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Funding children's services

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Ministry of Housing, Communities & Local Government

Developing a new CYPS relative need formula

ADCS Annual Conference 4 July 2019

Anne Charlton (MHCLG) and Rachel Merritt (DfE)

1) Context and background

2) Structure of the model

3) What data is used to evidence need

4) Next steps

Context

The Review of Relative Needs and Resources (RRNR) is an MHCLG led review that aims to set new baseline funding allocations for councils by delivering an up-to-date assessment of their relative needs & resources. It aims to:

- **Set new funding baselines** for local authorities in England, aiming for **implementation in 2020/21**.
- Replace the **current methodology** which is considered **out-of-date** and **complex**.
- **Design a new 'relative needs assessment**' methodology by considering afresh the factors that drive the **costs of service delivery** and how to put these together analytically into new funding formulas.
- Consider how to make a **fair adjustment for 'relative resources'** (e.g. council tax), and how to transition to new allocations quickly.
- Focus primarily on distributing funding for **services currently funded through the settlement**.
- Be developed through close **collaboration with local government and the sector.**

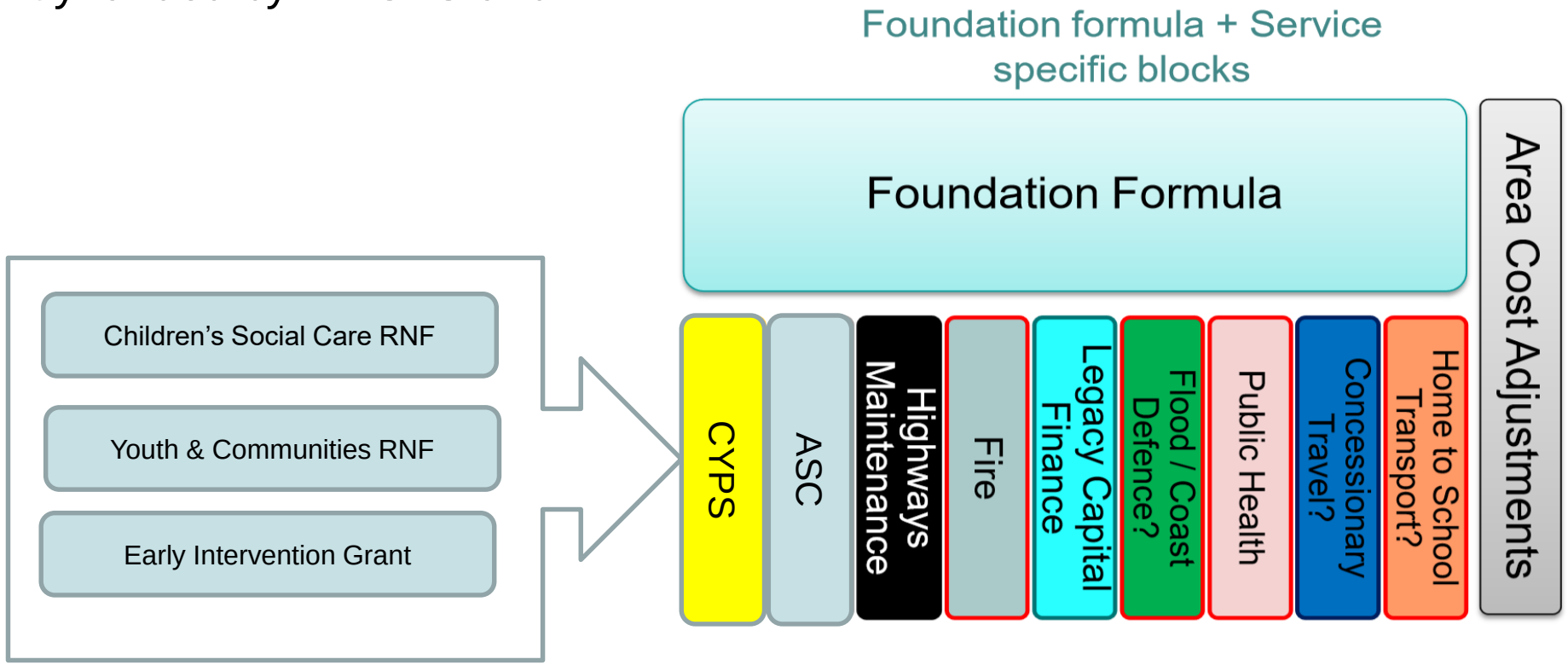
CYPS Formula Background

The Children's Social Care Relative Needs Formula (RNF) was first derived in 1999-2000, using multi-level regression by the University of York. The RNF has little changed since 2003-4.

Following a tender process in 2017, Contractors LG Futures along with academics with specialism in statistical modelling and children's social care at the Universities of Huddersfield (including Prof. Paul Bywaters) and Plymouth were appointed to develop a model of relative needs for C&YP services. The work is jointly funded by MHCLG and DfE.

A simplified model of funding formulae was consulted on Dec 2018.

This includes seeing how far the existing children's RNF can be incorporated into the new CYPS RNF.



CYPS Formula Background

The final funding position for a local authority will be determined by the sum of their relative needs shares, adjusted for relative resources and including any potential transition arrangements.

