

SCHOOLS FORUM

Schools' Sustainability

24th June 2026

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	
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	

Recommendation

1 That Schools Forum:

- notes the financial outturn position (at 31 March 2026) of Leicestershire maintained primary schools of an overall net deficit of £6.1m (£9.7m gross deficits)
- as at 2 June 2026, the projected 2026/27 overall net deficit of £9.83 million and a projected £28.05 million net deficit by 2029/30;
- notes the £17.41 million improvement against the July 2025 do-nothing trajectory and the impact of the Local Authority intervention programme to date;
- notes the arrangements now in place for licensed deficit submissions, external specialist review and ongoing monitoring of schools in deficit;

- notes the relevance of the School Places Strategy 2026-2031 to the financial sustainability of the maintained school estate, particularly in relation to falling rolls, surplus places and school reorganisation;
- notes the potential financial risk to the Local Authority arising from accumulated school deficits, closure, conversion and statutory process timelines; and
- comments on the proposed approach, particularly where financial pressures and place planning issues are converging

Executive Summary

2. The purpose of this report is to update the Schools Forum on the deteriorating financial position of Leicestershire maintained primary schools, the intervention programme implemented by the Local Authority since July 2025, and the School Places Strategy 2026-2031 as it relates to the sustainability of the maintained schools.

3. These matters are presented together because the financial position of individual schools, the sufficiency and distribution of school places, and the long-term sustainability of the maintained schools are directly connected. A coordinated approach is required to address both immediate budget pressures and the structural factors driving them.

4. Schools Forum has received previous reports on schools budget pressures, high needs pressures and wider sustainability issues. This report builds on that work and brings together the maintained schools financial outturn, the Local Authority intervention programme, and the strategic place planning context.

5. The current position should not be viewed solely as a school-by-school financial management issue. In many cases, the pressures reflect structural factors, including falling pupil rolls, fixed premises and leadership costs, pay and inflationary pressures, and increasing demand relating to special educational needs and disabilities.

Maintained Schools Financial Position

6. As at 31st March 2026, the closing position for maintained school balances shows an overall net deficit of £3.6m, representing a significant decline from the surplus balance of £0.7m carried forward from 2024/25. This movement is primarily attributable to the primary sector, as can be seen in the table below:

	31.3.25	31.3.26		
	Net Balance	Surpluses	Deficits	Net Balance
	£000	£000	£000	£000

Primary Total	-901	3,713	-9,720	-6,007
Special Total	1,229	670	-374	296
PRU	328	2,142	0	2,142
Total	655	6,525	-10,094	-3,569

On 31st May 2026 schools submitted their revised budgets. This shows total net balances deteriorating further to a net forecast deficit of £9.8m in 2026/27.

There are currently 65 maintained schools, 61 Budget submissions received by 2 June 2026, confirm that 45 of the 61 maintained primary schools, representing 74% of the cohort, are projecting a deficit in 2026/27.

7. The aggregate projected deficit across the cohort is set out below.

Financial year	Aggregate projected deficit
2026/27	£9.83 million
2027/28	£15.10 million
2028/29	£21.37 million
2029/30	£28.05 million

8. The confirmed 2025/26 actual outturn is -£6.01 million. This is £2.22 million better than the -£8.23 million forecast reported in July 2025. This improvement is partly attributable to schools submitting more accurate budgets using confirmed Local Authority planning assumptions for the first time.

Comparison with the July 2025 Baseline

9. In July 2025, the School Finance Team produced its first briefing note on the financial position of maintained schools. At that point, the do-nothing forecast for 2029/30 was a combined deficit of -£45.46 million across 68 schools.

10. The current forecast of -£28.05 million across 61 schools represents a £17.41 million improvement against that baseline. This reflects the impact of the support package, the enforcement of the 31 May submission deadline, the use of confirmed financial planning assumptions, and recovery actions incorporated into a number of school budget plans.

11. However, the overall position remains serious. In 2026/27, 21 schools are projecting deficits in excess of £200,000. Five schools present the most acute financial risk and have been identified for priority engagement by the external specialist now being procured.

School	2026/27 projected position	Comment
Greenfield Primary	-£1.352 million	Priority engagement
Thistly Meadow Primary	-£1.130 million	Priority engagement
Barwell Infant School	-£1.077 million	Priority engagement

Belvoirdale Primary	Community	-£0.787 million	Priority engagement
Sketchley Hill Primary		-£0.409 million	Forecast to rise to -£2.244 million by 2030/31

12. Of the 16 schools projecting a surplus in 2026/27, 10 are forecast to move into deficit by 2029/30. Only Thorpe Acre Junior, Maplewell Hall and Packington CE are forecast to maintain a robust surplus position through to 2030/31.

