

Update on School Budgets

March 2026

Summary

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

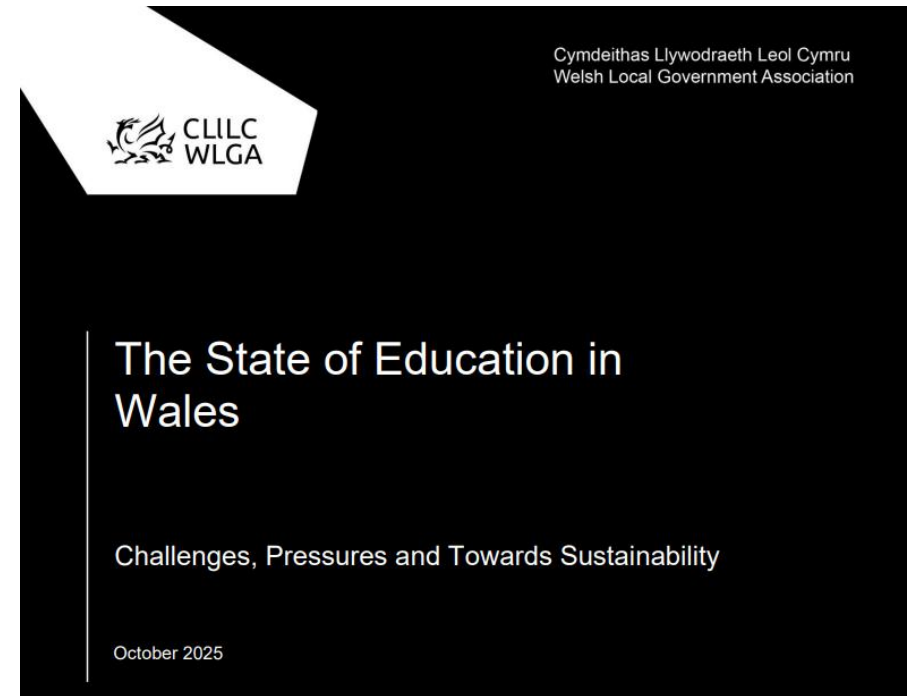
- Rising **Additional Learning Needs (ALN)** demands.
- Underfunded **pay awards, pension contributions, and inflation.**
- Increasing **school budget deficits** and reliance on reserves.
- Urgent need for investment in **workforce, transport, specialist provision, and school infrastructure** to meet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

School Balances

- Many schools are now in **deficit**, especially in primary and secondary sectors:
 - **350+ primary schools** with £47m in deficits.
 - **84 secondary schools** with £50m+ in deficits.
- Average deficits per school are rising sharply.
- Reserves are depleted, limiting flexibility and risking ALN support quality.

