Business Rates Retention Consultation
Local Government Finance
Department for Communities and Local Government
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Dear Sir/Madam

The BMA (British Medical Association) is an apolitical professional association and independent trade union, representing doctors and medical students from all branches of medicine across the UK and supporting them to deliver the highest standards of patient care. We have a membership of over 170,000, which continues to grow every year.

The Association welcomes the opportunity to provide our comments on the 100% business rates retention consultation.

We hope that our comments are useful – please do not hesitate to contact us for more information if required.

Yours sincerely

Raj Jethwa
Acting director of policy
British Medical Association
Executive summary

- The BMA is supportive of moves to give local authorities greater control and say over their health and social care spending. The integration of health and social care in Greater Manchester (GM), for example, has the potential to offer considerable benefits to patients and NHS staff through enabling genuinely patient-centred and coordinated care.
- However the BMA has concerns with proposals to devolve public health and social care funding, services which directly impact demand for health services. Safeguards must be put into place to ensure devolving public health and social care funding as part of moves allowing local authorities to retain 100% of their business rates revenue does not lead to any further cuts.
- With costs and demand for social care and public health services likely to increase further due to an aging population and the introduction of the National Living Wage, safeguards will also need to be in place to ensure local authorities can continue to fund these services appropriately.
- As there is wide variation in local authority’s business rates revenue some areas may also not have enough funding to cover the needs of their local population. Often those areas with the least funding are in greatest need of social care and public health services, which could result in exacerbating health inequalities.
- Health inequalities must therefore be monitored and central government should play a part in ensuring areas with less income from business rates do not see their health inequalities rise. It is important that a full health impact assessment is conducted to mitigate against any negative impact these proposals could have on health.

Introduction

The BMA is supportive of moves to give local areas greater control over their health and social care funding with the aim of integrating health and social care, particularly where there is a tradition of joint working. We believe that the ability to make region-based decisions on funding has the potential to offer considerable benefits to patients and NHS staff. It is also an opportunity for local areas to adopt a ‘health in all policies’ approach, reflecting the importance of the social determinants of health.

However, it is important that local control and greater coordination of policy across an area does not result in health funding being diverted to cover shortfalls in other areas. Greater integration must not make the health funding crisis worse. Accountability to patients, doctors and their representative bodies must be clear from the start.

The proposals to devolve funding streams for social care and public health as part of proposals to allow local authorities to retain 100% of their business rates revenue could have far reaching impacts, not just for these services themselves, but also the wider healthcare sector. The BMA therefore welcomes the opportunity to respond to the proposals for local government to retain 100% of business rate taxes raised locally.

Health and social care services are already severely underfunded

Health and social care is significantly underfunded. Combined spending on health and social care in the UK is predicted to reach 7.6% of GDP by 2020/21. This is far below the recommendation in the 2014 Barker Report that there is a ring-fenced budget for both health and social care that represents 11% to 12% of GDP.1
In particular, public health and social care budgets have already experienced significant cuts. Local authority spending cuts have impacted on social care funding. Between 2009/10 and 2014/15, funding for the provision of adult social care in England fell in real terms by an average of 2.2% a year, leading to a 25% reduction in the number of people receiving publicly funded social care. These cuts have resulted in the fees being paid by local authorities for care home places being frozen or reduced, destabilising the sector. This has led to a reduction in the number of appropriate social care facilities for patients.

This has had a knock-on impact on health services. For example, the number of days which older patients have spent in hospital unnecessarily due to delayed transfers of care has increased by 32% between 2013 and 2015. Unnecessary use of hospital beds has been estimated to equate to £820 million of the gross cost to the NHS. Unsurprisingly, nine in 10 NHS trust finance directors are now saying that cuts in local authority social care budgets are adversely affecting NHS services.

The situation is no better when it comes to public health. The Spending Review revealed a cut to public health budgets of 3.9% a year. This is in addition to the 2015/16 in-year cut of 6.2% to local authorities’ public health grant. This means that public health is already underfunded and stretched to the limit and these further cuts mean that local authorities will struggle to fulfil even their statutory responsibilities, let alone provide additional services that will improve population health.

**Devolving public health and social care budgets must not lead to further cuts**

In this context, the BMA is concerned that devolving public health and social care budgets to local authorities could lead to further cuts in these areas, due to the financial strain local authorities are under and the competing priorities for local funding.

The BMA appreciates that local authorities are under immense financial strain and are experiencing significant budget cuts. It has been estimated that there has been a 37% real terms reduction in funding from government to local authorities between 2010-16 and a 25% reduction in local authority income in the same period. The National Audit Office have also warned that council auditors are increasingly concerned about local authorities’ capacity to make any further savings, with 52% of single tier and county councils not being well-placed to deliver their medium-term financial plans.

Many local authorities face impossible choices, on the most effective way to spend their limited budgets and which areas to invest in and services such as public health services are often in competition with services such as housing and street/road repairs.

However it is crucial that public health and social care services are adequately funded. Reductions in social care funding would add further pressure onto an already stretched, under-funded, under-doctored NHS. Equally, cuts to public health funding would lead to greater costs to the public purse. Prevention helps reduce overall healthcare costs in the long term.

The consultation proposes to devolve a number of funding streams related to social care and public health. The BMA is concerned that if these funding streams are not seen as a priority to Local authorities, they may be cut and funding could be diverted to other areas. Below we set out our concerns in greater detail.
**Revenue Support Grant**

Funding for social care services at the moment is part of the Revenue Support Grant that local authorities receive from central government. The BMA is concerned that if the Revenue Support Grant is phased out and funding is devolved to local authorities, it is not guaranteed that social care will receive an appropriate amount of funding, as social care funding will not be ring fenced and there are likely to be competing priorities for local authority funding.

