
Deficit Schools

Report being considered by: Schools' Forum

Date of Meeting: 1 October 2025

Report Author: Lisa Potts

Item for: Information **By:** All Maintained Schools Representatives

1. Purpose of the Report

- 1.1 This report provides details of the schools in deficit during 2025/26.
- 1.2 The report also provides information on lessons learned from monitoring schools in deficit.

2. Recommendation

- 1.1 That the report be noted.

3. Introduction/Background

- 3.1 Schools are permitted to set a deficit budget if they meet certain conditions. This is termed a licensed deficit. The conditions of a licensed deficit are set out in the Scheme for Financing Schools (the legal contract the Council has with schools) and include the following statement, "The recommended length over which schools may repay the deficit, i.e. reach at least a zero balance, with appropriate mechanism to ensure that the deficit is not simply extended indefinitely, is three years. The maximum length of repayment is five years."
- 3.2 If the conditions of the license are not met by the school, the Council has the power to issue a Notice of Concern, which ultimately could mean removal of a school's delegation.
- 3.3 During the financial year some schools enter an unplanned financial deficit due to circumstances beyond the school's control. For example, higher than budgeted inflationary pay increases, power costs etc., poor Ofsted outcomes that result in unplanned spend. Any school doing so is requested to abide by the conditions of the deficit.

4. Deficit schools update

- 4.1 For 24/25 10 schools had budgeted licence deficits totalling £873,500 plus a further 4 in-year unplanned deficits and the total of the actual 24/25 year-end deficits was £995,793. Please note the below list is for 12 schools as 2 schools with a planned deficit ended the year in surplus
- 4.2 The 2025/26 budget shows 10 schools with licenced deficits (and a further 3 schools that will be submitting deficit budgets although they have been given an extended deadline to 26.09.25), The budgeted deficit for the current 10 licenced deficits totals £945,900.

Deficit Schools

4.3 The table below shows the budgets for these schools and status of the licence approvals for 2025/26.

Main School Budgets	2024/25 Year end balance	2025/26 Budgeted Outturn	2026/27 Budgeted Outturn	2027/28 Budgeted Outturn	2028/29 Budgeted Outturn	2029/30 Budgeted Outturn	2030/31 Budgeted Outturn	2031/32 Budgeted Outturn	Licenced	Terms for granting licence
Aldermaston CE Primary	(£47,526)	£3,340							N/A	Budgeted to recover in year - robustly checked by SR. Standard P9 monitoring will be carried out.
Brimpton CE Primary <i>*Place Planning have concerns*</i>	(£24,864)	Original budget rejected as did not show deficit recovery							No	Extension has been granted by NG. Deadline to submit 25/26 budget is 26.09.2025
Bucklebury CE Primary	(£3,790)	£2,860							N/A	Budgeted to recover in year - robustly checked by SR. Standard P9 monitoring will be carried out.
Chieveley	£52,760	Original budget rejected as did not show deficit recovery							No	Extension has been granted by NG. Deadline to submit 25/26 budget is 26.09.2025
Enborne CE Primary	(£14,048)	£14,380							N/A	Budgeted to recover in year - robustly checked by SR. Standard P9 monitoring will be carried out.
Hermitage Primary	(£40,499)	(£96,180)	(£60,055)	(£21,113)	£13,262	£28,345			Yes	Budget has been accepted and can be licenced.
Kennet Valley Primary	£1,800	(£25,440)	£52,796	£20,560	£56,342	(£81,323)			Yes	Budget has been accepted and can be licenced for one year only. The new HT (starting Sept 2025) will have input on budget setting going forward.
Pangbourne Primary <i>*Place Planning have concerns*</i>	(£88,050)	(£160,890)	(£183,929)	(£157,605)	(£115,203)	(£76,942)	(£41,271)	£89	Yes	Budget has been accepted and can be licenced for one year only. It is recognised that the revised budget shows a recovery in 2031/32 but the forecast surplus is very low.
Purley	£14,829	(£39,070)	(£64,426)	(£63,987)	(£56,994)	(£48,110)			Yes	Budget has been accepted and can be licenced for one year only.
Spurcroft	(£154,340)	(£134,500)	(£46,340)	£12,165	£49,131	£19,158			Yes	Budget has been accepted and can be licenced.
St Finians RC Primary	(£75,444)	(£40,920)	£3,308	£18,597	(£5,599)	(£62,715)			Yes	Budget has been accepted and can be licenced - school to submit a report regarding returning to deficit in 28/29 and 29/30.
St Josephs	(£182,853)	(£173,330)	(£102,816)	£495	£96,267	£153,263			Yes	Budget has been accepted and can be licenced.
The Burghfield Common Federation (formerly Mrs Blands & Garland Junior)	£13,171	(£206,070)	(£137,037)	(£91,123)	(£47,841)	£274			Yes	Budget has been accepted and can be licenced with caveats - school to submit a report on what more they will do to increase £250 surplus at end of 5 yrs
The Kite Federation <i>*Place Planning have concerns*</i>	(£91,131)	Original budget rejected as did not show deficit recovery							No	Extension has been granted by NG. Deadline to submit 25/26 budget is 26.09.2025
Theale CE Primary	(£234,747)	(£52,550)	£3,391	£61,777	£120,871	£180,469			Yes	Budget has been accepted and can be licenced with caveats.
Woolhampton CE Primary	(£38,500)	(£16,950)	£8,659	£26,963	£21,630	£9,834			Yes	Budget has been accepted and can be licenced.
Total of Deficits	(£995,793)	(£945,900)	(£526,449)	(£193,270)	£131,866	£122,253				

