Deficit Schools 2026/27

Report being considered by:	Schools' Forum		
Date of Meeting:	12 October		
Report Author:	Mollie McQuade/Kirsty Bray		
Item for:	Discussion/Comment	**B**	All Maintained Schools Representatives

1. Purpose of the Report

1.1 This report provides Schools Forum with an update on the maintained schools operating with an expected deficit budget during 2026/27 and highlights the factors contributing to financial pressures and recovery success.

2. Recommendation

2.1 There are no recommendations arising from this report. The report is provided for information and discussion by Schools Forum members.

Is the Schools' Forum required to make a decision as part of this report or subsequent versions due to be considered later in the meeting cycle?	
Yes: ☐	No: ☒

3. Introduction and Background

3.1 Schools may operate with a licensed deficit budget where they meet the conditions set out in the Scheme for Financing Schools. A licensed deficit is intended to be a temporary position and schools are normally expected to return to at least a balanced position within three years.

3.2 Where the conditions of a licensed deficit are not met, the Council may issue a Notice of Concern and, ultimately, consider removal of delegated financial powers.

3.3 In addition to approved licensed deficits, schools may occasionally move into an unplanned deficit position during the year due to unforeseen financial pressures. In such circumstances schools are expected to work with the Local Authority to develop and implement a recovery plan.

3.4 The conditions of a licensed deficit are set out in para 7.9 of the Scheme for Financing Schools.

4. Deficit Schools Position

4.1 For 2025/26:

(1) 13 schools submitted deficit budgets with a combined value of £1.29m.

(2) A further two schools reported unplanned deficits during the year.

(3) The final year-end deficit position was £1.39m.

4.2 For 2026/27:

(1) 17 schools have submitted deficit budgets.

(2) The combined value of these deficits is £1.74m.

4.3 The number of schools operating in deficit, together with the overall value of deficits, continues to increase year-on-year. A summary of individual school deficits is provided in Appendix.

5. Key Drivers of School Deficits

Whilst the circumstances of individual schools vary, a number of common themes continue to emerge.

5.1 Falling Pupil Numbers

Falling rolls reduce pupil-led funding and can place significant pressure on school budgets, particularly in smaller schools where staffing and premises costs are less flexible. Common challenges include:

- Reduced pupil numbers and associated funding.
- Difficulties maintaining financially viable class structures.
- Delays in adapting staffing structures or Published Admission Numbers (PAN) to changing demand.
- Delays in reviewing class structures and introducing mixed-age classes where pupil numbers may no longer support separate year groups.

5.2 Special Educational Needs and Disabilities (“SEND”) Pressures

Schools are increasingly supporting pupils with more complex needs. Financial pressures can arise from:

- Delays in securing Education, Health and Care Plans (“EHCP”).
- Delays in receiving associated funding.
- Additional support costs exceeding available funding.

5.3 Cost Pressures

Schools continue to face significant inflationary pressures, including:

- Staff pay awards.
- Premises costs including energy and maintenance costs.
- Catering costs and pressures associated with Universal Infant Free School Meals.

5.4 Reduced Income

Some schools have experienced reductions in income from activities such as wraparound care and other traded services. In many cases, expenditure has increased at a greater rate than funding and other income sources, creating further budget pressures.

6. Factors Affecting Deficit Recovery

Data and experience indicates that schools experiencing prolonged deficits often face one or more of the following challenges.

6.1 Budget Management

- Limited ownership of the budget across Headteachers, Senior Leadership Teams and Governors.
- Insufficient monitoring and challenge of financial performance.
- Delayed action when budget variances arise.
- Weak expenditure controls, failure to prioritise necessary expenditure
- Inadequate long-term financial planning and forecasting.
- Slow reaction to reduction in pupil numbers, leading to potential PAN reduction, class size realignment and organisational structure.
- Delayed budget approval.

6.2 Staffing Costs

As staffing typically represents the largest area of school expenditure, decisions relating to workforce planning have a significant impact on financial sustainability. Common issues include:

- Replacing staff without reviewing organisational need.
- High staffing structures relative to pupil numbers.
- Reliance on agency staff, overtime or temporary staffing arrangements.
- Recruitment and retention pressures.

6.3 Governance and Decision Making

Financial recovery can be delayed where:

- Budgets are not approved in a timely manner.
- Difficult decisions are postponed.
- Support from the Local Authority or HR services is not sought at an early stage.
- Emerging deficits are not addressed promptly.

