



Spending Review 2020: Solace 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. We wish to register the following points on behalf of our membership:

2. Key messages

- This Spending Review is crucial for the short and long-term future of this country as it responds to, and recovers from, the Coronavirus crisis, and prepares for its future outside the European Union.
- Ensuring local government is sustainably funded will be vital if the country is to successfully overcome the many challenges presented by these events while also supporting the Government's ambition of levelling up the country, improving peoples' life chances, stimulating growth and unleashing Britain's potential.
- It is widely recognised that before the pandemic local government was poorly funded – the LGA predicts an £8bn funding gap by 2025¹. Despite Government support to help mitigate the impact of Covid-19 on councils, the IFS estimate a £2bn funding gap for local government this year alone².
- In short, local authorities are severely struggling right now. So, while we urge the Government to use this Spending Review to provide councils with a truly sustainable multi-year settlement, our number one ask of Government is early certainty over funding for the rest of 2020-21 and 2021-22 to help reduce the cost of short-termism.
- Specifically, we call on the Government to, as a matter of urgency:
 - issue a statement of intent on the size of the spending envelope for 2021-22 so that the sector has the best possible chance of navigating what will continue to be an extremely challenging period for local places.
 - this envelope should be based on a 'status quo plus' approach, rolling over the 2020-21 settlement for local government with an uplift of at least 1% in real terms.
 - follow through on the Prime Minister's commitment to cover all Covid-related costs, including loss of income in relation to sales, fees, charges and business rates.
- The Government should also consider allowing councils to carry forward budget deficits (as the NHS can) over a limited period of time (e.g. five years) before returning to a balanced position. This technical cost-free change would provide councils with a powerful tool to manage their finances more holistically and would therefore enable local authorities to avoid making drastic cuts to vital services, as well as lowering the chances of any council needing to issue a section 114 notice.

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¹ [LGA: Councils can](#)

² [COVID-19 and English council funding: how are budgets being hit in 2020–21?, August 2020](#)



- Looking beyond the immediate, there needs to be a coordinated, structured long-term investment in communities so local areas, and the country as a whole, can ‘build back better’ from the seismic impact of the pandemic.
- The Conservative Manifesto made a commitment to invest in our “superb public services and infrastructure” but infrastructure is not just about bridges, buildings and roads – it’s about people too.
- So we propose the Government should create a £100bn endowment fund ([see section 7](#)) – matching the quantum to be invested in physical infrastructure – to inject new funds across the country into social infrastructure, in particular preventative measures. By focusing on prevention the fund will not only help the country to respond to the many longstanding issues exposed by the coronavirus crisis, but to also enhance the national recovery by improving and ‘levelling up’ citizens’ life chances, upskilling the nation, turbocharging our economy and unleashing Britain’s potential post-Brexit. Adopting such an approach will also reduce the demand for future public services and generate persistent gains for the Exchequer over decades to come.

3. Longstanding issues

- Before the pandemic English councils received, on average, more than a third less funding than Scottish and Welsh authorities due to different choices made by the Government and the devolved administrations.³ The Spending Review provides an opportunity to address this gap and ‘level up’ allocations in England to match those of their council counterparts in Scotland and Wales.
- Local authorities have faced a reduction to core funding from the Government of nearly £16bn over the last decade.⁴
- According to the NAO⁵, services most critical to economic growth have taken the biggest cuts: planning (53% real terms cut), housing (46%) and transport (37%). 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.”
- A commitment to solving the social care crisis, in both children’s and adults services not just for older people, 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 within a system that remains resilient as we recover from Covid-19.
- Local government will continue to seek to operate more efficiently and generate more income, but these savings will never be enough to make up the funding gap the sector faces, let alone address the new financial challenges presented by Covid-19.
- A 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 and post-pandemic.

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³ [Solace analysis, in conjunction with Local Government Chronicle, November 2018](#)

⁴ [Local government funding: Moving the conversation on](#)

⁵ [Financial sustainability of local authorities 2018](#)



- 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, the ability to address inequalities, as well as resulting in additional demand being created for other parts of the public sector.
- Solace is keen to work with Government to develop and implement policies which support an ambitious vision for sustainable local public services.