5. Reasons for school deficits

5.1 Falling pupil numbers:

- (1) National trend of falling numbers and no indication that this will reverse.
- (2) Viability of the smallest schools.
- (3) Belief that the school can market its way out of this.
- (4) Aversion to requesting a reduction in PAN.
- (5) Aversion to merging year groups (especially amongst parent governors).

5.2 Additional unfunded high need children:

- (1) Time taken to produce an EHCP and time lag in being awarded funding.
- (2) EHCPs not covering the full cost of support needed.

5.3 Increasing costs:

- (1) Energy.
- (2) Maintenance of buildings.
- (3) Catering – affecting small schools.
- (4) Unfunded support staff pay increases.

5.4 Lower Income:

Post covid income levels and hoping that this will recover to pre-covid levels and not addressing this as a long-term issue. This mostly applies to wrap around care and clubs that are impacted by parents working from home.

6. Reasons for not being able to recover a deficit

6.1 Budgetary control:

- (1) Lack of ownership of budget by Headteacher, Senior Leadership Team (SLT) and Governors.

All budget assumptions should be challenged and owned by the above, and not just left to the School Business Manager or Finance Officer (SBM/FO).

- (2) Poor financial management.

The monitoring of school's finances not being given sufficient time and attention to be reviewed to allow decisions to be made. The information should be timely, accurate and robust, with any variances fully explained.

In-year deficits or overspends not being addressed. Decisions should be made to consider the financial impact over more than just the current financial year.

Budgeting based on last year rather than reviewing what happened last year and using it to inform future forecasting.

Lack of spend control on non-salary items, such as authorising purchases without checking budget position. Failing to prioritise purchases eg no option items such as energy, insurance, necessities and nice to haves.

- (3) Staffing decisions.

Staff members should not automatically be replaced on a like for like basis. Consideration should be given to the needs of the school and the affordability of the replacement.

Appointment of additional staff should be referred to governors as this is a change from the budgeted agreed structure. Impact on future years should be considered.

Possible overuse of timesheets and overtime claims. Lack of payroll reconciliations or not investigating or resolving differences.

Recruitment and retention concerns. Disproportionate number of teachers on UPR. Retention is good but expensive.

Uninsured staff absences.

(4) SBM/FO

Insufficient hours to perform the role.

Lack of experience or financial background.

Expectation to cover admin tasks.

Tend to be cautious, overestimating expenditure and underestimating income, resulting in surpluses against budget, but masking deficit warnings.

6.2 Decision making:

(1) Not agreeing the budget in a timely manner.

This should ideally be before the financial year begins, the date is known and the school should be able to plan to meet this deadline. We are still in the process of getting budgets agreed with deficit schools in November.

The LA issues budget shares by the end of March but does provide advance forecast figures, so this should not hold up the budget setting process.

(2) Unwillingness to share possible deficit with WBC at the earliest point in time, take decisive action or explore early options.

(3) Not taking advice from HR on staffing options.

(4) Slowness to act on the deficit.

6.3 Funding uncertainty:

Late notification, not reading the detail provided.

7. Good practice learned from schools that do recover their deficit

7.1 Strong budgetary control:

(1) Full ownership of budget by Headteacher, Senior Leadership Team (SLT) and Governors.

(2) Good financial management.

The monitoring of school's finances is given sufficient time and attention to be reviewed to allow decisions to be made. The information is timely, accurate and robust, with any variances fully explained.

Papers circulated in advance of governor meetings and governors should consider submitting questions in advance to allow for a full response to be available at the meeting so discussion can take place.

In-year deficits or overspends addressed as soon as they arise with actions to bring the school back in line with budget.

Reviewing what happened last year and using it to inform future forecasting.

Strong spend control on non-salary items.

(3) Staffing decisions.

Full consideration given to the appointment of additional staff. Impact on future years considered.

Staff members not automatically replaced on a like for like basis. Consideration given to the needs of the school and the affordability in all decisions.

Thinking creatively and speaking to HR. Considering fixed term contracts.

(4) SBM/FO

Strong SBM with accountancy background or qualifications, with enough time to fulfil the accounting requirements.

7.2 Decision making:

(1) Agreeing the budget in a timely manner, ideally before the financial year begins.

(2) Sharing possible deficit with WBC at the earliest point in time, taking decisive action and exploring early options.

Taking advice from HR on staffing options.

Deciding whether to share the financial position with staff to help get ideas to improve efficiency or generate savings. Sharing can result in retirement plans being shared or requests to reduce hours.

(3) Those schools that get ahead can avoid or minimise and recover deficits sooner.