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357/05

Sir Michael Lyons
Lyons Local Government Funding Inquiry
Rooms 3/12
1 Horse Guards Road
London SW1A 2HQ

28 April 2005

Dear Sir Michael

Inquiry event: 9 February 2005

I refer to the above and your letter dated 7 April 2005.

At the inquiry session Derek Myers presented a cogent view of the issues facing local government finance with which we largely concur. A key aspect of this view was that the funding system should underpin the leadership role of local authorities and that, as a consequence, there should be a greatly reduced level of ringfencing of government support.

The 'minority view' which I mentioned at the meeting was that whilst we in Haringey would agree with the principle, we would be concerned in respect of the consequences for 'high needs' authorities such as our own. The following paragraphs set out our thinking on this.

We currently receive a significant level of funding through various specific grant regimes. The most significant of these for 2005/6 are set out in the appendix, together with the current distribution methodology.

If these were to be 'mainstreamed', then it is likely that distribution would be determined by the Formula Spending Share (FSS). We have two specific concerns with the way the FSS operates in practice:

- it is difficult for a nationally-applied formula to capture the complex issues which require a higher level of spend within high needs authorities such as Haringey. This is particularly the case in respect of multiple deprivation, the high number of ethnic minority communities, the high number of newly-arrived communities, and high levels of population transience. Experience indicates that when the mainstream distribution methodology is reviewed, a 'flatter' distribution profile tends to result, often particularly to the detriment of high needs London authorities;

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- the data sources used in the FSS formula tend to under-enumerate in high needs urban authorities. This has been clearly demonstrated in the case of population figures derived from the 2001 census. So far, only the population estimates have been used in FSS, but in due course other data derived from the census will be incorporated, with a likely further negative impact on funding for urban areas with mobile populations. We are also concerned that other data used in the FSS formula tends to under-enumerate the needs of our community, which includes approximately 20,000 former refugees.

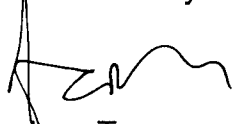
We would therefore argue that in the current circumstances some ringfencing is desirable within the system because it enables a more considered approach to resource allocation for high needs authorities.

We would, however, like to see some changes in the way the specific grant regimes operate. At present, we have to respond to a variety of regimes which each tend to specify separate approval, delivery and monitoring processes. This creates an unnecessary administrative overhead, but more importantly militates against coherence on the ground and therefore value for money. There can also be unhelpful confusion on governance issues when the Council is required to set up local 'partnerships' for delivery purposes.

We feel it would be better if there was a single, or fewer, funding stream(s) with a small number of outcome targets which could be delivered in conjunction with the local strategic partnership. This could perhaps result in a funding system based on a 'basic' allocation derived from the FSS, and a 'top-up' in respect of 'high needs' based on appropriate data sources and judgements in respect of quality of plans and ability to deliver. This is, of course, broadly similar to the ideas which underpin Local Area Agreements, but these seem to be running into difficulty in respect of achieving sign-up by the various government departments.

This is all of course a long way from fully worked up proposals, but is intended to be illustrative of the thinking which lies behind the remarks made at the inquiry session. Do please contact me if you require any further information.

Yours sincerely



Andrew Travers
Director of Finance

London Borough of Haringey

Selected revenue funding streams 2005/6

| Grant | Estimate 2005/6 £000 | Current distribution methodology |
|---|---------------------------------|---|
| Neighbourhood Renewal Fund | 9,127 | Index for multiple deprivation in 2005/06. Methodology for 2006/07 not yet agreed by Ministers. |
| Single Regeneration Budget | 1,199 | Relative deprivation bid and strategic objectives. |
| New Deal for Communities | 1,987 | Allocated on needs basis. Submit a bid that sets out priorities. |
| Asylum grant – primarily for children | 15,498 | Allocated on number of weeks asylum seekers are supported multiplied by a set threshold rate |
| Drugs programmes | 546 | Allocation based on crime rate and population |
| Crime programmes | 1,611 | Allocation based on crime rate and population |
| Supporting people | 22,376 | Based on the 'platinum cut' allocation of expenditure (derived from existing spend levels) with targets for efficiency savings. Plans to change to a funding formula in future. |
| Mental health | 921 | 50% of the grant is allocated according to the other adults' FSS formula and 50% will be allocated as in previous years |