

# **EU CITIZENS AND PUBLIC SERVICE BUDGETS**

*Report for the Campaign for the Real Referendum  
by Michael Romberg*

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## **Note by London 4 Europe**

*This Report is being hosted on the website of London 4 Europe as a contribution to the continuing debate on how the UK should respond to the June 2016 Referendum result and the issues that it raised.*

*The Report sets out the views of the author and does not necessarily reflect the views of London 4 Europe or the European Movement.*

### **About the Author:**

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### **About the Campaign for the Real Referendum:**

*The Campaign believes that the UK should Remain in the EU.*

*The June 2016 referendum vote was valid and democratic. It should be respected and acted on. It creates a mandate for the government to plan and negotiate Brexit.*

*But because the Leave campaign had no plan the June result can only be provisional. It cannot justify actual Brexit.*

*There needs to be a review when there is a plan whose benefits, costs and risks can be assessed. At that point the decision can be made whether to implement Brexit, modify the plan or abandon it.*

*That is standard programme and project management practice in both the public and private sectors. It is also good government.*

*Since the June decision was made by the electorate, the final review of the terms should also be made by the electorate.*

*So there should be a referendum on the terms of Brexit 20 months after the Article 50 notification has gone in with the options: Brexit on the key terms that have been agreed with the EU, or Remain?*

*The Campaign believes that June's Leave voters will only vote Remain if the Remain political parties devise and adopt a set of policies that address the real grievances of June's Leave voters. This report is a contribution to that process.*

*You can find out more about the Campaign on its Facebook page*

### **WHAT THIS REPORT SAYS:**

*In 2009 and 2010 there was a Migration Impact Fund to help public services in areas of high immigration. In 2016 the Government launched a variant with mixed motives: a Controlling Migration Fund, which would also seek to reduce illegal immigration.*

*Based on a technical analysis of how public services are funded, this report argues that a Migration Impact Fund would miss the mark.*

*Schools, GPs, NHS clinical commissioning groups and police are primarily funded by weighted capitation formulae. So another child in a school, another patient in a GP practice, comes with core funding.*

*Some immigrants impose above average costs, for example through poor language skills. But that is true only of a minority of immigrants. And it is also true of some of the native population – whose needs would not be addressed by a Migration Impact Fund.*

*Therefore, it would be better to address the causes of extra costs directly by amending the core funding formulae. So, we should give more money to schools where pupils have inadequate English irrespective of whether the pupil is immigrant or British.*

*Establishing a Migration Impact Fund would validate the views of those who see immigrants as a burden on public services. The evidence shows that immigrants from the EU pay their way through taxes more than the native population do.*

*So a Fund would reinforce a misperception. Therefore well-intentioned parties and think tanks should stop calling for such a fund. We should instead emphasise how well immigrants assimilate.*

*The report is based on publicly accessible written material and the author's experience as a senior civil servant specialising in public finance including budgeting systems.*

## **EU CITIZENS AND PUBLIC SERVICE BUDGETS**

### **Why Local Authority Services are under Pressure**

1. In the period 2009-10 to 2014-15 local authority spending per head of population was cut by 23%. That mainly reflected a reduction of 39% in central government grants per person\*.
2. A 2015 Financial Times analysis found that "local authority budgets have been cut by £18bn in real terms since 2010 - with at least another £9.5bn expected by the end of the decade."<sup>†</sup>
3. So it is pretty clear why local authority services are under pressure: reductions in central government grants on the same scale as for other "unprotected" public services, as Governments since 2010 tackle the fiscal effects of the 2008 financial crisis.

### **The Government's "Controlling Migration Fund"**

4. But sections of the public prefer to blame immigrants for pressure on public services.
5. Amber Rudd's 2016 Party Conference speech<sup>‡</sup> announced a "Controlling Migration Fund". In November 2016 the Government published the prospectus<sup>§</sup> for the Fund. It will spend £25m a year over four years<sup>\*\*</sup> to support local authority services in areas affected by immigration.
6. The scale of the Fund compared to the scale of the cuts makes clear that pressures caused by immigration are irrelevant to the performance of public services. The prospectus shows that the Fund adds 0.05% to local authority budgets for local services.
7. But the launch of the Fund validates the belief that the problems of public services are down to immigrants.
8. Creation of a new fund modelled more or less on Labour's Migration Impact Fund (£70m in 2009-10 and 2010-11) is a consensus policy of political parties and think tanks.

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\* *Central Cuts, Local Decision-Making - Changes in Local Government Spending and Revenues in England, 2009-10 to 2014-15* - David Innes & Gemma Tetlow - IFS & Nuffield Foundation - March 2015. This measure of local authority spending excludes education and public health (as responsibilities changed over time) and fire and police (not directly under local authority control).

<sup>†</sup> *Austerity's £18bn impact on local services* - Sally Gainsbury & Sarah Neville - FT - 19 July 2015

<sup>‡</sup> *Amber Rudd's conference speech* - shown on the Spectator website - 4 October 2016

<sup>§</sup> *Controlling Migration Fund Prospectus* - DCLG & Home Office - 9 November 2016. The prospectus says that English local authorities have £200bn to spend over the next four years on local services.

<sup>\*\*</sup> An additional £40m in total will be spent on removing illegal immigrants.

