



## Solace Budget 2020 submission

1. Solace is the representative body for more than 1,600 chief executives and senior managers working in the public sector in the UK, committed to promoting public sector excellence. We provide our members with opportunities for personal and professional development and seek to influence debate around the future of public services to ensure that policy and legislation are informed by the experience and expertise of our members. Whilst the vast majority of Solace members work in local government, we also have members in senior positions in health authorities, police and fire authorities and central government.
2. We welcome the opportunity to make representations ahead of the Budget but note that our members belong to Solace as individuals, not as representatives of the organisations that they work for. Therefore, speaking as the voice of the Solace membership, this submission will indicate broad opinions and themes as opposed to providing detailed local authority evidence, which we expect will be sent directly from a number of local authorities and representative organisations.
3. We wish to register the following points on behalf of our membership:
4. **Key messages**
  - The overall quantum of funding for local government is inadequate – the LGA has predicted an £8bn funding gap by 2025<sup>1</sup> – and the Government must use the upcoming Budget and Spending Review to provide councils with a truly sustainable multi-year settlement and limit the amount of new funding it distributes through one-off pots.
  - English councils receive, on average, more than a third less than Scottish and Welsh authorities due to different choices made by the Government and the devolved administrations<sup>2</sup>. The Budget and Spending Review provides an opportunity to address

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<sup>1</sup> [LGA: Councils can](#)

<sup>2</sup> [Solace analysis, in conjunction with Local Government Chronicle, November 2018](#)

this gap and 'level up' allocations in England to match those of their council counterparts in Scotland and Wales.

- Sustainably funded local government will be able to better leverage the power of the state to improve citizens' lives, and the places they live, post-Brexit.
- A failure to address demand pressures in children's and adult social care services, as well as other areas such as homelessness, will continue to have severe knock-on impacts on local authorities' finances, and hence their ability to fund non-statutory services.
- Unless the financial crisis surrounding social care is properly addressed, it will be impossible to successfully deliver the aims and ambitions of the NHS Long Term Plan.
- Continued underfunding of local government will also prevent councils from investing in prevention and so will inevitably limit peoples' life chances, as well as resulting in additional demand being created for other parts of the public sector.
- Local government needs certainty sooner rather than later about how much money the sector will receive over the course of this Parliament.
- Solace is keen to work with Government develop and implement policies which support an ambitious vision for sustainable local public services.

## 5. **The way forward**

- Local authorities have faced a reduction to core funding from the Government of nearly £16 billion over the last decade<sup>3</sup>.
- According to the NAO<sup>4</sup>, services most critical to economic growth have taken the biggest cuts: planning (53% real-terms cut), housing (46%) and transport (37%).
- Local government will continue to seek to operate more efficiently and generate more income, but that will never be enough to make up the funding gap the sector faces.
- The sector urgently needs a plan to ensure that local services are put on sustainable footing. There are only three plausible ways forward. The Government must do at least one of the following:
  - Increase the size of the overall funding settlement for local government;

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<sup>3</sup> [Local government funding: Moving the conversation on](#)

<sup>4</sup> [Financial sustainability of local authorities 2018](#)

- Give local government new fiscal powers to raise the necessary additional funding locally, such as implementing a local income tax – as recommended by the Institute for Fiscal Studies<sup>5</sup>;
- Empower councils to lead a major shift towards place-based budgeting in order to increase the efficiency and impact of all public sector spending via pooled budgets and investment in prevention.
- Another idea is to create a ‘regional life chances enhancement endowment fund’ which would shift funding towards prevention, including wellbeing, personalisation and integration at a more local level, while also helping to deliver service reform and sustainable economic growth [see section 8 for examples].
- While the NAO concluded “the sector has done well to manage substantial funding reductions since 2010-11” it added the “financial pressure has increased markedly” meaning “the current trajectory for local government is towards a narrow core offer increasingly centred on social care.”

## **6. The case for a truly sustainable multi-year settlement**

- The absence of certainty around ongoing funding means it is incredibly difficult for councils to commit to delivering certain services.
- Uncertainty of funding significantly increases the chances of service disruption/hiatus, and the risk that current providers will seek alternative (and more secure) contracts elsewhere and become unavailable, leaving much needed services in the lurch.
- Solace is calling on the Government to commit to a minimum three-year financial settlement for local government, but ideally five years.
- Solace analysis<sup>6</sup> has found the amount of per capita funding made available to councils in Wales and Scotland has increased by 5.2% and 0.2% respectively in absolute terms since 2010-11, while England has witnessed a 29.8% reduction over the same period.
- In 2018-19, English councils received, on average, £1,423 to spend on services per person - more than a third less than Scottish and Welsh authorities – £2,309 and £2,237 respectively.
- This disparity is not a direct consequence of the Barnett formula, but as a result of different choices made by the UK Government and the devolved administrations.

