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Report title:	School Balances 2022/23	
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Executive Summary

This report provides the annual update of the maintained school balances as at 31 March 2023.

Schools Forum Actions

To note:

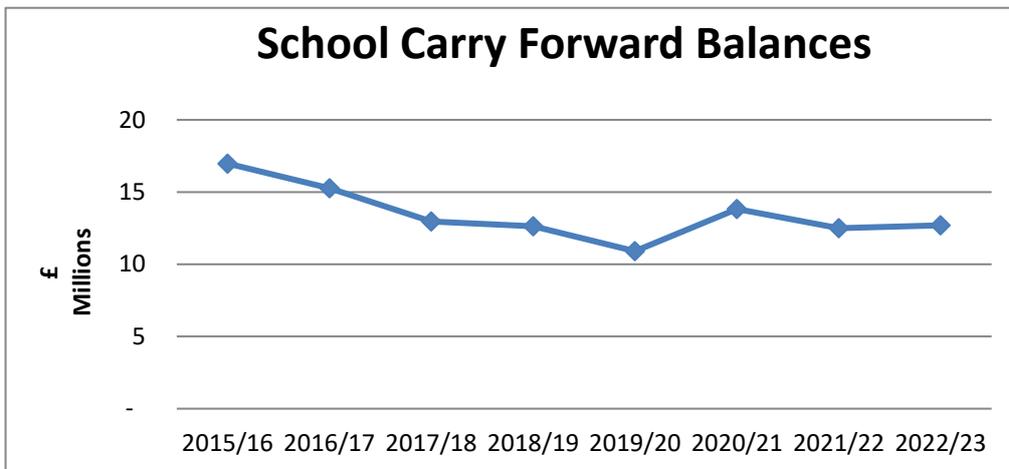
- The schools' cumulative revenue balances have increased slightly from £12.6m as at 31 March 2022 to £12.7m as at 31 March 2023, however note that two schools joined multi-academy trusts during 2022/23 and these schools had cumulative revenue balances at 31 March 2022 of £0.4m and thus when this is stripped out, there has been a like for like increase in balances of £0.5m.
- There are now 14 schools in deficit as at 31 March 2023, compared to 16 that were in deficit as at 31 March 2022.

1. Total School Revenue Balances at the end of 31 March 2023

- 1.1 The year-end revenue balances held by schools show a like for like increase of £0.5m, which compares to a decrease of £1.4m in the previous year. These amounts have been adjusted for those schools where a portion of the school's balance is being held centrally under Southwark's Balance Control Mechanism (i.e. any amounts that are being held centrally are excluded from the balance amount stated). The amounts being held centrally in trust under the balance control mechanism as at 31 March 2023 was £0.977m.
- 1.2 There are now 14 schools that have a revenue deficit, which represents 19.7% of Southwark maintained schools, compared to 21.9% the previous year. There were 31 (43.7%) schools that operated an in-year deficit in 2022/23, compared to 50% the previous year (i.e. they spent more than they received in 2022/23). With the continuing fall in pupil numbers this trend is likely to continue and possibly worsen.

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 and 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. These budget returns were due on the 31 May 2023 and once these have been analysed a paper will be brought to the Schools Forum meeting in the Autumn term with recommendations regarding any further actions to be taken.

2.2 The Council is currently holding £0.977m in a “trust fund” on behalf of 6 schools under the balance control mechanism. These funds are still available to the school to be “drawn down” against agreed projects, although there are one or two exceptions whereby the school can use the fund for other purposes. These schools are 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).

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 number of Southwark maintained schools with deficit balances at the year-end of 31st March for the past 4 years are shown below:

Table 3: - Trend Analysis of Deficit Balances

Schools Phase	Number In Deficit 2022/23	Number In Deficit 2021/22	Number In Deficit 2020/21	Number In Deficit 2019/20
Nursery	3	4	3	3
Primary	10	12	15	20
Secondary	1	0	0	0
Special	0	0	0	1
Total	14	16	18	24

3.3 The total value of schools in deficit now stands at £3.3m compared to £3.5m the year before.

	Deficit Schools Total March 2023	Deficit Schools Total March 2022	Change from previous year
Value of deficit	£	£	£
Nursery Schools	-391,674	-936,574	-544,900
Primary Schools	-2,878,704	-2,272,832	605,872
Secondary Schools	0	-303,628	-303,628
Special Schools	0	0	0
	-3,270,378	-3,513,033	-242,655

3.4 The list includes 1 school which has moved into a cumulative deficit this year and 3 schools which have moved out of deficit. The Schools Finance Team are actively working with these schools to ensure they all have licensed budget recovery plans in place. Note that two of the primary schools with deficit balances have indicated that they intend to join a multi-academy trust in 2023/24.

3.5 The table above is calculated using the total revenue balances for schools, including any community focussed extended services balances. The previous years' data is shown on a like-for-like basis and schools that have subsequently become academies have been removed.

