**Written evidence submitted by Action for Children [FSR 033]**

**Action for Children** is a leading UK children’s charity working with over 300,000 children, young people and families through more than 550 services across the UK. In addition to written evidence, we would be happy to support the Committee’s inquiry by providing oral evidence.

**Summary**

- Estimated funding for children’s services has fallen by 29 per cent between 2010/11 and 2017/18. As local authorities face rising demand, cuts to government funding have led to a 16 per cent fall in local authority spending on children services. This has opened a funding gap which we estimate will reach £3bn by 2024/25.
- As local authority funding has fallen, a growing share of budgets is being shifted towards statutory services such as children in care and safeguarding. This is leaving less funding available for early intervention services such as children’s centres.
- The outcome of the Fair funding Review and revised funding formulas will be a significant factor in whether individual local authorities are able to adequately fund services that support vulnerable children. The current limitations on data collected by local and central government may restrict the ability to accurately reflect a true level of need.
- There are inherent difficulties in estimating future demand for children’s services. The Government’s approach has many benefits but the lack of transparency regarding commissioned analysis and decision making prevents an open debate and an honest assessment of government plans.
- The Government must continue to develop its understanding of demand for children’s services. The Spending Review provides an opportunity for further investment in research and analysis to improve existing approaches to estimating demand.

**What lessons can be learned from past changes to local government funding in England, the current financial situation of councils, and how this has affected their ability to deliver services.**

**Local authority children and young people’s services**

1. There is no single central government allocation for children’s services with local authorities setting annual budgets from their core spending power. This includes child protection and safeguarding services. This approach exposes children’s services funding to volatility and variations in local authority core spending power.

2. There is a growing body of evidence that available funding for local authority children’s services is not sufficient to meet current demands. Available funding for children’s services has fallen 29% from £10.3 billion to £7.3 billion between 2010/11 and 2017/18.¹ The Local Government Association (LGA) estimates that local authorities will be facing a £7.8bn funding gap by 2024/25.² This will include a £3.5bn gap for adult social care and a £3bn gap for children’s services.³

**Recommendation:** The Government must use the Spending Review to allocate additional funding to local authorities for children’s services to prevent the funding gap reaching £3bn by 2024/25.
3. Local authorities have sought to limit reductions in spending on children and young people services compared to areas such as environmental services and regulatory services. However, between 2010/11 and 2017/18 local authority spending on children’s services fell 16 per cent in real terms.\(^4\)

4. Polling of local councillors by Action for Children found 71 per cent believed reduced funding from central government has made it harder for their councils to deliver their statutory duties for children’s services. This included 96 per cent of Labour Party councillors and 53 per cent of Conservative Party councillors.\(^5\)

5. A survey of Directors of Children’s Services (ADCS) carried out by the All Party Parliamentary Group on Children (APPGC) found that 89 per cent reported finding it increasingly challenging to fulfil their statutory duties under Section 17 in the last five years.\(^6\)

6. As funding is reduced, there has been a consequential effect of raising thresholds for accessing to children’s services. The APPGC inquiry into variations in access to children’s social care found over two-thirds (70 per cent) of social workers believed the threshold for children in need had risen in the last three years, with two in three (64 per cent) believing thresholds for accessing early help had increased. In explaining this, 60 per cent of social workers said finances influenced their decisions about whether to offer early help or whether to provide statutory support to children in need.\(^7\) Due to rising thresholds, in some cases social workers reported having to repeatedly refer children before they reached a point where support was offered.\(^8\)

7. This is borne out in analysis of Department for Education children in need data in the Revolving Door series of reports by Action for Children. The first report found that, in just one year, 140,000 children who were referred to social services and didn't meet the thresholds for help had their case closed rather than being referred to early intervention services. This is despite social services undertaking assessments because of concerns such as neglect.\(^9\)

8. In the second Revolving Door report, further analysis of children in need data found that thousands of children are repeatedly referred to children’s social care but get no help until their problems escalate to crisis point. We found that more than 120,000 children were referred to children’s social care in both 2013/14 and 2014/15.\(^10\) About 36,000 had their case closed in the first year and were referred again the following year. Of these, almost two thirds (63 per cent; 23,000 children) were found to be ‘children in need’ at this later assessment.\(^11\) This analysis demonstrates that not only are local authorities struggling to meet current demand, there are significant opportunities to deliver early help being missed.

**Recommendation:** The Department for Education and Ministry of Housing, Communities & Local Government should carry out a review of early help to see what is working well and what isn’t, and to establish how local authorities and wider safeguarding partners can be better supported to meet the needs of children and young people before they reach crisis point.

**Early intervention funding**

9. There is debate concerning whether funding for certain services should be ring-fenced. Strict restrictions on how and where funding can be allocated can restrict the freedom local authorities have to best respond to local need. Within the wider localism agenda,
there has been a gradual removal of ring-fencing for children’s services – especially concerning early intervention services.

