

CYP Scrutiny Commission Report

Overview & Scrutiny

Children & Young People Scrutiny Commission

Date of meeting: Monday 2nd November 2020
Title of report: Hackney Education Finance Update
Report author: Yusuf Erol, Head of Education Finance
Authorised by: Annie Gammon, Education Director
Brief: This report provides the most recent financial forecast for Hackney Education for the 2020/21 financial year.

Report title: Hackney Education Finance Update 2020/21 (August 2020)

Meeting date: 2nd November 2020;

Report originator: Yusuf Erol, Head of Education Finance

1. Purpose of the report

1.1. This report provides a routine update on the Hackney Education finance position and identifies any financial-management issues and risks.

1.2. Please note that the recent IT disruption has meant that the education finance team could not produce an up to date forecast as at the end of September 2020.

2. Recommendations

2.1. That CYP Scrutiny Commission notes the current budgets, issues and risks for the 2020/21 financial year.

2.2. That CYP Scrutiny Commission notes that schools finances are not covered in this report.

3. Budget summary

3.1. The following table summarises the budgets across Hackney Education divisions/activity groupings. The budgets are net of income such as traded income or childcare fee income:

Division/activity group	Budget (£)
High Needs and School Places	47,578,226
Education Operations	3,684,178
Early Years, Early Help and Wellbeing	41,318,215
School Standards and Performance	1,842,884
Contingencies and recharges	11,055,264
Delegated school funding to maintained mainstream schools	133,843,580
DSG income	(213,611,335)
TOTAL	25,711,012

4. Summary issues and risks

COVID-19

4.1. As with many Council departments, the education department's finances have been significantly affected by the COVID-19 outbreak. This is mainly due to:

- I. Loss of traded income for those services where delivery has not been possible whilst schools have only been partially open for small groups of children and young people (CYP);
- II. Loss of childcare fee income where it has not been possible to deliver usual childcare whilst children's centres have only been partially open for small groups of children;
- III. Potential cost of having to compensate schools who manage children's centres for loss of childcare income;

SEND – (in the High Needs and School Places division)

4.2. For several years, SEND has been reported as a considerable and continuing risk with significant year-on-year growth in spending. This has largely been due to significant increases in CYP with Education, Health and Care Plans (EHCP's).

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- 4.3. The 2020/21 forecast currently assumes a significant growth in SEND spending when compared to 2019/20. A group of Council officers responsible for forecasting will be meeting regularly to develop a more detailed forecast.
- 4.4. The Interim Head of High Needs and School Places is also working with officers to develop a cost reduction plan.

Children's Centres – (in the Early Years, Early Help and Wellbeing division)

- 4.5. Children's centres are highlighted in this report as a budgetary risk as a result of costs exceeding budgets in the previous year 2019/20. This is for both Children's centres managed by the Council and those managed by schools who receive funding from the Council.
- 4.6. The budget set aside for children's centre activity by the education department has been subject to reductions – as part of agreed savings schedules - in recent years and the current children's centre model does not seem affordable within current budgetary limits. Hackney Education senior leadership agreed in March 2020 to undertake a review of Children's centre finances with a view to design a sustainable three-year budget plan.

5. The commentary supplied for the Council's forecast outturn report (OFP)

- 5.1. CYP Scrutiny Commission are asked to note the commentary supplied in the Council's consolidated forecast outturn report, which is as follows:

Hackney Education has a budget of £25.7m net of budgeted income of circa £240m. This income is primarily Dedicated Schools Grant of which the majority is passported to schools and early years settings or spent on high needs placements.

As at the end of August 2020, Hackney Education is forecasting to overspend by around £8.8m. Approximately £3m of this is the forecast financial impact of the COVID-19 outbreak. The balance of the overspend (£5.8m) is mainly as a result of a £8.4m forecast over-spend in SEND, offset by forecast £2.6m of savings in other areas of HLT. The £8.4m over-spend in SEND is a result of previously reported factors, mainly a significant increase in recent years of children and young people with Education Health and Care Plans (EHCP's).

The Government has formally confirmed its intention to ensure that local authorities are not left with the burden of SEND cost pressures and have issued new funding regulations which state that deficits arising from DSG shortfalls will not be met from local authorities' general funds unless Secretary of State approval is gained. The finance teams are working on what exactly this will mean for the Council's finances and are also consulting with the auditors and other Councils. At this time it is thought that it is unlikely these changes to funding regulations will have a material impact on the forecast.