9. This report argues that well-intentioned organisations and people should stop supporting such a fund unless they can demonstrate clearly that existing resource allocation mechanisms are failing.

### **Immigrants Pay their Way**

10. Almost all reputable organisations believe that the difference between what immigrants pay in taxes and what they take out in public services is too small to sway policy either way – normally in the range  $\pm 1\%$  of GDP\*. The consensus view is that immigrants pay their way at least as much as the native population<sup>†</sup>.

11. Immigrants are not a homogeneous group. Broadly, EU immigrants are more likely to be found to be net contributors to the fiscus and non-EU immigrants more likely to be net beneficiaries<sup>‡</sup>. But different sub-groups and different ways of cutting the data produce different results.

12. The only organisation that consistently finds that immigrants are supported by the native population is the anti-immigration pressure group Migration Watch<sup>§</sup>. To reach that conclusion it relies on assumptions like that the children of mixed native/immigrant couples should be treated as immigrants – although data show that children of immigrants assimilate<sup>\*\*</sup>.

13. So in broad terms immigrants pay enough in taxes to provide for public services provided to immigrants. The money is there at national level.

### **Funding for Services is Allocated by Weighted Capitation**

14. Once the total budget for a service has been set in the Government's Spending Review, the budget for many public services is allocated to local entities by formulae which are substantially based on "weighted capitation". "Capitation" means that they are funded per patient, per pupil, per resident. "Weighted"

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\* *Fiscal impact of immigration on the advanced economies* - Robert Rowthorn - Oxford Review of Economic Policy – August 2008. Even Migration Watch calls the overall effects "very small" - *Economic impacts of immigration to the UK* - Migration Watch - MW235 – 13 April 2016

† There is a useful recent overview in: *The Fiscal Impact of Immigration in the UK* - Dr Carlos Vargas-Silva - Migration Observatory - 14 September 2016

‡ *The Fiscal Effects of Immigration to the UK* - Christian Dustmann, Tommaso Frattini – The Economic Journal - 4 November 2014;

§ Reported in *The Fiscal Impact of Immigration in the UK* - Migration Observatory 14 September 2016

\*\* Eric Kaufman, Professor of Politics at Birkbeck College, University of London, writing in *The New European* 28 October – 3 November 2016 and referring to Census and Labour Force Survey data.

means that the per-person amount is adjusted for relevant factors that affect the cost of providing services, for example deprivation.

15. Services that are wholly or largely funded in this way include: schools<sup>\*</sup>, GPs<sup>†</sup>, Clinical Commissioning Groups<sup>‡</sup> (which fund hospitals), local authorities, police<sup>§</sup>.

16. Put another way, when a child – whether native or immigrant – goes to school, it carries a cheque with it to pay for the costs of schooling.

17. So in broad terms, immigrants do not put pressure on local services because at the local level also funding adjusts to reflect the additional population, number of pupils, number of patients.

18. The Controlling Migration Fund prospectus acknowledges the rôle of capitation payments in funding services.

### **Immigrants do not Cost more than Natives**

19. Some immigrants impose additional costs compared with the costs of providing treatment to some natives. But that statement is not true of all immigrants. And some natives also impose additional costs in the same way.

#### *Language Skills*

20. For example, some immigrants do not speak good English. The 2011 census<sup>\*\*</sup> showed that 730,000 people who did not speak English as their main language reported that they could not speak English well and 140,000 reported that they could not speak English at all. However, almost 90% of foreign nationals and of the foreign born spoke good English.

21. Moreover, any way in which immigrants impose additional costs is also true of some natives.

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\* *Schools national funding formula consultation* - DfE - 7 March 2016

† *General Practice in England* - House of Commons Library Briefing Paper – 3 May 2016; Carr-Hill Resource Allocation Formula for GPs' Practices: <http://www.nhsemployers.org/%7E/media/Employers/Documents/Primary%20care%20contracts/QOF/QOF%202004/Annex%20D%20-%20Carr-Hill%20resource%20allocation%20formula.pdf>; *The structure of the NHS in England* - House of Commons Library Briefing Paper – 10 March 2016 –

‡ *Understanding the new NHS* - published by NHS England - 26 June 2014

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§ *Consultation on Reform of Police funding Arrangements in England and Wales* - Home Office – 20 July 2015

\*\* *2011 Census Economic and Social Characteristics of the Resident Population of England and Wales by Nationality and Country of Birth in 2011* - ONS - 12 July 2013; *Speaking English does matter - But almost all immigrants to the UK do* - Jonathan Portes - National Institute of Economic and Social Research - 6 March 2013;

22. A 2011 Business Department Survey\* looked at working age adults in England. The survey found that about five million working age adults in England had literacy skills at or below the Government's Level 1 measure. At Level 1, individuals are expected to be able to read bus or train time-tables and check the pay and deductions on a pay slip<sup>†</sup>.

23. It is not clear how to read across the Levels used in the BIS survey to the self-descriptions used in the census. If being above Level 1 was equivalent to ONS 'speaking English well', then the numbers of functionally illiterate native speakers of English would dwarf the numbers of foreigners who cannot speak English well or at all.

### *Additional Costs in Healthcare*

24. Qualitative research<sup>‡</sup> within the NHS found ways in which immigrants and visitors impose additional costs: irregular migrants may be homeless; EEA citizens may have entitlements to health care but not to social services, which means that slow discharge from hospital may be an issue; language and other communication problems; bad debts; differential expectations.