4. Problems posed by the pandemic

- Local government started the pandemic in a precarious financial position and it remains clear that, despite the welcome financial support packages for councils to date, there will still be a major funding gap for the sector in terms of additional Covid-19 related direct expenditure, enhanced demand for critical services, and severe income losses.
- Financial uncertainty has wide impacts. In our recent survey, nearly half (46%) of council chief executives and senior professionals said they were doubtful over their ability to help their local economies recover. The survey also found that nearly a third (30%) were doubtful of being able to help their places recover socially. And the principal reason for these doubts is the dire financial position that many local authorities find themselves in and therefore a lack of capacity and resources to address local place and local economy recovery.
- In the absence of financially robust local authorities, the ability of councils to provide crucial interventions will be undermined, national productivity will remain weak, and any recovery will be fragile and uneven.
- While the coronavirus crisis has been a national issue, much of the response has been local and this has demonstrated an urgent need to reset the relationship between central and local government.
- Where central and local government has collaborated during the pandemic the design and delivery of policies has been more effective and better enabled local teams to contain the coronavirus.
- We stand ready to take that more strategic approach to policy making and delivery again. And we will need to – on the future of social care, on reigniting and levelling up the economy, and on many other complex policy questions we will face as we seek to rebound from the coronavirus pandemic – if we are to deliver the meaningful change our people and places need and deserve.

5. The case for a truly sustainable multi-year settlement

- The absence of certainty around ongoing funding makes accurate and detailed planning impossible for councils and significantly increases the chances of service disruption/hiatus, with current providers more likely to seek alternative (and more secure) contracts elsewhere, leaving much needed services in the lurch.

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- Unlike much of the public sector, councils have to balance their budgets every year, but effective preventative programmes may have a payback period of ten or twenty years, and the Government’s funding timescales must reflect this.
- The Housing, Communities and Local Government Committee reported last year that councils “had no choice but to cut non-statutory services” due to the need to balance the books each year. “Forcing local government to reduce resources for these services”, said the Committee, “may cause higher costs in the future or just move pressures to other parts of the public sector”⁶, as well as hampering the sector’s ability to tackle inequalities.
- This short-termism can cause local government to become less resilient to future events, with sudden changes or shocks to the system usually leading to difficult choices about further cuts to services or an unplanned drawdown on reserves.⁷ The Institute for Government has already predicted that local authorities will also “perform much less well in a second peak” of Covid-19 if such cuts are made in order to balance the books.⁸
- Solace is calling on the Government to commit to a minimum three-year financial settlement for local government, but ideally five years to match that received by our partners in the NHS.
- The Government’s own review into local government finance processes and governance similarly found that councils can struggle to set budgets within current statutory deadlines, particularly when finance settlements are announced by central government later in the cycle⁹ so speed is essential.
- Solace is therefore calling for early certainty over local government funding for the rest of 2020-21 and 2021-22.
- Solace analysis¹⁰ 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 rather as a result of different choices made by the UK Government and the devolved administrations.
- 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.
- 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;

⁶ <https://publications.parliament.uk/pa/cm201719/cmselect/cmcomloc/2036/2036.pdf>

⁷ <https://www.solace.org.uk/wp-content/uploads/2019/05/A-Call-to-Action.pdf>

⁸ <https://www.instituteforgovernment.org.uk/sites/default/files/publications/how-fit-public-services-coronavirus.pdf> p41

⁹

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/751023/Hudson_Review.pdf p14

¹⁰ [Solace analysis, in conjunction with Local Government Chronicle, November 2018](#)

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- 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 Studies¹¹;
- 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.
- It is crucial that any uplift in funding should not be accompanied by a proliferation of one-off funding pots. Solace research found almost £7bn has been made available to councils through one-off funding pots since 2010 (despite repeated Conservative Manifesto promises to do the opposite), 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.
- 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.