Government expectation is that the DSG overspend will remain in the Council's accounts as a deficit balance which will then reduce in future years as additional funding is received. However, Government's commitment to this additional funding and the level this will be at is not clear. There is therefore a financial risk to the Council of carrying this deficit forward and we will need to consider options for mitigating this risk which might include setting aside a reserve equivalent to the deficit at year end.

6. High Needs and School Places

- 6.1. The following table shows the current forecast variance in High Needs and School Places. The reasons for the forecast over-spend are mainly due to increasing numbers of CYP with EHCP's. £468k of the £8.9m over-spend forecast is due to forecast loss of traded income as a result of the C19 outbreak. A group of officers are reviewing this forecast in detail and will provide further forecast reports in the future.

Current budget	Actuals to Date	Full year forecast	Variance to budget	Variance %	C19 impact within forecast
47,578,226	9,943,868	56,480,324	8,902,099	19%	468,329

7. Education Operations

7.1. No material issues to report.

Current budget	Actuals to Date	Full year forecast	Variance to budget	Variance %	C19 impact within forecast
3,684,178	1,745,472	3,801,873	117,695	3%	140,541

8. Early Years, Early Help and Wellbeing

8.1. C19 has had a significant impact in Early Years (see 5.1 (ii)). In addition to C19, other factors contributing to the over-spend forecast are:

- I. The budget has been reduced in 2020/21 in anticipation of the closure of childcare services at Millfields Children's Centre. The closure is going to happen in-year (August 2020) and so there are costs to be incurred until then;
- II. The budget was reduced in 2019/20 in anticipation of additional income to be generated as a result of the new fees structure. That new structure has not yet been fully implemented so it is still not possible to generate the desired level of income;
- III. Beyond the fee structure implementation delay, there was a general situation of budgets not covering costs in 2019/20 and a review has commenced to try to establish more sustainable budgets for children's centres;

Current budget	Actuals to Date	Full year forecast	Variance to budget	Variance %	C19 impact within forecast
41,318,215	16,604,948	42,937,878	1,619,663	4%	1,017,875

9. School Standards and Performance

9.1. There are no issues to report in School Standards and Performance beyond the impact of C19. The forecast variance can be wholly attributable to the impact of C19 on traded income.

Current budget	Actuals to Date	Full year forecast	Variance to budget	Variance %	C19 impact within forecast
1,842,884	1,236,618	2,320,930	478,046	26%	462,241

10. Summary budget position

10.1. The following table summarised the HLT forecast by division/activity group:

Division/activity group	Current budget	Actuals to Date	Full year forecast	Variance to budget	Variance %	C19 impact within forecast
High Needs and School Places	47,578,226	9,943,868	56,480,324	8,902,099	19%	468,329
Education Operations	3,684,178	1,745,472	3,801,873	117,695	3%	140,541
Early Years, Early Help and Wellbeing	41,318,215	16,604,948	42,937,878	1,619,663	4%	1,017,875
School Standards and Performance	1,842,884	1,236,618	2,320,930	478,046	26%	462,241
Contingencies and recharges	11,055,264	176,177	10,420,192	(635,072)	-6%	906,000
Delegated school funding to maintained mainstream schools	133,843,580	52,571,002	132,900,000	(943,580)	-1%	0
DSG income	(213,611,335)	(86,122,179)	(214,336,918)	(725,583)	0%	0
TOTAL	25,711,012	(3,844,094)	34,524,280	8,813,268	34%	2,994,986

11. Conclusion

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11.1. As at the end of August 2020, Hackney Education is forecasting to overspend by around £8.8m. Approximately £3m of this is the forecast financial impact of the COVID-19 outbreak. The balance of the overspend (£5.8m) is mainly as a result of a £8.4m forecast over-spend in SEND, offset by forecast £2.6m of savings in other areas of the education department. The over-spend in SEND is a result of previously reported factors, mainly a significant increase in recent years of children and young people with Education Health and Care Plans (EHCP's).

Report originator: Yusuf Erol, Head of Finance

Date: 15 September 2020 (updated 22 October 2020)

Cleared by: Yusuf Erol