

Budget assumptions – 2026–29 medium-term plan

February 2026¹

Strategic financial planning requires making assumptions where there are known unknowns. This is necessary to present the most informed picture of the financial landscape and how this will impact on the sustainability of the school or trust.

It is best practice to agree medium-term budget assumptions with the trust or governing board in advance of starting the budgeting process. At this early stage in 2026, we are looking at limited and uncertain information on which to base budget assumptions.

Noting that there could be potential changes in future years' funding, the following information uses the best available sources and is also informed by advice from ISBL Fellows and accredited School Resource Management Advisers (SRMAs).

The information provided indicates appropriate ranges of assumptions but, where possible, also indicates a potential 'best fit' assumption.

In this paper, medium-term plan means:

- Year 1 funding year 2026–27
- Year 2 funding year 2027–28
- Year 3 funding year 2028–29

Known unknowns where further information is required

- The [June 2025 Spending Review](#) announced and promised an increase of £4.7 billion in total schools funding by 2028. This is an increase of over 7% from the current position. It is currently unclear how much of this will be used to support the increases in high needs funding and how much will support mainstream schools core funding.

Unknown unknowns

- Geopolitical instability, particularly within the USA, which might impact non-staffing costs for schools.
- **Other potential factors will be discussed in future updates.**

¹ Please note that this guidance will be subject to further updates as additional information becomes available.

RECOMMENDATIONS AND ASSUMPTIONS

1 Pupil numbers

The general annual grant (GAG) or school budget share statements, due to be received in February 2026, will be based on the October 2025 census figure. The crucial data for a medium-term plan is the forecast pupil numbers for October 2026 and October 2027, upon which the funding for 2027–28 and 2028–29 will be based.

Our advice is that pupil numbers, including Pupil Premium pupils (FMS6) and pupils with education and health care plans (EHCPs), should be tracked through the monthly management accounts presented to trustees and governors. It is best practice to divide these pupil numbers by year group to enable easier forecasting in future years.

In areas where schools are facing falling rolls, gathering additional information from the place-planning department at the local authority will be key to ensuring that forecasts are accurate. Secondary schools may also benefit from information from their feeder primary schools.

Ensure that your pupil forecasts take account of the following:

- If you are a primary phase school that has a nursery, ensure that your pupil number forecasts for the nursery are accurate. We would advise that you forecast a full-time equivalent (FTE) based on pupils accessing 30 hours across the week, so a 15-hour pupil will be recorded as 0.5 FTE.
- If you are a secondary with a sixth form, then ensure you accurately forecast both recruitment to Year 12 and also retention from Year 12 into Year 13. It is really important that the school has a firm grasp of how the funding system for post-16 operates so that pupils are assigned to appropriate courses that lead to appropriate funding.

Note: Ensuring that pupil numbers are accurate has a greater impact on the accuracy of budget forecasts than any of the inflationary assumptions that follow.

2 Income

2.1 Main funding grants

2.1.1 General annual grant (GAG)/School budget share (SBS)

Year one, 2026–27

LA maintained schools should receive their 2026–27 funding statement in February 2026 via their local authority. Academies will receive their GAG statements through the [‘Manage your education and skills funding’ portal](#).

As noted above, the 2025 Spending Review indicated an increased level of funding for schools, but the [Institute for Fiscal Studies report published in January 2026](#) indicates that much of this increase is likely to be used for high needs funding.

In fact, of the £4.7 billion indicated:

- £600 million is wrapped up in the SBS grant already received.
- £400 million is for the expansion of free school meals to all families on Universal Credit.
- £760 million allocated to reforming high needs funding (despite the announcement on 9 February 2026 that central government will spend £5 billion writing off 90% of local authority high needs funding debts, it seems realistic to assume that this allocation will still form part of the plans).

So, following these considerations, we believe the increase to core schools funding is likely to be closer to:

- 2026–27 – 1.6%
- 2027–28 – 1.6%
- 2028–29 – 1.6%

Note: This is below the SRMA and ISBL Fellows’ survey, the results of which are included below, but it is suggested to be a more realistic assumption in this context.

