

# Update on School Deficits

November 2025

# WLGA – State of Education in Wales

## Summary

The report outlines escalating financial and operational pressures on Welsh education, driven by:

- Rising **Additional Learning Needs (ALN)** demands.
- Underfunded **pay awards, pension contributions, and inflation.**
- Transport & out-of-county placements adding significant cost.
- Increasing **school budget deficits** and reliance on diminishing reserves.
- Urgent need for investment in **workforce, transport, specialist provision, and school infrastructure** to meet policy goals like **net zero carbon.**

## Risk

- Sustainability of ALN provision and school budgets
- Declining reserves threaten quality/statutory compliance
- Potential school reorganisation/transport implications

## Impact

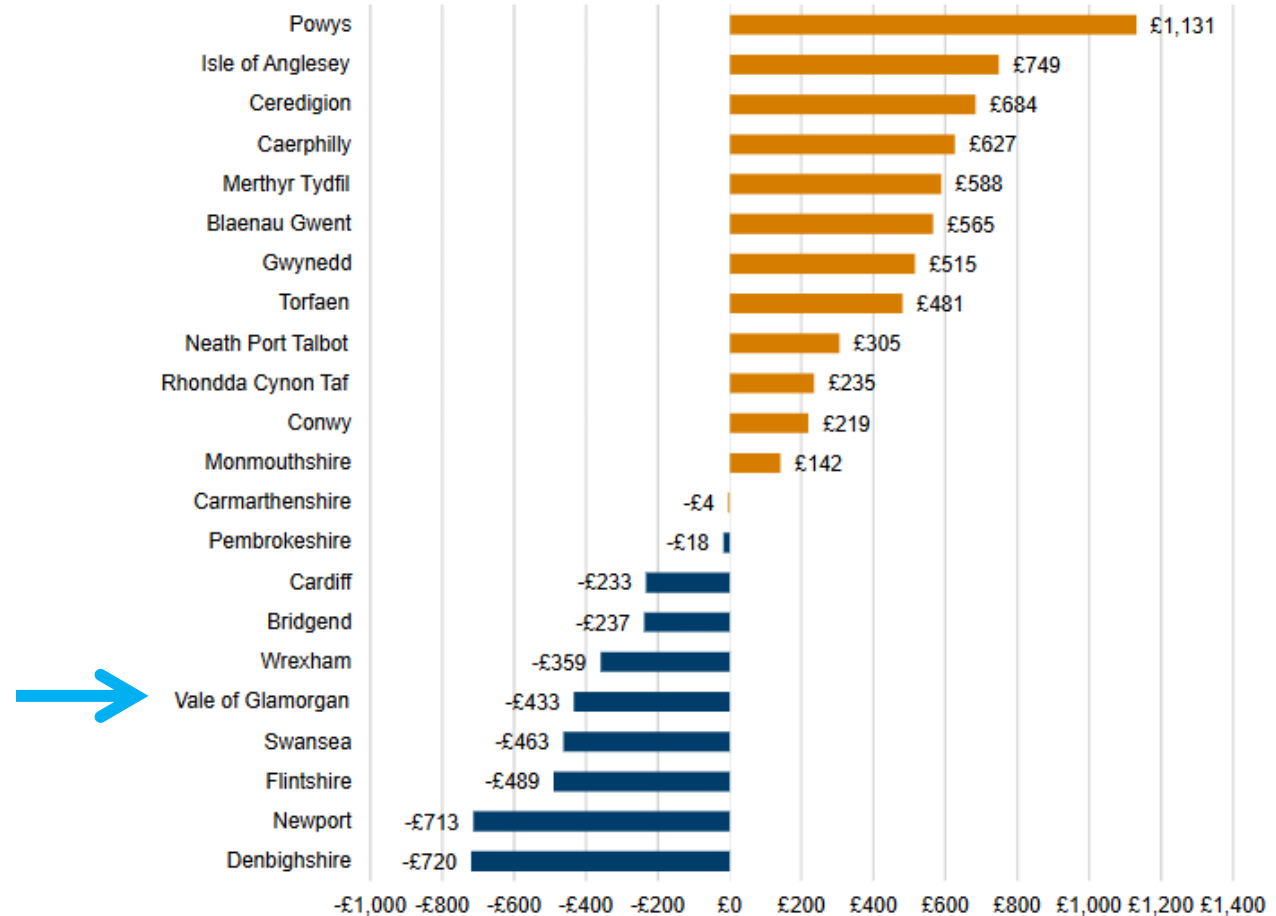
- Larger class sizes, job losses likely without new funding
- Maintenance backlog - £400m needed for net zero school estate
- Budget recovery could take 8-10 years

