.2. Schools can also analyse historical data for their individual school allowing them to challenge the amounts and trends in their own budgets.
- 7.3. Schools may be able to improve financial efficiency within their school by using financial benchmarking to provide an indication of their efficiency, based on pupil attainment and the money used to achieve it, relative to statistically similar schools. This will prompt schools to think about where they can become more efficient and how they could focus their resources to support measures to increase attainment.
- 7.4. Benchmarking can be carried out at any time; however, the most up to date data is usually available in August each year.

8. Budget Additions and Deductions throughout the Financial Year

- 8.1. Schools may receive additions or deductions to their budget. These additions and deductions must be accounted for when planning a budget. They could include:
 - 16-19 Bursary Fund;
 - Pupil Premium adjustments;
 - High Needs Top-up adjustment;
 - Devolved Formula Capital;
 - Schools Direct Funding;
 - PE and Sports Grant;
 - Excluded Pupils Funding Adjustments
 - Exclusions/Managed Moves
 - Schools Specific Grants
 - New Grants
- 8.2. These additions and deductions should be accounted for on the school budget proposal alongside any carry forwards or deficits that have materialised. Where schools are unable to account for budget additions and deduction, an estimate should be used based on the best information available at the time. Schools themselves will know their own pupil dataset better than anyone else and it is important that the most current and forecast data set is used to plan budgets.

9. Estimating Staff Salaries

- 9.1. School Funding generally is based on a financial year (April to March) however the SDP and particularly establishment planning will be based on an academic year (September to August). As the two are not in sync, it is important that when planning budgets and planning for changes in establishment, the timing difference between the two is considered and included correctly.
- 9.2. Staff salaries are the largest constituent part of a school's budget. In percentage terms it can range from 75% to 85% of the total budget set. The percentage very much depends upon the priorities set by the school in their SDP.



9.3. When calculating salaries, schools must consider the following:

- Pay awards
- National Insurance
- Superannuation (pension)
- Increments
- Pay Protection
- Special or extra allowances (e.g. PPA cover)
- Maternity Cover
- Secondments
- Overtime
- Staff Sickness
- Apprenticeship Levy

9.4. For all schools, budget setting occurs before the outcome of the annual pay review is known (by the end of October). As teacher pay progression is usually backdated to 1 September each year, a seven months' pressure for the school. Everyone involved in school budget planning should know and understand this cycle and its implications for accurate financial budget plan.

9.5. Schools can use financial forecasting packages or spreadsheets to forecast teacher salaries. Notes should be added to budget lines to detail where it links to the school's development plan, which some schools may find useful. Staffing costs should be modelled with "what if" scenarios and should be projected for a further two years.

9.6. When budget planning results in a potential need to reduce staffing levels, schools should ensure that they liaise with the Local Authority Schools Finance and HR Advisors (or external service provider if applicable) to ensure policy and procedure to reduce staff establishment is correctly followed. Policy also applies to making staff redundant which must be followed.

10. Teachers Pay Award

10.1. The link to the recommendations of the Schools Teachers Review Body's [School Teachers' Review Body \(STRB\) reports - GOV.UK](#)

10.2. For 2026-27 budget setting, schools are advised to apply an inflationary increase of at least 4%.

11. Support Staff Pay Award

11.1. The National Joint Council for Local Government Services have not yet confirmed the 2026/27 pay deal.

11.2. For 2026/27 budget setting, schools are advised to apply an inflationary increase of at least 3% with a further 1% contingency to mitigate against the risk of the pay award being higher.



12. Rolling in of additional grants

- 12.1. The mainstream schools elements of the Schools Budget Support Grant (SBSG) and the National Insurance Contribution (NICs) grant are being rolled into the schools NFF for 2026/27.