25. But there was no real evidence of the scale of any differential impact. And it is hard to see any issue that will not also apply to some UK nationals.

26. (Striking in the NHS study was that everything about foreigners was seen as a problem, nothing as an opportunity. In maternity care, citizens from Poland and the Baltic states expect to be seen by gynaecologists and doctors rather than nurses and midwives. They expect a wider range of tests to be done. That ought to trigger a series of questions in the minds of NHS staff: is the Polish/ Baltic system more or less effective? Is it more or less efficient? We choose to see immigrants as a problem. We could ask "What can we learn?".)

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\* *Counting the cost of poor literacy and numeracy skills* - Full Fact - 1 May 2015. Refers to *2011 Skills for Life Survey* – BIS Research Paper 81 – December 2012

† The National Literacy Trust is still using the 5m figure in 2016, suggesting that it is still broadly valid. The trust holds that about 1.7million adults have reading skills below the level expected of an 11 year old (level 1). They caution that the comparison must be used with care as adults have adult level comprehension of the world. *How many Illiterate adults are there in England?* - National Literacy Trust 16 November 2016 (date of download)

‡ *Qualitative Assessment of Visitor and Migrant use of the NHS in England – Observations from the front line – Full Report* – Creative Research for NHS – 7 October 2013

## Immigrants do not Reduce Service Quality

27. As a general statement, the presence of immigrants does not reduce and in some cases may improve the quality of public services.

### *Schools*

28. The 2012 NIESR\* overview of evidence about the effect of children who speak English as an additional language (EAL) finds that not only do those children do well, but children who speak English as a first language also do well in schools with large numbers of EAL children, once allowance is made for socio-economic factors about the families and about the schools.

29. This view is backed by Sir Michael Wilshaw, OFSTED Chief Inspector of Schools, who said: "And contrary to tabloid claims, non-immigrant children do not suffer, rather the reverse."<sup>†</sup>.

30. While the reasons for these effects are not clear the researchers believe that they might be that the parents of migrant children are better educated and have a better connexion with the labour market than equivalent native parents<sup>‡</sup>.

31. More contested is the claim by Bristol University's Simon Burgess<sup>§</sup> who argues that the high performance of London schools is overwhelmingly due to the ethnic mix: that minority ethnic and foreign parents' ambitions, including those of recently arrived immigrants, are driving performance. (Other researchers\*\* see ethnic mix as a contributor but attach more importance to other factors such as national strategies<sup>††</sup>, the London Challenge

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\* *Immigration/ what's it doing to our schools?* - Jonathan Portes of National Institute of Economic and Social Research - 23 February 2012

† *Schools and integration* - speech by outgoing chief executive of OFSTED Sir Michael Wilshaw at the FASNA Autumn Conference - 2 November 2016

‡ Summarised in: Royal Economic Society – Media Briefing about *non-Native English Speakers in Primary Schools in England* - Charlotte Geay, Sandra McNally and Shqiponja Telhaj – Economic Journal – August 2013; and *Language barriers? The impact of Non-Native Speakers of English in the Classroom* - Charlotte Geay, Sandra McNally, Shqipona Telhaj - VOX / Centre for Economic Policy Research - 14 September 2013

§ *Understanding the success of London's schools* - Simon Burgess - Centre for Market and Public Organisation - University of Bristol - October 2014; *Want to know why London's schools perform better? Immigration* - Simon Burgess - The Guardian - 14 November 2014

\*\* *The Causes of London's Educational Success* - Professor Merryn Hutchings - Published by National Union of Teachers - January 2015; *Is London's ethnic diversity driving its school success story?* - Sally Weale - Education Correspondent - The Guardian - 22 March 2015

†† *Lessons from London schools for attainment gaps and social mobility* - Ellen Graves, Lindsey Macmillan and Luke Sibieta - Institute for Fiscal Studies and Institute of Education for Social Mobility and Child Poverty Commission - June



Programme\* or the improvement in the most deprived schools<sup>†</sup>. None sees having high proportions of children from ethnic minority and immigrant backgrounds as a barrier to success for London.)

### *Health*

32. There seems to be no effect of immigration on waiting times in A&E. Immigration is generally associated with reduced waiting times for elective care and outpatients<sup>‡</sup>. Apart from the generally better health of immigrants a reason is thought to be native people moving away from an area with high immigration<sup>§</sup> (outpatients waiting times increased in areas to which the natives moved<sup>\*\*</sup>).

### *Crime and Policing*

33. As a general statement rates of criminality by and victimisation of immigrants are similar to those of the native population. Crimes tend to be committed by younger men, and since these form a higher proportion of the immigrant population than of the native population some studies have found that the overall crime rate of immigrants is higher than that of natives. But there is no evidence of markedly different crime rates after adjusting for age/sex<sup>††</sup>.

