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| Report Title: | Hackney Education Finance Update 2021/22 (September 2021) |
| Meeting for: | Children & Young People Scrutiny Commission |
| Date: | 06 December 2021 |
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Report Summary

This report provides an annual update to the CYP Scrutiny Commission on the Hackney Education finance position and identifies any financial issues and risks.

Hackney Education is forecasting to overspend by around £5.2m as at September 2021. The overspend is mainly as a result of a £6.4m forecast over-spend in Special Educational Needs and Disabilities (SEND), offset by a forecast £1.4m of savings in other areas of Hackney Education. The SEND pressures are not unique to Hackney and many London local authorities are currently grappling with huge deficits in the Dedicated School Grant (DSG) largely due to significant deficits in the high needs funding allocations from the government. Demand for services for children with SEND has grown substantially since the introduction of the Children and Families Act 2014. The government's high needs funding allocations have not kept up with this increase in demand, leaving many local authorities with significant deficits.

Officers are looking at developing cost reduction plans and these will take time to develop and implement. It is important to note the cost reduction proposals will not bring the forecast back in line with the budget, and this service will require significant levels of central government funding to address this long standing issue.

1. Purpose of the report

- 1.1. This report provides an annual update to the CYP Scrutiny Commission on the Hackney Education finance position and identifies any financial issues and risks.

2. Recommendations

- 2.1. The CYP Scrutiny Commission to note Hackney Education's overall financial position as of September 2021.
- 2.2. The CYP Scrutiny Commission to note the risk to council finances around the High Needs budget overspend.

3. Overall Financial Position

- 3.1. Hackney Education has a budget of £23.8m net of budgeted income of circa £220m. This income is primarily the Dedicated Schools Grant, of which the majority is passported to schools and early years settings, or spent on high needs placements.
- 3.2. Hackney Education is forecasting to overspend by around £5.2m. Approximately £0.5m of this is the forecast financial impact of the pandemic in relation to childcare fee income losses in Hackney's children centres. The balance of the overspend is mainly as a result of a £6.4m forecast over-spend in SEND, offset by forecast £1.4m of savings in other areas of Hackney Education. The £6.4m over-spend in SEND is a result of a significant increase in recent years of children and young people with Education Health and Care Plans (EHCP's).
- 3.3. The Government 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.
- 3.4. 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, the Government's commitment to this additional funding and the level this will be at remains unclear. There is therefore a financial risk to the Council of carrying this deficit forward.
- 3.5. 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:

| Service | Budget £'000 |
|-----------------------------------------------------------|---------------|
| High Needs and School Places | 53,224 |
| Education Operations | 3,524 |
| Early Years, Early Help and Wellbeing | 42,571 |
| School Standards and Performance | 1,705 |
| Contingencies and recharges | 8,854 |
| Delegated school funding to maintained mainstream schools | 134,360 |
| DSG income | (220,433) |
| Total | 23,805 |

3.6. The table below provides a breakdown of the forecast against service areas in Hackney Education and an explanation for significant variances.

| Revised Budget | Service Unit | Forecast Variance Before Reserves | Reserves Usage | Forecast Variance After reserves | Narrative |
|----------------|-----------------------------------------------------------|-----------------------------------|----------------|----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 53,224 | High Needs and School Places | 7,500 | (1,100) | 6,400 | This forecast estimates an increase in spending of around £5m from the previous year as a result of significant projected increases in the number of children and young people with education, health and care plans. |
| 3,524 | Education Operations | 375 | - | 375 | Over establishment for payroll, maternity cover costs for SPAG and shortfall of income for Tomlinson Centre. |
| 42,571 | Early Years, Early Help and Wellbeing | 832 | (500) | 332 | Budget pressures from previous years expected childcare fees income increases not achievable and Covid-19 additional costs from the continuing loss of childcare fees income. |
| 1,705 | School Standards and Performance | (45) | - | (45) | Forecast underspend primarily relating to the expected in-year release of Monitoring and Brokerage Grant reserves; further update next reporting cycle. |
| 8,854 | Contingencies and recharges | (1,003) | - | (1,003) | Forecast under-spends in contingency and savings delivered in previous years. |
| 134,360 | Delegated school funding to maintained mainstream schools | (851) | - | (851) | Forecast variance reflects Schools Forum agreement to vire from Schools Block of the DSG to the High Needs block to contribute to the SEND pressure. |
| (220,433) | DSG income | - | - | - | - |
| 23,805 | Totals | 6,808 | (1,600) | 5,208 | |

4. Vacancy Rate Savings

4.1. A vacancy rate savings target of £854k has been set for Hackney Education in 2021-22. At this point in the financial year, it is forecast that it will be achieved. The education finance team is highlighting a risk of around £250k, and this is linked to staff turnover being lower than anticipated. Progress against the target will be carefully monitored and tracked by the Senior Management Team and this will continue to be monitored closely and reported as part of the monthly Overall Financial Position report.

4.2. The directorate has outlined a series of actions that will aim to achieve the vacancy rate savings in 2021-22. Actions include identifying specific vacant posts and holding them vacant, identifying all staff who are below the top of their salary grade or part-time in full-time posts, waiting to recruit to any vacant posts, except where there are multiple vacancies within teams (i.e. due to long term sickness) or particular covid related pressures, continuing to seek external funding sources - e.g. through partnership working, monitoring agency spend closely and ensuring those staff take the annual leave they have accrued, as well as identifying any non-essential budgets that can be held for the year. However, there are long term risks to the sustainability of this approach, and the directorate approach will need to be

reviewed to take into account where the vacancy factor is being met by non-recurrent savings.

5. Cost Reduction Proposals

- 5.1. The table below outlines the key proposals for cost reductions which have been endorsed across Education in 2021-22.

| | Initiative | Description | Target |
|---|--------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|
| 1 | Developing in-borough SEND provision | The Council currently spends a significant amount on independent special schools settings. There is an ongoing plan to develop further in-borough provision. The plans are still being developed and likely savings/cost avoidance are being worked up. The strategy for school place organisation has been presented to CYP scrutiny at the 1 November 2021 meeting. | TBC |
| 2 | Reviewing SEND Transport eligibility | Reviewing the way transport agreements are made for children and young people with special educational needs against our legal duties. This will include benchmarking against local authorities to understand how our offer compares to others. | TBC |