



Your ref: Formula Grant 2011/12

Date: 17 January 2011

Our ref:

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Email: Julie.parker@haringey.gov.uk

Mr Andrew Lock
Zone 5/J2,
Eland House,
Bressenden Place,
London
SW1E 5DU

Dear Mr Lock,

Consultation on Revenue Support Grant for 2011-12 and 2012-13 and Related Matters

A Response by London Borough of Haringey

Introduction

1. The London Borough of Haringey is extremely concerned about the scale and speed of the grant reductions proposed through the Provisional Grant Settlement announcement on 13th December 2010. The overall year on year grant loss in 2011-12 will be £34.1million. This level of grant loss allied to the very special circumstances affecting Haringey following the death of Peter Connelly result in a potential budget deficit in 2011-12 of £46million: this is over 18% of our net spend for 2010-11.

Context for Haringey

2. Our principal concern is that the Settlement does not take account of the special circumstances in which Haringey finds itself following the death of Peter Connelly. For the last two years Haringey has focused on securing improvements to its child safeguarding services, much of which has required substantial financial investment. And although this is and will remain our top priority, the financial settlement will significantly impede our ability to secure further improvements.
3. Our transformation programme in children's services is taking place within the context of an unprecedented upsurge in the number of children involved with child protection services such that in Haringey there are 12.1 children in care per 1,000 child population, compared to an average of 8.9 amongst our statistical neighbours. We have experienced a high level of referrals to our services resulting in a 40% increase in looked after children since March 2008, with 600 children looked after by the local authority in Dec 2010. These numbers are



significantly higher than the national average and some of the highest amongst our statistical neighbours. The increased numbers of children in care has led to a rise in unavoidable associated costs: increasing numbers of cases are requiring a wide range of interpreters -; in the First Response team alone interpreters were used on 117 occasions for the 229 referrals received and assessed in November 2010; and we currently have 159 care proceedings involving 315 children which has resulted in increasing legal costs. In the three between August and December 2010 we had a net inflow of 40 children with child protection cases – the net cost of the social workers to support these are an estimated £180k. We believe that most of these cases were due to changes in housing and benefits policy, and this is therefore expected to worsen as further changes are implemented.

4. Our work in children's services and the increasing demand for child protection services and associated costs, has created a funding pressure in safeguarding alone of £10m in the current financial year. We have so far managed this through virement of budgets which next year will no longer exist, and we have therefore built into our budget assumptions of an additional £7.4m for children's services in 2011/12. Given the delicate balance of service provision in this area it will not be possible to reduce the level of funding for the foreseeable future without adverse consequences, albeit we believe the work we are doing will eventually lead to lower or at least more stable costs.
5. Furthermore, whilst having all of the characteristics and higher costs of an inner London borough, Haringey continues to be funded as an outer London borough, which is exacerbating our acute financial pressures. This inequitable treatment can be seen in schools funding system, where Haringey pupils continue to be increasingly disadvantaged by in the order of £35m-£40m per annum (see para 18-20).
6. The Council is well advanced with its plans to achieve efficiencies. We are expecting to reduce our workforce by 1,200 posts with the highest reduction at management level. We have so far focused on having a lean 'back room' and we have approved a Memorandum of Understanding with Waltham Forest to develop shared services. However, the Settlement does not afford us the time necessary to achieve sustainable savings and changes. Such savings can only be achieved with significant cuts to frontline services, whilst trying to protect children's safeguarding services. This will significantly impact on service users and residents many of whom experience high levels of deprivation.

Our Request

7. We therefore ask that DCLG:
 - Consider Haringey's special circumstances particularly in respect of children's services and provide £7.4m one off funding.
 - Consider Haringey as inner London rather than outer London and rescind the proposal to reduce the Area Cost Adjustment
 - Ensure that Haringey retains band 1 flooring
 - Allow Haringey to defer £15m of cuts until 2012/13 and £5m to 2013/14 by way of transition grant funding

- Allow Haringey to capitalise £15m of redundancy costs in 2010/11 and 2011/12, by borrowing or the use of capital receipt
- Remove the uncertainty of the allocation the £3m of NHS funding to support social care and benefit health by paying the funding direct to the Council
- Rescind the proposal to top slice the Grant Settlement as an academies adjustment and make such adjustments to individual authority allocations based on the actual number of Academies in each local authority area.

Our response to the technical matters and changes proposed for 2011-12 are set out below:

Population – deprivation and projections

8. The grant formula continues to rely heavily on the population projections produced by the Office for national Statistics (ONS), which we believe significantly undercount our population. This has a direct impact on the level of Formula Grant that Haringey receives. We are particularly affected by this problem as evidenced by the large discrepancy between the number assigned to Haringey for international migration inflow and the figures from National Insurance registration figures and GP registrations from overseas nationals. Only two London boroughs, Newham and Brent, have a bigger discrepancy between National Insurance registration from overseas nationals and ONS international migration figures.

In 2009, a NHS Haringey commissioned study suggested that Haringey's population increased by 7% between 2001 and 2007. This suggests that not only is our population growing at a quicker rate than predicted by ONS. This hidden demand results in real pressure for our services.

Haringey's population is characterised by high levels of deprivation: it is the 18th most deprived borough in the country, and the 5th most deprived in London, the north east of the borough in particular contains some of the most economically deprived wards in London; it has the 8th highest proportion of children in poverty in the UK; and it has high rates of unemployment, with Northumberland Park having the highest proportion of working age people claiming Job Seeker Allowance in London.

The recession and subsequent economic downturn is already impacting on Council services in a number of ways, for example, in the form of continued higher demand for housing and council tax benefits.