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2014; *Poor children in London get better grades than those outside due to improvements in the capital's schools* - Jo Blanden & Luke Sibieta - LSE Blog 30 September 2015; *Understanding the improved performance of disadvantaged pupils in London* - Jo Blanden, Ellen Greaves, Paul Gregg, Lindsey Macmillan & Luke Sibieta - Social Policy in a Cold Climate Working Paper 21 - LSE Centre for Analysis of Social Exclusion - September 2015

\* *Lessons from London Schools - Investigating the success* - Sam Baars, Eleanor Bernardes, Alex Elwick, Abigail Malortie, Tony McAleavy, Laura McInerney, Loic Menzies and Anna Riggall - Centre for London - 2 June 2014

† *The quest to find 'London Effect' - why are some groups of pupils making more progress than they used to?* - Dave Thomson - Education Datalab - 17 December 2015

‡ *Immigration may reduce the time you wait to see the doctor* - Osea Giuntella, Catia Nicodemo and Carlos Vargas-Silva - LSE Blog - 13 October 2015.

§ The view that seems to be preferred by Timothy J. Hatton<sup>1</sup> and Massimiliano Tani in *Immigration and Inter-Regional Mobility in the UK, 1982-2000* - the Economic Journal - 21 November 2005

\*\* *The Effects of Immigration on NHS Waiting Times* - by Osea Giuntella, Catia Nicodemo and Carlos Vargas Silva - Blavatnik School of Government, Oxford University - 16 September 2015

†† *Crime and immigration: Evidence from large immigrant waves* - Brian Bell, Francesco Fasani, Stephen Machin - Review of Economics and Statistics 21 (3), 1278-1290 - 2013. *Re-evaluating the Effect of Recent Immigration on Crime* - Richard Stansfield - Crime and Delinquency - online publication 15 July 2014. *Foreign National Prisoners in the UK - Explanations and Implications* - James Banks - The Howard Journal of Crime and Justice - 3 February 2011. *Immigration status and property crime - an application of estimators for underreported outcomes* - Georgios Papadopoulos in IZA Journal of Migration - 2 July 2014

## **There Is No Substantive Financial Problem**

34. The key conclusion is that there is no significant funding issue for the provision of public services caused by the presence of immigrants.

35. There are changes that could be made to the funding formulae that would make allocations work better for both immigrants and natives. In some cases formulae under-provide for immigrants, in other cases they over-provide. But none of the changes would have a major effect. Some examples are given in the Annex (departments anyway periodically review funding formulae).

36. Nor should these opportunities for improvement be seen as justifying a new funding stream. Nothing works perfectly, budgets are only ever approximately related to need, and it is better to make core systems work better than to set up separate streams because they inevitably lead to higher administration costs and reduced local discretion.

37. Of course, one can always find useful ways to spend money to support immigrants in the community or public services and communities experiencing high immigration. If you make a point of asking producers the question whether immigrants affect public services, you will be told how they do. If you single out and ask about the effects of any group you will be given the same answer.

38. Local authorities and public services have broadly based budgets that allow them to provide a range of services to their communities. Responding to immigration is just one of their many tasks. We do not – and should not – create a funding stream for each aspect of their work.

39. So a proposal for a new funding stream would need to be rooted in a much firmer evidence base showing exactly how the existing funding arrangements are failing; and that the effect is large enough to justify the costs and disadvantages of setting up a new funding stream. The evidence would need to distinguish the effects of the general level of funding of public services from issues relating to immigrants.

## **And yet Parties and Think Tanks Propose a Fund**

### *A EU Wide Fund*

40. Some have called for the EU to set up a fund, including the Home Office's Migration Advisory Committee<sup>\*</sup>, British Future<sup>\*</sup>, and Labour's Yvette Cooper<sup>†</sup> and Gordon Brown<sup>‡</sup>.

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<sup>\*</sup> *Migrants in low-skilled work Summary Report* - Migration Advisory Committee - July 2014

## *A New Migration Impact Fund*

41. Some sort of UK Migration Impact Fund has been called for by a long list of organisations and authors: Jeremy Corbyn<sup>§</sup>, the Liberal Democrat 2016 Autumn Conference<sup>\*\*</sup>, the Green Party<sup>††</sup>, the TUC<sup>‡‡</sup>, Bright Blue<sup>§§</sup> separately and also in a joint report with Demos and British Future<sup>\*\*\*</sup>, the Institute for Public Policy Research<sup>†††</sup>, Policy Exchange<sup>‡‡‡</sup>, NIESR's Jonathan Portes<sup>§§§</sup>, Remain campaign body INFacts<sup>\*\*\*\*</sup>, Professor Thom Brooks at Durham University<sup>††††</sup>, Peter Sloman of Cambridge University<sup>††††</sup>.

42. The proposals vary in scale: some are large funds that would support mainstream services like schools and hospitals, others are smaller and would offer essentially peripheral financial support. They vary in how they would be funded: through general taxation or a special tax on immigrants. There are different mechanisms for allocating the funds: challenge fund or formula.

