

Title of meeting:	Education Cabinet
Date of meeting:	9 th July 2018
Subject:	The Harbour School
Report by:	Julia Katherine, Head of Inclusion, Education Service
Wards affected:	All
Key decision:	No
Full Council decision:	No

1. Purpose of report

- 1.1 The purpose of this report is to request that the Cabinet Member agrees to use Dedicated Schools Grant (DSG) balances to fund the deficit in The Harbour School budget, following the endorsement of Schools Forum.

2. Recommendation

- 2.1 **It is recommended that the Cabinet Member note the significant progress that has been made to address the financial and structural issues at The Harbour School, including predicting a balanced in-year budget for 2017-18.**
- 2.2 **It is recommended that the Cabinet Member agrees to use £868,258 from DSG balances to fund the remaining deficit in the Harbour School budget.**

3. Background

- 3.1 The Harbour School opened in September 2007 and provides specialist provision and outreach services for children and young people with social, emotional and mental health (SEMH) needs and those with medical needs. The school currently operates across four sites in the city: Cosham; Tipner; Fratton; and Stamshaw. The school was last inspected by Ofsted on 3rd June 2015 and was rated as Good.
- 3.2 The school is commissioned by the Council to deliver the following:
 - 95 Special Educational Needs (SEN) places for pupils with an Education Health and Care Plan (EHCP) with a primary need of SEMH across Years 5 to 11
 - 105 Alternative Provision (AP) places, including 6th day provision, for pupils who have been permanently excluded from mainstream schools

- The equivalent of 38 FTE places for pupils who are not able to attend school due to medical issues plus hospital education.
- 3.3 A financial notice of concern was issued to the Governing Board of The Harbour School on 30th November 2015. This notice was issued because the school had made insufficient progress to safeguard the financial position of the school and to address the growing deficit which was projected to increase to £730,000 by the end of the financial year. The financial notice required the governing body to take the following actions in relation to the management of funds delegated to it:
1. Prepare a redeveloped three year deficit recovery plan.
 2. Ensure that an appropriately trained / qualified person chairs the finance committee of the governing body
 3. Hold monthly financial monitoring meetings at the school attended by the headteacher, the school's finance officer and Local Authority officers.
- 3.4 By the end of the compliance period the governing body had complied with actions 2) and 3) but had still not developed a deficit recovery plan. The period for the governing body to comply with action 1) was extended by an additional 3 months to 31st May 2016. The governing body failed to comply with the required action by the end of the extended compliance period and on 1st June 2016 the Local Authority issued a Warning Notice under Section 60 of the Education and Inspections Act 2006.
- 3.5 The governing body was also notified of the Local Authority's intention to apply to the Secretary of State for consent to constitute an Interim Executive Board (IEB) and to consult with the governing body in that regard if the warning notice was not complied with. The warning notice was not complied with and subsequently a successful IEB application was made to the Secretary of State and an IEB was put in place on 15th July 2016. At the same time the Headteacher left to take up a new role outside of Portsmouth.
- 3.6 The Harbour School currently has in place an Interim Executive Board (IEB), who additionally appointed Delta Education Trust to provide interim executive leadership and have appointed a new Head of School.

4. Summary of progress

- 4.1 Since being appointed, the IEB has:
- Appointed Ian Hunkin as the Head of School on a permanent basis from April 2017.
 - Continued to commission Delta Education Trust to provide leadership support for one day a week, plus financial management
 - Set a balanced in-year budget and ensured that the school is working within this.
 - Monitored and questioned expenditure and sought reassurances re: income, on a monthly basis.

- Communicated with the LA in an open and transparent manner to ensure that the best outcome is achieved for all stakeholders.
 - Welcomed and encouraged advice from the LA Finance team.
 - Commissioned an external finance audit.
- 4.2 An external finance audit was carried out in November 2017 to provide assurance of the effectiveness of financial management controls at the school. The outcomes of this have been followed up each month by the IEB to ensure that robust systems are in place throughout the school to reduce financial risks. The auditor noted that she was particularly impressed with the progress made by the school, during her follow up visit - and the IEB is aware that the final actions outstanding are in the process of being addressed (updating the website).
- 4.3 A number of actions have been taken by The Harbour School to bring the budget back to a balanced position. These include:
- Significantly reducing staffing costs through a full staff restructure – the new staffing structure has been in place since September 2017 including a reduction of 16 staff.
 - Reviewing the best use of Harbour School buildings including the reduction from 5 to 4 sites.
 - Reducing operational costs through tighter spending controls and better strategic planning.
 - Reducing pupil numbers to be ‘smaller and fuller’.
 - Increasing income through a rise in the AP ‘top-up’ element from £6k to £8k.
 - Ensuring that all pupils who should have an Educational Health and Care plan have been assessed as per the statutory process.
- 4.4 The changes above have been implemented in the 16/17 academic year. During this process, there have been additional costs to the school including:
- Continuation of the ‘old’ staffing structure for the first 5/12 of the financial year
 - One off redundancy payments as a result of the restructure
- 4.5 As a result, at the end of the 17/18 financial year, The Harbour School has a revenue deficit of £848,668 and a total deficit of £868,258. This is considerably lower than the predicted figure of circa £1.4m if no action had been taken.

The school is now projected to show a small in-year surplus in 2018-2019 and in subsequent years, which gives reassurance that the school is financially viable into the future.

5. Preparation of a transfer of The Harbour School to a Multi Academy Trust

- 5.1 As part of its remit, the IEB was tasked with overseeing the transfer of THS to an Academy sponsor. Following careful consideration of the options and due diligence, agreement has recently been reached by the IEB to select Delta Education Trust (DET) as the preferred sponsor. DET confirmed their support for this at a Trustees meeting on 7th July 2017. Confirmation from DET was subject to a commitment from the Council that financial support will be provided to address the deficit position of the school.
- 5.2 The school will benefit from the security of being a member of a Multi Academy Trust (MAT), and will be able to benefit from additional savings through economies of scale in areas such HR, administration, finance, etc.
- 5.3 The transfer to Delta Education Trust is anticipated to be completed by December 2018, subject to agreement at the Regional Schools Commissioner's Headteachers' Board.

6. Equality impact assessment

- 6.1 An equality impact assessment is not required as the recommendations do not have a negative impact on any of the protected characteristics as described in the Equality Act 2010.

7. Legal implications

- 7.1 On the basis that the consequences of any lessening in the current improvement plan are obvious and outlined within this report there is no requirement to restate what would occur should matters not continue in the current positive way. There are no outstanding legal issues with respect to the restructure that would impact upon the plan or expose the Authority to additional cost.

8. Director of Finance comments

- 8.1 At the December 2017 meeting, the year end DSG balance was forecast as being in the region of £3m, although, as reported elsewhere on this agenda, the balance brought forward has now been confirmed at £4.7m. Due to their one-off nature, balances cannot prudently be used to support ongoing expenditure.
- 8.2 The proposed support to The Harbour School will allow the school to move forward following the staffing restructure and to continue to provide much-needed specialist support to pupils, as well as putting the school in a sustainable position which will allow it to convert to academy status. The proposed support of £868,258, together with the contribution of £1m towards special school remodelling works

agreed at the last meeting, will significantly reduce DSG balances. Careful budgetary control will be required going forward to ensure that education spend remains within the funding available.

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Signed by: Alison Jeffery, Director of Children, Families and Education

Appendices:
None

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by on

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Signed by: