



## **Schools Forum**

**Report title:**

**Services Previously Funded by the Education Services Grant (ESG)  
and  
the Dedicated Schools Grant (DSG) – Central School Services Block**

**Date:** 19<sup>th</sup> January 2021

**Key decision:** No.

**Item number:** 8

## Outline and recommendations

*Following agreement from the Schools Forum at their meeting on the 10<sup>th</sup> December 2020, this report considers the options in relation to the support of the services previously supported by the Education Services Grant (ESG) which are now partially financed by the General Fund and partially from the Central Schools Services Block (CSSB)*

*Schools Forum is asked to consider the options for the possibility of supporting the financing of services as discussed in this report.*

*Any opportunity for services to be partially or fully funded by schools.*

*i) Part of de-delegation*

*ii) Offer the service as a traded service.*

*The discussion will also consider options of timelines for implementation of any changes arising from consultation; requirements and meeting statutory deadlines (submission of the Authority Proforma Tool ("APT") to DfE)/Lewisham budget setting cycle.*

*The main Dedicated Schools Grant (DSG) funding settlement report, (elsewhere on this agenda) has further noted the reduction to the Central Schools Services Block of £567k, which is in addition to the reduction in 2020/21 (£775k).*

*There are currently services totally £975k that are funded from the General Fund that are in scope. Assuming the grant funding support continues for 2021/22, the revised figure becomes £602k.*

*Schools Forum is asked to note the financial challenges and potential impact on services. Depending on any support that is made available, the Council will need to consider the level of services that are in scope.*

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## Timeline of engagement and decision-making

Schools Forum meeting of the 10<sup>th</sup> December 2020 – to consider the supporting of services previously financed by the Education Services Grant (ESG) which are now financed partially by the General Fund and the CSSB

Should any de-delegation be supported that would need to be included in the APT submission to the DfE on the 21<sup>st</sup> January 2021.

Full Council to consider Council's three year budget setting process.

## Summary

- 1 Schools Forum agreed to receive a report to consider options for funding services that were supported by the former Education Services Grant (ESG).
- 2 At the Schools Forum meeting of the 10<sup>th</sup> December 2020, the Executive Director of Corporate Resources, provided an updated position on the Council's overall financial position including the need to review all services in light of the significant financial challenges that the Council is facing. The figures are still provisional, subject to the final funding settlement for the Council, however there is potentially a £40m to £50m programme of savings to be delivered over the three year budget setting process (medium term planning process). As part of the review all services funded from the General Fund are in scope.
- 3 This report considers services that have a direct relationship with schools and aims to consider the following:  
*Any opportunity for services to be partially or fully funded by schools.*
  - i) *Part of de-delegation*
  - ii) *Offer the service as a traded service.*
- 4 ***Schools Forum is asked to note the financial challenges and potential impact on services. Depending on any support that is made available, the Council will need to consider the level of services that are in scope.***

## Background

- 5 Up until and including 2016/17, all local authorities received a grant known as the Education Services Grant (ESG). The grant was allocated to Local Authorities on the basis of a formula which has two components:
  - Statutory duties £15 per pupil (in respect of all pupils including those attending academy)
  - Education other – based on £288.75 for mainstream schools and £327.25 for Special Schools and Alternative Provision (“AP”)

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- 6 The total value of the grant in 2016/17 was £3.5m; made up of £600k for statutory duties and £2.9m under 'education other'.
- 7 It should be noted that 2016/17 was the final year of the ESG, however the grant had faced several years of abatement. The table below (Table 1) shows the detail for the grant over the period 2013/14, 2014/15, 2015/16 and 2016/17. During this period review and rationalisation of services was already taking place.

Table 1

Year	ESG Central	Retained	Total		ESG Central	Retained
	Funding	Duties			Funding	Duties
					Pupil	Pupil
	£	£	£		Numbers	Numbers
<b>2016/17</b>	2,959,414	610,500	3,569,914		35,713	40,700
<b>2015/16</b>	3,313,817	605,954	3,919,771		35,369	40,397
<b>2014/15</b>	4,792,365	591,258	4,201,107		34,502	39,417
<b>2013/14</b>	4,832,233	584,403	4,247,829		34,088	38,960
<b>Overall Reduction in Funding since 2013/14</b>	-1,872,819	26,097	-677,915		1,625	1,740

- 8 It should be further noted that the "statutory element" of the grant was streamlined into the DSG Central Services to Schools Block. This element of the grant is now allocated using a different formula. A like for like comparison is therefore not possible. The use of the split statutory and education-other is not helpful as all of these functions supported have a statutory basis.

