

<b>Date:</b> 16 June 2022	<b>Item</b> 6	<b>Type of report:</b> For discussion
<b>Report title:</b>	School Balances 2021/22	
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## Executive Summary

This report provides the annual update of the maintained school balances as at 31 March 2022.

## Schools Forum Actions

To note:

- the schools' cumulative revenue balances have decreased from £14.0m as at 31 March 2021 to £12.6m as at 31 March 2022.
- there are 16 schools in deficit as at 31 March 2022 (18 were in deficit as at 31 March 2021)

### 1. Total School Revenue Balances at the end of 31 March 2022

- 1.1 The year-end revenue balances held by schools show a decrease of £1.4m from £14.0m to £12.6m. This change includes the capping of schools balances made under the Balance Control Mechanism. The total amount capped was £1.8m, without this cap the overall balance would have stood at £14.4m, a small increase of £0.4m.
- 1.2 There are now 16 schools that have a revenue deficit, which represents 22% of our schools. There were 36 (50%) schools that operated an in-year deficit in 2021/22. That is they spent more than they received in 2021/22. They have supported their funding by using their previous years' carry forward. With pupil numbers falling there is only a limited time that this can continue.

The table below shows the total revenue balances by sector at the end of the 2020/21 financial year. Appendix A also provides the capital balances.

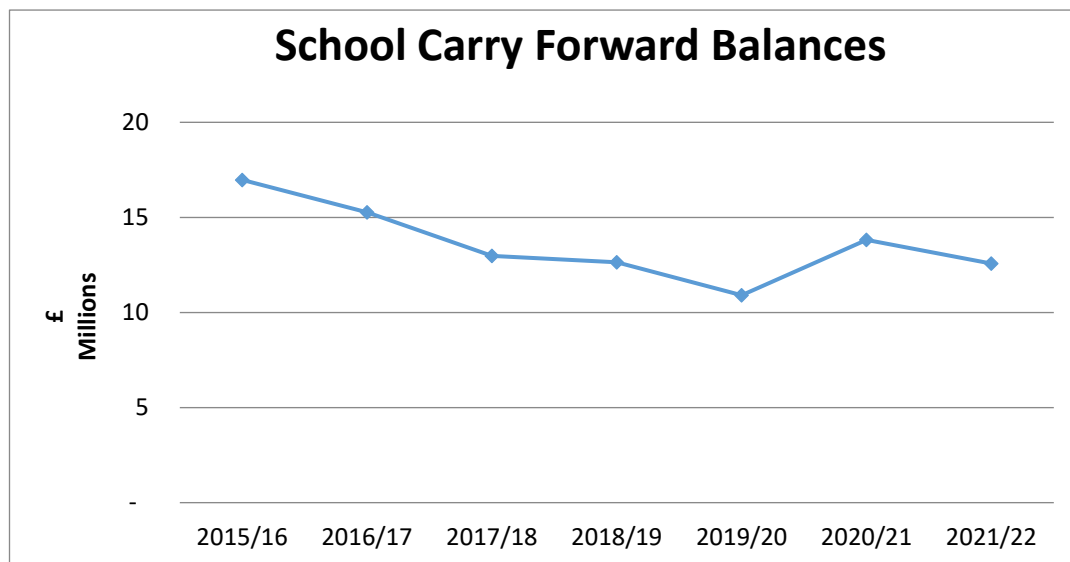
**Table 1: Schools' Cumulative Revenue Balances at 31 March 2022**  
(- is a deficit)

Phase	Number of Schools	Cumulative Revenue Balances	Average Cumulative Revenue Balance	Lowest Cumulative Revenue Balance (including deficits)	Highest Cumulative Revenue positive Balance
Nursery	5	-225,275	-45,055	-127,131	166,399
Primary	57	8,594,495	150,781	-777,951	2,080,343
Secondary	3	1,123,017	374,339	75,552	661,913
Special	8	3,071,447	383,931	84,782	621,265
<b>Total</b>	<b>73</b>	<b>12,563,684</b>			

Note - Special Schools includes Hospital Schools and the Pupil Referral Unit. The table excludes balances held by academies and free schools.