Percentage of survey responses	2026–27	2027–28	2028–29
40%	2%	2%	2%
21%	1%	1%	1%
14%	2%	2%	3%
7%	1%	2%	3%

Schools may wish to use these assumptions initially, but the actual figures for 2026–27 will be available early in the Spring Term 2026.

2.1.2 16–19 programme funding

This will be expanded in the next update, but for now, **use the same assumptions as above.**

2.2 Other ESFA grant income

Year one, 2026–27

2.2.1 Employers’ National Insurance contributions (NICs) grant/Schools budget support grant (SBSG)

These grants will be rolled into the school budget share or GAG for 2026–27 onwards. We recommend that, until further information is available on core schools funding rates, where grants are being rolled into the core funding, the current rate be kept in for future years.

2.2.2 Pupil premium funding

Rates for the year from April 2026 are detailed below. The increase from the previous year was around 2.3%; although the 2027–28 and 2028–29 rates are not yet available, a further 2% increase year on year seems a reasonable assumption to use:

- Primary (Ever6FSM and those with no recourse to public funds (NRPF)) – £1,550
- Secondary (Ever6FSM and those with no recourse to public funds (NRPF)) – £1,100
- Looked after children (LAC) (funding paid initially to the local authority, allocated by the Virtual Head) – £2,690
- Post-LAC (adoption, special guardianship or arrangement order following care) – £2,690
- Service Pupil Premium has increased to £360.

You may want to use [this calculator](#) to estimate your income in advance of any release by the Department for Education.

With the revision to free school meal eligibility, as noted below, this will require a change to pupil premium grant eligibility. A Treasury report states that: ‘The [DfE] will design a new model for targeting disadvantage funding by using income data to directly allocate pupil premium and NFF [national funding formula] deprivation funding.’ The details have yet to be released.

2.2.3 Universal infant free school meals

The rates for 2026–27 are not currently available. The current rate is £2.61 and increases to £2.66 in September 2026.

From September 2026, free school meal (FSM) entitlement is being extended to all families on Universal Credit. This will extend the number of pupils entitled to FSM.

The holiday activities and food (HAF) programme will be extended until March 2027, and eligibility will be based on the existing criteria.

2.2.4 Mayor’s funding for key stage 2 meals

The Mayor of London announced in 2025 that the free school meals for key stage 2 pupils will continue for ‘the next four years’. This funding is at a slightly higher rate than the universal infant free school meals (UIFSM), closer to £3 per meal.

2.2.5 PE and sport premium

The rates for 2026–27 are not currently available; however, the grant has previously been calculated on the following basis:

- schools with 16 or fewer eligible pupils will receive £1,000 per pupil
- schools with 17 or more eligible pupils will receive £16,000 and an additional payment of £10 per pupil.

The grant has not increased in the past; therefore, using the same basis would be appropriate. Although there is uncertainty each year over whether the grant will continue, in light of ongoing concerns around childhood fitness and health, it is reasonable to assume that this grant will continue.

You may want to use [this calculator](#) to estimate your income in advance of any release by the Department for Education.

2.3 All other income

Unless otherwise known, it would be prudent for all self-generated income to be budgeted at 2025–26 forecast out-turn + 0% inflation.

3 Expenditure

3.1 Staffing costs

Year one, 2026–27

3.1.1 Teachers

The Secretary of State’s advice to the School Teachers’ Review Body has requested that they consider a three-year settlement of 6.5% increase weighted towards the end.

The SRMA/ISBL Fellows’ survey suggested the following assumptions:

Percentage of survey responses	2026–27	2027–28	2028–29
60%	2%	2%	2.5%
21%	1.5%	2%	3%
16%	1.5%	2.5%	2.5%

We agree that, until further information is available, the reasonable assumption is a 2% increase in the first two years with a 2.5% increase in year 3.

- 2026–27 +2%
- 2027–28 +2%
- 2028–29 +2.5%

Note: We do not expect any additional grant to support a pay increase; however, whenever there is a grant, it is always on a per-pupil basis and therefore may not meet the full impact of pay increases on an individual school basis.

3.1.2 Support staff

The National Joint Council (NJC) for Local Government Services support-staff unions have submitted their pay claim:

- All NJC employees to receive a wage rise of £3,000 or 10% (whichever is greater)
- A minimum hourly rate of £15
- An extra day of annual leave
- A reduction of two hours in the working week
- School staff to have the right to take at least one day of leave within term time.

