

**Dudley Metropolitan Borough Council**

**Schools Forum**

**7 February 2006**

**Report of the Director of Children's Services**

**School Reserves- Delegated Budgets**

**Purpose of Report**

1. The purpose of this report is to update Schools Forum on the situation regarding school reserves accrued from delegated budgets.

**Background**

2. A report was presented to the School's Forum on 13 July 2005 giving details of the increasing level of year end balances held by schools. The report also outlined the monitoring exercise being undertaken and the proposal by the Director of Children's Services to enforce, in due course, the regulations within the LMS Scheme (paragraph 4.2.2). This allows the LEA to withdraw from a schools' balance the amount of any excess as defined in the Financing of Maintained Schools (England) Regulations 2004.
3. The monitoring exercise involved selecting twenty schools who had significant balances remaining at 31 March 2005 when compared with their planned spend. These schools were contacted by letter during October 2005 and given an opportunity to advise the Director of why the balance remained unspent and to provide a progress report.
4. The responses received from schools are shown in Appendix A.
5. The following conclusions were reached as a result of the monitoring exercise:
  - Many schools did not identify precisely why their 2004/05 planned expenditure was not committed by 31 March 2005; they confirmed, instead, that the planned expenditure had now been made or would be made in the near future.

- Headteachers were not being precise enough regarding their profiling of the financial data and periods when completing their reserves proforma at the year end.
- Capital work undertaken by schools was not being reported through the correct channels (i.e. Building and Estates team) and was therefore not appearing on the capital programme.
- In the case of buildings expenditure the work had been commissioned but had been delayed because of issues beyond their control

### **Action Taken following Headteacher's Responses**

6. Having considered the responses from Headteachers, the Director of Children's Services has written to all Chairs of Governors and Head teachers, letter dated 12 December 2005 attached as Appendix B, asking them to reaffirm how their current reserves (at 30 November 2005) will be used and the timescale by which they will be spent. The Director has also informed schools of his intention to remove any earmarked reserves, to be spent by the 31 March 2006, which are not spent or committed by that date.

### **Proposal**

7. It is proposed that Schools Forum note the intention of the Director to remove any reserves, earmarked or declared, to be spent by the 31 March 2006, which are not spent or committed by that date.
8. This proposal is in accordance with the LMS scheme (Local Management of Schools).

### **Finance**

9. The funding of schools is prescribed by the DfES through the School Finance (England) Regulations 2006
10. From 1<sup>st</sup> April 2006, the Schools Budget will be funded by a direct DfES grant: Dedicated School Grant (DSG).

### **Law**

11. Councils' LMS Schemes are made under Section 48 of the School Standards and Framework Act 1998. The Education Acts 1996 and 2002 also have provisions relating to school funding.

### **Equal Opportunities**

12. The Council's Equal Opportunities Policy is taken into account when considering the allocation of resources.

**Recommendation**

13. That Schools Forum note the contents of this report and advise the Director of Children's Services in respect of the proposal to withdraw surplus school reserves at the end of the 2005/06 financial year.



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**Director of Children's Services**

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