

**SCHOOLS FORUM****Deployment of the Deficit Budget Policy for Maintained Schools****9 SEPTEMBER 2025**

Content applicable to:		School Phase:	
Maintained Primary and Secondary Schools	X	Pre School	
Academies		Foundation Stage	X
PVI Settings		Primary	X
Special Schools / Academies	X	Secondary	X
Local Authority	X	Post 16	
		High Needs	X

Purpose of the report

Content requires:		By:	
Noting	X	Maintained Primary School Members	X
Decision		Maintained Secondary School Members	X
		Maintained Special School Members	X
		Academy Members	
		All Schools Forum	

1 Recommendation

1.1 Schools Forum is asked to note the Local Authority's plan to deploy the Deficit Budget Policy for maintained schools from Autumn 2025 and to offer any comments that would improve clarity, practicality and proportionality in implementation.

1.2 No approval or decision is sought at this stage.

2 Executive Summary

2.1 This report describes how the Local Authority will implement a comprehensive and proportionate approach to the prevention, management and recovery of deficits in maintained schools.

2.2 The policy distinguishes between short-term pressures that can be rectified within a year and more structural issues that require a longer recovery horizon.

2.3 It situates this within strengthened governance through a Schools in Financial Difficulty (SIFD) Panel, standardised documentation and a coherent support offer.

2.4 An October 2025 budget resubmission and reforecast will reset all school submissions on common planning assumptions so that decisions are made against a consistent and transparent evidence base.

2.5 The objective is to protect educational quality while restoring financial sustainability, reduce variability in practice across the system, and provide early visibility of risk so that corrective action is timely and proportionate.

3 Introduction and Purpose

3.1 The financial context for maintained schools has been characterised by persistent pressure on pay, energy and other non-staffing costs, together with localised volatility in pupil numbers that can disrupt class organisation and medium-term planning.

3.2 Returns submitted for the period 2025/26 to 2029/30 indicate a rising incidence of in-year and cumulative deficits if no further action is taken.

3.3 In that environment, it is essential to have a clearly articulated policy that sets out expectations for schools, provides a consistent basis for oversight and assistance, and explains the route through which recovery will be achieved where a deficit is unavoidable.

3.4 The purpose of this report is to set out the LA's deployment plan in a single, professional narrative so that governors, headteachers and other stakeholders are clear about roles, processes and timelines.

3.5 The scope is limited to maintained schools for which the LA remains the maintaining authority; academies are outside formal scope, though the tools and insights developed may have wider applicability.

4 Strategic Context

4.1 Schools have made significant efforts to absorb cost increases and to redesign provision in ways that protect curriculum breadth and standards.

4.2 Nevertheless, the compounding effect of pay awards, incremental drift, energy costs and specific local factors such as building condition or transport obligations continues to challenge budget sustainability, particularly in smaller settings with limited flexibility.

4.3 Forecasts compiled on differing local assumptions provide an uneven starting point for decision-making, and in some cases understate the sensitivity of budgets to changes in pupil roll or staffing structure.

4.4 To address this, the LA will require all maintained schools to resubmit their five-year forecasts in October 2025 using a single set of assumptions for pay, inflation, utilities and pupil numbers.

4.5 This will allow the LA to classify cases consistently, target support to the areas of greatest need and monitor system-wide exposure through a risk-rated dashboard.

5 Policy Approach

5.1 The policy rests on the principle that schools should plan to operate within their means and that any adverse balances must be deliberately planned, time-bound and monitored.

5.2 Where a shortfall is modest and attributable to a one-off event or temporary timing issue, a Managed Deficit route will apply.

5.3 In such circumstances the school will notify the LA at the earliest indication of an adverse outturn and set out the cause succinctly.

5.4 It will produce a concise Recovery Plan demonstrating a credible path back to surplus within the following financial year, supported by a projection that shows sustainability beyond the immediate fix.

5.5 Where the deficit is larger, recurrent or structural, a Licensed Deficit will be required.

5.6 In these cases the school will prepare a formal business case that diagnoses root causes, proposes a realistic annual repayment profile, evaluates educational impact and risk, and explains how curriculum-led financial planning underpins the redesign.

5.7 Agreement to a licensed deficit will set explicit limits, conditions and reporting expectations, typically over a three-year horizon extendable to five years in exception.

5.8 Across both routes the emphasis is on early identification, honest analysis, clear accountability and support that is proportionate to risk.

6 Roles, Responsibilities and Governance

6.1 Governing Bodies remain accountable for financial stewardship and for ensuring that spending decisions align with the school's strategy and represent value for money.

6.2 Governing Body will approve budgets and Recovery Plans, maintain appropriate oversight through their finance committees and ensure compliance with the Scheme for Financing Schools and the Schools Financial Value Standard (SFVS).

6.3 Headteachers, working with School Business Managers and senior teams, will lead the development of accurate forecasts, identify saving opportunities and income options, and engage openly with staff and stakeholders when changes are required.

6.4 The LA will set planning assumptions, provide templates and exemplars, scrutinise submissions and coordinate support, drawing in HR and Education Effectiveness colleagues where proposals involve staffing or curriculum change.

6.5 Oversight will be provided by the SIFD Panel, which brings together Education, Schools Finance, HR, Internal Audit and Education Effectiveness to consider licensed deficit applications and to review progress on recovery cases.