They have also indicated that if a three-year increase was available, they would like to see above-inflation awards:

- 2027 – RPI* + 3%
 - 2028 – RPI* + 2%
- *RPI – Retail Price Index

The final agreed NJC award will be effective from **1 April 2026**.

Historically, support-staff salary increases are not funded with additional grants (although the core schools budget grant (CSBG) in 2024–25 partially funded the 2024 increase).

The survey of SRMAs and ISBL fellows showed the greatest variation in this area, both for the coming year and subsequent years:

Percentage of survey responses	2026–27
48%	3%
21%	2%
14%	4%

Percentage of survey responses	2027–28	2028–29
26%	2%	2%
23%	3%	2%
21%	3%	3%

Recommendation

This is the most difficult assumption to make currently, and we would recommend that schools follow the negotiations carefully. The following is our best suggestion at present:

- 2026–27 +3%
- 2027–28 +2%
- 2028–29 +2%

Note: Many Local Government Pension Scheme (LGPS) funds are in significant surpluses, and, following the triennial revaluations, are reducing employer contribution rates. Make sure you know what changes to contribution rates are being enacted in your fund.

3.2 Non-pay expenditure (all non-staffing costs)

Economic forecasting is more speculative than ever, and a large statistical release from the Office for National Statistics (ONS) is due imminently.

The latest information from ONS, however, is that the Consumer Prices Index (CPI), which is a useful indicator for schools, was 3.4% in December 2025 and dropped to 3% in January 2026. The Bank of England has also stated that it is forecasting inflation dropping to close to the 2% target by April 2026.

It is clear that the rate of inflation is currently on a declining trajectory (but be aware that social and political instability may impact on inflation.)

The Department for Education uses the GDP deflator as its primary inflationary indicator. The latest statistical release from ONS, published in January 2026, provided these forecasts for future years (calendar and fiscal, but not academic):

Year	Calendar year	Financial year
2026 (2026–27)	2.25%	2.23%
2027 (2027–28)	2.05%	2.01%
2028 (2028–29)	1.93%	1.88%
2029 (2029–30)	1.83%	1.85%
2030 (2030–31)	1.93%	1.95%

The survey of SRMAs and ISBL fellows was quite divided on what were reasonable inflationary assumptions:

Percentage of survey responses	2026–27
33%	3%
30%	3.5%
12%	2.5%
9%	3.8%

Percentage of survey responses	2027–28	2028–29
33%	3%	3%
23%	2%	2%
14%	3%	2%
12%	3.5%	3.5%
9%	3.5%	3%

Our suggested assumptions are possibly a little lower than the majority of the survey but are based on a later February release about the January CPI rate:

- 2026/27 +3%
- 2027/28 +2%
- 2028/29 +2%

SUMMARY

1 Income

1.1 Core school funding

	2026–27*	2027–28	2028–29
GAG and School budget share	1.6%	1.6%	1.6%

*Actual schools' income for 2026-27 should be confirmed in February 2026.

1.2 16–19 funding

Until the next update, assume the same per-pupil income increases as above.

2 Expenditure

2.1 Teacher pay increase assumptions

	2026–27	2027–28	2028–29
Increase on all salary points	2%	2%	2.5%

2.2 Support staff pay increase assumptions

	2026–27	2027–28	2028–29
Increase on all salary points	3%	2%	2%

2.3 Non-pay increase assumptions

	2026–27	2027–28	2028–29
General non-staff inflation	3%	2%	2%

3 Other grants

Until more detail is available, you may want to use the following calculators:

- [PPG Calculator](#)
- [PE and Sports Grant Calculator](#)

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The author of this document is Peter Tomkins, School Resource Management Adviser (SRMA) and Director TSO Education, in collaboration with other accredited SRMAs.



Sources referenced:

SRMA/ISBL Fellow Survey; Schools operational guide: 2026–2027; Secretary of State STRB recommendation; Office for National Statistics; Forecasts for the UK economy (HM Treasury); Institute of Fiscal Studies *Annual report on education spending (January 2026)*