



# Westminster Scrutiny Commission

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## 1. Purpose of report

- In January 2011 the Scrutiny Commission held a deliberative event attended by central government, the Office for National Statistics (ONS), Local Government and UK Statistics Authority to examine what should be considered in future mechanisms of population measurement that may replace the decennial census.
- Since this meeting the ONS has brought forward new methodology on migration distribution and Short Term Migration (STM). This new methodology changes significantly the population of the City and illustrates ONS thinking on the model that may be used to replace or supplement future census.
- It seems an appropriate time therefore for the Scrutiny Commission to look again at this issue. This paper reviews the ongoing importance of population estimates, outlines the new methodological changes and assesses risk to the future funding of the Council.

## 2. Recommendations

- The Commission to hold a second cross-departmental deliberative event with central government, the ONS and other stakeholders to review the new methodology, its possible use in replacing or supplementing the census and to examine its limitations in complex hyper-diverse environments.

### **3. Why is population important?**

#### **3.1 Grant allocation using population projections**

- In the UK, Central Government gathers revenues from income and taxes collected both locally and nationally, and re-distributes to Local Authorities according to the 'needs' of their local communities, via complex formulae. Many major cities outside of the UK retain considerably more of their local revenue. Differential need can then be addressed by nationally distributed "top up's". Accurate need data is thus particularly critical in the UK.
- The starting point for need-based allocations in the UK is the annual population estimates issued by Central Government to local authorities. These estimates are then used to construct other indicators of need such as unemployment rates.
- Increased mobility, migration, complex lifestyles, lack of tracking tools and user expectations not only make it harder to produce accurate estimates but also raise questions about whether the population definitions used are still appropriate for funding purposes.
- Research commissioned by London Councils found that over a quarter of total public sector funding for London was allocated using official population data<sup>1</sup>. This includes the Formula Grant, London's single largest grant from central government worth over £6.6 billion in 2011/12. Much of the grant is allocated by reference to census data, where each authority's share of funding depends on its projected population.
- Population figures mostly impact on the ECPS (Environmental, Protective and Cultural Services) block. This block includes such key services as parking, refuse, economic development, recreation, planning control and implementation, building regulations, libraries and registration.
- In Westminster the population used for the ECPS block for 2011/12 was based on a MYE-2008 based projected population figure of 262,909 for 2011. Notionally, Westminster's finance team have estimated that an increase of 10,000 people to the population would add about £4.065m in grant. The figures are notional, because of damping effects, floors, ceilings and the impact of population change on one authority on others.
- The impact of population figures on future settlements is unclear, more so than usual given the remit of the Local Government Resource Review (see below). However it is likely that any kind of funding distribution based on 'needs' will require a population input of some kind.
- For the settlement in 2013/14 and 2014/15 (presuming the settlement is for two years), population figures will use new projections based on MYE 2010 for the years 2013 and 2014. The projections will be compiled using another revised methodology for distributing migration described in this report.

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<sup>1</sup> Counting the Cost – London Councils, March 2010

- The size of Westminster's projected population in 2013 and 2014 is unknown – it will be influenced both by the findings of the 2011 census and new migration distribution methodology. There is a risk in Westminster that these figures will not reflect an accurate picture of the City's population and with it a risk of reduced notional or actual grant (depending on the position of the financial 'floor').

#### 4. Local Government Resources Review: Retention of Business Rates

- As part of the LGRR the government is consulting on a mechanism for councils to retain a percentage of business rate growth.
- A baseline level with top ups and tariffs to create a fair starting point for all is being consulted on. Government is likely to establish a baseline based on next year's Formula Grant allocations for each council in the first year of the scheme (2013-14) so no council is worse off<sup>2</sup> at the outset.
- Councils receive this baseline PLUS a proportion of business rate growth with tariffs and top-ups used to distribute "surplus"/ "deficit".
- It is imperative therefore that the council's baseline is set using as accurate a population count as possible – **including** allocation of Short Term Migrants, part time residents and illegal migrants.
- This baseline for funding may be periodically refreshed **but** it is not clear how often – therefore the opportunity to get an accurate baseline figure needs to be taken over the next few months before government set it in stone – after that any population changes will have no impact until the next refresh.
- Looking forward population is a key component in determining a Local Authorities share of national needs based funding, used to establish the baseline for the **Business Rate Model**. Crude modelling (because they are a number of different option the CLG could take with respect to damping, formula change etc) suggest that every **1,000 of population is worth £500k**. This is annual so if the refresh for baseline were every 10 years, then the worth would effectively be £5m in the phase before the next refresh.