13. Energy/Utilities

- 13.1. Energy prices have fluctuated considerably over the last few years. For 2026/27, the following inflationary changes should be applied to gas and electricity

Gas 9% reduction in cost

Electricity 16.6% increase in costs

14. Forecasting Operational Expenditure

- 14.1. There are many expenditure items in the school that may be incurred to ensure the school can undertake its daily activities. These include:

- Cleaning Contract
- Repairs & Maintenance
- Insurance Services
- Postage
- Telephones
- Examinations & Assessments
- Service Level Agreements

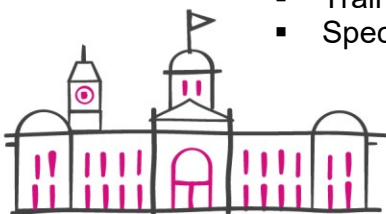
- 14.2. All the above may be subject to annual inflation which should be factored into any spending plans. Apart from service contracts or service level agreements where inflationary expenditure increases have been built into the agreement, the LA recommends a 2.7% inflationary to be applied when budget planning, unless there is previous year agreed contract price. The same will apply for multi-year budget plans.

15. Allocating Curriculum Department Budgets (mainly secondary schools)

- 15.1. A formula-based system of setting the curriculum budgets can be applied. The formula is driven by multiplying the *number of pupils* x *number of classes* for each curriculum department in all year groups. Of the resultant point scores, additional weighting is given to those subjects with higher consumable costs, and all sixth form points are attributed an extra 20% weighting.

A costed SDP sets the framework for the total curriculum budget. Subject leaders submit a bid focussing on the priorities of the SDP. The budget submitted should be shaped to incorporate:

- Money for equipment
- Supply cover for non-contact time to realise plans
- Training requirements, including course costs and cost of supply
- Specific ICT requirements



- External grants that can be bid for
- Time to meet with inspectors or advisors

The leadership team should evaluate the bid and feedback decisions to subject leaders. Their decision must be based upon the following criteria:

- The link between the development of the subject and the school's priorities for the children.
- That the principles of best value have been met.

The above process empowers the subject leaders and therefore engenders accountability.

- 15.2. The DfE provide guidance on school's workforce planning which is updated periodically

[School workforce planning - GOV.UK](https://www.gov.uk/government/publications/school-workforce-planning)

16. Forecasting the ICT Budget

- 16.1. The ICT Development Plan is a multi-year development plan for the school. The ICT plan incorporates all required ICT investments including:

- Hardware
- Software
- Staff Training
- Developmental projects

16.2. Estimate Operational Expenditure

The School ICT Development Plan should include investment for future IT needs with a priority rating score to show which programmes are to be undertaken first. Each project can be scored 1, 2 or 3 under the following criteria: For example;

Priority 1 – Essential to school operational needs including curriculum timetable, statutory requirements and health and safety need

Priority 2 – Standards driven project likely to impact on teaching and learning

Priority 3 – Other investments and development plans

17. Prioritising the Premises Development Plan (PDP)

- 17.1. The PDP is a multi-year development plan for the school. The PDP incorporates all required premises investments including:



- Structural and other building investments required as a result of the Asset Management Plan
- Classroom and general space refurbishments
- Office space refurbishments
- External space investments
- Health & Safety, including security

17.2. The plan should include a rating system to indicate which programmes are to be undertaken first. Each project is scored 1, 2 or 3 under the following criteria:

Priority 1 – Essential to school operational needs including curriculum timetable, statutory requirement, Health & Safety need and Asset Management priority

Priority 2 – Standards driven projects likely to impact on Teaching & Learning

Priority 3 – Other investments and development plans

18. High Needs Funding

18.1. Funding for mainstream High Needs pupils in Primary and Secondary schools is now split into 3 elements as follows:

- **Element 1** – core education funding
- **Element 2** – additional support funding (£6k); and
- **Element 3** – top up funding where individual pupils have significant additional needs.

High Needs Elements 1 and 2 funding is now included in schools formula budgets.

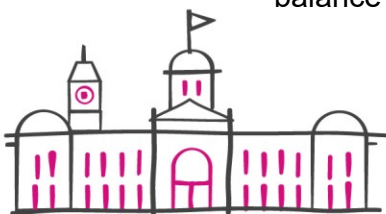
18.2. High Needs Element 3 funding is subject to an application process through the High Needs Panel.