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\* *How To Talk About Immigration* - Sunder Katwala, Steve Ballinger and Matthew Rhodes for British Future 3 December 2014

† *Labour's approach to Immigration* - Yvette Cooper - Labour Press - 18 November 2014

‡ *Gordon Brown calls for EU fund to support migration-hit communities* - Politics Home - 25 May 2016

§ Jeremy Corbyn - speech to Labour Party Conference on Labour List - 28 September 2016

\*\* Passed motions from Liberal Democrat Autumn Conference 2016 - F27/ Britain in the European Union - 17-20 September 2016

†† Green Party calls out 'immigration lies' from Brexit campaign and launches positive free movement campaign - 16 June 2016

‡‡ *A fairer deal on migration - managing better for Britain* - TUC - 21 November 2016

§§ *A balanced centre-right agenda on immigration - A manifesto for immigration* - Ryan Shorthouse and David Kirkby - for Bright Blue - April 2015

\*\*\* *High net Migration needs practical response, not distractions* - Steve Ballinger for British Future - 30 May 2015

††† *A fair deal on migration for the UK* - IPPR - March 2014; *Shared Ground* - Alice Sachrajda and Phoebe Griffith - IPPR - October 2014; *Trajectory and Transience - understanding and addressing the pressures of migration on communities* - Phoebe Griffith and Julia Halej - IPPR - 2 November 2015; *What new deal should we strike with the EU* - IPPR - 13 July 2016

‡‡‡ *Five Point Plan for Immigration Reform, Prior to Free Movement Change* - David Goodhart - Policy Exchange - 7 July 2016

§§§ *Respecting the choice of the British people/ Immigration policy after the referendum* - Jonathan Portes for National Institute for Economic and Social Research - 19 June 2016

\*\*\*\* *Cameron must activate pledge on local migration funding now* - Luke Lythgoe for INFacts - 15 June 2016; and *We must make migration work for all* - Hugo Dixon for InFacts 25 August 2016

†††† *Migration Impacts Reduction Fund* - Thom Brooks - Durham University - 2015

†††† *Tim Farron's challenge/ why Brexit creates risks for the Liberal Democrats, as well as opportunities* - Peter Sloman - LSE Blog - 15 July 2016

43. None of the proposals appears to have examined the existing resource allocation mechanisms to explain why, if a patient or pupil or resident generally comes with funding attached, if local authorities and public services have broadly based budgets, there is a real financial problem that should be addressed by a new funding stream.

### *Opposition to a Fund*

44. Not everyone is in favour: Liberal Democrat leader Tim Farron\* emphasised the need for adequate general funding: "But the solution to a shortage of school places is to expand schools or build new ones, not to blame the migrants that are coming here to contribute to society."

45. Demos researcher Charlie Cadywould argued that a Fund would risk harming integration<sup>†</sup>, drawing on the limits of market mechanisms in cases of honour or civic duty.

46. Bright Blue<sup>‡</sup> consulted opinion formers and decision makers in 2015 on immigration. While there was widespread support for some sort of Migration Impact Fund, there was also dissent: "However, other contributors warned against an approach which explicitly or implicitly blames shortcomings in public services on the arrival of immigrants. ... Citing immigration can therefore direct attention away from the root of the problems."

### *Conclusion*

47. So we are left with the conclusion that the supporters of a new Migration Impact Fund are trying to use a practical measure – a Fund – to address (or to be seen as addressing) a social/ cultural issue – the dislike that some voters have of immigrants.

48. There is a saying attributed<sup>§</sup> to Nikita Khrushchev in conversation with Richard Nixon, "If the people believe there's an imaginary river out there, you don't tell them there's no river there. You build an imaginary bridge over the imaginary river."

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\* *Celebrating the Movement of People* - Tim Farron - Liberal Democrat Newswire #83 - 3 August 2016

† *Support for immigration cannot be bought* - Charlie Cadywould – Demos – 13 November 2015

‡ *A balanced centre-right agenda on immigration - a centre-right plan on immigration from decision makers and opinion formers* - Ryan Shorthouse and David Kirkby for Bright Blue February 2015

§ There is no certain source for the saying. It is sometimes given with the roles reversed. There is another similar statement attributed to Khrushchev which may have much the same meaning or might mean something quite different: "Politicians are the same all over. They promise to build a bridge even where there is no river."

49. Whether that is a good plan depends on whether it matters whether people believe that there is a river when there is not. If peoples' belief that immigrants are a problem is false, then reinforcing that belief will harm community cohesion.

## **Immigration: Perception and Reality**

50. There is no doubt that the UK public is more opposed to immigration than the public in most other comparable countries. It is also relatively unusual though not unique in being so opposed to EU immigration\*.

51. However, it is not clear to whom the public are referring when they talk about immigration. Relatively few object to students who are a numerically large category. The biggest hostility is reserved for asylum seekers and refugees, who are numerically too small for a reduction to make much impact on the overall figures<sup>†</sup>.

52. Moreover, most people think that community relations in their own area are good. And practical views of immigration ("good for the economy", "enrich cultural life") are becoming more rather than less positive<sup>‡</sup>.

53. All of which casts doubts on the wisdom of an immigration policy which aims to meet public wishes – the evidence of what those wishes actually are is too thin. In the same way we should be doubtful about the reasons given for opposition to immigration.

54. Nor is it clear that the views are as strongly held as is sometimes supposed: One can test the firmness of anti-immigration views by using the willingness-to-pay methodology (though this approach tends to overstate the strength of opinions). Professor Kaufmann<sup>§</sup> found that 30% of Leave voters would not pay anything to reduce immigration. A third would pay 5% of their income to reduce net immigration to zero. The rest were in between.

### *How to Talk about Immigration*

55. We should be clear that concern about immigration is driven by cultural factors<sup>\*\*</sup>, even if it is presented as an economic concern. People think that immigration threatens "our way of life"<sup>\*</sup>.

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\* *Public Opinion Overall Attitudes and Level of Concern* - Scott Blinder & William Allen - Migration Observatory – 28 November 2016

† *Policy Primer - Public Opinion and Public Policy - Complexities of the Democratic Mandate* - by Scott Blinder for Migration Observatory - 24 May 2012

‡ *Public Opinion Overall Attitudes and Level of Concern* - Scott Blinder & William Allen - Migration Observatory – 28 November 2016

§ *Hard Brexit? Only if it's free* - Eric Kaufmann - British Politics and Policy at LSE - 28 September 2016

\*\* *It's NOT the economy, stupid/ Brexit as a story of personal values* - Eric Kaufmann - LSE British Politics and Policy at LSE - 26 July 2016

56. That means that concerns about immigration cannot be addressed by practical policies designed to address the economic concerns that people present over their underlying values-based concerns<sup>†</sup>.
57. The economic cost-benefit arguments do not work well<sup>‡</sup>. Myth-busting is counter-productive – people just remember the myths better<sup>§</sup>.
58. Rather, the cultural/ values-based concerns must be addressed directly.
59. So fairness arguments work even when related to economic issues (eg preventing undercutting/ exploitation).
60. Emphasising diversity makes people more worried about immigration. The most effective method of allaying concern is to show people that immigrants are integrating into society<sup>\*\*</sup>. The Young European Movement has picked up on that in its campaign to "Celebrate the Great British Immigrant"<sup>††</sup>.
61. Policies that boost integration should be supported, including the small steps that boost community cohesion by bringing people together<sup>‡‡</sup>: "If you'd asked me last year I'd have said, 'Send them all back' but now I have Romanian neighbours I feel nasty saying that."<sup>§§</sup>.
62. Moreover, the shift from an ethnic basis of nationhood to a values based nationhood has lost large parts of the population<sup>\*\*\*</sup>. They should be:

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\* *Fair and democratic immigration policy* - Matt Cavanagh and Sarah Mulley – IPPR – January 2013

† *Turning off the European migration tap may actually hasten ethnic change in Britain, ironically leading to an own-goal for UKIP* - Eric Kaufman - LSE Blog – 30 April 2014

‡ *A fair deal on migration for the UK* – IPPR March 2014

§ *How To Talk About Immigration* - Sunder Katwala, Steve Ballinger and Matthew Rhodes for British Future – 3 December 2014

\*\* *"Dear Ukipper..." The letter the Prime Minister should write on immigration* - Eric Kaufmann in the New Statesman - 19 November 2014; *Assimilation and the immigration debate/ shifting people's attitudes* - Eric Kaufman - LSE Blog – 1 October 2016

†† <http://yem.org.uk/greatbritishimmigrant/>

‡‡ *Public Opinion Overall Attitudes and Level of Concern* - Scott Blinder & William Allen - Migration Observatory – 28 November 2016

§§ Sophie Whittaker, a Woman in Leeds quoted in *Brexit/ The city that took EU money but 50% voted to leave* - BBC News (website) - 4 July 2016

\*\*\* *Mapping the white British response to ethnic change - Changing places* - Eric Kaufmann & Gareth Harris for Demos – 2014; *"Dear Ukipper..." The letter the Prime Minister should write on immigration* - Eric Kaufmann in the New Statesman - 19 November 2014

- ❖ reassured that it is reasonable and normal to look to history, ancestors and tradition to identify common threads in national identity; but also
- ❖ encouraged to understand that not everyone will perceive national identity in the same way. In particular recent immigrants will be more attracted to British values (tolerance, fairness) than history. But that makes them no less attached to Britain and British institutions.

### *Why are People Thinking about Immigration at all?*

63. That said, general socio-economic deprivation is the trigger for people to think about immigration at all – so the best way forward is to address deprivation in all its forms\*.

### **Conclusion**

64. The case that immigrants place a burden on public services which should be alleviated by a Migration Impact Fund is not rooted in an analysis of migrants' fiscal contribution or how public funding is actually allocated. Absent a clearer evidence base, creation of a Migration Impact Fund is therefore not a way of solving a real problem, but of being seen to be responsive to public concern.

65. But there is a harm that comes from validating a view that immigrants are the problem for public services. So political parties and think tanks should drop their proposals for a new Migration Impact Fund.

66. It would be better to run a narrative that while it rebuts the false economic arguments focuses on the assimilation narrative:

- ❖ EEA immigrants are well integrated into the workforce and society.
- ❖ We run a tax system which ensures that all residents including immigrants contribute fairly to the cost of public services which they consume. EEA immigrants contribute at least as much as UK nationals.
- ❖ Schools, GPs, hospitals, police and local authorities are funded in large part according to the number of pupils, patients, residents. So an extra child in school comes with extra money.
- ❖ There are small differences in the characteristics of EEA citizens compared with the native British population. For example, they are younger. So for a given total population there is less need for NHS geriatric care and more need for

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\* *The impacts of migration on social cohesion and integration* - Shamit Saggaar, Will Somerville, Rob Ford & Maria Sobolewska for Migration Advisory Committee – January 2012

maternity care. That is also true of British people in different parts of the country. It is just one of the many things the NHS funding system needs to take into account.

- ❖ There is no need for special funding treatment for immigrants or areas with many immigrants because they are assimilated into the local population.