6. Prevention and early intervention

- This Coronavirus crisis has shown the central importance of prevention and early intervention. For decades, the UK public sector has not done enough to invest upstream and tackle challenges before they happen, or before chains of causation are triggered, leading to poor outcomes for individuals and higher demand for expensive public services. Problems postponed only become more difficult to resolve. By contrast, healthier adults are more productive which in turn helps to boost the economy. A stitch in time saves nine.
- The longstanding need for councils and other arms of the state to focus unduly on the achievement of short term efficiencies has come at the expense of a host of wider benefits, not just prevention and early intervention programmes, but the ability to foster robust local supply chains, and having the capacity and resilience to respond flexibly when crisis strikes.
- Councils are well placed to lead a new smarter approach, but we need the powers and resources in order to make this place-driven approach to tackling regional variation in productivity and life chances through devolution a reality.
- Our strong expectation is that where local authority chief executives have access to additional funding, they will 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.
- 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 while taking a longer-term view.

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¹¹ [Taking control: which taxes could be devolved to English local government?](#)



- The Government’s own evaluation of Troubled Families¹² 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.

7. Endowment fund

- But to achieve the necessary step change in where and how the public sector maximises the benefit of its spend, the Government must act boldly – as it has done in response to the pandemic.
- Solace is proposing the Government creates a new £100bn endowment fund targeting preventative measures which will help the country to respond to, and in many cases resolve, the many longstanding social and economic issues exposed by Covid-19 while also improving and ‘levelling up’ peoples’ life chances, upskilling the entire nation, turbocharging the economy and unleashing Britain’s potential post-Brexit.
- Throughout the pandemic the Government has sought to balance the needs of the nation’s health and our economy. This ambitious fund builds on that approach and will enable local areas to ‘lock in’ the best initiatives and innovations borne out of the challenging circumstances public sector partners have been operating in this year.
- Investing in prevention and early intervention, particularly in relation to health, has been found to be an investment in economic prosperity through multiple pathways.
- As a result it is expected the fund – initially funded through a mixture of redistribution of the UK Shared Prosperity Fund and borrowing – will help to deliver sustainable economic growth, as well as service reform and increased local resilience, while alleviating demand on future budgets.
- A proportion of the savings generated could then be reinvested so the fund would only need limited, if any, topping up in the future.
- Having a single fund focused on prevention and early intervention over the long-term will also help to reduce the unintended negative impacts caused by distributing funding through multiple pots over a limited period of time.
- Most Government funding pots are often linked to tackling complex, systemic issues such as knife crime, domestic violence, and homelessness, but by only providing money for a limited period of time it risks doing more harm than good to the very people who need the most help if councils have to reduce or cease these interventions when the pot runs dry.

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¹² [National evaluation of the Troubled Families Programme 2015-2020: Findings](#)

Principles

- As the Government rightly identified before the pandemic, “great towns and cities are being held back”.
 - The PM set out in the manifesto¹³ an agenda for levelling up every part of the UK – towns, cities, rural and coastal areas – and “giving them far more control of how that investment is made” and “trust people and communities to make the decisions that are right for them.”
- Beyond addressing the immediate need to respond to the pandemic, there needs to be a coordinated, structured long-term investment in communities so local areas, and the country as a whole, can become more resilient and ‘build back better’.
 - Typically for every £1 spent on crisis response, £3-4 needs to be spent on recovery.
- For too long we have tried to ‘make do and mend’ all while the ship sails in ever stormier seas – this cannot continue if we are to successfully navigate the economic tsunami created by an unprecedented pandemic.
 - We must build a buoyant, robust and resilient vessel that can withstand the most severe conditions if we are to navigate the many profound challenges the pandemic has created and provide a safe haven for our communities not just now, but long-term.
- Now is the time to grasp the nettle and fundamentally rethink how we invest in our, to quote from the manifesto, “superb public services and infrastructure”.
 - But infrastructure is not just about bridges, buildings and roads – it’s about people too, and unless you invest in social infrastructure as well physical infrastructure it will only make it harder to truly deliver the levelling up agenda.
 - The Government recognises this concept – for example analysis shows¹⁴ about a quarter of the allocations of the £900m Getting Building Fund are for projects aimed at boosting skills and education provision.
- The proposed endowment fund would inject new funds towards prevention, including wellbeing, personalisation and integration at a more local level, which in turn will create more resilient communities.
- The fund will create resilience and will help ensure communities, and the country as a whole, is better able to cope with future pandemics, natural disasters, acts of terrorism, and other economic and social shocks.
 - The Government’s Humanitarian Emergency Response Review (2011)¹⁵ estimated that every £1 spent on prevention saves £4 in response.
- The fund will help to address, rather than defer, a number of cost and capacity pressures that have been building over time. In turn the fund is expected to alleviate demand on future Budgets.