10. The Spending Review 2010 saw the creation of a new Early Intervention Grant (EIG) that replaced a number of ring-fenced central government grants used to pay for services including children’s centres. In 2013/14 the ring fence was removed and the EIG was rolled into the Revenue Support Grant (RSG) – a general grant paid to local authorities annually. Between 2010/11 and 2019/20, the value of the EIG is estimated to fall by 71 per cent, from £3.2bn to £929m. As central government funding for early intervention has fallen, local authority spending on early intervention decreased in real terms by 49 per cent – from £3.7bn to £1.9bn.

11. The reduction in funding for early intervention children’s services contrast sharply with the Government’s promotion of the success of the Troubled Families Programme. The programme emphasise a coordinated approach to deliver support from a range of services to identify and address family issues as early as possible rather than merely reacting to crises. A recent evaluation found the programme had achieve significant progress in the last 12 months. Ministers have said they want to see the programme to go from “strength to strength”.

12. Given the recent success of the Troubled Families Programme there is a clear precedent for expanded government support for early intervention to services supporting children and families.

Recommendation: Government should take steps to support councils to invest in early intervention services through the next Spending Review period

The efficiency, fitness for purpose and sustainability of the current system for funding local government (central government funding, council tax, business rates retention and other income); how it could be improved, including options for widening the available sources of funding; and what lessons can be learned from other jurisdictions.

13. The Government has committed to the introduction of 75% Business Rate Retention (BRR) by 2020/21. Ministers have indicated they remain committed to the introduction of 100% BRR in future. This has been suggested as giving councils increased resources to spend on local services.

14. The Office for Budget Responsibility (OBR) and the Institute for Fiscal Studies (IFS) have both analysed the likely impact of the move towards 75% and 100% BRR. The OBR have found that the policy change will likely be cost neutral to central government by the time is rolled out, relying on local authority policy change to bring in additional revenues that would be expected under the current 50% BRR system. While 75% and 100% BRR will allow local authorities to retain locally-raised taxes, business rate growth is not linked to demand for social services, in particular children’s services.

15. The IFS identified that the gaps between tax revenue capacity and assessed spending needs for some local authorities means that ‘without significant redistribution of revenues, there would be big divergences in different councils’ ability to fund local public services.’ This makes the Fair Funding Review – which will outline how revenues will be reallocated – crucial to the future sustainability of local authorities, including funding for children’s services.
16. While council tax provides another route to raising additional funds, there are tight restrictions on increases in rates. Where there are options for local authorities to do this, additional revenue is ring fenced – as is the case with the adult social care precept. Importantly, analysis has shown that local authorities with the weakest potential for business rate growth also have the weakest council tax base.

**Recommendation:** Central government should retain a mechanism to provide additional funding to local authorities to respond to changes in future demand.

How funding needs of local government are assessed. The current and forecast funding needs of local government and how these needs can be better understood at both a national and local level.

Understanding demand for children’s services

17. Research from the Department for Education found local authorities reported producing basic demand forecasts based on historical information.\(^{23}\) This might be using average change in children in care over the last three years to predict the expected number in the year ahead.\(^{24}\) However, the research found local authorities made very limited use of other more complex types of forecasting models. This was because of the high level of uncertainty around future factors which would influence demand and spend but could not be accurately anticipated in advance.\(^{25}\)

18. When developing plans for future spending, local authorities reported a number of factors that are particularly uncertain and have implications for future spending. These are to do with demographic and socioeconomic factors which may translate into higher levels of need in the future.\(^{26}\) These include family environments, mental health needs and substance misuse.\(^{27}\) The Department did not seek to validate the extent to which these identified spending pressures may influence future spending.\(^{28}\)

19. The National Audit Office, whilst acknowledging the steps that have been taken by the Department for Education, concluded that the analysis is limited, not comprehensive and contains no prioritisation of factors or quantification of the contribution of each factor.\(^{29}\)

20. In evidence to the Public Accounts Committee, the Department for Education acknowledged factors such as deprivation, drug abuse, county lines, domestic violence and mental health are all drivers of increasing demand. This echoes similar evidence provided by the Parliamentary Under Secretary of State for Children and Families who indicated he believe demand was increasing due to population growth, unaccompanied asylum-seeking children and the toxic trio – domestic abuse, substance misuse and mental health problems.\(^{30}\)

21. However, the Permanent Secretary stressed the difficulty in fully quantifying the component parts of each factor and the particular contribution of any one factor in increasing demand.\(^{31}\)

22. To better understand the demands for children’s social care demand pressures, in late 2017 the Department for Education, together with the Ministry of Housing, Communities & Local Government and HM Treasury, commissioned research to understand both pressures on and variations between local authorities. This work is due to be completed by summer 2019. The Department’s aim is that this research will inform the Spending Review.\(^{32}\) It is unclear whether this report will be published by the Ministry.
Recommendation: The Ministry of Housing, Communities & Local Government should publish the final report on pressures on children's services.