# **ANNEX A: SUGGESTIONS FOR TECHNICAL IMPROVEMENTS IN FUNDING FORMULAE**

## **Schools**

### *English Language Skills*

A.1 A marker for additional funding in schools is pupils who speak English as an Additional Language (EAL)<sup>\*</sup>, that is: where another language is spoken at home. That much misinterpreted marker tells us nothing about whether the pupil is an immigrant or whether they speak English well or badly.

A.2 Moreover, it ignores monoglot speakers of bad English (LB Lambeth's study<sup>†</sup> into the under-performance of white British working class children identified poor language skills as a key issue).

A.3 The Department for Education is working on a marker for poor English for future funding formulae, and that work is to be welcomed.

### *Deprivation*

A.4 The main marker for deprivation is the number of children receiving free school meals. For migrant children there is evidence that the marker may understate deprivation because immigrant parents need language skills and an understanding of British bureaucracy to be able to claim benefits<sup>‡</sup>. Also some immigrants are not allowed to have recourse to public funds.

A.5 If the real access of entitled immigrant children to free school meals cannot be improved, there would be an argument for using "international migration" as a marker for deprivation as there is some evidence that immigrants start off behind in schools<sup>§</sup>, though they normally catch up.

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<sup>\*</sup> *Schools, pupils and their characteristics (January 2016) - Schools census - Main Report* - Department for Education – 28 June 2016

<sup>†</sup> *Raising the Achievement of White Working Class Pupils - Barriers and School Strategies* - Feyisa Demie & Kirstin Lewis - LB Lambeth - May 2014

<sup>‡</sup> *New Migration New Challenges - Eastern European migrant Pupils in English Schools* - Antonina Tereshchenko and Louise Archer - British Academy & KCL - 2014

<sup>§</sup> *EAL and educational achievement in England - an analysis of the national pupil database (Part 6)* - Steve Strand, Lars Malmberg & James Hall - Oxford – 29 January 2015

## *Pupil Churn*

A.6 There is a consensus\* that a migration-related issue for schools is pupil turnover or churn. The IPPR† reported that EU migrants have been found to move around the UK more than the British-born population do. Pupil turnover can have a variety of effects, such as class disruption and difficulties in tracking the educational progress of children. Schools vary in how well they cope with churn – inner city schools do better, perhaps because they have long been used to higher levels of pupil turnover as natives practise internal migration.

A.7 There is at present a mobility allowance in the funding formula. However, DfE are currently consulting‡ on a proposal to end it. Although the IPPR commented that systematic evidence of the difficulties caused by transient migrants is hard to find, abolishing the allowance would appear to be a retrograde step.

## *Post-Census Arrivals*

A.8 The mobility allowance deals with disruption but not with a large net increase in absolute pupil numbers since the census (the per-pupil payment is finalised in December based on the October pupil census figures). There should be a study to see whether that is an issue for some schools. If it is, then local authorities should be encouraged to hold back some funds to provide financial cover for children who enter the system after the census date.

## **Health**

### *Are Migrants Less Likely to show up as Population in Funding Formulae?*

A.9 The population used in the main NHS funding formulae is the population registered with GPs. The funding system is a little like insurance: Clinical Commissioning Groups and GPs receive amounts per person that are small compared with a course of treatment on the understanding that in any particular year many people make no or little use of the NHS. So the system assumes that healthy people register with GPs.

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\* *Social and Public Service Impacts of International Migration at the Local Level* - Sarah Poppleton, Kate Hitchcock, Kitty Lympelopoulou, Jon Simmons, Rebecca Gillespie - Home Office - July 2013

† *Fair and democratic immigration policy* - Matt Cavanagh and Sarah Mulley – IPPR – January 2013

‡ *Schools national funding formula consultation* (Pp16 & 42) - DfE - 7 March 2016

A.10 However not everyone is registered with a GP, and people may well not do so until they fall ill. In particular, it may be the case that non-UK movers to an area will be less likely to register with a GP than UK residents or UK movers to an area. That might be because they do not see themselves as settling, or they do not appreciate the key role that GPs play as gate-keepers in the NHS.

A.11 There is evidence that under-registration with GPs was the case for Poles in the period 2007-08 with the interview sample not being fully registered with GPs until two years had passed (only half of those in the UK for less than two years had registered)\*.

A.12 In one study<sup>†</sup> non-registration with GPs was significant for up to five years from arrival for white migrants who had come to the UK for work – likely to be EEA Citizens.

A.13 So these studies show that healthy EEA citizens are less likely to register with GPs and so the effectiveness and fairness of the funding formula is reduced.

A.14 The same issue may well arise with some categories of British citizens, for example: young urban workers newly moved to the city who lead transient lives.

A.15 More work is needed on differential likelihoods of registration and the options for dealing with that.

### *Post-Census Registration*

A.16 In addition, some people register after the patient census date has passed. Whether this happens on a scale that could actually create an in-year funding issue for a GP's practice or Clinical Commissioning Group should be considered.

### *Maternity Services*

A.17 EEA citizens are more likely to use maternity services than the population as a whole. That reflects the predominantly younger adult age profile of EEA citizens. Younger working age adults tend to have relatively low demands on health care, with maternity care being a significant part of total demand by this age group.