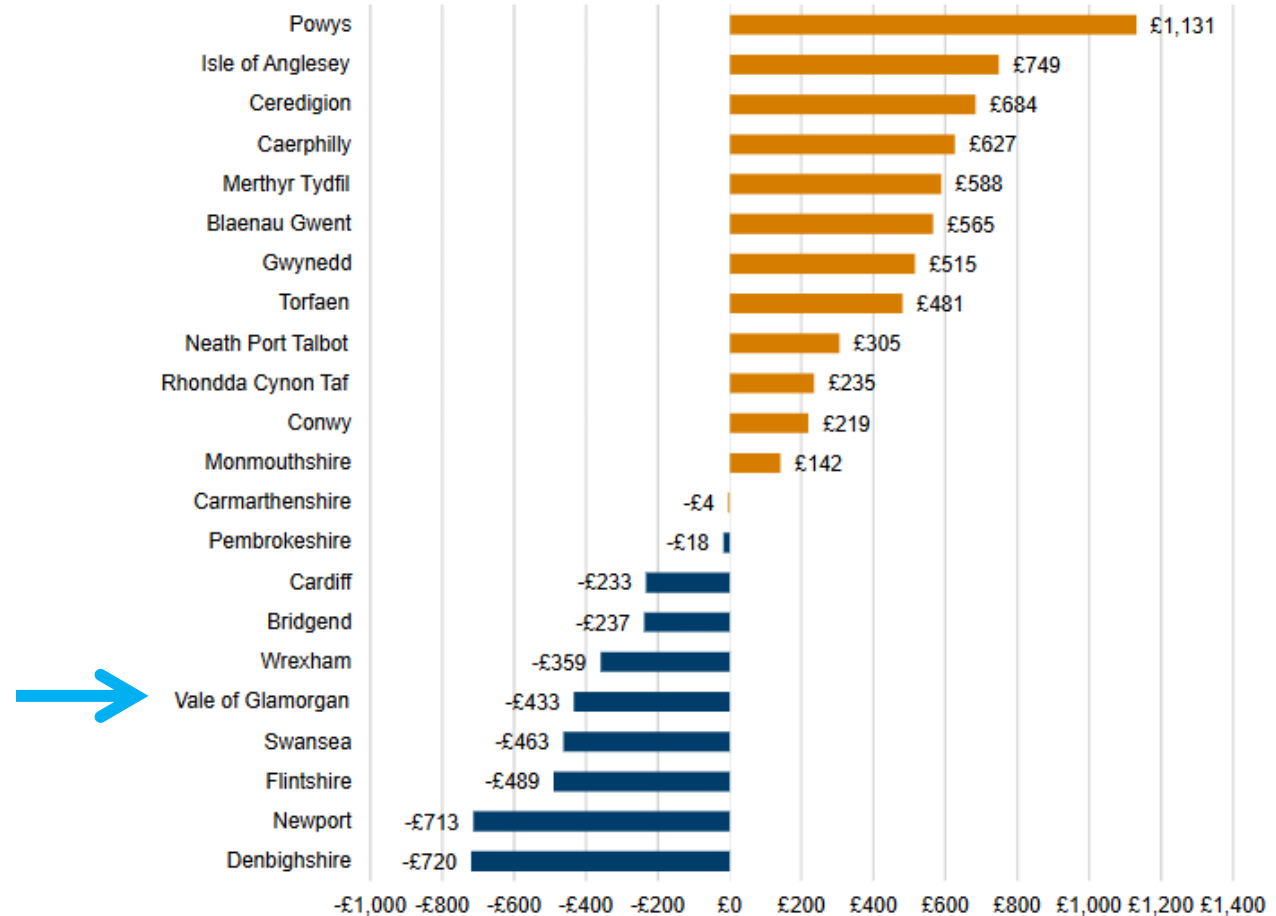
ALN & Early Years Pressures

- **£46M** sector-wide increase in ALN & Early Years costs
- **Main Cost Drivers:**
 - 72–73%: ALN delivery
 - 13%: Transport
 - 9–10%: Out-of-county placements
- **Transport Costs:** Up to 24% of ALN budgets in some areas



