

## **Response to the Department for Communities and Local Government's proposals for 100% business rates retention**

### **Position**

It is our view that any reform which affects public health services must start with a recognition that these services should be provided at a consistent level of quality and access across the country, relative to the local health needs, and ensure consistent patient outcomes regardless of location. The overall funding system for local authorities must therefore adequately provide for the differing levels of public health need in different localities, and be able to respond to the timescales in which these change, on the basis of evidence. The funding system must also enable local authorities to discharge their statutory duties, including the duty to improve the health of their local population. A robust and regularly reviewed assessment of local public health and social care needs must form a significant part of any revised funding formula.

In relation to local retention of business rates, we have significant concerns about of the proposal to couple funding for public health and the state/growth of the local economic base. The poorest areas – where health needs are greatest – are those with the least scope to raise significant sums from local business; whilst rural areas – where it is most expensive to provide public health services – have the largest numbers of businesses exempt from paying business rates (e.g. farming and SMEs). We think that there is therefore a significant risk that devolving funding responsibility for public health and demand-led services (such as Attendance Allowance) will exacerbate existing health inequalities. Local economies may also be subject to sudden major changes such as large commercial closures, which will impact unduly on those services which are funded directly from local economic resources.

We would suggest that any new system retains a significant redistributive component that recognises and compensates for the different capabilities of local authorities to raise funds for public health services from the local economy. Given the current climate of low overall budgets, this should include some form of guarantee, in primary or secondary legislation, for redistribution from areas of more to lesser wealth.

We also have concerns as to whether the increased income individual councils will get from retaining one hundred per cent of business rates will outweigh other central government grant cuts in the pipeline. Local authorities are already in some cases paring back or planning to decommission public health services they are responsible for, such as health visiting and school nursing along with other essential public health services due to existing public health budget cuts. Local authorities must be supported and enabled to appropriately invest in long-term

prevention strategies and commission comprehensive services based on the needs of their local populations, for example to ensure that children and young people get the support they need to stay healthy and are safeguarded from abuse and sexual exploitation.

### **Full Business Rates Retention**

#### **Question 1: Which of these identified grants / responsibilities do you think are the best candidates to be funded from retained business rates?**

As noted above, we have concerns regarding the transfer of any nationally resourced public health grants to retained business rate funding, because of the likely mismatch between local business rate bases and health and care needs. We draw particular attention to the risks of devolving demand-led responsibilities, such as Attendance Allowance benefit for older people. Cost pressures and applications for such services can go up very quickly whereas it can take much longer for local areas to generate business rates income. We propose that the Public Health Grant, which is to be excluded from the pilots in Liverpool, Manchester and Greater London, should be similarly excluded when the scheme is rolled out nationally, due to the risks of core public health functions (e.g. sexual health, drug and alcohol, smoking and obesity services programmes as well as health visiting and school services) being further cut in order to pay for other competing health and social care needs.

#### **Question 3: Do you have any views on the range of associated budgets that could be pooled at the Combined Authority level?**

We support the pooling of budgets where this has enables authorities to better meet health and care needs, along with increased accountability and transparency.

#### **Question 4: Do you have views on whether some or all of the commitments in existing and future deals could be funded through retained business rates?**

We are particularly concerned at the proposal that public health funding is to be funded through retained business rates, because of the potential mismatch between local business rate bases and health needs. The setting of the minimum spend on public health should be set by a national formula based on regular assessment of population health needs. We support the un-enacted Government proposal of 2013 that the allocation should include a supplement for performance against national standards to close inequality gaps.

#### **Question 7: What is the right balance in the system between rewarding growth and redistributing to meet changing need?**

Local economic growth and growth in health needs are very poorly correlated. For this reason, local health funding must be based on a consistent assessment of health needs, carried out on a regular basis. This could happen as part of the system of resets proposed by DCLG. We recommend that the timing of resets and amount included for redistribution in the resets take into account the timescales and scope of changing health needs.

**Question 9: Is the current system of tariffs and top-ups the right one for redistribution between local authorities?**

We believe that to be effective, a redistribution system for local authorities relating to public health spending must be based on population health needs.

**Question 10: Should we continue to adjust retained incomes for individual local authorities to cancel out the effect of future revaluations?**

It is important to continue to adjust retained incomes for local authorities in order to ensure that there are no sudden shortfalls in spending to meet local public health needs funded from the local base.

**Question 33: Do you have views on where the balance between national and local accountability should fall, and how best to minimise any overlaps in accountability?**

Local health and care priorities should reflect local needs, and accountability for meeting them should rest at a local level. However, decisions on local priorities do affect the health of the population at national level, and also health inequalities across the country as a whole. It is important to consider the impact of national mandation and what accountability arrangements should be in place to support these programmes. For example, universal elements of the Health Visiting service are nationally mandated because of their importance in ensuring the health and wellbeing of 0-5 year olds.

**Fair Funding Review**

**Question 2: Are there particular services for which a more detailed formula approach is needed, and – if so – what are these services?**

A more detailed formula approach is needed for public health services. The need for public health services and programmes can change rapidly based on demographic changes and deprivation, and in response to factors such as patient flows and rurality. These need to be reflected in any redistribution formula following the retained business rate reform.

**Question 3: Should expenditure based regression continue to be used to assess councils' funding needs?**

As noted in our response to question 2, health needs can change rapidly due to demographic changes, so that past expenditure becomes a poor guide to need. Whilst past expenditure should form part of the assessment of funding need, where health needs are concerned it cannot be the sole consideration.

**Question 4: What other measures besides councils' spending on services should we consider as a measure of their need to spend?**

In addition to measuring expenditure on services, any assessment of funding need should include an analysis of local health and social care needs which takes into account deprivation, demography and specific health needs.

**Question 6: What other considerations should we keep in mind when measuring the relative need of authorities?**

When measuring the relative need of authorities, it is particularly important to take into account the increased costs of providing core health services in rural areas. In this respect, we note that the current funding formula for the public health grant is heavily affected by the market forces factor (MFF), which does not take into account the costs of providing accessible services in rural areas where the ability to concentrate services and gain economies are limited. The analysis currently being sponsored by Public Health England into rural health inequalities should be factored into any new redistribution formula.

**Question 8: Should we allow step-changes in local authorities' funding following the new needs assessment?**

Changes should not be of an extent that would put the health of the public at risk. In this respect, we suggest consideration be given to the ring-fencing of funding for key public health services following the needs assessment.

**Policy, International and Parliamentary Department  
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