#### 5. Westminster's population overview

- Since the 2001 Census WCC population has grown from 118,000 to 249,000 people according to ONS – a 38% growth. This is the largest % population increase of any London borough. Without adjustment to the 2001 census following concerted lobbying this growth would not have been as strong (probably around the 217,000 level that the GLA estimates).
- Projected Mid Year 2011 Estimate is 262,900 (used to fund current financial year 2011/12)

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<sup>2</sup> To clarify – Local Authorities will have reduced budgets in 2013/14 - but this is as a result of public sector spending savings target AND new initiatives such as New Home Bonus - not as a result of a different system of funding.

- The Projected Mid Year 2013 will likely be the data used for 2013/14 business rates retention baseline published in June 2012 by ONS. This projection may be influenced by a) new migration methodology described below and / or b) census results.

## 6. Changes in population methodology

### 6.1 2011 census outputs

- The census day was 27<sup>th</sup> March 2011. Westminster was considered the hardest to count area in the country and therefore received the maximum ONS resource to conduct the field operation.
- ONS is currently conducting its quality assurance process of the field operation and imputation. First outputs from the census will be made available in July 2012. Obviously the publication of census outputs will change the population of the City.

### 6.2 Changes to migration distribution

- On 17<sup>th</sup> November 2011 ONS produced “indicative” migration figures based on a new approach for distributing international in-migrants within the UK. The national cohort of inward migration is not changed. The new methodology however changes how this national cohort is distributed around the country, with some regions and areas losing out and others gaining large amounts of migrants as illustrated by the table below.

Gainers	Indicative revision of migrants (%)	Losers	Indicative revision of migrants (%)
Newham	102%	Manchester	-35%
Brent	53%	Cambridge	-51%
Haringey	73%	Leeds	-29%
Islington	38%	Bristol, City of UA	-35%
Tower Hamlets	28%	Sheffield	-30%
Enfield	60%	Norwich	-52%
Waltham Forest	29%	Oxford	-28%
Coventry	26%	Westminster	-17%
Hounslow	18%	Reading UA	-37%
Boston	218%	Newcastle upon Tyne	-23%

- The International Passenger Survey (IPS) is still used to measure the total national cohort of migration. This survey still has inherent weaknesses although ONS has been strengthening it – it’s approximately a 0.2% sample of travellers to the UK; it’s voluntary so migrants could either decline or give false information; it has a 300,000 sample size but only a fraction of this identify themselves as migrants (2,990 in 2010); it’s not conducted at night; although coverage has improved it’s still not done at every port of entry to UK. This results in small samples sizes of migrant sub groups being used to estimate up national cohorts.

- The new approach focuses on distributing the IPS cohort of migrants. It splits the IPS into different streams, mainly by 'reason for migration' (e.g. worker, student, other) and then maps each stream to the most relevant administrative sources which are then used to distribute immigrants to each local authority. E.g, workers are distributed using National Insurance (NINo) data from the DWP; students are distributed using Higher Education Statistics Agency (HESA) data, while children and some other migrants are distributed using 'Flag 4s'<sup>3</sup> from the GP patient register data (PRD).
- As a result Westminster suffers the 8<sup>th</sup> largest loss to previous estimates of migration; the new estimates calculate that in the period 2006-2010 it fell by around 12,000 or 17%.