19. Budget Profiling

19.1. Profiling is the practice of predicting the pattern of expenditure across the financial year. This is important, as some parts of a school budget do not occur evenly each month of the year. Profiling is essential for salaries where both the expenditure level is high, and the costs can be variable if staffing levels are to alter during the year. Other budget headings that should be profiled include energy where costs range throughout the seasons.

20. Surpluses (Carry Forwards)

20.1. The Birmingham Scheme for Financing Schools states that schools will be allowed to carry forward from one financial year to the next any shortfall in expenditure relative to their budget share for the year plus or minus any balance brought forward from the previous year, subject to controls on surplus balances (see below). A School's Balance on 1 April of any financial year is equal to the balance as at 31 March in the previous financial year.



20.2. Whilst schools are permitted to have a limited carry forward (contingency for unforeseen requirements), this should be one of the first areas to be considered when schools are making budget plans, particularly when such plans might involve a reduction in staffing levels.

20.3. Schools should also look at all possible savings to avoid redundancy.

21. Deficit Budgets

21.1. Following the above process of budget planning, prioritisation against other plans, benchmarking and making full use of any contingency available, a school may find that they are unable to set a balanced budget for the following financial year.

In this event the following will apply:

- Advice should be sought in the first instance from Birmingham Schools Finance team to review the school's proposed budget plan to see if there is any area which might be further reviewed and whether long term the school is able to afford its staffing structure.
- Where there are implications for staffing levels, then further advice should be sought from the school's HR provider where specific policy must be followed in the event of any proposals to make staff redundant.
- Where a school can demonstrate that achieving such a balance within the next financial year will prove to be severely detrimental to the functioning of the school, the school must apply to the LA for a licenced deficit.

Contact the Birmingham Schools Finance Team for the most recent Schools Licenced Deficit Policy.

22. Submission of the Budget Proposal

22.1. The LA will confirm Schools Block, High Needs Block and Early Year Block budget shares to schools by 28 February and provide a budget template for schools to complete and submit their proposed budget. The final budget must be submitted to the LA by 31 May. The budget will be checked by finance staff for reasonableness and then confirmed to the school. Schools should note that the use of balances must also be included in the final budget plan.

23. Cash Flow Management

23.1. Cash flow is a matter to be considered both during the budget setting process and the course of the year. Schools need to prepare cash flow forecasts to ensure that they will have sufficient funds to meet their expenses month by month during the year. Cash flow forecasts do not need to be completed in excessive detail and broad categories of income and expenditure are sufficient.



- 23.2. These forecasts recognise that income and expenditure don't arise evenly each month and will greatly inform the development of the ***budget profiles*** referred to at Section 14 above. With the exception of most payroll costs, expenditure items are markedly seasonal with, for example, peaks of utility costs arising during the winter months.
- 23.3. Managing the cash flow should be part of the monthly financial management procedures and completed as part of the month end close down process.



24. The Budget Planning Cycle

24.1. Table 1 below provides a guide for school management to the annual sequence of events for budget planning and submission:

Table 1 – The budget Planning Cycle

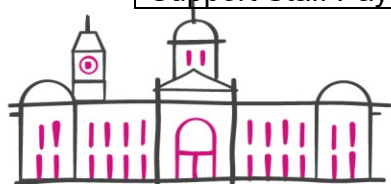
Month	Event	Note
October	Census/Pupil Count	Forms the basis for the following year school block budget allocation
December	Final Funding Announcement	DfE announces final funding allocation for following financial year
February	Schools Block Budget Allocation	LA confirms individual schools block budget allocation from 1 April
March/April	Budget Ratification	School Governing Body agree the school budget from 1 April
May	Budget Submission	Schools Governing Body approved budget to be submitted to Schools Finance team by 31 May
May	Licenced Deficit	Application for a Licenced Deficit must be submitted to the LA 31 May with the recovery plan agreed by LA

25. Inflation Assumptions to 2026/27 School Budgets

25.1. Table 2 below sets out the inflationary uplifts to apply to income and expenditure for 2026/27 budget setting. Schools should also look at individual contracts and spend lines where inflation may be different to the table below. Where possible, schools internal knowledge and intelligence should be used to set budgets.