Redundancy Costs

9. Haringey will be incurring redundancy costs of around £15m in order to make the budget savings needed in such a short period of time. We have only been allowed to capitalise £0.8m of that on the grounds "it exceeds the level which the secretary of state considers affordable".

To have to find all the one off costs of redundancies in this settlement up front as well as deal with the front loading is going to put extreme pressure on the council's finances and reduce any scope we have to plan over the longer period.

The ability to capitalise £15m over 2010/11 and 2011/12 would address this. A change in the financial rules could allow this to happen.

Social Services for Older People

10. Haringey supports the proposal to update low income adjustment. However, the council continue to have serious reservations about the validity of the formula to which this low income adjustment is applied.

Police

11. The Council has no comments on the Police element of the Grant Settlement.

Fire and Rescue

12. The Council supports the use of FIR4 option.

Highway Maintenance

13. Haringey supports the decision to remove the daytime visitors component of the indicator 'daytime population per kilometre (HM1).

Environment, Protective and Cultural Services

14. The Council is puzzled by the decision not to replace the day visitors indicator as a variable in the EPCS relative needs formula (EPCS1). There appeared to be general consensus during CLG's Settlement Working Groups that the indicator, now over 20 years old, was out of date. The proposed alternative, foreign visitor nights, was shown to be highly correlated with the existing indicator.
15. The Council's main concern however is for some measurement of non-resident population to be included in the EPCS formula. Absence of such an indicator unfairly penalises areas like Haringey which attract large numbers of visitors due to the proximity of places of historical interest, cultural venues, recreational and sporting events, retail shopping centres and so on. The Council therefore accepts the continued use of this important (albeit outdated) indicator.
16. The Council agrees with the flood defence option which has been proposed (EPCS2).

Capital Financing

17. The Council supports the decision to remove funding for supported capital expenditure (revenue) from formula grant from 2011-12 on the understanding that the total capital support (either in the form of revenue support or as a capital grant) is not affected by the change. The Council has previously expressed concern that changes in supported borrowing requirements, as reflected by changes in the capital RNF, did not result in corresponding changes in cash grant due to the mechanics of the four block model for Council's such as Haringey which are on the funding floor.

Area Cost Adjustment

18. Haringey strongly opposes the proposed reductions in the labour cost adjustment. The Council is disappointed that CLG has ignored the cogent arguments put forward by individual London Boroughs and London Councils.
19. Despite what we felt was a positive meeting with Lord Hill in the summer, the government has failed to respond to the inequitable treatment of Haringey as an Outer London authority through the Area Cost Adjustment mechanism. Not only has the decision to continue with the spend plus arrangements for DSG removed the opportunity to rectify this anomaly but by

mainstreaming grants (which did not reflect any area cost differences) into DSG at 2010-11 cash levels and by not recognising the higher costs faced by some authorities in the allocation of the new Pupil Premium, Haringey pupils continue to be increasingly disadvantaged by the schools funding system by in the order of £35m-£40m per annum.

20. Furthermore, the Council continue to argue that its labour costs are in line with those of Inner London Boroughs and should therefore either be reclassified as such or given a separate geographic grouping.

Relative Need and Resources

21. Whilst the Council, as a high need authority, supports the changes made to the relative size of the Central Allocations Block (reduced) and the Relative Needs and Resources Block (increased) the resultant changes in grant to the authority run counter to logic. Haringey sees its Relative Needs element of the settlement increase by £1million but its Central Allocation element reduce by £11million.

Transfers and Adjustments

22. The rolling-in of previously targeted grants into the Formula Grant has resulted in a loss of transparency despite the introduction of 'tailored distributions' for some grants.

Data

23. The Council agrees with the proposed changes which improve the timeliness of data relating to the incapacity Benefit and severe disablement allowance indicator (DATA1) and the student exemption adjustment to council tax base projections (DATA2). We also support the use of child tax credit data to replace now outdated benefit recipient data (DATA3) given the high degree of correlation between the two variables.

Grant Floors

24. The Council welcomes the use of grant floors to limit the level of grant reductions and in particular that Haringey should be within Band 1.
25. The Council notes that the information provided for consultation uses the 2010-11 grant dependency as the basis for grant floor banding in both 2011-12 and 2012-13. However, it is unclear whether the use of the same base is only indicative for 2012-13 or whether the level of dependency will be recalculated once the Council tax levels for 2011-12 have been confirmed.
26. The Council is concerned that any further changes to the proposed bandings could result in further grant loss over and above what has now been included in its medium term financial plan. The Council would therefore welcome clarification on whether there is any intention to change the dependency base for 2012-13 and beyond.

Funding for Academies

27. The Council is strongly opposed to the removal of resources in respect of the Local Authority Central Spend Equivalent Grant (LACSEG) element for Academies by pro-rating each authorities Central Education RNF; taking no account of the location of either existing or proposed academies. In Haringey we have one existing academy and are aware of plans for one Free School here in the near future. The amounts removed for Haringey via the Academies adjustment are £793,000 and £625,000 for 2011-12 and 2012-13 respectively. The scale of this top-slice is at odds with our view of the likely Academy take up, and also with

what we currently spend on the relevant services covered by the top-slice, particularly so for 2011-12 which must largely represent a part year effect given that it is unlikely further Academies could proceed sufficiently to be created in advance of September 2011.

I ask that you give all these matters your careful consideration and look forward to your response.

Yours sincerely,

A handwritten signature in black ink that reads "J. Parker."

Julie Parker
Director of Corporate Resources