4 Overall Financial Position

4.1 The decline in the number of schools in deficit during 2022-23 should not be seen as an indication of a reduction of the overall financial pressures on schools, but rather reflects the focus on tighter financial management that schools are now taking. The precarious financial situation that schools face continues though and the challenge of stabilising the current financial position in primary and nursery schools remains within continuing falls in the numbers of pupils and the context of the rapidly declining birth rate and outward migration (or particularly primary age pupils) 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 that a resizing of the school capacity in Southwark is required. The Council's Keeping Education Strong strategy is addressing this and regular updates on this are being provided to schools, the School's Forum and to other key stakeholders.

- 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 actions to support schools with 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 some of the schools with more challenging 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

5 Conclusion

While the increase in the overall level of maintained schools' revenue balances is good news, the continuing reductions in pupil numbers means that there is likely to be continued financial pressure on schools and that ongoing action is required by schools to ensure strong financial management. Ongoing work is also required to help the schools that are in deficit to bring their finances under control.

Appendix A – Schools Closing Revenue Balance at 31 March 2023

Sequential Number	Cumulative Revenue Balance March 2022	Cumulative Revenue Balance March 2023	Change from previous year	Capital Balances
	Surplus/ (Deficit) £	Surplus/ (Deficit) £	Surplus/ (Deficit) £	Surplus/ (Deficit) £
Nursery Schools				
1	(100,342)	(301,938)	(201,595)	51,391
2	(127,131)	(455,152)	(328,021)	88,181
3	(107,925)	(179,484)	(71,559)	50,581
4	166,399	199,501	33,102	28,978
5	(56,276)	2,724	59,000	62,633
	(225,275)	(734,349)	(509,074)	281,764
Primary Schools				
6	173,978	289,117	115,139	0
7	226,712	223,928	(2,784)	0
8	(60,357)	(65,664)	(5,308)	19,328
9	288,235	60,448	(227,787)	21,994
10	245,722	238,612	(7,109)	0
11	262,737	439,443	176,706	17,611
12	(123,512)	(120,070)	3,442	23,972
13	102,874	94,966	(7,907)	0
14	(431,965)	265,564	697,529	20,087
15	(31,232)	(20,145)	11,086	15,054
16	(77,967)	(20,348)	57,618	37,144
17	36,739	33,642	(3,097)	18,677
18	85,356	99,123	13,767	20,468
19	(777,951)	(730,317)	47,634	14,227
20	147,079	160,881	13,802	0
21	222,950	304,972	82,022	0
22	671,596	725,238	53,642	0
23	40,998	12,267	(28,731)	428,793
24	325,077	205,951	(119,125)	19,514
25	151,455	260,523	109,068	18,579
26	(73,439)	(81,223)	(7,784)	19,861
27	41,068	68,256	27,188	14,448
28	73,849	90,757	16,907	86,902
29	(458,847)	(473,874)	(15,027)	100,370
30	247,673	222,947	(24,725)	0
31	159,478	53,501	(105,977)	25,327

Sequential Number	Cumulative Revenue Balance March 2022	Cumulative Revenue Balance March 2023	Change from previous year	Capital Balances
32	515,302	561,755	46,453	0
33	54,864	170,208	115,345	0
34	171,226	195,630	24,404	0
35	513,797	925,633	411,836	5,841
36	222,242	204,560	(17,682)	28,049
37	2,080,343	1,424,179	(656,164)	46,643
38	87,630	117,131	29,501	14,291
39	(145,628)	(104,475)	41,153	35,518
40	421,635	247,155	(174,481)	16,026
41	104,538	159,956	55,417	16,816
42	691,060	647,362	(43,698)	0
43	182,054	187,481	5,426	63,459
44	2,275	27,136	24,861	25,431
45	356,182	377,116	20,934	61,899
46	281,706	217,108	(64,598)	0
47	(70,231)	1,766	71,998	0
48	465,226	261,181	(204,045)	0
49	237,859	284,183	46,324	15,512
50	97,060	71,411	(25,648)	0
51	277,985	214,802	(63,183)	0
52	172,203	169,538	(2,665)	41,224
53	91,249	144,525	53,276	0
54	136,608	61,795	(74,813)	0
55	106,131	209,204	103,072	26,435
56	145,734	213,200	67,466	0
57	(27,817)	(26,818)	999	0
58	16,459	170,710	154,251	0
59	167,134	113,741	(53,393)	12,808
60	(599,757)	(629,897)	(30,140)	36,564
61	69,471	88,156	18,685	20,976
	8,292,845	9,043,926	751,082	1,389,848
Secondary Schools				
62	385,552	(303,628)	(689,180)	0
63	661,913	1,668,947	1,007,034	0
	1,047,465	1,365,319	317,854	0
Special Schools				
64	84,782	100,066	15,284	30,789
65	567,302	254,776	(312,527)	1,048

Sequential Number	Cumulative Revenue Balance March 2022	Cumulative Revenue Balance March 2023	Change from previous year	Capital Balances
66	261,529	406,813	145,284	23,754
67	228,599	257,445	28,846	34,571
68	621,265	541,004	(80,260)	0
69	452,385	436,066	(16,319)	0
70	521,027	635,166	114,140	40,841
71	334,559	385,589	51,030	18,851
	3,071,447	3,016,924	(54,523)	149,854
Total	12,186,481	12,691,820	505,339	1,821,466