

RW/KT

Ray Watson

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12 December 2005

Dear Headteacher

**School Reserves 2005/06**

You will be aware that the value of school reserves at the end of 2004/05 was £9.969m. Schools Forum on the 13 July 2005 expressed strong support for reserves that had been earmarked to be spent in 2004/05 to be returned to the Directorate and to be redistributed to schools unless there were compelling reasons why committed reserves had not been spent.

The reserves for 20 schools were examined in detail and the headteachers from those schools were asked to justify why reserves had not been spent in line with their spending plans at the beginning of the year. This exercise revealed that:

- schools sometimes revised their spending plans during the course of the year as a result of future year's budget and pupil number forecasts;
- capital expenditure was being incurred without it going through the correct approval procedures;
- unrealistic timescales were given for when reserves would be spent;
- in the case of buildings expenditure the work had been commissioned but had been delayed because of issues beyond their control.

Having considered the responses from headteachers, the following course of action is proposed:

- you will find attached to this letter a statement of what your reserves were at the end of November 2005 and how you were proposing to spend them. You are requested to review these and confirm on the

attached form what you are proposing to use the reserves for. You should also show when these reserves would be spent by. **Please be realistic with these assumptions;**

- if reserves earmarked for building works have not been spent by that date, no action will be taken providing you are able to show that a commitment for the work has been entered into;
- if you are planning to spend more than £15K from a reserve for capital purposes you should contact the Buildings and Estates Team and seek their approval in accordance with Dudley's Scheme for Financing Schools Section 2.15. If approval is granted, the project will be put on the Authority's Capital Programme. These projects will be excluded from the review of reserves that will be undertaken at the end of 2005/06;
- if the reserves you have earmarked to be spent by 31 March 2006 have not been spent, you will be asked to justify this;
- if you are unable to offer a satisfactory explanation for not spending these reserves by the 31 March 2006, they will be returned to the Directorate and redistributed for the benefit of other schools.

I appreciate this is an extremely busy period for schools but I would be grateful if you could return your forms to Education Accountancy by the end of the Autumn Term or at the latest by 6 January 2006.

Yours sincerely

A handwritten signature in black ink that reads "Ray Watson". The signature is written in a cursive style with a horizontal line underneath the name.

**Ray Watson**  
**Assistant Director**  
**Resources and Planning Division**