## What's needed

- Sustainability of ALN provision and school budgets
- Declining reserves threaten quality/statutory compliance
- Potential school reorganisation/transport implications

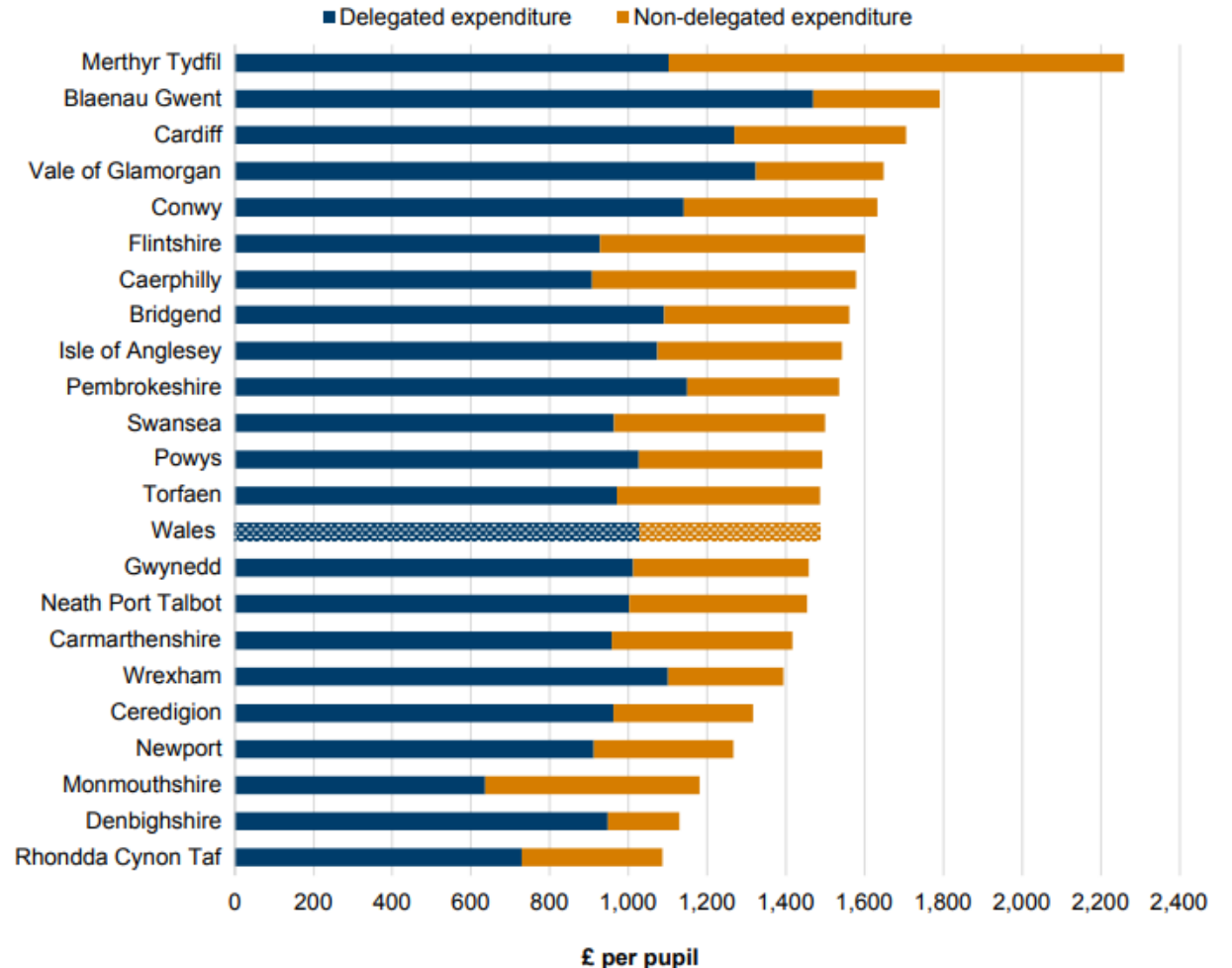
# National Context – Spend per Pupil

**Figure 1: Schools budgeted expenditure per pupil: difference from the Wales average, 2025-26**



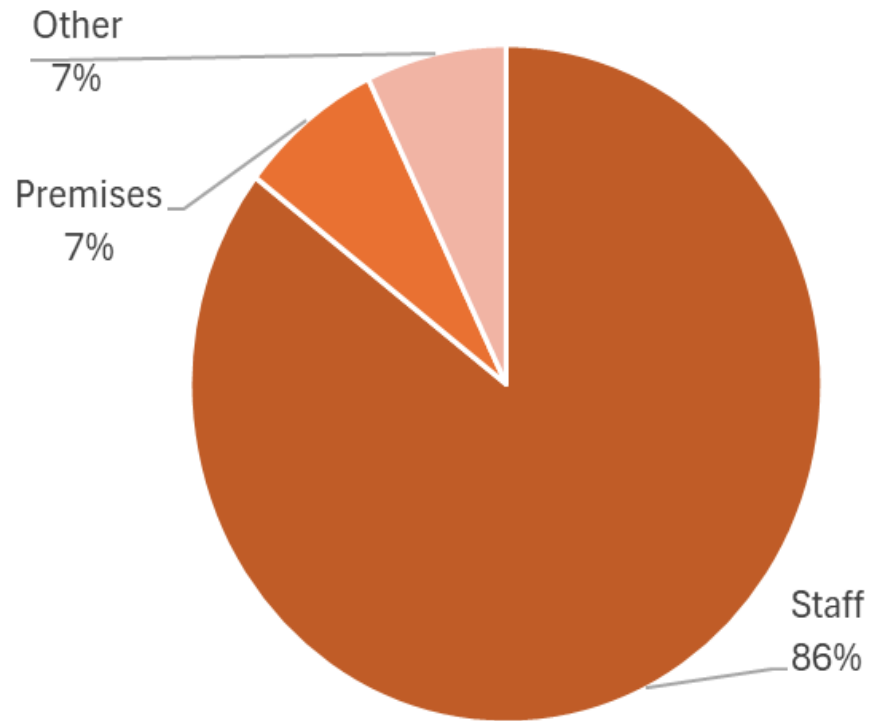
# National Context – Spend on ALN

**Figure 3: Budgeted expenditure per pupil on SEN/ALN provision by local authority, 2025-26**



# Where Schools spend their budget

Schools Gross Budget 2025/26



## School's Budget 2025/26

- Staff = £143M (86% gross budget incl grants)
- Premises = £12M (7%)
- Other = £12M (7%)
- **GROSS Budget = £167M**

## Funded by

- Grant Income = £23M (14%)
- Other Income = £3M (2%)
- Reserve transfers (deficits) = £13M (8%)
- **Council net budget = £129M (76%)**

# VoG School balances Headlines

Balance as at 31 March 2025: -£4.1M

Projections as at October 2025

- 25/26: £15.3M deficit \*
- 26/27: £30.3M deficit \*
- 27/28: £45.9M deficit \*



- Variability of closing position at 31<sup>st</sup> March 2025

- Primary

- £353k <-> -£1.1M Difference of £1.4M

- All Through

- £81k <-> -£380k Difference of £461K

- Secondary

- £730k <-> -£650k Difference of £1.38M

- 38 Schools projected to be in a deficit position by March 2026

\* WG grant not yet known



## Health Check

- Some degree of variability expected:
  - Local context
  - School Size
  - Demographics
  - Etc.

# Closing balance projections for March 2026

(at 05.11.25)

	Schools in deficit	Total Deficit	Schools in Surplus	Total Surplus	Net balance
Primary	29	(£11,615,700)	15	£619,127	(£10,996,573)
Secondary	4	(£3,943,515)	2	£355,075	(£3,588,440)
All-Through (3-19)	2	(£834,057)	0	£0	(£834,057)
Special	0	£0	1	£103,160	£103,160
Total	35	(£16,393,272)	18	£1,077,362	(£15,315,910)

Note – Positions are changing on a daily basis, and will be impacted by the receipt of any further grant funding from WG