6.4 Financial Capacity

Effective financial management relies on sufficient business management capacity. Risks can arise where:

- Finance staff have insufficient time to undertake the role effectively.
- Financial expertise is limited.
- Financial management responsibilities are combined with extensive administrative duties.

7. Characteristics of Financially Sustainable Schools

Schools that are financially sustainable typically demonstrate the following characteristics:

- Strong leadership and governor oversight.
- Clear ownership of financial performance.
- Regular and robust budget monitoring.
- Timely decision making.
- Effective staffing reviews and workforce planning.
- Strong expenditure control.
- Realistic medium-term financial planning.
- Early engagement with Local Authority and HR support services.
- Willingness to take corrective action as soon as financial concerns emerge.
- Engagement with Education Place Planning in terms of pupil forecasts.

Experience shows that early intervention and proactive financial management significantly improve the likelihood of successful recovery.

8. Consultation and engagement

8.1 s151 Officer and Service Director for Education.

9. Conclusion

9.1 The financial position of schools remains challenging, with both the number of schools in deficit and the total value of deficits continuing to increase.

The principal factors driving deficits remain falling pupil numbers, rising costs, SEND pressures and wider financial sustainability challenges.

Strong governance, robust financial management and early intervention remain the key factors in supporting schools to return to a balanced financial position and achieve long-term sustainability.

10. Appendices

10.1 Appendix A - List of deficit schools

Deficit Schools 2026/27

Appendix A

School	Total number of years expected to be in deficit	Deficit as % of School Budget Share (should be <5%)	2025/26 Actual Yr End Bal MSB	2026/27 Budget Yr End Bal MSB	2027/28 Budget Yr End Bal MSB	2028/29 Budget Yr End Bal MSB	2029/30 Budget Yr End Bal MSB	2030/31 Budget Yr End Bal MSB	RAG#
Bradfield C.E. Primary School	2	2.61	£1,850	-£23,510	£16,732	£22,302	n/a	n/a	G
Brightwalton C.E. Aided Primary School	>5	10.14	-£24,955	-£65,610	-£124,727	-£207,731	-£310,005	-£411,527	R
Bucklebury C.E. Primary School	5	5.68	-£39,927	-£36,860	-£1,329	-£4,113	£10,461	£17,930	G
Chieveley Primary School	4	9.77	-£64,877	-£94,790	-£68,238	£7,838	£51,562	£86,939	G
Hermitage Primary School	6	9.37	-£190,568	-£101,935	-£30,385	£28,223	£58,293	£75,265	A
Kennet Valley Primary School	>5	4.93	-£30,520	-£58,910	-£245,140	-£350,930	-£649,530	£0	R
Pangbourne Primary School	6	17.45	-£111,160	-£130,590	-£29,172	£27,720	£59,444	£102,375	G
Purley CofE Primary School	>5	12.82	-£24,456	-£75,104	-£91,048	-£181,945	-£318,803	-£513,349	R
St Finian's Catholic Primary School	6	5.60	-£62,950	-£43,450	£17,415	£54,600	£40,545	£19,760	G
St Joseph's Catholic Primary School	9	12.29	-£175,149	-£155,186	-£94,390	-£18,531	£20,817	£7,035	A
St Paul's Catholic Primary School	3	5.04	£190	-£75,630	-£42,466	£90,427	£84,829	£80,366	G
Spurcroft Primary School	11	6.00	-£130,210	-£123,620	-£87,966	-£44,003	-£4,953	£57,980	A
Burghfield Common Federation	6	5.92	-£156,150	-£116,850	-£62,734	-£32,458	-£15,933	£6,663	G
The Kite Primary Federation	>5	30.94	-£260,930	-£339,325	-£281,961	-£188,242	-£104,187	-£1,458	R
The Winchcombe School	3	4.02	£5,477	-£94,140	-£52,789	£59,780	£95,364	£121,850	G
Theale C.E. Primary School	5	2.43	-£101,947	-£41,755	£5,312	£13,273	£17,326	£22,287	G
Westwood Farm Infant School & Westwood Farm Junior School	>5	6.88	£24,120	-£158,670	-£419,143	-£745,095	-£1,151,661	-£1,566,638	R

* Budget not approved by Interim Executive Board
# RAG

R Showing no recovery

A Showing recovery in the coming 5 years

G Showing recovery within coming 3 years