

## Schools Funding Forum 11th June 2026

**ITEM 7**

**Subject Heading:**

**LA maintained schools' balances 2025-26  
and Approach to Schools in Deficit**

**Report Authors:**

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**Eligibility to vote:**

**Information only**

### **SUMMARY**

This report provides an analysis of the LA maintained revenue school balances carried forward from 2025-26 into 2026-27 and sets out the Authority's approach to schools facing financial difficulties.

### **RECOMMENDATIONS**

That the Schools Funding Forum notes the report.

## REPORT DETAIL

### Year on Year Comparison of School Balances

- 7.1 The table below shows the total revenue balances carried forward each year for the 38 primary and one special school that were LA maintained at the end of financial year 2025-26. Two pairs of primary schools operate a single budget across their federations.
- 7.2 For the fifth consecutive year, the overall schools revenue balances has reduced, and at the end of financial year 2025-26, there has been an increase of £3.1m in the overall deficit position for maintained schools.

	Total income £m	Total c/fwd balance £m	Balance as a % of income
2025-26	140.4	-3.6	-2.6%
2024-25	133.6	-0.5	-0.4%
2023-24	122.5	1.8	1.5%
2022-23	110.8	3.9	3.5%
2021-22	106.4	4.5	4.3%
2020-21	101.4	4.7	4.7%
2019-20	96.3	2.3	2.3%

### Total value of school surpluses and deficits

- 7.3 The total balance for schools in surplus has remained at similar levels from 2020-21 to 2025-26, however there has been an increase of schools deficit position with an increase of £2.8m from 2024-25 to 2025-26.

Year	Total surpluses £m	Total deficits £m	Net balances £m
2025-26	5.5	9.1	-3.6
2024-25	5.8	6.3	-0.5
2023-24	5.4	3.6	1.8
2022-23	5.3	1.4	3.9
2021-22	5.4	0.9	4.5
2020-21	5.8	1.1	4.7
2019-20	3.7	1.4	2.3

### School with surplus - percentage banding

7.4 The number of schools in surplus in the bands of 10% and above is similar as per previous years, however those schools that are in the lower bands have decreased in comparison.

	No. above 15%	No. between 10% & 15%	No. between 5% & 10%	No. between 0% & 5%	No. in deficit
2025-26	1	3	9	7	17
2024-25	1	5	7	10	15
2023-24	1	3	8	11	14
2022-23	1	3	11	7	15
2021-22	1	4	11	12	9
2020-21	1	4	15	7	11
2019-20	0	2	15	6	16

### School in deficit – percentage banding

7.5 For the last two financial years, there has been a similar number of schools at the different ranges of % deficit range. However there has been an additional two schools that have reported an overall revenue deficit position at the end of financial year 2025-26.

	No. above 10%	No. between 5% & 10%	No. between 1% & 5%	No. below 1%	Total No. in deficit
2025-26	10	4	3	0	17
2024-25	10	3	2	0	15
2023-24	7	5	2	0	14
2022-23	0	6	8	1	15
2021-22	1	3	4	1	9
2020-21	1	4	4	2	11
2019-20	2	4	9	1	16

### Schools in deficit - duration

7.6 The number of schools which have had deficits for an extended period of 3 years or more is 14, the same level as per the previous year.

No. of years	2025-26 No. of schools in deficit	2024-25 No. of schools in deficit	2023-24 No. of schools in deficit
> 5	8	9	8
5	0	0	1
4	5	0	0
3	1	5	0
2	0	0	5
1	3	1	0
Total	17	15	14

### Schools with balances above 10% - duration

7.7 There are two schools that have had 10% surplus balances for 5 years or more, which is a reduction of one school in comparison to the previous year. In addition, the number of schools with surpluses above 10% has decreased from 6 to 4.

No. of years	2025-26 No. of schools above 10%	2024-25 No. of schools above 10%	2023-24 No. of schools above 10%
> 5	2	1	2
5	0	2	0
4	0	0	2
3	1	0	0
2	0	1	0
1	1	2	1
Total	4	6	4

### Budget Plans and Categories of Submission

7.8 Most schools have now submitted their budget plans for 2026-27 financial year and will shortly be submitting their three year forecasts.