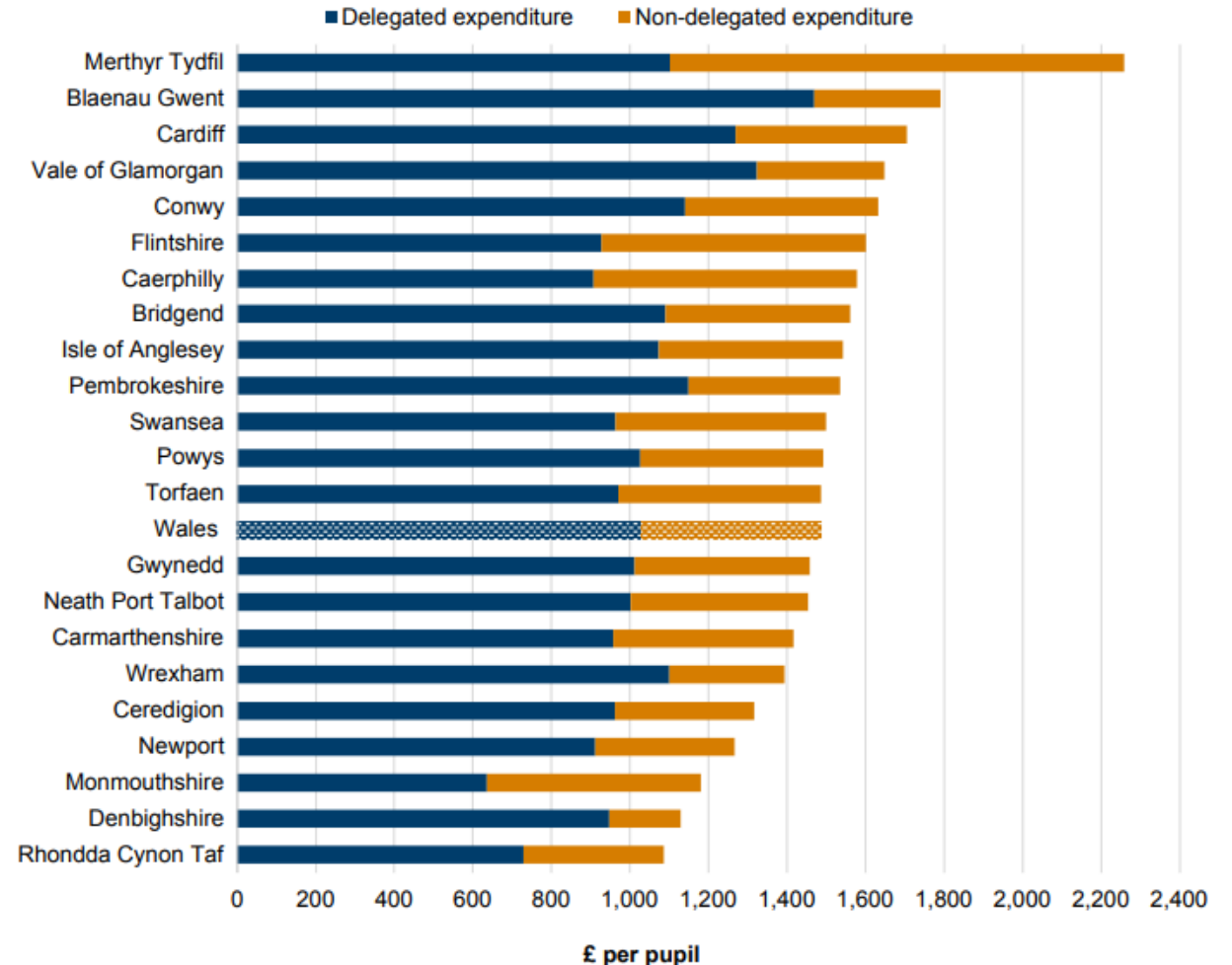
National Context – Spend per Pupil

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

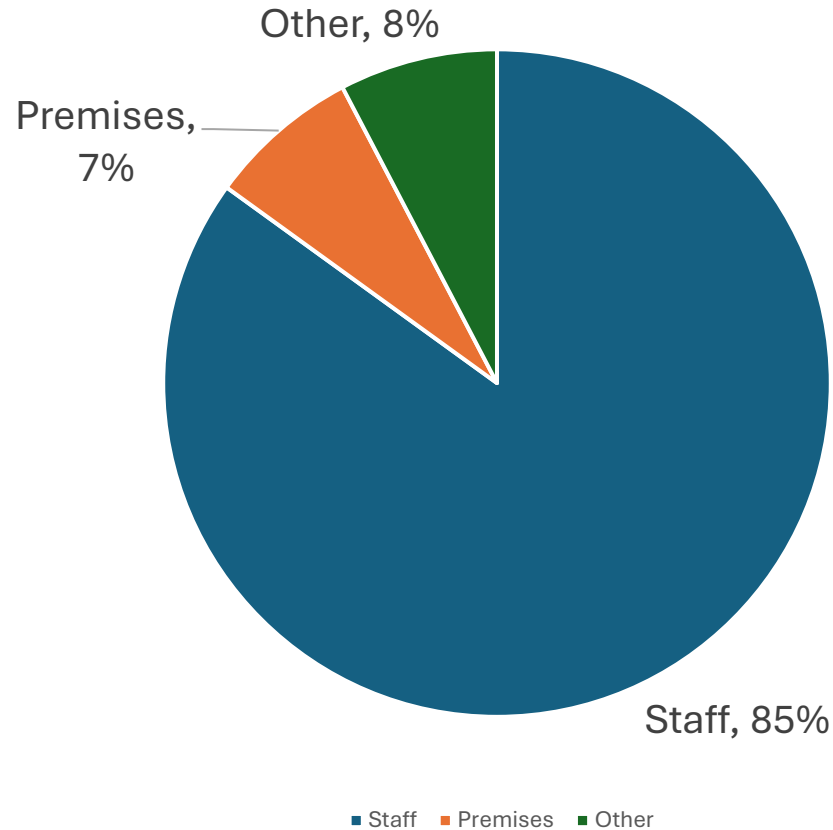


School Funding

- LAs distribute funding to schools in the form of an annual delegated budget and schools decide how to spend their budget. This will include funding allocated as part of the Council's Education Budget, as well as any grants allocated to schools.
- Funding is allocated directly to schools through a funding formula. The regulations require that 70% of the funding is to be distributed on the basis of pupil numbers.
- Each LA must consult their School Budget Forum before setting schools budgets each year; and on any changes they wish to make to their scheme for financing schools. The LA must, in addition to consulting the schools forum for their area, consult the governing body and head teacher of every school that it maintains about any proposed changes made to the funding formula since the preceding funding period.
- Once the governing body receives its formal notification of its budget share it shall determine a budget spending plan for the school consistent with the resources available to it, including any surplus/deficit balances brought forward from the previous financial year.
- The governing body must notify the Director of Learning and Skills by no later than 31st May each year of its spending plan and the assumptions made in support of its plan.
- Schools may carry any savings accumulated, or deficits incurred, forward from one funding period to another. The Council cannot write off deficit balances.