1.3 A comparison of the total revenue held by schools over the past seven years is provided in the table below.

**Table 2: Trend Analysis of Revenue Balances update**



1.4 Appendix A contains a list showing each school's revenue balances.

## 2. Controls on Surplus Revenue Balances

2.1 The Schools Forum has adopted controls on surplus revenue balances using thresholds of 5% for secondary schools and 8% for other schools. A breakdown of the number of schools holding revenue balances in excess of the threshold by phase is outlined in the table below:

**Table 3: Schools in Excess of Agreed Threshold**

Phase	2021/22 No. of schools	2020/21 No. of schools	2019/20 No. of schools
Nursery	1	1	1
Primary	23	23	26
Secondary	2	2	2
Special	6	8	7
<b>Total</b>	<b>32</b>	<b>34</b>	<b>36</b>

2.2 When a school exceeds the threshold they have to include in their budget return to the Local Authority details on how they will use the carry forward. This was due on the 31 May 2022. Last year the Schools Forum considered 14 schools who had excess carry forwards and agreed to transfer a total of £1.8m to a so called "trust fund". These funds are still available to the school to be "drawn down" against capital projects, although there are one or two exceptions whereby the school can use the fund for other purposes. These schools will be reviewed by the Schools Forum panel (the panel consists of the Director of Education, Chair of the Schools Forum and the Divisional Finance Manager of Children and Adults Directorate) in the Autumn Term to consider their progress on their capital projects.

- 2.3 As part of the Council's controls the Schools Finance Team (SFT) will then have dialogue and or analysis of the data provided by those schools that have exceeded the threshold at 31 March 2022, provided they were not one of the original 14 schools reviewed. These discussions will be analysed and reported to the Schools Forum in the autumn.

### 3. Schools with deficit balances

- 3.1 In addition to the statutory roles of the council (to set school budgets, collect and collate the revenue and capital annual outturn figures for consolidation in the council's balance sheet), it has a duty to review and monitor the financial 'health' of maintained schools in terms of their budget pressures and ability to manage day-to-day cash flow.
- 3.2 The schools with deficit balances at the year end of 31<sup>st</sup> March for the past 3 years are shown below:

**Table 4: - Trend Analysis of Deficit Balances**

<b>Schools Phase</b>	<b>Number In Deficit 2021/22</b>	<b>Number In Deficit 2020/21</b>	<b>Number In Deficit 2019/20</b>
Nursery	4	3	3
Primary	12	15	20
Secondary	0	0	0
Special	0	0	1
<b>Total</b>	<b>16</b>	<b>18</b>	<b>24</b>

- 3.3 The list includes 1 school which has moved into deficit this year. There were 2 schools which have moved out of deficit and one school with a deficit closed. The Schools Finance Team are actively working with the schools to ensure they all have licensed budget recovery plans in place.
- 3.4 The table above is calculated using the total revenue balances for schools, including any community focussed extended services balances. The previous years' data has been amended from that previously reported to show a like-for-like comparison and to removes schools that have subsequently become academies.

### 4 Overall Financial Position

- 4.1 The decline in the number of schools in deficit during 2021-22 should not be seen as an emerging trend in releasing of the financial pressure on schools. This positive movement reflects the focus on tighter financial management that schools are now taking. The precarious financial situation that schools face continues though. The challenge of stabilising the current financial position in primary and nursery schools remains within the context of the rapidly declining birth rate and outward migration across London.
- 4.2 With that significant a change in the main funding driver, it is already evident that there are insufficient pupil numbers to sustain the current capacity in Southwark's primary and nursery schools and to justify operating the current number of those schools the Council currently maintains. The future schools strategy will address this and is a separate item on this meeting's agenda.
- 4.3 One of the core strategic functions of a schools' Governing Body (GB) is to oversee the financial performance of the school and making sure its money is well spent. In doing so, GBs of maintained schools are required to set a balanced budget each year.
- 4.4 While the responsibility for the schools finances rest with the Governing Body the Local Authority has taken various action to support schools in this

- Reviewed and amended Southwark's Scheme for Financing Schools, strengthening governance arrangements for approval of licensed deficits;
- Developed a licensed deficit framework, enshrining all party's responsibilities and input into the process from first identifying the need to set a deficit budget to approval, monitoring and elimination of the deficit;
- Undertaken six thematic audits, focussing on the adequacy and effectiveness of specific school's financial management strategy and controls;
- Commissioned School Resource Management Adviser (SRMA), completing a deep dive financial analysis of the three schools with more problematic financial positions;
- Continued the operation of finance training programme.
- Continued and improved all the financial tools the schools have available to support their work on the finances

4.5 While the financial situation in Southwark's schools is improving, national benchmarking shows the level of difficulties our school face. We have the

- 3rd highest deficits in England (behind Lambeth and Liverpool) at £3.1m
- 4th highest proportion of schools in deficit in England
- 80% of maintained nursery schools in deficit (up from 60% in 2020-21), the highest proportion in London

To that extent we have been asked by the Department for Education to come up with High Level Plan for schools.

## 5 Conclusion

While the increase in the carry forward is good news, the overall reduction in pupil numbers shows schools' financial positions are still likely to deteriorate in the long term if no action is taken by schools to continue tightening financial management. Work also needs to continue to address the oversupply of places in Southwark.

