



HILLINGDON

LONDON

Ms Nikki Hinde
Department for Communities and Local Government
Zone 5 / H3
Eland House
Bressenden Place
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5 January 2007

Dear Ms Hinde

Provisional Revenue Support Grant Settlement 2007/08 and Related Matters

This letter sets out the London Borough of Hillingdon's response to the consultation on the provisional Revenue Support Grant (RSG) settlement for 2007/08 announced on 28 November 2006, in line with the accompanying invitation for consultation responses.

I would like to thank you for the opportunity to comment on the announcement, and to note that in addition to the comments made in this letter, we add our support to responses from those representative organisations of which we are a member. This includes London Councils and the High Ethnicity Authorities' Special Interest Group (HEASIG).

Our comments in response to the provisional settlement announcement are noted below, but firstly I would like to bring to your attention the continued inequity of the failure to compensate our authority, and therefore our residents and taxpayers, for the significant cost of services arising as a result of Heathrow International Airport, and especially the unfunded costs arising from services to asylum seekers.

Funding for Services to Asylum Seekers

The arrangements for funding of services to asylum seekers continue to have a disproportionate, negative impact on Hillingdon. In particular, the arrangements for funding of services to unaccompanied asylum seeking children (UASC) remain very

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disappointing, with no recognition that these services are an issue of national importance. In Hillingdon, the costs of providing services under care leaving responsibilities in 2006/07 are almost 20% of the national cost (falling on one local authority). If fully funded, this would represent 60% of the previously announced national funding for UASC Care Leavers grant of £12 million. However, Hillingdon would only obtain a proportionate amount of around 20% of the £12 million available if the funding methodology used in 2005/06 were repeated for 2006/07, leaving a significant shortfall of several million pounds. These pressures are focused on Hillingdon in particular due to the location of Heathrow Airport within its boundaries. Because this is essentially a national service issue, we believe that these services should be fully funded from central Government grants, and not fall as a burden on local Council Tax payers.

In addition, Hillingdon's draft budget for 2007/08 includes £1 million to fund services to 155 asylum care leavers, that the Council has a statutory obligation to provide, and that are not eligible for specific grants from either the DfES or the Home Office, because the young people concerned have Exhausted All Appeals on their asylum applications. However, the Home Office has failed to deport them and no Government department has taken responsibility for remedying this situation, so that Hillingdon is left with no alternative but to meet these costs from an increase in Council Tax (£1 million is equivalent to 1% on the Council Tax). This will clearly be a difficult message - that will be hard for us to communicate to our communities and maintain community cohesion.

Hillingdon also faces difficulty in minimising the unit costs of service provision in this area, where the impact of asylum seeking children distorts local market factors. The number of asylum seeking children in care under 18 is equivalent to almost 70% of our indigenous children's social care caseload. The funding formulae take no account of the ability of port of entry authorities actually to obtain foster care placements for children.

The direct result of an Asylum Service operating in a port of entry authority leads to a demonstrable excess of demand over supply driving up the costs of foster care and other related costs. Hillingdon believes that for port of entry authorities a unique cost adjustment should be incorporated within the formula until such time that the Asylum Service ceases to operate at such a significant level.

You should note that Hillingdon has been granted leave for a Judicial Review hearing scheduled for 17 January 2007 against the DfES over its handling of the arrangements for UASC Care Leavers grant. However, any additional funding arising from a successful Judicial Review is unlikely to resolve the issue of the Exhausted All Appeals caseload. We consider that the DCLG, as the co-ordinating Government department for local authority funding matters, and being responsible for community cohesion matters, has a responsibility to ensure that urgent action is taken to deport these young people and compensate Hillingdon for the costs it has incurred as a result of the negligence of the Home Office.



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Further Impacts of Heathrow Airport

As the busiest international airport in the world, Heathrow generates a hugely significant and expensive amount of work for this authority, that is not funded through the Revenue Support Grant mechanism, as the clients concerned are not ordinarily resident in the borough. The social care client group of non-UASC Heathrow referrals, i.e. those people with British passports returning from abroad who fail the habitual residence test and are therefore not eligible for public funds, also become the responsibility of Hillingdon social services, and this particularly applies to families and those with disabilities. Funding is not provided through grant, as the clients in this group are people who have no connection to Hillingdon other than they have landed at Heathrow in need of care and support, some for the very long-term. For Adult clients the current unfunded costs of £250k includes expatriates returning with various social care needs.

In addition, as officials may know, Operation Paladin, conducted in 2003 and reported in 2004 has led to dedicated Metropolitan Police Service (MPS) and Immigration resources now being permanently deployed at Heathrow to ensure that there is appropriate scrutiny of any child unaccompanied or accompanied arriving at Heathrow. Where safeguarding issues arise, we as the local authority are then required to intervene as appropriate to the needs of the child. As a consequence of Operation Paladin and this team's development, children continue to be identified as being at risk upon arrival and are entering our care.