### Overview application of the Education Services Grant

- 9 The ESG was an un-ringfenced revenue funding stream. The flexibilities and freedoms afforded through the ESG allowed education providers to offer education support services based on local need (as mentioned above, all these services have a statutory basis). A range of education services were funded through ESG, which include behaviour support, school improvement and asset management. Although the levels and types of education services funded vary between local authorities, it reflected the differing needs of schools and pupils. Schools Forums asked to note that there was an expectation that the statutory duties would reduce (the basis of a white paper which was later pulled) to mirror the reduction in funding. The statutory duties remain but the funding has reduced as shown in this report.
- 10 The most common application of the ESG are included the following paragraphs (based on research undertaken by Local Councils in 2016/17).

#### School improvement

- 11 The ESG supported councils in delivering support and challenge to all schools, particularly those struggling to deliver good educational outcomes at the earliest possible opportunity and to minimise the disruption to pupils.
- 12 While the council role in education has continued to evolve, one thing that has

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remained constant is the responsibility that councils play maintaining an education service and in driving school improvement to ensure that children, young people and their families all have access to a good school place. This role is underpinned by existing government policy, legislation, Ofsted and the views of London's parents. This school improvement role is wider than direct traditional improvement work in schools, but facilitating the partnerships between schools, settings and wider children's services.

- 13 **Government policy** – the Secretary of State for Education recognises that councils, as local champions of children and young people, their families and their communities, are responsible for ensuring that all children and young people can benefit from good quality education provided by local schools.
- 14 **Legislation** - local authorities are responsible for discharging more than 200 statutory duties in relation to education, including educational excellence, that relate to all children, regardless of the school setting they attend for their education. As set out in Section 13A of the Education Act 1996, local authorities have a legal duty to promote high standards and ensure that every child fulfils his or her educational potential.

#### **Statutory and regulatory duties**

- 15 **As part of the ESG allocations, local authorities received funding to support and discharge their statutory and regulatory duties in relation to all children in all schools. The government allocated a flat rate of £15 per pupil to all local authorities.**
- 16 However, ESG allocations did not include an Area Cost Adjustment (ACA) and therefore, did not reflect the variation in labour market costs to deliver education services functions in London. The decision not to include an ACA within the ESG stands in stark contrast with other Department for Education funding programmes such as the Dedicated Schools Grant and Basic Need.
- 17 London Councils' analysis of local authority ESG spend on Statutory and Regulatory Duties shows that London local government planned to spend £60 per pupil in 2012-13 and £57 per pupil in 2013-14. Given London's higher costs, it is unsurprising that this is higher than the average national spend in 2012-13 (£47 per pupil) and 2013-14 (£49 per pupil) for fulfilling these duties and significantly above the flat rate provided by government. This supported the government's own evidence, outlined in the then consultation, that for some authorities allocations were not sufficient to meet their retained duties.

#### **Asset management**

- 18 Local authorities have a legal duty to provide a school place for each child. Strategic direction is required in both cases if there are insufficient places or surplus places. Early recognition of the trends is required to action change in a timely manner.

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- 19 Asset management funding is also used to relieve schools of the burden of procuring larger maintenance programmes, such as roof replacements. Any reduction in funding will leave many schools, particularly primary schools, without sufficient experience, expertise or access to economies of scale in order to procure and deliver taxpayer value for money on such projects. Additionally, as local authorities are the owners of many school buildings, they have overall residual health and safety responsibilities that need to be funded and delivered.

