

## **Public Health Grant and Business Rates Retention Update**

### **Purpose**

For information and discussion.

### **Summary**

This report provides a summary of progress on the Business Rates Retention work in respect of public health.

### **Recommendation**

That members note contents of the report and provide a steer on the LGA's work regarding the future of the public health grant.

### **Action**

Officers to proceed with delivery of the LGA work programme on Business Rates Retention and the Fair Funding Review taking account of any steers about how to respond to concerns about removal of the public health ring-fence.

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## **Public Health Grant and Business Rates Retention Update**

### **Introduction**

1. This report updates members on progress on Business Rates Retention in relation to the public health grant.
2. The work on further Business Rates Retention and the Fair Funding Review is being considered by the LGA's Task and Finish Group on Business Rates Retention (a cross party, cross board group) and the Fair Funding Review, alongside consideration by Leadership Board and Executive.
3. This paper focusses on the future of the public health grant and the interaction with the timing of the 2019 Spending Review.

### **Public health grant and business rates retention**

4. At the time of writing, it remains official Government policy that the public health grant will be phased out as part of the move to further Business Rates Retention from April 2020, with the ringfence on spending lifted at the same time. The LGA's current position is to support the transfer of the Public Health Grant into Further Business Rates Retention and this was endorsed by Leadership Board and Executive in 2017, and re-endorsed by the Task and Finish Group in March 2019.
5. Concerns have been raised about the implications of rolling the ringfenced public health grant into the business rates retention arrangements from April 2020. Those concerns focus on fears that without the ringfence local government will be free to reduce the total amount it spends on public health.
6. The existing ring-fence is not in itself protection against cuts to the grant as the grant has been cut significantly by the Government over recent years and will continue to reduce in 2019/20. The LGA estimate a real terms reduction of £700 million between 2015-2020.
7. Recent publications also make it clear that discussions within Government continue and it is still possible that this decision could be fully or partially reversed or go even further and see some public health service commissioning responsibilities (and associated funding) returned to the NHS.
8. For example, the NHS long-term plan mentions a review of public health commissioning. This is likely to report before the end of May 2019. While the terms of reference for the review of public health commissioning are not yet set, it is clear that the outcome of this review could affect the decision on whether to roll public health grant into retained business rates.

9. DHSC Ministers have also said publicly that the public health grant will only be replaced by retained business rates on the understanding that “assurance arrangements” have been established. Unless any risks have been mitigated, business rate retention implementation of public health may be delayed.
10. Members and officers have been engaging with ministers and senior civil servants in MHCLG, DHSC and Treasury as well as Public Health England and have provided evidence of the success of public health commissioning by councils including sharing our recent publication, [Local Government Delivers](#), as well as wider examples of good practice.
11. Members’ thoughts are invited on the tactical approach to building on the transfer public health grant and lifting of the ringfence, as set out above.

#### The impact on further business rates retention

12. The LGA’s policy work on business rates retention is governed by the LGA’s Leadership Board and Executive, informed by advice of the LGA’s political Task and Finish Group on business rates retention and the fair funding review.
13. Members of the Task and Finish Group received an update, In March 2019, on what the impact of the public health grant not rolling into business rates could be. This is summarised below. Following a discussion, the group agreed that the LGA should still support the rolling in of Public Health Grant in to Business Rates Retention.
14. The Government’s stated ambition is for local government as a whole to retain 75 per cent of business rates income collected through local lists from April 2020.
15. Under the current policy of this being a fiscally neutral move, the Government has to find and phase out other funding streams flowing to councils, or to transfer new responsibilities, worth the equivalent of 25 per cent of business rates income in 2020. At its 2019/20 value of £3.1 billion (or close to 12 per cent of estimated 2020/21 business rates income), public health grant is the single biggest element of this equation.
16. Should the transfer of public health funding into the business rates system not happen, the Government would potentially have to look into the following options:
  - 16.1. Find other funding streams to transfer, or transfer new responsibilities, to make up the £3.1 billion shortfall – although this has been ruled out as LGA policy and ruled out by MHCLG as part of discussions in 2017 and 2018;
  - 16.2. Reduce the share of funding retained, both on day one and in subsequent growth, to 63 per cent (75 per cent less the 12 per cent value of the public health grant);

- 16.3. Reduce the share of funding retained to 63 per cent (75 per cent less the 12 per cent value of the public health grant), with 75 per cent of subsequent growth retained. We have not assessed whether this would be possible within the current legislation but informal soundings suggest it would be unlikely; or
- 16.4. Provide the £3.1 billion in the baseline as an injection of completely new funding with no responsibilities or phasing out of grants by still keeping the retained shares at 75 per cent. Whilst this would align well with the LGA's call to use business rates income to help address the funding gap, it would breach the Government's policy of fiscal neutrality.
17. It is important to note that a reduction of the retained share of business rates to 63 per cent would mean that local authorities collectively forego 12 per cent of future business rates growth. A rough estimate suggests this could be worth £60 million annually (on the assumption that business rates are worth £25 billion in 2020/21 and they grow by 2 per cent)
18. A similar set of options would face the Government if it decided to return part of the commissioning responsibility back to the NHS, except the amount of funding that needs to be found would be smaller. For example, councils spend approximately £600 million on sexual health commissioning and £800m on health visiting, making up nearly half of the £3.1 billion 2019/20 value of the public health grant.

### **Implications for Wales**

19. Local government funding is a devolved matter and Business Rates Retention and the Fair Funding Review are limited to English local authorities.

### **Financial implications**

20. The work set out above forms part of the LGA's core work programme and has been funded through the 2018/19 budget.