A.18 The fertility of women of child-bearing age born outside the UK is higher than for women born in the UK<sup>‡</sup>. The two rates have

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\* *'If I Get Ill, It's onto the Plane, and off to Poland.'* Use of Health Care Services by Polish Migrants - by Dorota Osipovic - Central and Eastern European Migration Review – December 2013

† *Challenges in researching migration status, health and health service use - an intersectional analysis* - Billy Gazard, Souci Frissa, Laura Nellums, Matthew Hotopf, Stephani Hatch - Journal of Ethnicity & Health – 5 February 2015

‡ Women aged 15-44. In 2015: Total Fertility Rate 1.76 for women born in UK, 2.08 for women born outside UK. The total fertility rate (TFR) is the average

been converging for ten years at least, but a real gap remains. Total Fertility Rates for women born in different parts of the world but living in England and Wales vary widely, from for example 1.3 (below the UK-born average of 1.76) for women born in Australasia to 3.9 for women born in North Africa. Of the 192,000 live births to non-UK-born mothers in 2015<sup>\*</sup>, the largest countries of birth of mothers were Poland (23,000), Pakistan (17,000) and India (14,000).

A.19 The most common age group of both UK born and non-UK born mothers was 30 to 34 years. Even so, the ONS found that there are significant differences in the ages at which mothers have children. 20% of UK-born mothers were aged 35 and over, compared with 26% of mothers who were born outside the UK. And just over a fifth (22%) of UK-born mothers were aged under 25 compared with only 11% of non-UK-born mothers.

A.20 That may also be an effect down to length of time that immigrants are in the UK before they have children. For Polish<sup>†</sup> women, relatively few have babies in the first three years after arrival in the UK. Fertility is higher in the UK than in Poland<sup>‡</sup> (and higher than for UK-born women, but lower than the average for non-UK born), but takes place later in life than in Poland. It is not however clear whether that is a permanent effect or reflects the recent migration experience.

A.21 Oxford University<sup>§</sup> are studying whether maternity costs of immigrants is a significant factor for the NHS.

A.22 The effect of non-UK born mothers in maternity services was clearly felt to be significant in the qualitative study<sup>\*\*</sup>. Without modelling it is not possible to tell whether the quantitative effects of amending the funding formula would make a real difference. However, adjusting the formula would be likely to improve the

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number of live children that a group of women would each have if they experienced the age-specific fertility rates of the calendar year in question throughout their childbearing lives. *Parents' country of birth, England and Wales 2015* - ONS - 25 August 2016. The effect has been true for some time: - *Childbearing among UK born and non-UK born women living in the UK* - Jo Zumpe, Oliver Dormon, Julie Jeffries - ONS - 25 October 2012 covers the period 2007-2011. *Childbearing of UK and non-UK born women living in the UK - 2011 census data* - Oliver Dormon - ONS - 4 February 2014 also covers the ground.

\* England and Wales. Just over a quarter of total live births.

† *Is the Fertility of Polish Women Higher in the UK than in Poland?* - Lorraine Waller - OpenPop - 19 March 2014

‡ Some populations have higher TFRs in the UK than at home, some lower with no obvious pattern. *Childbearing of UK and non-UK born women living in the UK - 2011 census data* - Oliver Dormon - ONS - 4 February 2014

§ Osea Giuntella, Catia Nicodemo and Carlos Vargas-Silva.

\*\* *Qualitative Assessment of Visitor and Migrant use of the NHS in England - Observations from the front line - Full Report* - Creative Research for NHS - 7 October 2013

perception of fairness. So consideration should be given to adjusting the funding formula to reflect differential use of maternity services of different populations of women of child-bearing age.

## **Policing**

### *Should population reflect age*

A.23 Crime is committed disproportionately by younger men. Inward migration changes the age profile of an area, broadly to increase the proportion of younger adults in the total population. Therefore, relying on total populations may not accurately reflect the demands on police forces in areas that have had significant migrant influxes.

A.24 Police do of course a lot of work that is not crime-related.

A.25 Nonetheless, the Home Office should consider using population estimates adjusted for the number of young men.

### *Do socio-economic factors pick up on Immigrants?*

A.26 We have seen in the context of free school meals and schools that existing British indicators of deprivation may not be reliable indicators for deprivation amongst immigrants. A measure that is based on the decennial census will not pick up on changes in the population that take place between census years.

A.27 The Home Office should therefore commission research to see how effective the socio-economic indicators that it uses are in predicting pressures on immigrant households that are reflected in the rates of crime commission and victimisation.

### *Language and Diversity*

A.28 When the Home Affairs Select Committee took evidence on changes to the funding formula it heard from some police witnesses who argued that diversity presented policing challenges that were not reflected in the funding formula. Some were costs of dealing with people with no or poor English. Others were cultural barriers or a more nebulous concept of the complexity of communities.

A.29 The Home Affairs select committee called for a recognition of diversity in the funding formula\* and that call should be supported.

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\* *Reform of the Police Funding Formula* - House of Commons Select Committee on Home Affairs - 9 December 2015

## **General Issues**

### *Damping in funding formulae*

A.30 All funding formulae face a tension when data or the formula change. Do they adjust quickly to pay the right amounts, or do they protect the losers from large adjustments? Damping slows down the pace of change\*. Those responsible for funding formulae should bear in mind the effects of migration when considering the rate of damping.

### *Capital Expenditure*

A.31 None of the research looks at how capital is allocated and the impact of immigration on the needs for capital. That is a gap in our knowledge.

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\* *Allocations 2016-17 equality analysis* - Section 4 - NHS England - April 2016