To illustrate this, in 2006/07 we are forecasting an unfunded spend of £600k to support non-UASC clients presenting themselves at Heathrow (for 2005/06 this was £608k). To date 90 children have been looked after (resulting in excess of 600 weeks of care being provided) of which 15 remain looked after as at 31 December 2006.

None of this work receives any recognition or funding from Government, but it threatens to increase further with the opening of Heathrow Terminal 5 during 2008. We are firmly of the view that the Government should share some of the proceeds of the increases in aviation taxation due to be introduced in February 2007 with Hillingdon, in order to properly fund the unavoidable statutory service responsibilities we have arising from Heathrow; or alternatively permit the Council to introduce a passenger levy as a buoyant form of local taxation that does not fall as an excessive burden on our residents.

I have raised these funding issues concerning the financial impact of Heathrow on the Council, and in particular the funding for services to asylum seekers, with Sir Michael Lyons in relation to his review into local government, for which the inequity of the current funding arrangements and the impact on central / local relations are particularly relevant, and continue to do so as the remit of his review develops.

Provisional Increase in Formula Grant

We welcome in principle the partial move towards the announcement of multi-year settlements through the previous announcement of provisional grants for 2007/08. We recognise that this would have brought temporary stability to our financial planning, had it



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not been for the huge uncertainty over the arrangements for funding services to UASC. We note that any such stability is limited by a further period of uncertainty until the outcome of the Comprehensive Spending Review 2007 is known for allocations for 2008/09 and beyond.

However, the stability that could be provided through multi-year settlements can only be effective if the level of funding and the data and formulae used to project future year's funding are sufficiently robust. In this context, we note that the responses of both London Councils and HEASIG raise concern over the systematic under-counting of in-migration and hence the overall population of their members areas, that are used to drive the funding formula allocations, and that the Office for National Statistics (ONS) has questioned the suitability of its own population estimates as a basis for distributing formula grant. We believe it is no co-incidence that those authorities that have campaigned about the pressures on their services arising from high population mobility and undercounting of population are found close to major ports of entry such as Heathrow.

We also note that Ministers have opted to provide a 'floor' increase in formula grant of 2.7% for education and social service authorities for 2007/08, and that this floor is paid for by scaling back grant increases calculated through the formulae for those authorities with recognised growth in needs. Under this arrangement, the London Borough of Hillingdon has lost £2.64 million of grant otherwise due, or 69% of the calculated formula grant above the floor.

In previous consultations we have supported the policy of adopting grant floors as a necessary part of the formula grant system, and we continue to do so, but the high level of the floor and severe damping proposed in this settlement are a serious concern to us. We believe that this level of 'floor' is evidence that Ministers share our concerns expressed in our consultation response to the formula grant review (October 2005) that the new personal social services formulae, and particularly the younger adults formula, are not reliable indicators of spending needs, are not based on credible drivers of spending pressures, and should urgently be reviewed.

Baseline Transfers

The DCLG claims that Hillingdon's formula grant increase is 4.4% increase is against a 'like for like baseline' level of grant for Hillingdon for 2006/07 that is £1.1 million less than the actual level of grant awarded for 2006/07. This 'baseline transfer' is primarily in the Capital Financing formula block, and is based on the supposed transfer of funding for capital financing costs on schools capital programmes out of RSG and into capital grants. This is meant to reduce our capital financing costs by £1.1 million – however the Capital Financing funding formulae has previously been based on the interest arising on a notional calculation of our level of accumulated external debt. The transfer now proposed does not conform to the logic of this approach, since our historic external debt can not be reduced by changing the funding arrangements for future capital schemes. Our concerns about this transfer, along with those of a number of other authorities, have been raised via the



local authority associations, and no satisfactory explanation has been received on this issue.

Once this adjustment and the falling out of one-off grant in the Amending Reports for 2004/05 and 2005/06 are taken into account, the cash increase in formula grant received by Hillingdon is only £1.64 million or 2.25% - well below the floor increase in grant promised by Government.

Finally, we note that the Government has reversed the topsliced funding for the training of educational psychologists from the Employers Organisation to individual authorities through the formula grant system. However, Hillingdon has not benefited from this funding due to the severe scaling back of grant for authorities above the floor described above. We believe that this adjustment should have been provided by a baseline transfer and not through an addition to the funding control total, as the proposed treatment otherwise presents an unfunded burden to Hillingdon that is not in accordance with new burdens principles.

We trust that the Minister will consider positively the issues highlighted in this letter in determining his final settlement for local authorities in England for 2007/08, and in shaping future local government finance settlements.

Yours sincerely

Christopher Neale
Director of Finance and Resources



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