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¹³ [The Conservative and Unionist Party Manifesto 2019](#)

¹⁴ [‘Don’t doubt it – government is serious about skills’, TES, 1 September 2020](#)

¹⁵ [Humanitarian Emergency Response Review \(2011\)](#)

- E.g. It is estimated¹⁶ we spend around 20 times as much on treating ill health as we do on direct prevention, yet the relative cost-effectiveness equation sees a reversal of these proportions – primary prevention is likely to be 24-40 times more cost-effective than treatment on a lifetime basis, with a break-even point after as little as two years.

Characteristics

- £100bn – to match the Conservative Manifesto commitment for (physical) infrastructure spend.
 - To be funded through a mixture of redistribution of the UK Shared Prosperity Fund and borrowing. The manifesto pledged to use the UKSPF to tackle inequality and deprivation, while on borrowing there was a commitment that “public sector net investment will not average more than 3 per cent of GDP”
 - The £100bn commitment for physical infrastructure meets this rule.
 - The manifesto added it would “reassess our plans” if debt interest reaches 6 per cent of revenue – so there is some room for extra public sector borrowing beyond the £100bn earmarked.
 - And at a time when the country faces some of the most profound challenges it has ever faced in modern times, it surely makes sense to take advantage of historically low interest rates.
- Whatever funding mechanism is chosen, there will be returns via lower employment, economic growth, and efficiencies through public sector reform.
- This should NOT be a standard, one-off pot of funding to be distributed in chunks by the Government. It should be a revolving fund – not a one-time investment – which will pay for itself multiple times over.
- The fund should be place led, with priorities locally determined to ensure money is spent on projects/initiatives that respond to/meet the needs of their communities
- Crucially evaluation will be hard-wired into the fund. All projects funded will have to include comprehensive and robust evaluation plans built in. This will ensure that a body of evidence on novel interventions is created and expanded as the Fund develops and the money recycles. In addition, councils’ financial returns can be used to demonstrate to Government exactly how funding has been spent.

How it will work

- The fund could be overseen by a neutral body akin to the OBR with independent commissioners who determine priorities/how best to divvy it up/which formula to use – and measure progress/adjust the operation of the Fund to reflect the evidence it generates.
- How will the fund be distributed?
 - A single pot of funding should be distributed via a formula with flexibility over how each area’s share should be spent at a local level.

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¹⁶ [Prevention: A Shared Commitment, LGA \(2015\)](#)

- Councils' financial returns can be used to demonstrate to Government exactly how funding has been spent.
- A range of outcomes could be measured over the long term (e.g. 10 years), across:
 - Financial and physical capital (e.g. value of assets, household net worth etc)
 - Human capital (e.g. educational attainment, mental health, child poverty, jobs/skills, life expectancy)
 - Natural capital (e.g. waste management, sustainable food production, biodiversity/climate regulation)
 - Social capital (e.g. homelessness, loneliness, levels of trust in others/institutions, discrimination)
- Examples of what the 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 shown¹⁷ that investing in such schemes results in clients being twice as likely to gain employment, work much longer and experience reduced hospitalization rates.
 - 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.¹⁸
 - Resilience – 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.

8. Summary

- The pandemic has presented innumerable problems and challenges, some of which are new, but the Coronavirus crisis has largely exposed many longstanding, complex issues. The decisions and announcements made by the Government at this Spending Review will be critical to ensuring the challenges facing the country – resulting from the coronavirus crisis and Brexit - are grasped and that our communities can look forward to a positive future with confidence. Without the right quantum of support local government will be unable to play its full part in helping the nation to 'build back better' and the next stage of the nation's recovery will be undermined. The world after this pandemic will be challenging but given the right funding and resources, it is a challenge local government will rise to – just as it has done throughout the course of this crisis.



9. Additional information

- We welcome the opportunity to make representations ahead of the Spending 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 the Solace membership, this submission indicates broad opinions and themes as opposed to providing detailed local authority evidence, which we expect will be sent directly from several local authorities and representative organisations.

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