## Overall Financial Position of the Council

- 20 On the 25<sup>th</sup> November 2020 the Chancellor, Rishi Sunak, presented the government's spending plans for the coming year (2021/22). The government had been due to set out its plans for the next three years but this has been reduced to just a one-year settlement due to COVID-19. The Chancellor announced a pay freeze for public sector workers, albeit with some exceptions, however the full details of what this will mean for the education sector is not known to date.
- 21 Lewisham Council is currently working with Councillors to build our own budget for the next year, having identified a need for cuts of £40m over the next three years.
- 22 Lewisham is not alone, in this predicament. You may also be aware that some Local Authorities, for example Croydon Council, have issued a section 114 notice, essentially meaning that all but the very basic statutory services can be provided, until the financial position of the Council improves.
- 23 Lewisham Council is working with all council departments to review services and ensure that spend is in line with the funding receivable. **The Schools Forum will be aware that overall funding to the Council has continued to reduce for several years now. For education one key area of reduction was the Education Services Grant.**
- 24 As noted in Table 1 above, the ESG centrally retained grant reduced from its peak of £4.8m to £2.9m before the abolition in 2016/17. This was at a time when the Government was proposing the forced conversion of all schools into academies. **Schools forum is to note that this policy decision was reversed, but the reduction to the linked grant was not. At that point many councils sought local agreement with their Schools Forums to support part of the expenditure previously funded by the ESG, but this did not happen in Lewisham.**
- 25 Against the backdrop of:
- Significant reduction in funding since 2014/15
  - Cessation of Grant in 2016/17
  - Continuation of statutory and regulatory framework, which DfE had intended to reduce as a consequence of policy at the time however that policy and the reduction had not materialised. and
  - Wider funding pressures on the Council arising from a combination of rising cost pressures and lower government funding,

Lewisham Council (like all other Councils) faces some really difficult and challenging decisions. **Schools Forum should further note that in the main services provided are of a statutory nature, so the consideration is not proposing elimination, but more likely the reduction (i.e. minimum) which will clearly have implications for schools and the young people within the borough.**

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- 26 The table (Table 2) below shows the services which are currently supported by the General Fund and are therefore in scope. In 2020/21 a grant of £373k is received from the DfE for School Improvement. At the time of writing there is an understanding that the grant will continue for 2021/22, but what is unclear is if the value will remain at the current level or reduce. As such, for the purpose of this report it is assumed that the grant will continue at the same level.

Table 2

Statutory and regulatory duties	£268,232
School improvement	£706,547
Total less grant income	£974,779
Net budget (assuming grant remains at the same levels)	(£373,000) £601,779

- 27 Statutory and regulatory services includes areas such as
- Extended rights to free transport,
  - Access inclusion and participation
  - SACRE (the “Standing Advisory Committee on Religious Education”) and
  - Governors support
- 28 School Improvement also includes a £200k contribution towards Lewisham Learning.

### Central Schools Block Services

- 29 This report noted that some aspects of the grant previously known as the Education Services Grant have now transferred to the Central Schools Services Block (“CSSB”). It is difficult to make a like for like comparison as the CSSB has existed since 2012/13 with commitments known as “2012/13 baseline”. A pupil led methodology was added to the existing funding.
- 30 **Schools Forum will recall that for 2020/21, the CSSB was reduced by £775k. A further reduction has now been confirmed of £567k. As such over a period of 2 years a total of £1.340m reduction will be actioned.**
- 31 As with the services supported by the General Fund, the CSSB funds services that support schools and includes:
- Historic Commitments (SEN caseworker support, cost of Tribal software, Central recharge for support services, Lewisham Learning) = £3.4m
  - Ongoing Services (Fair Access Panel & Admissions, Attendance and Welfare, Estates Management, Schools Forum Support) £1.2m
- 32 It has been possible to contain the £775k reduction at present, however the further reduction announced for 2021/22 of £567k will be more challenging. At the time of writing we don’t know what levels of reduction would apply for 2022/23.

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- 33 It is unlikely that services will cease per se, however there will clearly be an impact on the level of resource attached and therefore the level of support that schools can reasonably receive.

### Options for Schools Forum to consider

- 34 **Option 1** – not to support the proposal regarding de-delegation and direct trading of non-statutory / discretionary elements of services. The implication of this option would be that the Local Authority will need to review the services provided and scale back to an “affordable level”. The implications for the end user are likely to include lower support levels and/or compromised standards of support.
- 35 **Option 2**- the Schools Forum could agree to fully /partially support the current service delivery model. The mechanism for this would need to be de-delegation and direct trading of elements of non-statutory / discretionary services. Depending on the financial support provided, the services would either be sustained at existing levels or scaled back accordingly.
- 36 The report above mentions the level of funding of services, the extent of the reductions of future funding and the very difficult challenges Lewisham Council faces.
- 37 **Option 3** - the Schools Forum could agree to the proposal and defer implementation of the proposal to 2022/23. **This would require some level of agreement on schools to support the proposal.** As Lewisham Council would need lead in time to undertake any alterations as a consequence of the School Forum’s decision a wider consultation could be undertaken with the schools communities to ascertain their level of support.

