



Solace Submission to the consultation on the Fair Funding Review

1. Solace is the representative body for over 1200 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 respond to the consultation on the relative needs assessment as part of the Government's Fair Funding Review 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 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.
3. We wish to register the following five principles on behalf of our membership:
 - 3.1 We have strong concerns about focusing on issues of distribution before the more fundamental question of sufficiency has been addressed. Local government has borne the brunt of public spending cuts since 2010, without any commensurate reduction in our responsibilities and against a backdrop of mounting demand. With highly respected and impartial bodies such as the National Audit Office and the Institute for Fiscal Studies warning that the financial position of councils is increasingly unsustainable, we cannot keep ducking the sufficiency question.
 - 3.2 If by 2020, local government funding is to be based almost entirely on council tax and business rates revenue, councils will need certainty, stability and flexibility more than ever in order to be able to plan effectively. Unilateral mid-year policy decisions on the part of central government regarding rates relief, referenda threshold, etc undermine the long-term planning we need to be able to undertake in order to ensure the value-for-money of every public pound that is spent.
 - 3.3 Our members tell us that their local businesses and employers are very worried about the level of uncertainty they face in the context of ongoing Brexit negotiations. This lack of certainty makes it highly challenging for them to make investment decisions and plan for their own sustainability, let alone growth, which could in turn have knock-on effects on local authority tax bases and demand for local services. Any policy decisions taken as a result of the Fair Funding Review should be subject to an independent review that takes into account projected impacts of a final Brexit settlement on our local areas.
 - 3.4 Whether fairness can be achieved whilst the council tax and business rates remain unreformed is debatable. It cannot be right that funding for local services will in future be even more dependent on regressive, outdated tax mechanisms that are reflective of neither the current property market nor the modern economy.
 - 3.5 It is absolutely vital that there is adequate planning undertaken with regard to any transitional arrangements that will be needed to avoid what our President Jo

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Miller has previously characterised as “shocks to an already shocked system”. Solace would be pleased to discuss how a safe transition period could be achieved.

4. The Local Government Association (LGA) has submitted a more detailed response, to which we urge the Government to give strong consideration. In particular, we wish to endorse the following points:
 - 4.1 The Review will not be successful and lead to a sustainable outcome if it is not introduced alongside additional resources.
 - 4.2 The complex and diverse landscape of local government, including many different types of authorities delivering different services in different local circumstances, means that the final result will have an inevitable level of complexity. We do not think using a single formula to estimate relative needs for the totality of local government services is feasible or appropriate or could deliver an equitable result.
 - 4.3 We would support the Government to continue to explore a ‘foundation formula’ for services which are not driven by unique cost drivers and where need to spend can be shown to be most closely correlated to factors used in the foundation formula.
 - 4.4 We support the Government’s two key principles to consider whether services require a specific formula to assess relative spending needs. Spending should be material for many local authorities, and the cost drivers for the service should be materially different from the single ‘foundation’ formula.
 - 4.5 We support an approach that focusses on the drivers of demand and cost that cannot be affected by local policy choices such as numbers of people with a particular type of need.
 - 4.6 We strongly support independent assurance of any options that are likely to be implemented.

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