### 6.3 Short term migrants

- The Treasury Sub Committee *Counting the Population 2007-8* recommended the government to look urgently at the issue of counting STM:  
*'We are seriously concerned about the reliability and validity of ONS estimates of short-term international migrants. Evidence from administrative data sources such as the National Insurance Number register suggests the ONS estimates do not reflect the scale of short-term migration in England and Wales. We recommend that the Statistics Authority examine the feasibility of producing estimates of short-term migration at sub-national level, using the successor to the International Passenger Survey that we recommended earlier and a greater range of administrative data.'*
- As a response to this in 2009 ONS released STM figures covering a 1 year period (2006-7), using a 1-12 month STM definition. This suggested that there were around 62,830 people living in the Westminster for between 1-12 months. The City Council estimated that from a flow of 62,830 over the course of one year a stock of around 13,000 migrants would be in the City using services at any one time.
- The City Council estimated that these individuals use around £29m of services each year for which the Council receives no funding and has therefore put forward a case for STMs to be included in official population estimates and government funding mechanisms.
- Since 2009 ONS has modified its methodology. ONS released new short-term migrant data in February 2012 at a LA level for the years 2008, 2009 and 2010. The figures are based on a new methodology and a new definition (3-12) months; the combination of which significantly reduces the previous estimates of short-term migrant stocks in Westminster.
- In the three period 2008-10 the new methodology gives Westminster around 3,000 short-term stock migrants a year.

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<sup>3</sup> A Flag 4 is assigned to those who register with a GP and whose previous address was outside of England and Wales

- With the limited figures available the benefit of a long-standing lobby objective to get short-term migrants included within Local Authority funding calculations is greatly reduced.
- Westminster has until 30<sup>th</sup> April 2012 to respond to ONS with our views on the plausibility of these figures.

#### 6.4 Illegal and undocumented migrants

- According to the 2009 LSE report “*Impact on the London and UK economy of an earned regularisation of irregular migrants to the UK*” some 75% of the country’s estimated 750,000 illegal migrants live in London. In Westminster alone, reports by research companies ESRO and SQW estimate there to be as many as **20,000 illegal migrants at any one time**. These undocumented migrants are obviously not included in official estimates.
- Ethnographic research pioneered by Westminster and then developed by Southwark for the first time gives an insight into those migrants that wish to remain ‘hidden’ – undocumented migrants. These migrants that wish to remain hidden, do not appear on local administrative data sets:
  - Large parts of the Chinese workforce have no idea if their employers are paying PAYE or if they have been formally registered as employees in any way<sup>4</sup>.
  - Fewer than half of Chinese interviewed as part of the research admitted to having a National Insurance number.
  - Only 35% of Chinese and 30% of Latin American people interviewed said they had made a formal application for a NI number.
  - 27% of Chinese and 24% of Latin American people said they used no services what-so-ever, which includes Police, health, schools and will therefore not appear on administrative data sources
- Significant population sub groups in very hard to count areas like Westminster could be missed by current ONS methodology.

#### 7. Beyond 2011 – the future of population measurement

- The 2011 Census may be the last undertaken in the UK. The ONS have established a working group, Beyond 2011, to consider options for the future. It is assumed that the perceived success of the 2011 Census, as determined by user acceptance of results will be a significant factor. A decision whether to hold another census must be made before 2014.
- Both the continuation of Census to estimate population and a replacement population estimation model to the census that relies on the use solely of administrative data present particular risks to Westminster as similar groups of people - short-term migrants, illegal migrants, part-time City residents could be missed.

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<sup>4</sup> ESRO Southwark report into Chinese and Latin American populations October 2010

## 8. Conclusion

- The publication of the new methodology to distribute migration using a sample of administrative data is illustrative of ONS thinking on what should replace or supplement the census. As described in this report there are risks to relying on administrative data of this kind for areas such as Westminster.
- It is important therefore that the Council and other concerned authorities examine the new methodology and review its efficacy in the use of resource allocation.
- This is an appropriate time for the Scrutiny Commission to hold a second deliberative event with central government as decisions will be made in the foreseeable future concerning the model used in the possible retention of local business rates. Population estimates are likely to play an important role in that model.

**If you would like access to Background Papers, please contact Ian Farrow [ifarrow@westminster.gov.uk](mailto:ifarrow@westminster.gov.uk) or Damian Highwood [dhighwood@westminster.gov.uk](mailto:dhighwood@westminster.gov.uk) or 020 7641 3283**