LGA Executive
20 September 2012

Item 3

Public health funding

Purpose of report

For discussion.

Summary

This report provides an update on issues relating to the funding of local authorities' new public health responsibilities from April 2013, following the discussion at the July meeting of the Executive.

Recommendation

The Executive is requested to note the developments since the July discussion and provide a steer on any further action now required.

Action

LGA officers to action as necessary.

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Local Government Association

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Background

1. The July meeting of the Executive considered a report on the funding of local authorities' new public health responsibilities. In the course of the discussion, concerns were expressed about the quality of the evidence supporting the use of the measure of Standardised Mortality Ratio under 75 (SMR<75) as the principal constituent of the new allocation formula for the distribution of public health funding to local authorities.

2. Members asked for a further report to come back after the announcement of the new funding allocations. In the meantime, this report sets out the action taken following the July discussion and, in particular, provides information on the LGA response to the Department of Health consultation on the funding allocation proposals.

The funding consultation proposals

3. The Department of Health's consultation issued in June was about the manner in which public health funding should be distributed between local authorities, rather than the total amount to be allocated. In the consultation response approved by the Lead Members of the Community Wellbeing Board, we stated very clearly that the LGA's view is that further debate is needed about the **overall** amount of funding, to ensure that local authorities can meet their new public health responsibilities. The present position is that the Department of Health estimated in February that 2012-13 expenditure on the public health functions to be transferred to local authorities would be about £2.2 billion, and that at individual local authority level it was unlikely that funding allocations would fall in real terms below the 2012-13 estimated expenditure. This initial protection of funding has been widely welcomed.

4. Many local authorities see a strong case for increasing investment in public health. For example, London Councils said in their response to the consultation that "It is important to get the overall quantum to be spent on public health right. There is a case to be made that this has historically been too low to achieve a significant and sustained positive impact on health outcomes and on health inequalities. Looking forward it will be important to ensure that the total resources available for public health are sufficient to meet needs". Newcastle City Council made the same general point in its response and illustrated this by reference to the significant reduction in early mortality rates from cardiovascular disease, highlighting that this would not have been achieved without investment in public health measures.

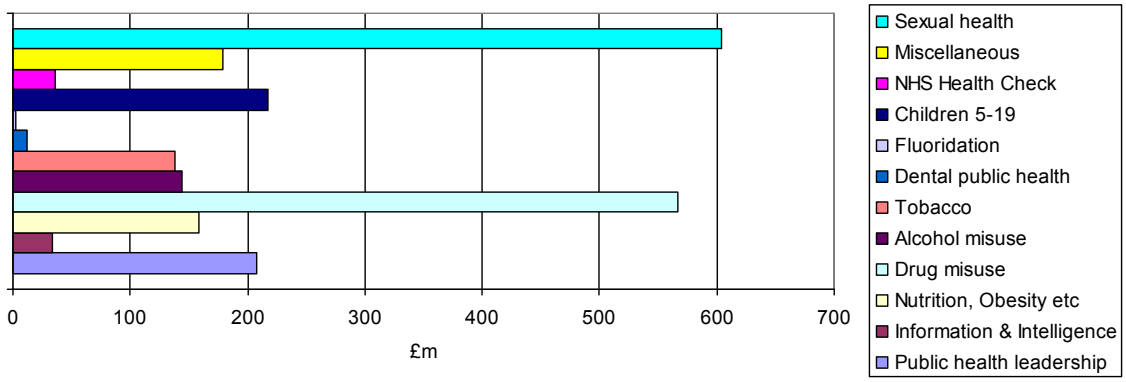
5. This kind of evidence demonstrates the value of increasing the level of public health spending devolved locally, because there does not appear to be any comparable evidence suggesting that equivalent value would be derived from centrally allocated spend (estimated at £2.2 billion in 2012-13 for the NHS Commissioning Board and £620 million for the Department of Health), or from that allocated to Public Health England (estimated at £210 million for 2012-13).

6. The LGA was able to see analysis prepared by the Association of Directors of Public Health examining the consequences of the distribution formula proposed in the Department of Health consultation. This analysis showed that the formula as currently published was regressive and areas with the best health outcomes (predominantly in the south) were likely to be the biggest beneficiaries in comparison to their current spend, with those with the worst outcomes (predominantly in the north) likely to be the biggest losers.

7. LGA officers sought to test this analysis further and found that, if the Department of Health's recommended formula were to be applied, there would only be a 3 per cent correlation between the funding allocated to an individual authority and the extent of deprivation in the authority. By contrast, at current levels of spending there is a 30 per cent correlation. This finding strongly suggests that some adjustment to the proposed formula is required to incorporate a more appropriate weighting for inequalities.

8. It was noted that, within the public health functions transferring to local government, there are two dominant categories of expenditure: sexual health services and drug misuse services. Details of the latest available analysis are given in Chart 1 below.

Chart 1 - Analysis of local public health spending 2010-11



9. Officers concluded in the light of this analysis that the funding formula that the Department of Health had proposed required further adjustment, because it clearly did not lead to an effective resourcing allocation for sexual health services.

10. Lead Members of the Community Wellbeing Board therefore authorised a response to the Department of Health consultation making the following four key points:

    10.1. **The formula requires further adjustment to provide an effective resourcing allocation for sexual health services**.

    10.2. Whilst the Standardised Mortality Ratio (SMR) for those aged under 75 years may be a reasonable starting point for the construction of a needs based formula, **the weighting suggested to help reduce inequalities must be reconsidered**.

    The suggested weighting does not appear to be based on adequate objective

evidence and, as has been pointed out by the Association of Directors of Public Health, is regressive.

10.3. **Considerably more work is needed to establish the correct baseline level of public health spending**. The department has identified an excessive correction for the amount removed on account of the costs of termination of pregnancy, sterilisation and vasectomy. Member authorities have also expressed concerns that inadequate amounts were reported in some other areas, notably in relation to administration and support costs and in specific cases where health budgets faced more general pressures.

10.4. The adequacy of the funding formula cannot be assessed without reference to the quantum of funding. Councils in some areas have serious and well-founded concerns that the future public health investment in their communities could fall well behind likely need. **The LGA calls for a clear commitment from the department for an increase in resources to a level that will maximise the value for money available from well targeted investment in public health**.

Next steps

11. The Department of Health's Advisory Committee on Resource Allocation (ACRA) has the responsibility for advising Ministers on the overall resourcing formula. It is understood that the Committee has met to consider responses to the consultation, but its conclusions are not currently known. Officers will seek further engagement with the Department on this, and will work with member authorities and other interested parties, in particular the Association of Directors of Public Health, to provide further evidence in support of the principal points made in our consultation response. A further report will be made to the Executive when the funding allocations are known.