Table 2 – Inflation assumptions 2026/27

Income	4%
Teachers Pay Award	4%
Support Staff Pay Award	3% + 1%



Gas	-9.0%
Electricity	16.6%
Operational Expenditure	2.7%

**All inflationary assumptions are purely indicative and therefore subject to change.
Birmingham NFF Allowable Factor Rate – 2026/27**

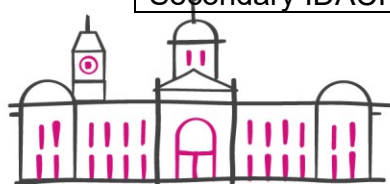
26. NFF allowable funding factor rates

- 26.1. Table 3 below sets out the NFF allowable funding factor rates for 2026/27. Schools are advised to use 2026 to 2027 national funding formula (NFF) value including area cost adjustment (ACA) as an average of the minimum and maximum allowable funding rate.

Note, the final funding rates will be published in the Schools Forum reports on 15 January 2026.

Table 3 – NFF allowable funding factor rates

Factor	2026 to 2027 national funding formula (NFF) value including area cost adjustment (ACA)	2026 to 2027 authority proforma tool (APT) minimum value	2026 to 2027 APT maximum value
Primary basic entitlement	£4,078.31	£3,976.35	£4,180.26
KS3 basic entitlement	£5,706.01	£5,563.36	£5,848.67
KS4 basic entitlement	£6,432.56	£6,271.75	£6,593.38
Primary FSM	£506.78	£494.11	£519.45
Secondary FSM	£506.78	£494.11	£519.45
Primary FSM6	£1,214.26	£1,183.90	£1,244.62
Secondary FSM6	£1,731.07	£1,687.80	£1,774.35
Primary IDACI F	£240.84	£234.82	£246.87
Primary IDACI E	£291.02	£283.75	£298.30
Primary IDACI D	£456.60	£445.19	£468.02
Primary IDACI C	£501.76	£489.22	£514.30
Primary IDACI B	£531.87	£518.57	£545.16
Primary IDACI A	£702.46	£684.90	£720.03
Secondary IDACI F	£346.21	£337.56	£354.87
Secondary IDACI E	£461.62	£450.08	£473.16
Secondary IDACI D	£652.29	£635.98	£668.60
Secondary IDACI C	£712.50	£694.69	£730.31



Factor	2026 to 2027 national funding formula (NFF) value including area cost adjustment (ACA)	2026 to 2027 authority proforma tool (APT) minimum value	2026 to 2027 APT maximum value
Secondary IDACI B	£762.68	£743.61	£781.74
Secondary IDACI A	£973.41	£949.08	£997.75
Primary EAL3	£612.15	£596.84	£627.45
Secondary EAL3	£1,635.74	£1,594.84	£1,676.63
Primary LPA	£1,204.22	£1,174.12	£1,234.33
Secondary LPA	£1,831.42	£1,785.64	£1,877.21
Primary mobility	£988.47	£963.76	£1,013.18
Secondary mobility	£1,419.98	£1,384.48	£1,455.48
Primary lump sum	£153,237.50	£149,406.57	£157,068.44
Secondary lump sum	£153,237.50	£149,406.57	£157,068.44
Primary sparsity	£58,806.27	£57,336.12	£60,276.43
Secondary sparsity	£85,499.90	£83,362.41	£87,637.40
Middle-school sparsity	£85,499.90	£83,362.41	£87,637.40
All-through sparsity	£85,499.90	£83,362.41	£87,637.40
Split sites basic eligibility funding	£55,293.95	£53,911.60	£56,676.30
Split sites distance funding	£27,697.15	£27,004.72	£28,389.58
London Fringe	1.0000	1.0000	1.0000