### What have other Local Authorities done?

- 38 A recent survey was undertaken with local authorities in relation to the levels of schools contribution or charges towards school support services. Table 3 below shows the information based on the local authorities that responded. **It should be further noted, that other local authorities are considering introducing this process, however like Lewisham Council has continued to support the services from General Fund at present.**

Local Authority	Primary	Secondary	Special	General Rate (if phase not stated)
Haringey	no charge	no charge	no charge	no charge
Lewisham	no charge	no charge	no charge	no charge
Southwark	£16.43	£16.43	n/a	n/a
Wandsworth	£11.56	£11.56	£21.00	n/a
Westminster	no charge	no charge	no charge	no charge
Barnet	£23.08	23.08	n/a	n/a
Bexley	£30.00	£30.00	£148.00	n/a
Croydon	no charge	no charge	no charge	no charge
Enfield	no charge	no charge	no charge	no charge
Greenwich	no charge	no charge	no charge	no charge
Harrow	no charge	no charge	no charge	no charge
Havering	£17.90	n/a	£44.75	n/a
Hillingdon	n/a	n/a	n/a	£1.22
Hounslow	n/a	n/a	n/a	£23.81
Kingston upon Thames	no charge	no charge	no charge	no charge
Merton	31.61	31.61	31.61	n/a
Richmond upon Thames	no charge	no charge	no charge	no charge
Waltham Forest	n/a	n/a	n/a	£21.50
Bracknell Forest	n/a	n/a	n/a	£20.00
Slough	no charge	no charge	no charge	no charge
Surrey	n/a	n/a	n/a	£35.96

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- 39 The table below (Table 5) shows a ready reckoner of the possible levels of de-delegation, and therefore the potential contribution to services.

**Table 5**

	<b>Primary</b>	<b>Secondary</b>	<b>Total</b>
<b>Pupil Numbers</b>	<b>21,504</b>	<b>7,994</b>	<b>29,499</b>
<b>De-delegation</b>			
Values in units of £5			
£5	£107,524	£39,973	£147,497
£10	£215,048	£79,946	£294,993
£20	£430,095	£159,892	£589,987
£30	£645,143	£239,838	£884,980
£40	£860,190	£319,783	£1,179,973
£50	£1,075,238	£399,729	£1,474,967
<b>School Size</b>	<b>Primary</b>	<b>£5</b>	
1FE	210	£1,050	
2FE	420	£2,100	
3FE	630	£3,150	
4FE	840	£4,200	
<b>School Size</b>	<b>Secondary</b>	<b>£5</b>	
4FE	600	£3,000	
5FE	750	£3,750	
6FE	900	£4,500	

- 40 A similar application approach would need to be considered to include special schools and AP. Rule of thumb is normally to apply a multiplication of 3. For example if the Schools Forum supported £10, a special school/AP would be assumed at £30.
- 41 The Schools Forum is asked to consider the detail specified in this report and agree on a way forward with Options 1, 2 or 3.
- 42 Dependant on the discussion and outcome, Lewisham Council will need to consider options for the delivery of the services discussed in this report.

### **Financial Implications**

- 43 The report notes the financial pressures facing the Local Authority as a consequence of reduction in grant funding both to the council's main revenue base but also directly to the DSG/Education Services grants.
- 44 Any funding support from schools will enable the LA to maintain services at current base (or less severity in reduction).

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## Legal Implications

- 45 The Schools Forum are to note that due process needs to be followed in relation to any decisions that significantly impact on a service provision by way of de-delegation or direct trading of elements of non-statutory / discretionary services.
- 46 The Local Government Act 2003 and the Localism Act 2011 give local authorities powers and responsibilities to charge for non-statutory / discretionary services that support schools.

## Equalities Impact

- 47 There are no direct implications arising from this report. However should there be a requirement to review or amend services, then the EI assessment would need to be considered as part of that process.

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