**Better Care Fund**

Under the proposals, funding for the Improved Better Care Fund will be going straight to local government to ensure health and social care services work together. However, the BMA is concerned that this fund will be used to prop up depleted social care budgets rather than focus on the entire health needs of the local population. The fund has already helped lessen the impact of social care cuts, but as a result has placed further pressure on already stretched NHS budgets. The BMA would like assurance that health services funding will not be reduced as a result of pooling funding.

**Public Health Grant**

This grant has already seen cuts this year. Given pressures that local authorities are under the BMA is concerned that there is risk that this grant will be cut even further at a local level if it is not ring-fenced beyond 2018. Cuts to the public health grant will inevitably lead to service reduction and will, in the longer term, result in greater costs for the NHS.

**Attendance allowance**

We are concerned that older people with care needs would not be properly supported if funding that is currently distributed through the Attendance Allowance is now determined by local councils. It has been reported that demand for this service could grow faster than it would take for councils to generate business rates income, resulting in people not being able to fund their care needs and more likely to use NHS services.

If these funding streams are to be devolved, the BMA therefore wants to see safeguards put into place to ensure devolution does not lead to any further cuts. This could take the form of ring-fenced social care and public health budgets.

**Local budgets must rise in line with future demand for and costs of services**

Going forward, local authorities will need support to meet future challenges. Issues such as reduced business rates, increasing costs and demand for public health and social care services could lead to even further difficulty for these to be funded appropriately at a local level.

In addition to local authorities’ competing priorities the BMA is also concerned that the funding available to local authorities from business rates revenue for public health and social care services will be reduced further. This is due to announcements in the 2016 Budget on the introduction of a range of measures to reduce the burden of business rates on ratepayers, and to modernise the system. These included:

- permanently doubling SBRR (Small Business Rate Relief) from 50% to 100%
- increasing the threshold for the standard business rates multiplier to a rateable value of £51,000, taking 250,000 smaller properties out of the higher rate
- announcing that as of April 2020, taxes for all businesses paying rates will be cut through a switch in the annual indexation of business rates from RPI (Retail Price Index), to be consistent with the main measure of inflation, currently CPI (Consumer Price Index).
Although this is a benefit to the ratepayer, it will lead to a reduction in revenue earned from business rates and less funding will be available to go towards local services going forward. This raises concerns if responsibilities for public health and social care stay the same or rise, while income from business rates is reducing.

In addition, the demand for these services is likely to increase. For example, an aging population will result in increased demand of health and social care. By 2040, nearly one in four people in the UK will be aged 65 or over. Annual costs of health and social care are significantly greater for older people and it is predicted that the number of older people with care needs will rise by more than 60% over the next 20 years. Due to this increasing demand, it is vital that good quality social care services are available.

It is also evident that public health services are increasingly in need. For example, over 200,000 children (aged 11-15) are estimated to start smoking every year in the UK; approximately a quarter of the UK adult population (16 and over) are obese; and a significant proportion of adults in England do not meet recommended levels of physical activity. If these issues are not properly addressed overall health costs will increase in the long term.

In addition to this, the cost of social care services is also likely to increase due to the introduction of the National Living Wage. The cost of the National Living Wage is estimated to be £1.4 billion by 2020 and once this is accounted for, it is estimated that there will be a social care funding gap of £2.8–3.5 billion by the end of 2020.

The BMA therefore calls on the Government to put into place safeguards to ensure local authorities can meet both the increasing costs and increasing demand of these services. This could take the form of regular Fair Funding reviews by central Government to ensure funding rises in line with costs and increasing demand.

**Health inequalities must not be allowed to rise as a result of devolution of funds**

Variation between local authority budgets is also a concern and it is vital that local need for public health and social care is met to ensure health inequalities do not increase.

The way in which local authorities will identify local need and determine where funding is spent will be crucial. Clarity is needed on how local need will be defined and representative quality indicators developed to assess it. If need is not measured accurately, this will likely result in inadequate funding provided to services that are most in need.

But even if need is measured accurately, the BMA has concerns that local authority budgets may not be large enough to cover the needs of the local population. There is wide variation in local council budgets and for some areas, their spending and funding needs may not be supported by their business rates revenue.

The proposals aim to incentivise local economic growth. However, we would question whether economic growth will yield enough extra income in poorer areas at least in the short and medium term. Richer councils may have a stronger incentive and ability to grow their economies than poorer councils. Over time this could lead to greater concentration of public investment and resources in richer areas of the country.

This is a key issue as often those areas with the least funding are in greatest need of social care and public health services. This could result in exacerbating health inequalities.
As mentioned above, funding available to local areas through business rates will decrease through the measures announced in the 2016 Budget. This will hit areas with low business rate revenues even harder, potentially exacerbating health inequalities.

We therefore recommend that a full health impact assessment is conducted before implementing the proposals to devolve these budgets. This will ensure greater consideration of the negative impacts these proposals could have on health, and focus attention on ways in which these can be mitigated. In addition to this, it is important that health inequalities are closely monitored and that central government implement additional measures to ensure areas with less income from business rates will not see their health inequalities rise.

Conclusion

While the BMA is generally supportive of the devolution of health and social care services, we do have some concerns regarding funding streams for social care and public health services being devolved. Safeguards will need to be in place to minimise any negative impact to these services now and to ensure local authorities are able to adequately fund these services in the future without health inequalities rising. Greater clarity is also needed on how the system will work and how responsibilities for vital services will be devolved.

References

6 National Audit Office (2014) Impact of funding reductions on local authorities
8 House of Commons, Communities and local government committee (2016) 100 per cent retention of business rates: issues for consideration. First Report of Session 2016–17
9 Health and social care information centre (2014) Focus on the health and care of older people