7.9 As in the previous financial year, the LA will be assessing these plans against the following updated categories.

Category	Definition	Action Required
A	Schools in a good financial position – forecasting to remain in surplus for at least three years	School to continue to monitor budgets
B	School at some risk – in surplus this year but may fall into deficit in subsequent years	School and Governing Body to consider action needed to reduce costs and remain in surplus.
C	School at risk of falling into deficit in this financial year	School and Governing Body to take urgent action to reduce costs in year
D – 1	School following a recovery plan to recover deficit in an agreed timescale	School and Governing Body to continue implementing plan  Close monitoring of expenditure and regular update of forecasts and plans
D – 2	School has a recovery plan but may not be on track to deliver spending reductions	School and Governing Body to review plan and take action to get back on track.
E – 1	Recovery plan not yet fully agreed but School is beginning to reduce expenditure	School and Governing Body to continue to develop plans and take action to reduce expenditure as soon as possible
E - 2	School does not have adequate recovery plans and deficit is continuing to grow	Non compliance with regulations. School to take urgent action to develop plans. Authority may need to issue Notice of Concern.

7.10 For reference, the categories for financial year 2025-26 and the number of schools in each category is shown in the table below.

Category	Definition	Number	Action Required
A	Schools in a good financial position – forecasting to remain in surplus for at least three years	9	School to continue to monitor budgets
B	School at some risk – in surplus this year but may fall into deficit in subsequent years	7	School and Governing Body to consider action needed to reduce costs and remain in surplus.
C	School at risk of falling into deficit in this financial year	5	School and Governing Body to take urgent action to reduce costs in year
D	School following a recovery plan to recover deficit in an agreed timescale or extensive LA support is bring provided to deliver spending reductions	6	School and Governing Body to continue implementing plan  Close monitoring of expenditure and regular update of forecasts and plans
E – 1	Recovery plan not yet fully agreed but School is beginning to reduce expenditure	7	School and Governing Body to continue to develop plans and take action to reduce expenditure as soon as possible
E – 2	School does not have adequate recovery plans and deficit is continuing to grow	3	Non compliance with regulations. School to take urgent action to develop plans. Authority may need to issue Notice of Concern.

7.11 During financial year 2025-26, the schools that had a deficit at the end of financial year 2024-25 were supported as part of **Category D and E** along with one school that was not in deficit as at the end of financial year 2024-25 that was also supported as part of the LA Deficit recovery support.

### **LA Support and Schools Submissions**

7.12 Following submission of the one year budgets, the Local Authority will be in discussion with both LA maintained schools with balances above 10% and also those that are unable to set a balanced budget in 2026-27. Finance staff have been already been reaching out to those schools and in addition schools are able to request additional support via a booking portal.

7.13 **Any school that is unable to set a balanced budget will be asked to develop and implement a Deficit Recovery Plan showing how they will return to surplus over a reasonable period of time.** This is a requirement of the Schools Financing Regulations and Havering's own Scheme of Delegation.

7.14 Once a deficit recovery plan has been agreed then the authority will agree a licensed deficit. This will allow the authority to provide short term cash advances up to the levels set out in the plan.

7.15 Where schools do not yet have a robust and adequate recovery plan the Local Authority will continue to work with that school in order to support the development of savings measures. One of the approaches that the LA supports schools is through analysing the staffing structure within the school, and reviewing best practice and benchmarking against other similar schools. We will be paying particular attention to schools where the staffing budget is very high in comparison with funding, taking into account the level of High Needs funding.

7.16 Where a school does not yet have a deficit recovery plan approved it will still be possible to request cash advances through the existing processes as part of which the school will need to provide evidence of need and proposals as to how the advance can be repaid.

7.17 The authority will always seek to work with the school and the governing body in order to develop sustainable financial plans. However it does have the right to issue a Notice of Concern if it does not appear that the conditions of the Scheme for Financing Schools are being met. This includes not taking timely action to reduce overspending.

7.18 The Education Finance team will also be seeking to improve the system for monitoring school expenditure and budgets to make it more robust and also transparent. We will therefore be asking schools to provide quarterly expenditure and income forecasts and monitoring. This will be introduced for Quarter 2 reporting and further details will be released in this Summer term.