Relative needs share **-** Relative resources adjustment **+/-** Potential transitional arrangements **+** Actual resources income

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Structure of the model

Spending on Services

Data on service use and activity is linked to expenditure data to estimate relative expenditure on different types of children's social care service. **Essentially we look for correlation between service spend and activity counts.**

Service Description	Activity metric proposed
1) Child, Young People & family universal & targeted support including youth justice Social work assessment, case management and commissioning	CIN: Child in need 31 March
2) Residential & Fostering services	CARE: Whether the child is looked after
3) Care leaver services & supporting legal permanence in alternative families	CEASED: Ceased to be looked after (including via adoption of SGO)

These three grouping are essentially three different models (simplified from an original seven different models through an iterative process of testing).

Earlier models were revised and simplified for example adoption and care leaver numbers were originally separate models amalgamated due to the very small numbers. The amalgamation although driven by statistical considerations also helped to avoid 'baking in' local choices/constraints around where to place children (i.e. into residential or foster care) or how to permanently remove children from care (adoptions, SGO, supported return home).

The suggested model (see table) provided a good statistical strength including as a predictor of spend on the associated service area i.e. there is a strong correlation between the activity and the spend.

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What data is used as evidence of need variation?

Individual data

The funding formula is being built up from data, which the DfE holds (NPD derived data), on the characteristics of individual children (age, gender, ethnicity, FSM etc). Data is also used which describes which children are and are not using various children's social care services. Using child level data helps maximise accuracy and takes account of local variation in social care needs both within and between LAs.

Pseudo-individual data

The characteristics of the immediate neighbourhoods in which children live (Lower Super Output Areas LSOAs) are treated as 'pseudo-individual' data. The characteristics of these small areas are attached to individual children based on the LSOA in which the child lives or lived (for example, prior to being fostered).

Individual Child Characteristics

Sex: M/ F

Age: 6-7, 8-9, 10-11, 12-13, 14-15, 16-17 (6 factors)

Ethnic Group: 17 census 'minor' ethnic categories (Bangladeshi, Indian, Pakistani, Any other Asian background, African, Caribbean, Any other Black background, Chinese, White and Asian, White and Black African, White and Black Caribbean, Any other Mixed background, White British, White Irish, Any other White background, Irish traveller or Gypsy/Roma, Any other ethnic group)

FSM Eligibility*: Yes/ No/ Unkown

Pseudo-Child Characteristics

LSOA IDACI 2019 (Score): LSOA-derived IMD2019 variable describing % children living in income-deprived households

LSOA Overcrowded (Score): LSOA-derived 2011 Census variable describing % families in overcrowded households

LSOA PopDensity (Score): LSOA-derived variable (mid-2016 pop estimates) describing persons/km^2

LSOA LimitedHealth (Score): LSOA-derived 2011 Census variable describing % children aged 0-15 whose day-to-day activities are limited by disability or ill health

LSAO LowQualifications (Score): LSOA-derived 2011 Census variable describing % dependent children with parents with L1 or below educational qualification

LA-level data

Several variables at LA-level were also considered for inclusion alongside the child-level and LSOA level dataset. These included factors frequently cited as increasing risk of harm to children or demand on services. These were:

a) **Rates of under-18 pregnancies**
b) **Rates of self-harm/suicide**
c) **Rates of admissions for alcohol-related conditions**
d) **Rates of juvenile convictions or cautions**
e) **Net international and UK migration**
f) **Rural population**

The modelling found that these individual LA-level variables did not improve the predictive power of the model and that it may distort the model making it less robust.

This is likely because the far more granular evidential base of over 3 million data points at child level in conjunction with the sub-LA data has such a high level of predictive power that these data are not adding value. Additionally factors such as teen pregnancy for example are likely to have a relationship with the sub-LA socio-economic data used in the model which because it is a more granular level is better at predicting the needs of the individual child.

Ethnicity

The model is built to describe likelihood of service usage. The advantage of a multi-level model is that it is effective in neutralising local authority service level decision-making. However, it is still important to consider whether the characteristics which drive service use also describe the 'need' to use services.

The researchers have found that the ethnic category a child belongs to does have a statistical impact on the odds of their having contact with children's social care services. Ethnicity is less of a predictor of use of children's services than other factors in the model for example deprivation (e.g. FSM eligibility) but nonetheless when these factors are taken into account the ethnicity of the child still has an additional impact.

There is some evidence to suggest this variation in service use may be linked to variation in need, such as different family support structures and likelihood of alcohol/substance abuse in certain communities. An element of ethnicity is included in the current Children's Social Care and Youth and Community Services formulae. However, it is not possible to say conclusively if there may also be other issues e.g. certain communities being subject to more or less scrutiny or perhaps being more or less likely to make use of services potentially leading to 'unmet' need.

Including ethnicity as a factor in the formula can be described as balancing the known impact of ethnicity on use of services against the possible impact of ethnicity on the supply of services. Given this we are minded to include ethnicity in the model, subject to further analysis, including the implications for equalities but would very much welcome your views.

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Next Steps

- Please do feed back any further thoughts on today’s session to Anne and Rachel
- Further consultation along with sharing more detail of the model once the research concludes.
- Assessing options for Peer Review and further expert input.

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Questions?

Have you considered joining an ADCS Policy Committee?

See https://adcs.org.uk/committees/home