Appendix A – Schools Closing Revenue Balance at 31 March 2022

Nursery Schools

<b>Sequential School Number</b>	<b>Closing revenue balance at 31 March 2021</b>	<b>Closing revenue balance at 31 March 2022</b>
1	£399,485	£166,399
2	(£135,666)	(£56,276)
3	£14,682	(£100,342)
4	(£54,573)	(£107,925)
5	(£124,057)	(£127,131)
<b>Nursery Schools</b>	<b>£99,872</b>	<b>(£225,275)</b>

<b>Capital Balances as 31 March 2022</b>
£9,190
£47,036
£35,908
£39,591
£69,735
<b>£201,461</b>

Primary Schools

<b>Sequential School Number</b>	<b>Closing revenue balance at 31 March 2021</b>	<b>Closing revenue balance at 31 March 2022</b>
6	£1,986,729	£2,080,343
7	£891,293	£691,060
8	£532,007	£671,596
9	£816,488	£515,302
10	£319,407	£513,797
11	£489,681	£465,226
12	£636,647	£421,635
13	£308,100	£356,182
14	£319,811	£325,077
15	£481,687	£301,650
16	£171,823	£288,235
17	£390,229	£281,706
18	£288,160	£277,985
19	£270,020	£262,737
20	£315,801	£247,673
21	£128,457	£245,722
22	£185,801	£237,859
23	£154,694	£226,712
24	£462,749	£222,950
25	£250,179	£222,242
26	£171,424	£182,054
27	£343,343	£173,978
28	£95,348	£172,203
29	£122,179	£171,226
30	£49,512	£167,134
31	£132,065	£159,478
32	£161,842	£151,455
33	£121,508	£147,079
34	£152,229	£145,734
35	£130,805	£136,608

<b>Capital Balances as 31 March 2022</b>
£29,216
£0
£8,257
£0
£4,762
£0
£0
£63,308
£7,412
£0
£286
(£17,430)
£0
£55,112
£0
£0
£0
£0
£12,589
£45,748
£0
£46,705
£0
£949
£1,001
£17,503
£0
£0
£17,433

## Nursery Schools

36	£54,132	£106,131	£25,896
37	£22,769	£104,538	£5,099
38	£94,768	£102,874	£0
39	£87,565	£97,060	£0
40	£264,053	£91,249	£0
41	£94,084	£87,630	(£0)
42	£90,523	£85,356	£5,906
43	£10,355	£73,849	£63,746
44	£61,089	£69,471	£3,106
45	£9,435	£54,864	£0
46	£55,362	£41,068	£0
47	£65,232	£40,998	£516,326
48	(£66,635)	£36,739	£10,192
49	(£86,980)	£16,459	£0
50	£600	£2,275	£15,238
51	(£15,227)	(£27,817)	£0
52	(£126,285)	(£31,232)	£0
53	(£128,330)	(£60,357)	£19,173
54	(£63,330)	(£70,231)	£0
55	(£8,162)	(£73,439)	£3,948
56	(£144,674)	(£77,967)	£15,993
57	(£152,763)	(£123,512)	£5,816
58	(£397,556)	(£145,628)	£77,497
59	(£292,352)	(£431,965)	£0
60	(£283,378)	(£458,847)	£89,898
61	(£517,304)	(£599,757)	£19,387
62	(£582,904)	(£777,951)	£48,217
<b>Primary Schools</b>	<b>£8,924,105</b>	<b>£8,594,495</b>	<b>£1,218,288</b>

## Secondary Schools

Sequential School Number	Closing revenue balance at 31 March 2021	Closing revenue balance at 31 March 2022	Capital Balances as 31 March 2022
63	£1,063,604	£661,913	£0
64	£195,009	£385,552	£0
65	£388,316	£75,552	£11,652
<b>Secondary Schools</b>	<b>£1,646,928</b>	<b>£1,123,017</b>	<b>£11,652</b>

## Special Schools, Hospital Schools & PRU

Sequential School Number	Closing revenue balance at 31 March 2021	Closing revenue balance at 31 March 2022	Capital Balances as 31 March 2022
66	£292,417	£621,265	£8,813
67	£677,883	£567,302	£0
68	£356,539	£521,027	£24,924

## Nursery Schools

69	£431,310	£452,385	£0
70	£234,177	£334,559	£0
71	£296,399	£261,529	£12,880
72	£857,581	£228,599	£0
73	£137,737	£84,782	£18,874
<b>Special Schools</b>	<b>£3,284,043</b>	<b>£3,071,447</b>	<b>£65,490</b>
<b>TOTAL</b>	<b>£13,954,949</b>	<b>£12,563,684</b>	<b>£1,496,892</b>