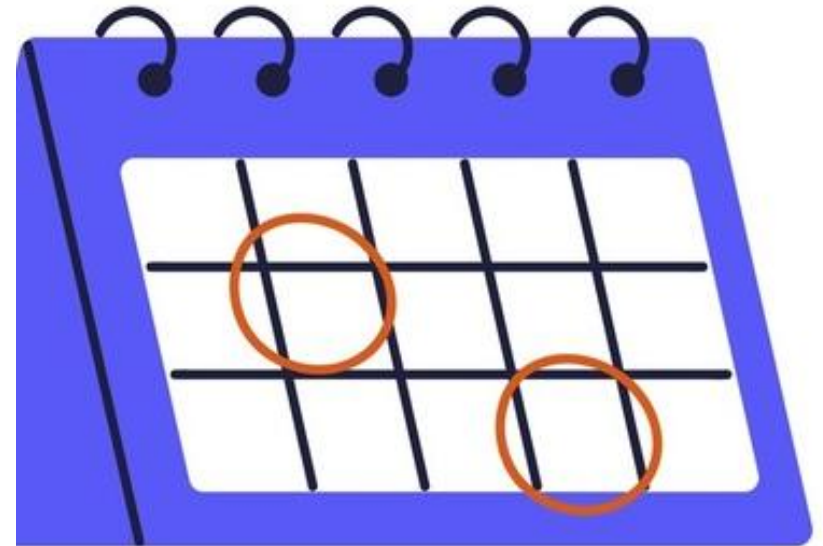
# School Efficiency Savings

	Annual Efficiency Saving	Cumulative Effect
April 2023 – March 2024	£2.75M	£2.75M (2023/24)
April 2024 – March 2025	£2.75M	£5.5M (2023/24 to 2024/25)
April 2025 – March 2026	£3.95M (increased by £1.2M)	£9.45M (2023/24 to 2025/26)

The net school deficits at the end of the 2024/25 financial year (£4.1M), was less than the £5.5M cumulative efficiency saving allocated to school budgets over the 2 year period.

# Work to-date

- School budget information and recovery plans shared with Audit Wales & financial position with elected Members. Audit Wales update to Cabinet/Governance & Audit in December
- Regional ADEW benchmarking project underway across LAs re management of school deficits and interventions
- VOG Mainstream formula review completed
- Schools causing concern issued informal warning notice and amended recovery plans have been received – currently under review
- Support available for schools – School Finance Officers, School HR Business Partners, School-to-School, Governor training, Transformation programme etc.
- Consultancy support for schools in progress with several visits in Primary/Secondary completed
- L&S submission of cost pressures under consideration by SLT
- Support for T&L in schools on track – EEF & SIPP
- L&S transformation programme ongoing (see next slide) including creating additional capacity to support schools
- Budget sessions for Learning & Skills DLT, CX, S151 & Leader of the Council
- 12 week 'Task and Finish' work programme for Council's Start Well scrutiny committee linked to impact of school budget decisions and ALN identified for 25/26.



# L&S Led Transformation Projects



## Contracting/Procurement

Focus on understanding schools contractual arrangements and requirements. Working with schools to identify sustainable and cost effective contracting models/arrangements. E.g. Quick win waste contracting.



## Workforce (Agency)

Develop an understanding of workforce pressures and defining operating models that build resilience and capacity. Modelling new approaches to addressing supply issues in a cost effective and sustainable way.



## Teaching & Learning & measuring impact

Developing practice to strengthen Teaching and Learning across all schools. To enhance school to school learning, to drive improvement and enhance the outcomes of all learners.



## Digital

Maximising opportunities that digital technology can offer. Using our digital assets more resourcefully and innovatively. E.g. Hwb, new email addresses, new MIS, AI

# Interventions



**Context:**  
 School context and data  
 Quality of teaching, leadership and management  
 School development plans



**Evidence:**  
 Performance data  
 Estyn reports  
 School Improvement feedback  
 Stakeholder feedback



Optional



## Intervention

### Types of Intervention (LA)

- Issue formal Warning Notice
- Appointment of Additional Governors
- Establishment of Interim Executive Board (with ministerial consent)
- Removal of delegated budget

### Grounds for Intervention – Schools Causing Concern

Ground 1: The standards of performance of pupils at the school are unacceptably low.

Ground 2: There has been a breakdown in the way the school is managed or governed.

Ground 3: The behaviour of pupils at the school or any action taken by those pupils or their parents is severely prejudicing, or is likely to severely prejudice, the education of any pupils at the school.

Ground 4: The safety of pupils or staff at the school is threatened (whether by a breakdown of discipline or otherwise).

Ground 5: The governing body or head teacher has failed, or is likely to fail, to comply with a duty under the Education Acts.

- School Standards and Organisation (Wales) Act 2013
- School Funding (Wales) Regulations 2010
- VoG Finance Scheme for Schools 2025/26

Ground 6: The governing body or head teacher has acted, or is proposing to act unreasonably in the exercise of any of its or his or her functions under the Education Acts

# School progress June - October

- Discussions with schools over the last academic year
- Recovery plans submitted in June
- Initial focus on 10 Schools identified as causing concern following submission
- LA issued an informal warning in September requesting more robust recovery plans/evidence in line with regulations
- Schools returned updated recovery plans 24 October
- Analysis ongoing - initial impact across 10 schools outlined in table:
  - In year improvement : £700k
  - Year 2: £3.1M
  - Year 3: £7M
- Impacts of grants not yet known – awaiting WG
- More work to be done