Where Schools spend their budget

School Budgets 2025/26



School's Budget 2025/26

- Staff = £143M (85% gross budget incl grants)
- Premises = £12M (7%)
- Other = £13M (8%)
- **GROSS Budget = £169M**

Funded by

- Grant Income = £24M (14% of gross budget)
- Other Income = £4M (2%)
- Reserve transfers (net deficit) = £12M (7%)
- **Council net budget = £129M (76%)**

Schools have also supported efficiency savings over the last three financial years.

VoG School Balances Headlines

Closing 25/26 Balance as at 31 March 2025: -£4.1M

Projections

- 25/26: £13.4M deficit (previously £15.3M)
- 26/27: £27.2M deficit (previously £30.3M)
- 27/28: £41.2M deficit (previously £45.9M)

- Variability of closing position at 31st March 2025

- Primary

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

- All Through

- £81k <-> -£380k Difference of £461K

- Secondary

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

- 33 Schools projected to be in a deficit position by March 2026 (previously 38)



Health Check

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

Closing balance projections for March 2026

(at 17.03.26)

	Schools in deficit	Total Deficit	Schools in Surplus	Total Surplus	Net balance
Primary	28	(£10,990,035)	16	£922,378	(£10,067,657)
Secondary	4	(£3,579,373)	2	£612,844	(£2,966,530)
All-Through (3-19)	1	(£996,299)	1	£111,712	(£884,587)
Special	0	£0	1	£547,084	£547,084
Total	33	(£15,565,708)	20	£2,194,018	(£13,371,690)

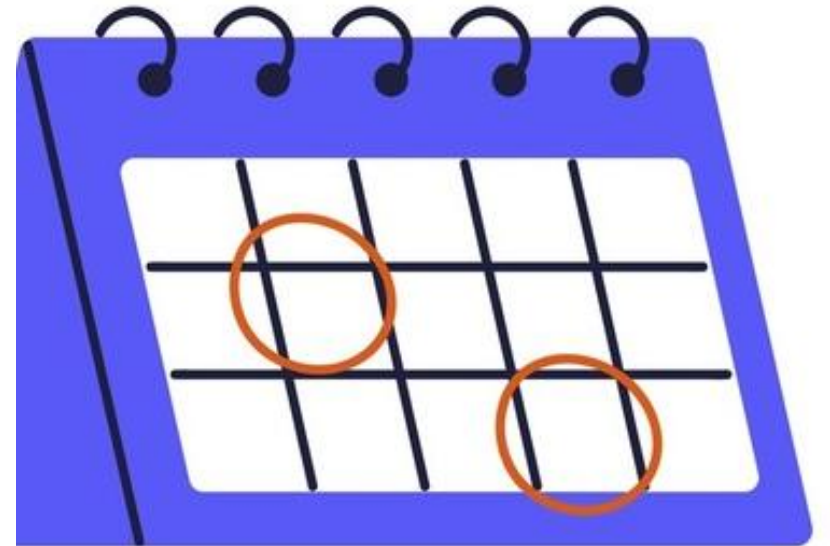
Note – Projections are changing on a daily basis, and will be impacted by the receipt of any further grant funding from WG

School progress October - March

- Original recovery plans submitted in June
- Initial focus on 10 Schools identified as causing concern following submission
- LA issued informal warnings to 10 schools in September requesting more robust recovery plans/evidence in line with regulations
- Schools returned updated recovery plans in October
- 3 Schools were not issued with a formal warning based on new plans
 - £546k improvement in year 1 (3 schools)
 - Year 2 £2.2M (cumulative)
 - Year 3 £5.2M (cumulative)
- Formal warning issued to seven schools in November and developed further recovery plan by January 2026.
- Impact of recovery plans across 7 schools:
 - In year improvement : £851k (7 schools)
 - Year 2: £2.9M (cumulative)
 - Year 3: £5.8M (cumulative)
- Formal notices withdrawn as significant progress made and regular constructive dialogue with headteachers and governors continuing
- 2026/27, 2027/28 and 2028/29 budget allocations issued to schools and deadline of 31 May 2026 for recovery plans.

Next steps

- Continue to work with the 7 schools to monitor recovery plans
- Focus on stemming the flow to stabilise the situation
 - 31st May spending plans will be key
 - Early intervention
- Providing support and guidance for Headteachers and Governors
- Additional resource
- Developing case studies and supporting partnership working
- Working with other local authorities
- Transformation projects



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