6.6 The Panel will meet quarterly, with an additional late-May date to accommodate new applications ahead of the summer planning window.

6.7 It will normally communicate outcomes within ten working days of the meeting where information is complete.

6.8 Headteachers and Chairs, or their nominees, will attend to present their case and respond to questions.

6.9 The Panel's function is not merely procedural; it is intended to promote consistency, capture learning and provide assurance that financial decisions have been considered alongside educational and workforce implications.

6.10 For managed deficits, the expectation is that schools will provide a succinct explanation of cause and a recovery narrative that links actions to measurable milestones, with monitoring set at a cadence proportionate to risk.

6.11 For licensed deficits, the application will include analysis of drivers such as roll trends, staffing structure, premises costs and contractual commitments; a repayment schedule that demonstrates return to cumulative surplus within the agreed timeframe; a risk register; and an assessment of educational impact with clear mitigations.

6.12 Material variance from plan will require revised proposals.

6.13 The October 2025 budget resubmission and reforecast is the evidential cornerstone of the approach.

6.14 All maintained schools will resubmit forecasts using the issued assumptions; the LA will review for internal consistency and sensitivity to the key risks, and will use the results to classify cases, prioritise support and inform system-wide risk reporting.

6.15 The dashboard produced from these returns will enable trend analysis, earlier identification of pressure points and targeted interventions where necessary.

7 Implementation and Resourcing

7.1 From September to October 2025 the LA will publish the full policy pack, deliver a programme of briefings for headteachers, school business managers and governors, and provide pre-application advice where requirements are unclear.

7.2 The centrepiece of this period is the October budget resubmission and reforecast, after which monitoring will commence in earnest with a focus on cases where risk is highest.

7.3 From November 2025 the first full cycle of review will take place, with the SIFD Panel considering licensed deficit applications and assessing progress on existing plans.

7.4 The DFE has deployed School Resource Management Adviser support in cluster of 4 schools in collaboration with LA. Also will deploy curriculum-led financial planning expertise where the complexity or scale of challenge warrants it and will share learning and benchmarking across the system.

7.5 Resource implications are expected to be manageable within existing budgets, though leadership capacity will be under pressure as schools develop and deliver more detailed plans; templates are intended to reduce administrative burden and focus effort on analysis and action.

8 Legal, Regulatory and Equality Considerations

8.1 The approach aligns with the Scheme for Financing Schools, corporate financial regulations and audit requirements.

8.2 Loans or accelerated cash advances are not to be used to fund recurrent overspends, and the treatment of surpluses and deficits will follow the published policy.

8.3 Annual completion of SFVS remains mandatory, with the Chair of Governors signing by 31 March.

8.4 Schools must cooperate with internal and external audit and retain clear records evidencing decision-making and value for money.

8.5 The policy itself is not expected to create adverse equality impacts; however, individual Recovery Plans that propose staffing or organisational change will include an Equality Impact Assessment and will follow established HR policies.

8.6 The LA will monitor for unintended consequences, especially for vulnerable learners, and expects schools to set out how risks are mitigated through curriculum planning, targeted support and safeguarding.

9 Risk Assessment

9.1 Key risks include inaccuracies in the baseline caused by mixed assumptions, slippage in the delivery of agreed plans, volatility in pupil numbers and the capacity of both schools and the LA to manage change.

9.2 The October budget resubmission addresses information risk by enforcing common assumptions and requiring sensitivity testing.

9.3 Delivery risk will be mitigated through clear conditions, proportionate monitoring and prompt escalation where milestones are missed.

9.4 Pupil number risk will be handled through scenario planning and, where necessary, structural solutions developed with neighbouring schools or the LA.

9.5 Capacity risk will be managed through phased implementation, streamlined templates and targeted deployment of specialist support.

9.6 Reputational risk will be reduced through transparent criteria, consistent application and clear communication of the rationale for decisions.

10 Engagement, Communication and Support

10.1 Successful implementation depends on timely and clear communication.

10.2 The LA will maintain a dedicated web hub containing the policy, templates, exemplars and frequently asked questions, and will operate a central mailbox for enquiries and pre-application advice.

10.3 Briefings will cover both the mechanics of the policy and the substantive aspects of curriculum-led financial planning, so that financial solutions are educationally coherent and deliverable.

10.4 Where common issues emerge, such as cost pressures associated with site types or recurring challenges in small schools, the LA will commission joint training or support and share effective practice.

10.5 Feedback from schools and governors will be used to refine tools and guidance, reducing burden while preserving the assurance required.

11 Monitoring, Evaluation and Reporting

11.1 The LA will track outcomes at case level and in aggregate to assess whether the policy is achieving its aims.

11.2 Measures will include the number of schools entering and exiting deficit, the time taken to return to balance, adherence to agreed repayment profiles and the incidence of formal escalation.



11.3 Qualitative feedback from school leaders, governors and officers will inform improvements to templates, assumptions and processes.

12 Conclusion

12.1 The deployment of the Deficit Budget Policy provides a clear, consistent and proportionate framework for supporting maintained schools through periods of financial difficulty.

12.2 By resetting forecasts on a common basis, distinguishing between short-term and structural challenges, and coupling robust oversight with practical support, the LA aims to reduce the depth and duration of deficits while safeguarding educational quality.

12.3 Schools Forum is invited to note the contents of this report and provide comments that will help refine implementation and strengthen the support available to schools.

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