	Movement between June and October position (improvement shown as positive figure)		
Financial Year	25/26	26/27	27/28
	Year 1	Year 2	Year 3
	Projected balance CF March 2026	Projected balance CF March 2027	Projected balance CF March 2028
School A	£205,027	£432,260	£683,259
School B	£53,277	£166,840	£339,813
School C	-£5,126	£97,204	£203,938
School D	-£38,398	£156,589	£418,041
School E	-£15,235	-£44,714	-£76,009
School F	£27,540	£119,783	£213,297
School G	£161,247	£299,687	£490,977
School H	£93,300	£1,049,890	£2,726,746
School I	£135,501	£664,259	£1,539,345
School J	£66,090	£202,411	£539,970
<b>Total Movement</b>	<b>£683,223</b>	<b>£3,144,210</b>	<b>£7,079,377</b>

# Local Concerns, Themes & Key messages

## Disparate funding across Wales

Vale Schools are some of the poorest funded in Wales and have been for some time. Deficits are present in all local authorities to varying degrees.

What's being said

Funding in education is a national challenge – absolutely. The Vale is unique in its variation between surplus' and deficits across schools and small number of schools with large deficits.

What is fact

Active in advocacy at LA level with WG, ADEW & politically  
Considerable work at LA level re transformation, sustainability and managing finances - no service in local government is immune.

What's being done

# Local Concerns, Themes & Key messages

## Local funding Formulas needs review

Some schools feel the local funding formula is not equitable in its distribution of funding and does not adequately meet the needs of schools

Efficiency savings for schools are not realistic

What's being said

Local funding formulas cannot create additional funding for schools – the money has to come from somewhere. While changes would have an impact between sectors, it will not reduce school's deficit.

For example, every £1M moves from secondary budgets into primary, schools will see an average difference of £20k.

The Council has set efficiency savings for schools since April 2023. All council services are subject to financial savings targets, in order to meet its statutory duty in balancing its budget.

What is fact

Funding formula was redeveloped in 2016 with Schools & budget forum directly involved, and following feedback, has been reviewed again in 2025 with HT's and Governors as part of the Schools' Budget Forum.

WG producing guidance on LA's given the variability in local funding formulas across LA's making comparisons misleading.

Vale continues to deliver one of the highest levels of delegation to schools in Wales

What's being done

# Local Concerns, Themes & Key messages

## Additional Learning Needs is the biggest challenge

Exponential growth in pupils with additional/complex learning needs are disproportionately affecting school's budgets with schools having to cope with more, while being funded less

What's being said

Schools and the LA are facing unprecedented challenges in ALN and behaviour with complexity, needs and demands growing.

In order to manage this sustainably, the focus is on inclusion and teaching & learning to support pupils in their local schools as much as possible, reflecting societal changes, and in supporting mainstream through specialist engagement training and support

Referrals to specialist provision is high in the Vale in comparison to other Local Authorities in Wales.

What is fact

Several initiatives are underway including the School Improvement Partnership Programme, and focussing on reading/accessing the curriculum via partnership with the Education Endowment Foundation. Significant efforts in changing ALN processes and infrastructure to better support outcomes and sustainability are underway, including panel processes, satellite bases and early intervention etc.

What's being done

# Local Concerns, Themes & Key messages

## Schools are not equipped to manage financial challenges

A schools' function is to provide education, promote holistic development, and integrate learners into society by delivering a broad curriculum, fostering well-being, and embedding them as community anchors. They are being distracted from their core duties with other requirements and ill equipped to manage financial challenges of this nature.

What's being said

Management of school finances and sustainable delivery of core education services are delegated and under legislation are requirements of the governing body and SLT. The 'mechanics' of accountancy, financial planning, local polices and support are available though dedication School Finance Officers. They are not however expected to make leadership decision in relation to provision in school, teaching and learning. Hard choices, however, will need to be made, and there will undoubtedly be unpalatable consequences.

What is fact

Schools and governing bodies have bespoke training and support available from an HR, Finance, Governance and School Improvement perspective. Transformation programmes led by both the LA and by schools in 'stemming the flow' and creating support networks are already in play and schools are not expected to solve challenges in isolation.

What's being done

# Local Concerns, Themes & Key messages

## Available support is limited

Schools are facing unprecedented challenges in relation to funding, and there is limited support available.

What's being said

Unavailability of additional funding or permitting schools to operate without a recovery plan in place cannot be used as a definition of support under legislation.

What is fact

Schools and governing bodies have bespoke training and support available from an HR, Finance, Governance and School Improvement perspective. Transformation programmes led by both the LA and by schools in 'stemming the flow' and creating support networks are already in play and schools are not expected to solve challenges in isolation.

What's being done