

**Schools Forum 10 July 2007**

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

**Schools Reserves Update**

**Purpose of Report**

1. To update Schools Forum on the school reserves at the 31<sup>st</sup> March 2007.
2. To seek their endorsement of the Director's intention to claw back unspent reserves in accordance with Section 4.2.2 of Dudley's Scheme for Financing Schools.
3. To approve schools provisional spending plans for 2007/08.

**Budget Working Group Discussed**

4. No

**Schools Forum Action**

5. To endorse the Director of Children's Services claw back proposals for 2006/07 and agree the schools' approved spending plans for 2007/08.

**Attachments to Report**

6. Appendix A - School Provisional Plans 2007/08.  
Appendix B – School Reserves categories..  
Appendix C – List of School Reserves proposed for clawback.  
Appendix D – Copy of the Director of Children's Services letter to schools

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**Background**

4. At the last meeting held on the 22 May, Schools Forum was given an early indication of what the delegated budget reserves might be at the 31 March 2007. The Local Authority has now finalised its accounts and the final schools reserves figures are shown in Table 1 below. Details of the individual schools reserves, including their provisional spending plans for 2007/08 are shown in Appendix A. Appendix B details the categories that schools are able to transfer their reserves in to.

**Table 1 – Delegated Budget Reserves at 31 March 2007**

<b>Sector</b>	<b>2005/06</b>	<b>2006/07</b>	<b>Variance</b>	<b>% of Delegated Budget to 2006/07 Reserve</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	
<b>Nursery</b>	0.14	0.25	0.11	69%
<b>Primary</b>	6.48	6.37	-0.11	8%
<b>Secondary</b>	2.85	1.64	-1.21	2%
<b>Special</b>	1.02	1.22	0.20	16%
<b>Total</b>	<b>10.49</b>	<b>9.48</b>	<b>-1.01</b>	<b>6%</b>

5. In order to permit the Director of Children's Services the appropriate authority to 'claw back' any unspent school balances, the Scheme for Financing Schools (section 4.2.2) was amended last year after a full consultation with schools and with the full agreement of Schools Forum. Section 4.2.2 of the Scheme for Financing Schools states:

*“If at the end of the following year a school has not spent its surplus balances in line with its Approved Plans and is unable to justify this action to the satisfaction of the Director of Children’s Services, then the Director may claw back school budget share reserves, as permitted by the Schools Finance Regulations 2006 and retain some or all of any unspent balances at the financial year end.*

*The total of any amounts deducted from schools’ budget share reserves by the Authority under this provision is to be applied to the Schools Budget of the Authority and allocated in accordance with Schools Forum approval.”*

6. A review of the financial records at the 31 March 2007 indicates that a number of schools have not fully spent their reserves in accordance with the approved school plan. The value of these reserves is £197k. Details are shown in Appendix C. Reserves set aside for capital schemes included in the Authority’s approved capital programme have been excluded for this exercise.
7. The Director wrote to these schools on 21 June 2007 to inform them of his intention to claw-back from their reserves an amount equivalent to their unspent balances. He intends to honour any invoices from suppliers for work completed prior to 31 March 2007, up to the value of the reserve clawed back or the tendered price, whichever is the smaller. A copy of the letter is attached in Appendix D. An updated position will be reported to the Forum at the meeting on 10 July.
8. In accordance with Section 4.2 of Dudley’s Scheme for Financing Schools, Schools Forum is required to approve schools provisional spending plans for 2007/08 as recommended by the Director of Children’s Services. The provisional plans are attached at Appendix A. It should be noted that the plans as shown in Appendix A include the sums to be clawed back by the Director. Therefore Schools Forum is asked to approve the plans subject to the deduction of those reserves to be clawed back.

### **Finance**

9. The funding of schools is prescribed by the DfES through the School Finance (England) Regulations 2007.
10. From 1<sup>st</sup> April 2006, the Schools Budget is 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.

### **Equality Impact**

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

### **Recommendation**

13. Schools Forum:

- Note the financial data for schools reserves at 31 March 2007;
- Endorse the Director of Children's Services action to claw-back the unspent balances from the schools shown in Appendix C;
- Approve the schools provisional spending plans for 2007/08 shown in Appendix A, subject to the final claw back agreed for 2006/07.



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**Director of Children's Services**

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