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<sup>5</sup> [Taking control: which taxes could be devolved to English local government?](#)

<sup>6</sup> [Solace analysis, in conjunction with Local Government Chronicle, November 2018](#)

- A significant uplift in funding to meet the funding gap facing the sector, combined with added certainty, will help local government to undo/start to reverse some of the impacts created by a legacy of underfunding over the last decade, which in many parts of the country has manifested in the state of the public realm.
- Meanwhile, a commitment to solving the social care crisis is crucial, not only for service users and the sustainability of local government finances, but the delivery of the aims and ambitions set out in the NHS Long Term Plan.

## **7. Local collaboration**

- The Troubled Families programme has provided a glimpse at what can be achieved if councils are allowed to effectively coordinate and fund a range of services across an area.
- The Government’s own evaluation of Troubled Families<sup>7</sup> concluded it was “making a significant contribution towards improving life for disadvantaged families” and added it was “providing a net benefit for society” on an economic scale too.
- The programme has also proved “successful in driving transformation” of local services. Solace believes there is a once-in-a-generation opportunity for central Government and local government to work together to set out an ambitious vision for sustainable local public services, one that gives those with local knowledge genuine choice about how public spending is used in their areas and enables services to be designed around people and places rather than departmental and sectoral priorities.

## **8. Prevention and early intervention**

- Our expectation is that local authority chief executives would seek to prioritise spending on priming the sector for a better future i.e. by spending ‘additional’ funds now to improve residents’ life chances, particularly in relation to health, and reduce the future demand for services, in particular children’s services.
- We have proposed creating a ‘regional life chances enhancement endowment fund’. The aim of this is to shift funding towards prevention, including wellbeing, personalisation and integration at a more local level. By adopting this approach it will help to deliver a step change in service reform and delivery, while also helping to deliver sustainable economic growth.

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<sup>7</sup> [National evaluation of the Troubled Families Programme 2015-2020: Findings](#)

- Money could be focused on:
  - Prevention – for example, programmes like the Individual Placement and Support (IPS) which help people with mental health conditions back into employment. This has been successful in the UK and international studies have shown that investing in such schemes results in clients being twice as likely to gain employment, work much longer and experience reduced hospitalization rates<sup>8</sup>
  - early intervention – an example here might be recruiting more staff and conducting more health visits to enhance children’s life chances e.g. by improving oral hygiene and reducing severe tooth decay which can result in significant savings and improvements to life chances<sup>9</sup>
  - family support – an example here might be broadening the family support offer in order to both reduce the number of children taken into care, and to help those already in care either return to their families or find permanent homes
- These are just a small selection of examples and Solace would be more than happy to provide more if there is interest.
- Investing in prevention and early intervention, particular in relation to health, has been found to be an investment in economic prosperity through multiple pathways<sup>10</sup>. Healthier adults are more productive which in turn helps to boost the economy.
- This approach to a ‘care and repair’ economy that will help to ‘level up’ places could see funding allocated to each region based on population, deprivation, and the economic gap with London.
- By getting the economy working better, the endowment fund would result in greater public sector productivity by making the public pound work more effectively.

## **9. Minimise the number of funding pots**

- Solace research has found almost £7bn has been made available to councils through one-off funding pots since 2010, with a growing trend in the last two years.
- Constraints placed on funding pots usually means the money is spent on dealing with existing demand rather than reform.

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<sup>8</sup> [Evidence for IPS](#)

<sup>9</sup> [Public Health England guidance](#)

<sup>10</sup> [World Health Organisation: The case for investing in public health](#)

- The unpredictable timing of each pot also causes difficulties. The NAO warned that a lack of financial certainty “creates risks for value for money as it encourages short-term decision-making and undermines strategic planning.”
- There would be better value for money in aggregating the funding for smaller funding pots, which are often used to try and plug gaps in an unsustainable system, and putting it into core funding for local services which in turn would give councils a better chance to reform services.