



Adapting to Funding Changes in 2026:

Practical Budgeting Strategies for UK Academies

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In 2026, funding uncertainty remains one of the most significant challenges facing UK academy trusts. With changes in funding allocations, fluctuating pupil demographics, and increasing cost pressures, traditional, static budgeting models are no longer sufficient. Academy trusts are now being urged to adopt more robust, flexible, and future-focused budgeting strategies. According to the Department for Education (DfE), trustees are ultimately responsible for ensuring that financial plans are realistic, sustainable, and aligned with the trust's identified risks.

Understanding the Funding Landscape

Academy funding is influenced by a variety of external factors, many of which are outside a trust's direct control. These include:

- Pupil numbers and demographic shifts
- National Funding Formula (NFF) allocations
- Grant availability
- Ongoing cost pressures, such as pay increases and inflation

Given this complexity, trusts must adopt a dynamic approach to budgeting, where assumptions about funding levels are continuously reviewed. Resilience in budgeting is less about certainty and more about being prepared for potential changes. Trusts must understand that funding allocations may fluctuate, and their budget planning must reflect this uncertainty.

Practical Budgeting Strategies for Academies

To manage these challenges, academy trusts should adopt the following practical budgeting strategies:

1. Medium-Term Financial Planning (MTFP)

The DfE stresses the growing importance of medium- to long-term financial planning. Trusts should extend their budgeting beyond the current financial year, developing multi-year financial plans. This allows for better forecasting of future affordability pressures, helps in planning strategic investments, and ensures that financial resources are aligned with the trust's long-term objectives. By adopting extended planning cycles, trusts can identify potential financial issues early, reducing the risk of unmanageable problems down the line.

2. Scenario Planning for Financial Resilience

Scenario planning is a key tool in helping trustees understand how potential changes in funding or costs could impact financial sustainability. By developing best-case, worst-case, and expected-case financial scenarios, trusts can better prepare for different contingencies. This approach enables trustees to make informed decisions and take corrective actions before risks escalate into significant issues.

3. Emphasising Cost Awareness and Flexibility

Effective budgeting requires distinguishing between fixed and variable costs. This distinction helps academy trusts identify areas where spending can be adjusted if financial conditions change. A flexible budgeting approach ensures that financial plans can be adapted to shifting circumstances without compromising the trust's strategic objectives.

The Role of Trustees in Financial Governance

Budgeting is a core governance responsibility for trustees. They are expected to:

- Understand the assumptions underpinning the budget
- Challenge overly optimistic projections
- Ensure financial plans align with the trust's strategic goals and its risk appetite

Trustees must also ensure that financial strategies reflect the reality of current funding levels and anticipated future changes. Robust governance processes are crucial for maintaining the trust's financial health.

Audit Implications for Academy Trusts

External auditors will assess whether budgets and financial forecasts are consistent, reflect known funding information, and account for identified risks. Additionally, auditors will evaluate the effectiveness of the governance processes that support financial planning. Trusts with weak budgeting frameworks or insufficient financial oversight may face increased audit recommendations and regulatory scrutiny. Aligning budgeting practices with DfE guidelines is essential to reduce the risk of negative audit outcomes.

Conclusion: Building Resilience in an Uncertain Funding Environment

In 2026, the ability of academy trusts to adapt to funding changes depends on their ability to move beyond short-term budgeting. Trusts that integrate realistic financial forecasting, strategic scenario planning, and strong governance oversight are better equipped to manage financial uncertainty and demonstrate long-term resilience. By adopting these strategies, academy trusts can maintain financial stability, meet regulatory requirements, and continue to support their educational missions effectively.

Prepared by Reckoner Audit – Supporting academies with assurance, governance, and financial resilience.