

Report Title:	Hackney Education Finance Update 2022/23 (November 2022) - Period 8
Meeting for:	Children & Young People Scrutiny Commission
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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 the key financial issues and risks.

Hackney Education is forecasting to overspend by circa £4.8m at the end of November 2022 (Period 8). The overspend is mainly as a result of a £5.4m forecast over-spend in Special Educational Needs and Disabilities (SEND), offset by a forecast £1.5m of underspends in other areas of the wider Hackney Education portfolio. The SEND pressures are not unique to Hackney and many London local authorities are currently grappling with significant 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 additional Government funding to address this long standing issue. Further information on Hackney's participation in the Better Value (SEND) programme is also provided within this report.

The report also provides a more detailed budget breakdown and forecast for Children's Centres and the commissioning of Independent and Non-maintained special schools which provide SEND provision at Appendix 1 of this report.

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 November 2022 (Period 8).
- 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 £28.1m net of budgeted income of circa £230m. 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. At the end of period 8 (November 2022) Hackney Education (HE) is predicting an overspend of £5.885m. Of this £5.885m, £1.114m relates to the 2022/23 pay award and will be funded centrally, the non-pay award overspend for HE is £4.771m. Excluding the pay award, the main driver is a £5.4m pressure in SEND as a result of a significant increase in recent years of children and young people with Education Health and Care Plans (EHCPs), and this increase is expected to continue in 2022/23. SEND Transport has had corporate budget growth awarded to the service of £1.1m this year, however the service is still forecasting a £1.6m pressure. This is partly due to increased activity coupled with increased fuel prices and transport costs. Given the volatility of fuel prices, this area will need to be monitored closely for the remainder of this financial year. Other areas of overspend are within Education Operations mainly for the Tomlinson Centre (£0.3m) and Children's Centre income collection (£0.5m), and both overspends are mainly influenced by reduced usage of services post-pandemic.
- 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. The statutory override which allowed this deficit balance to be carried in the Council's accounts has recently been extended from 31 March 2023 to 31 March 2026 by Government.
- 3.4. More recently there is uncertainty around the DSG high needs deficit and the treatment of any deficit post 2025/26. The brought forward SEND deficit in 2022/23 is circa £13.9m, based on current forecasts this will increase to circa £18.7m by the end of this financial year. This remains a risk for Hackney in the event there is no further funding provided by the Department for Education (DfE) to mitigate this balance. Hackney is included in Tranche 2 of the Delivering Better Value (in SEND) programme which aims to help local authorities maintain effective SEND services, however the programme aims to provide assistance on deficit recovery actions through a grant of up to £1.0m, rather than provide direct funding to address the deficit, hence the potential risk to the Council. Senior officers have held an introductory meeting with representatives of the DfE in respect to the format and workstreams of the programme, with the detailed work due to commence from early 2023.
- 3.5. Table 1 summarises the budgets across Hackney Education divisions/activity groupings and the forecast variances including those attributed to the 2022/23 pay award . The budgets are net of income such as traded income or childcare fee income:

Table 1: Period 8 Education Forecast Summary (£ 000)

Revised Budget	Service Area	Forecast Variance Before Reserves	Pay award forecast	Total forecast	Change in Variance from last month (not related to pay award)
61,739	High Needs and School Places	5,408	346	5,754	-
3,748	Education Operations	302	169	471	23
42,320	Early Years, Early Help and Wellbeing	499	527	1,026	-
1,962	School Standards and Performance	(10)	72	62	20
10,649	Contingencies and recharges	(325)	-	(325)	-
137,834	Delegated school funding to maintained mainstream schools	(1,103)	-	(1,103)	-
(230,131)	DSG income	-	-	-	-
28,121	Hackney Education Total	4,771	1,114	5,885	43

- 3.6. Table 2 below provides a further breakdown of the forecast against service areas in Hackney Education and an explanation for significant variances, focusing on the variances which are not attributed to the pay award:

Table 2: Period 8 Education Forecast - explanation of variances.

Revised Budget	Service Unit - Hackney Education	Forecast Variance Before Reserves	Variance from Mth 7 Forecast (Non-Pay Award)	Narrative
61,739	High Needs and School Places	5,408	-	Overspends in EHCP's and inclusive of a projected £1.6m overspend within SEND Transport.
3,748	Education Operations	302	23	The Education Operations division is forecasting an overspend of 302k . This is mainly due to a shortfall of income for Tomlinson Centre , some over establishment staffing and Bacs processing expenditure for payroll, maternity cover and Synergy software costs.
42,320	Early Years, Early Help and Wellbeing	499	-	The overall forecast for period eight relates to the children's centre cost centres, there is lower fee income than budgeted and also increased energy and agency staff costs are predicted due to the level of vacancies held pending the review of children's centres.
1,962	School Standards and Performance	(10)	20	A small underspend is predicted as a result of grant income carried forward from the previous year not currently predicted to be fully utilised.
10,649	Contingencies and recharges	(325)	-	The year end forecast relates to a predicted underspend in the education contingency budget.

137,834	Delegated school funding to maintained mainstream schools	(1,103)	-	
(230,131)	DSG income	-	-	
28,121	-	4,771	43	

4. Vacancy Factor and Savings

- 4.1. A vacancy rate savings target of £0.8m has been set for the directorate in 2022-23 and the forecast assumes that this will be achieved or mitigated within non staffing budgets. Progress against the target is carefully monitored and tracked by the C&E Senior Management Team and this will continue to be monitored closely and reported on a monthly basis. Requests to recruit within Education are submitted via a business case and require joint agreement by the Heads of HR and Finance before the initiation of any recruitment process, however business need and safeguarding is considered before any financial considerations.
- 4.2. Savings for Hackney Education are £117k to be delivered from merging the HE reception with the HSC, and a review of traded teams. This saving is on track to be delivered this financial year.

5. Cost Reduction Proposals

- 5.1. In addition to budgeted savings further cost reduction measures are being developed. For Hackney Education, the focus of cost reduction measures will be through further development of in-borough SEND provision and reviewing SEND transport eligibility. The cost reduction proposals are being developed and are likely to be delivered in future years.

	Initiative	Description	Target
1	Developing in-borough SEND provision	The Council currently spends a significant amount on independent special schools. 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 timescales for the delivery of these savings is unlikely to be achieved in 2022-23 and is more achievable over the medium term.	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. Again the timescales for the delivery of these savings are unlikely to be achieved in 2022-23 and identified as the SEND service is reviewed. In addition, a review of the transport needs of schools with a view to implementing more efficient school bus journey scheduling will be commenced in September, this is likely to yield cost reductions next financial year.	TBC