23. In part, understanding cost drivers is limited by current collection of data from children’s services. A smaller pool of available datasets prohibits a wider exploration of the factors that may have the strongest statistical relationship to increased need for support from children’s services. It is unclear whether the commissioned research by the Ministry will make recommendations for data collection in the years ahead to address current gaps.

Recommendation: The Department for Education should review its current approach to data collection from children’s services with the aim of introducing annual reporting mechanisms for usage and demand across all areas of children’s services.

Fair Funding Review

24. The Ministry of Housing, Communities & Local Government is currently undertaking a review of funding formulas and underlying needs. The Ministry has set out principles to guide its approach: simplicity, transparency, robustness and being evidence-based.33 We support the ambition to simplify the current needs formulas but there are still a number of unanswered questions about how the Ministry determines levels of need for different services areas.

25. Children’s services is an area of local authority spending where a new estimate of need will be developed. The Ministry intends to use multi-level modelling based on local authority expenditure or usage at a sub-council level to estimate current levels of need.

26. We are supportive the Ministry’s attempts to build an understanding of need at the lowest geographical levels within local authorities. This approach would use data from Lower Super Output Areas (LSOA) – or even individuals – that overcomes the flattening out of trends across larger geographic units. This is particularly relevant to where pockets of deprivation exist within large local authorities.

27. Whilst the attempts to reach lower levels of geographic unit is a positive step, there is less clarity about the data the Ministry intends to use.

28. It has been suggested that local authority outturn figures for 2016/17 will be used for expenditure.34 This choice will be important as spending on children’s services has continued to fall in real terms.35 This has largely been driven by reduction in spending on early intervention – services such as children’s centres and youth services.36 As a result, spending data from more recent years is skewed towards spending on statutory services – such as children in care and safeguarding.

29. A single year, or even an average of multiple years, may not provide a true reflection of the level of spending required to adequately fund all service areas within children’s services. This approach risks recent trends in spending becoming a determining factor in estimating future funding requirements.

30. There are also questions about whether usage provides a true reflection of demand. As previously highlighted (see point 5) there are a number of children repeatedly referred to children’s social services before reaching a threshold for help. It is unclear whether referrals – rather than children who meet thresholds – would be deemed to
have used children’s services. A focus on only those who receive support would underestimate the level of need across communities which is currently going unmet.

31. In addition, service areas within the children’s services have limited data on usage. A Freedom of Information request by Action for Children found 11 local authorities collect no data on how many children or parents use their children’s centres despite this accounting for 5 per cent of their total children’s service spending in 2017/18. Whilst a small snapshot, it raises questions about the breadth and quality of data on usage across local authorities.

32. In developing the model, the Ministry of Housing, Communities & Local Government indicated supplementary data has been collected from local authorities. However, it is unclear what this data covers.

33. As has been highlighted by the IFS, no assessment of spending needs can be objective. There will be judgements made on which year of data and what indicators should be used. This is unavoidable but the process must be transparent with a clear rationale presented for the decisions made.

**Recommendation:** The Ministry of Housing, Communities & Local Government should publish its rationale and analytical process in deciding the final funding formula for children’s services.

The approach the Government should take to local government funding as part of the 2019 Spending Review, what the key features of that settlement should be, and what the potential merits are of new or alternative approaches to the provision of funding within the review.

34. Whilst there have been steps taken to better understand cost drivers for children’s social care – and to build the evidence base for working with families - more needs to be done.

35. Along with addressing local authority resource shortfalls, the Spending Review is an important opportunity for government to demonstrate a commitment to developing a highly informed approach to mapping and estimating demand for children’s services in the years ahead.

36. Rather than rely on addressing immediate challenges, a multi-year programme of research and ongoing analysis would serve to build and refine approaches to understanding demand for children’s services. This will require a dedicated programme of work, protected for the length of the spending review period. This would enable collection of new and expanded data sets alongside analysis and engagement with stakeholders. This funding would bring benefits to local authorities and to central government ahead of future spending reviews.

**Recommendation:** The Spending Review should allocate funding to the Ministry of Housing, Communities & Local Government to undertake a programme of work to develop the evidence base for demand for children’s services.

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1 Link to CSFA briefing https://www.actionforchildren.org.uk/media/11274/csfa_funding_2019.pdf
2 Local Government Association (2018) Local government funding: Moving the conversation on Technical Annex: Key
Survation is a member of the British Polling Council and abides by its rules.

The Department for Education (2016) Children’s services: spending and delivery


Ibid.


Survation, on behalf of Action for Children, interviewed 1,018 councillors in England via telephone between 19th September – 10th October 2017. This sample included 508 Conservative councillors. Data were weighted by region and political party. Survation is a member of the British Polling Council and abides by its rules.


The EIG was effective from 2011/12 onwards. Figures for 2010/11 and 2011/12 are reflective of the combined grants that were rolled into the EIG.


