



Haringey Council

The Children and Young People's Service

**Agenda Item
5**

Report Status

For information/note
For consultation & views
For decision

Report to Haringey Schools Forum [28 January 2010]

Report Title: Area Cost Adjustment (ACA) Working Group Update

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Purpose: To update the Forum on the latest position reached by the ACA working group and outline the next steps.

Recommendations:

- (i) The Forum notes the current position and the proposed arrangements for launching the work commissioned from KPMG.
- (ii) Approval to the final consultation response be delegated to the ACA working group of the Schools Forum.

1. Background and Introduction.

1.1. The Forum is aware of the work that has been continuing with KPMG on Area Cost Adjustment (ACA) methodologies, to construct the best case for responding to the forthcoming review of the methodology for allocating Dedicated Schools Grant (DSG) between authorities.

1.2. This paper updates the Forum on the latest position and in particular feeds back from a meeting held with DCSF officials which was itself an outcome of the meeting, held before Christmas, with the Minister Diana Johnson MP.

- 1.3. It also considers the next steps which involves the proposed arrangements for making available the outcomes of the KPMG review and encouraging its use in responding to the forthcoming consultation on the DSG review.

2. Summary of KPMG Conclusions

- 2.1. The work undertaken by KPMG has focussed on reviewing the options being evaluated by the government's advisers (PWC) in the context of their impact on Haringey. They have also considered a number of other lines of enquiry which the working group has determined with a view to providing an evidence base which may support the Haringey case.

- 2.2. The primary conclusions of the KPMG report are that:

- there is no irrefutable evidence to support the argument that Haringey can simply be considered an inner-London authority for the purposes of DSG;
- the proposals set out in the PWC report that contain proposals for considering the characteristics of each authority separately (149 Geography) as opposed to the current groupings (49 Geography) benefit Haringey;
- the proposals for smoothing allocations such that 'cliff edges' between adjacent authorities are minimised also benefit Haringey (assuming that Haringey is not simply reclassified as an inner-London authority); and
- hybrid approaches which contain elements of both the General Labour Market approach and the Specific Cost approach benefit Haringey, compared to the current arrangements.

3. Meeting with DCSF Officials

- 3.1. Following the meeting with Diana Johnson MP, a meeting was held on 8 January 2010 between key officials at the DCSF including Stephen Kingdom and Andrew Wye. Tony Brockman as chair of the Schools Forum attended along with Neville Murton, Steve Worth and Nick Ratcliffe and John Bolt from KPMG.

- 3.2. The meeting was extremely productive and from it the following conclusions were apparent:

- The most likely consultation period for changes to the DSG allocation formula will be from around the beginning of February for a period of 12 weeks – consequently the timing of any decisions on changes will be affected by the forthcoming election;
- DCSF officials are constrained to an extent by the formula operated by the Department for Communities and Local Government (DCLG) – this seemed in particular to mitigate against the 149 geography options which were not favoured by the DCSF officials;
- There was no enthusiasm whatsoever at DCSF for a Cost of living approach based on house prices;

- There was little enthusiasm for smoothing either, as a 'pure' formula approach was clearly favoured by DCSF and DCLG;
- Some of the data provided by the government's advisors was erroneous – of particular significance was a hybrid option which used 70% specific cost (based on teachers pay) together with a 30% General Labour Market element;
- DCSF seemed to accept the merits of a Specific Cost Approach in which the allocation of DSG reflects the cost of teachers salaries – such an approach (as described above) would benefit Haringey compared to the current formula; and
- DCSF officials hinted strongly that certain grants, which currently sit outside the DSG, could be incorporated into DSG and as a result attract an ACA uplift. The main grants that seemed to be in mind were the various School Standards Grants and School Development grant which, as there is currently no recognition of area costs in the allocation of these, would also significantly benefit Haringey.

3.3. The overall conclusions which officers have drawn from the meeting was that the consultation documents are likely to include two main options – a hybrid as described above or an approach based entirely on a General Labour Market approach and 49 Geography.

3.4. Because the hybrid approach recognises the position of the 6 'sandwich' boroughs (those outer London boroughs paying inner London salaries) this approach effectively creates a 51 geography approach (because the 6 authorities are grouped into two new ACA categories – Outer London West and Outer London East).

3.5. The hybrid approach is beneficial to Haringey as it recognises the higher rates paid to teaching staff and, based on corrected data provided following the DCSF meeting, KPMG have modelled that the gap between the inner-London uplift and Haringey's ACA uplift would move from a 18.8% difference to a 6.6% difference in funding levels. It should be noted that this 'narrowing' of the gap cannot be assumed at current funding levels i.e. such an approach is likely to result in losses for inner-london authorities compared with their current funding levels and the gap would consequently be based on these lower levels.

3.6. Whilst not closing completely the gap, and therefore confirming that de facto we would not be considered an inner-London authority, it is clearly a significant closing of the gap and all things being equal would result in a large increase of DSG resources for the authority. This position might not be reached in a single year as any transitional implementation proposals would limit any overall gain from all of the proposed formula changes.

3.7. The following section considers the approach to using the information provided by KPMG and our understanding of the position from the meetings with the DCSF to shape our approach to the imminent consultation process.

4. Next Steps

4.1. There are now two main strands to the work in this area:

- Considering and responding to the DCSF consultation on the review of the DSG Formula – this will be wider than consideration of just the ACA issue and so, in addition to using the KPMG data, will require further evaluation of options, their basis in principle for distributing DSG and their relative effect on Haringey.
- The launch/ use of the KPMG information in briefing interested parties in order to support widespread response to the DCSF consultation on a basis which supports our preferred option(s) – on the basis of the KPMG analysis and the DCSF meeting this is likely to be in support of the hybrid option.

4.2. Following a discussion between the Chair of the Forum, the Lead Member and Officers, we are proposing that, following the Schools Forum meeting scheduled for the 25 February 2010, we hold a public event to inform people about the DCSF consultation, raise awareness of the KPMG outcomes and to assist in understanding the issues so that any responses made are as focussed as possible. We have identified a very broad audience and hope to have some media reporting of the event.

4.3. In order to facilitate the maximum attendance we are suggesting that the start of the Forum meeting be delayed by half an hour and runs from 4.30 to 6.30pm with the public event starting shortly thereafter. A letter will be sent out shortly inviting people to the event and confirming the details.

4.4. We would aim to attract as many interested parties as possible to the event and would seek at that event to generate the maximum response from stakeholders to the DCSF consultation on the basis of the KPMG conclusions.

5. Conclusions/ Recommendations

5.1. We have reached the stage where we are confident that we have the information necessary to shape our collective response, at least for the key ACA issue, to the forthcoming DCSF consultation and further, we are confident of those areas which are likely to be received positively at the DCSF and by Ministers and which therefore have the greatest chance of success.

5.2. A key aim is to achieve a commonality of response in support of our preferred option and we have identified a proposed approach for launching the outcomes of the KPMG work and maintaining the profile of the campaign in Haringey.

- 5.3. For those other aspects of the DCSF consultation officers will need to evaluate the options proposed and carry out some detailed analysis that is likely to mean that a final response to all aspects of the consultation may not be available for consideration by a suitable Forum meeting; it is therefore proposed that the agreement of the final response to the DCSF consultation be delegated to the ACA working group.