Structural Drivers of the Financial Position

13. The financial pressures facing Leicestershire maintained schools reflect a number of structural factors also seen nationally. These include pay awards for teachers and support staff outpacing National Funding Formula income growth, increasing energy and premises costs, demographic decline reducing per-pupil income in rural and some urban areas, and unmet SEND demand being funded from core school budgets where EHCP-funded top-up income has not been secured.

14. In most cases, these pressures do not arise from poor financial management. They are system-level pressures which require system-level responses. The Local Authority's intervention programme has been designed on that basis.

Local Authority Intervention Programme

15. Prior to May 2025, oversight of the maintained school was undertaken through a light touch monitoring approach, reflecting the level of concern and information available at the time.

16. At the 2024/25 outturn, 36 of 74 maintained schools slipped into a deficit position,, with a combined deficit position of £6.14 million.

17. The Schools Sustainability Board, chaired by the Director of Education, was established in July 2025 to oversee early intervention, recovery planning and to provide governance. As a result, the local authority has undertaken the following actions:

Area	Action taken
Policy and governance	The LCC Deficit Budget Policy for Maintained Schools has been published, consulted on and distributed to schools. It has been communicated directly to headteachers and chairs of governors, including by formal letter from the Director of Children's Services.

School sustainability workstream	A dedicated workstream has been established within Children and Families Service, bringing together Education Finance, HR, School Admissions, Place Planning, School Effectiveness and Finance Business Partners.
Financial planning assumptions	Confirmed planning assumptions for 2026/27 have been issued to maintained schools for the first time, including National Funding Formula rates, September 2025 pay scale on-costs and non-pay inflation factors.
Training and support	Financial planning workshops and Access Budget Software training were delivered in April 2026. Worked example business cases and templates have been produced for maintained schools.
Submission and review	The 31 May 2026 budget submission deadline was enforced. Schools projecting a deficit were required to submit a Licensed Deficit Business Case. A procurement process for an external specialist supplier has been approved by the LCC Procurement Board.
Monitoring	A formal monitoring framework has been established. Licensed Deficit Agreements will require monthly Cumulative Expense Analysis reports and termly monitoring reports signed off by the Chair of Governors.

18. The Scheme of Financing Schools is currently under formal consultation and will be updated to include the Deficit Budget Policy by September 2026. The first full monitoring cycle under Licensed Deficit Agreements will begin in September 2026.

19. The external specialist review will result in a prioritised engagement programme for the highest-risk schools. A progress report will be brought to Schools Forum once that work has been completed.

School Places Strategy 2026-2031

20. The School Places Strategy 2026-2031 has been considered by Cabinet and sets out Leicestershire County Council's strategic approach to planning, commissioning and reorganising school places across all phases over the next five years.

21. The Strategy is directly relevant to Schools Forum because the financial sustainability of individual schools cannot be considered separately from the sufficiency and distribution of school places across the county.

22. In the 2025/26 academic year, Leicestershire's primary school estate had capacity for 61,064 places, with 56,213 pupils on roll. This equates to 4,831 surplus places, or 7.91% of total capacity.

23. This headline position is not uniform across the county. Some urban schools remain oversubscribed, while a number of rural schools carry significant surplus places. This uneven distribution is a direct factor in the financial unviability of some small, maintained schools operating below their designed capacity.

24. A school with significant surplus places receives proportionately less income against fixed leadership, premises and staffing costs. In such cases, structural deficits cannot be resolved through expenditure management alone.

25. The birth rate in Leicestershire has fallen to 1.41 children per woman, equal to the national average and the lowest ever recorded in England and Wales. The current Year 6 cohort represents the final year of the higher birth-rate bulge moving through primary schools. In areas without significant planned housing development, primary rolls are expected to continue falling.

SEND Demand and Financial Impact

26. The Strategy confirms that the number of Education, Health and Care Plans in Leicestershire reached 7,196 in January 2025 and 8,311 by September 2025. This represents an increase of 15% in under a year and 36% over the past five years.

27. Growth in EHCP numbers, together with the significant number of pupils with complex needs who do not yet have an EHCP, is placing direct pressure on mainstream school budgets.

28. The SEN deficit scenario included in the Local Authority support materials illustrates a school spending £201,004 on Learning Support Assistant staffing against a notional SEN budget of £33,696. This results in a structural overspend of £167,308 funded entirely from core budget, with no high-needs top-up income.

29. Across multiple schools, this pattern is a material contributor to the aggregate deficit position. Securing EHCP applications for pupils with unmet needs is therefore one of the most significant financial actions available to many maintained schools in deficit. The Local Authority is actively supporting schools to initiate this process as part of the deficit intervention programme.

Reorganisation Framework

30. The Strategy makes clear that the reorganisation of school places to support long-term sustainability will be a key strategic priority for the Council over the next five years.

31. The Council will usually only bring forward proposals to close a maintained school where one or more of the following criteria are met:

- there is very limited demand for places in the catchment area;
- surplus places exceed 25%;
- educational standards are low and there is limited confidence in improvement;
- the school is not financially viable and has an unrecoverable deficit; or
- required building improvements are not cost-effective.

32. The Strategy confirms that the Council's preferred minimum size for primary schools is 420 to 630 places, equivalent to two to three forms of entry. The Council will continue to seek opportunities to amalgamate separate infant and junior schools..

33. The closure and reorganisation process is statutory. Once a decision to close is taken, the process requires pre-publication consultation, statutory notice and representation, and a Cabinet decision before implementation can begin. Closure must take effect at least one full academic year after the decision is taken and must be implemented within three years of that decision.

34. This statutory timeline has direct financial implications. A school's deficit will continue to accumulate throughout the closure or reorganisation process. This reinforces the importance of early identification and intervention before deficits reach a level from which recovery through the school's own resources is no longer possible.

35. The Schools Sustainability Board, comprising officers from education, finance, HR, admissions, legal and property services, will oversee all reorganisation processes and manage the programme of school sustainability reviews.

Connection Between Financial Sustainability and Place Planning

36. Schools Forum is asked to note the particular risk created by the interaction of three concurrent pressures: falling rolls reducing per-pupil income, growing unmet SEND demand absorbing core budget without top-up funding, and fixed leadership and premises costs that do not reduce in proportion to pupil numbers.

37. For a number of maintained schools, the combined effect of these pressures is creating deficits that cannot be resolved through expenditure management or budget efficiencies alone. Structural solutions will be required in these cases.

38. The Local Authority's response is therefore operating on two tracks. In the short term, the licensed deficit intervention programme is addressing immediate financial

pressures through recovery planning, EHCP income maximisation and targeted restructuring support. In the medium term, the School Places Strategy provides the framework for reorganisation decisions that address the structural sustainability of the maintained school estate.

39. The external specialist review commissioned following the 31 May deadline will assess each school's financial position in the context of its roll trajectory and place planning area. The findings will inform recommendations to the Schools Sustainability Board on which schools require reorganisation discussions alongside, or instead of, financial recovery planning.

Risk to the Local Authority

40. The deteriorating financial position of the maintained school estate presents a significant financial risk to the Council beyond the individual schools concerned. Where deficits are not recoverable, the financial risk and liability ultimately transfers to the Council.

When a school closes, any balances (surplus or deficit) revert to the LA, unless the school converts to an academy. For converter academies, the deficit remains with the Academy; for sponsored academies, the deficit remains with the LA.

43. These costs do not crystallise only at the point of closure or conversion. They accumulate during the statutory process, which will typically take 12 months or more from decision to implementation. A school running a deficit of £300,000 per year would accumulate a further £300,000 of deficit during a 12-month closure process, adding directly to the liability that may ultimately fall to the Council's General Fund and reserves.

44. Early intervention is therefore not only educationally and reputationally preferable; it is financially imperative.

Financial, Legal and Other Implications

45. Financial implications: The report identifies significant financial risks associated with the maintained school deficit position and the potential accumulation of liabilities during closure, conversion or reorganisation processes.

46. Legal implications: Any school closure or prescribed alteration would need to follow the statutory process, including consultation, publication of proposals, representation and decision-making requirements.

47. Equality implications: Any future reorganisation proposals would require appropriate equality consideration and assessment, particularly in relation to access to education, rurality, SEND and vulnerable learners.

48. Consultation: The Scheme of Financing Schools is due for consultation. Any individual school reorganisation proposal would be subject to the relevant statutory consultation and representation processes.

Next Steps

49. The following actions are underway or planned.

Timescale	Action
June 2026	External specialist begins independent review of all deficit submissions and completes risk-based prioritisation.
June/July 2026	Licensed Deficit Panel considers submissions and Licensed Deficit Agreements are issued to qualifying schools.
September 2026	Updated Scheme of Financing Schools is brought to forum for approval and the monthly monitoring cycle begins under Licensed Deficit Agreements.
Autumn 2026	Schools Sustainability Board receives the external specialist's prioritised risk report. Reorganisation discussions begin with the highest-risk schools where appropriate.
October 2026	October census confirms pupil rolls and income assumptions are updated where materially different from budget submission assumptions.
Ongoing	Structured deficit position updates are brought to every Schools Forum meeting as a standing agenda item from this cycle onwards.

Equal Opportunity Issues

50. There are no equality issues arising directly from this report.

Officers to contact

Nerinder Samaria – Strategic Finance Manager, Children and Family Services

Email; nerinder.samaria@leics.gov.uk

Tel; 0116 305 7616

Salik Khan – Education Finance Manager, Children and Family Services

Email; Salik.khan@leics.gov.uk