



Finance & Property Services Directorate

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1516/06

Sir Michael Lyons
HM Treasury
1 Horse Guards Road
London SW1A 2HQ

Our ref: CN/VIT
Your ref:
Contact: Christopher Neale
Extension: 01895 556070

Date: 26 September 2006

Dear Sir Michael

Thank you for addressing us at the Society of London Treasurers.

I did not ask at the meeting but I clearly am wondering if there is anything on which your review might assist in terms of

- a) stopping reductions in grants owed for earlier years (and for the next year) after Council Tax has been set for the next year,
- b) stopping national pressures (such as for Asylum Seekers) being forced very selectively amongst local councils (such as those of Ports of entry).

You have indicated an appreciation of the issues, wanted more evidence which I have provided earlier, and I wondered what you were now proposing.

I appreciate how much you are seeking to cover, and would be very grateful if you could assist in these principles being progressed productively.

Yours sincerely

Christopher Neale
Director of Finance

Making a difference

London Borough of Hillingdon, Finance & Property Services Directorate,
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Mr Geoff Russell
Director, Financial Management Change
HM Treasury
1 Horse Guards Road
London SW1A 2HQ

Our ref: CN/VIT
Your ref:
Contact: Christopher Neale
Extension: 01895 556070

Email: geoff.russell@hm-treasury.gsi.gov.uk

Date: 26 September 2006

Dear Mr Russell

Improper reductions in grants relating to prior years (and next) and after Council Tax set for next year

I was very heartened to hear you speak on Monday 18 September and about your role in the Treasury assisting upgrading financial management in the Public Sector, and was grateful for your meeting me on Thursday, 21 September when I was in the Treasury for a meeting of the Society of London Treasurers with Sir Michael Lyons.

As I think we agreed it would be very helpful if grants agreed for earlier years could not be altered retrospectively downwards, or even during the year to which they relate. I hope also we agree grants need to be set before the year to which they relate, not in a year after the service has been provided. The private sector would not and does not have to manage this, critically as it does not have legal obligations to provide the service if not paid. No amount of good financial management and knowing the costs of statutory obligations can enable a Public Sector service provider such as a Council to cater for a central government department customer acting in this fashion. This is particularly the case when the sums involved are so large, amounting to 5% of Council Tax in future and 10% in the year which they first affected.

I would appreciate your advice on this and what you might do to assist. You mentioned that you might confer with a colleague dealing with ethics, with which this is related, and also colleagues dealing with Public Services or DfES or Home Office. I attach an earlier letter to a colleague of yours for further information.

Yours sincerely

Christopher Neale
Director of Finance

c.c. Sir Michael Lyons, HM Treasury
Simon Ridley, HM Treasury

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