

Friday 9 March 2018

By email to: NeedsAndResources@communities.gsi.gov.uk

Fair funding review: a review of relative needs and resources

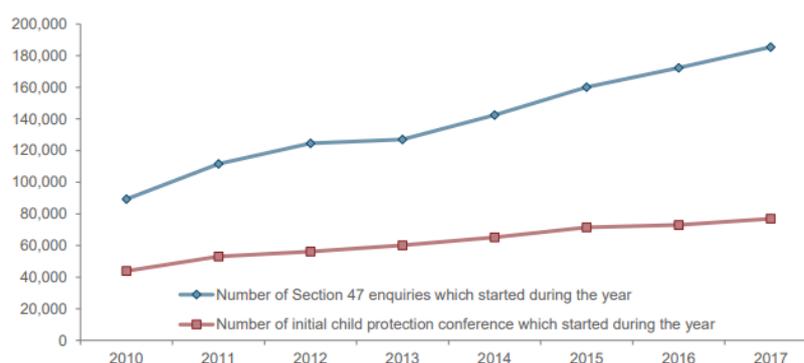
1. The Association of Directors of Children's Services Ltd. (ADCS) is the national leadership organisation in England for directors of children's services (DCSs) under the provisions of the Children Act (2004). The DCS acts as a single point of leadership and accountability for services for children and young people in a local area, including children's social care and education. ADCS welcomes the opportunity to respond to the government's consultation on the fair funding review.
2. One of the stated aims of the review is an examination of the relative resources of local authorities and their ability to raise income. It is worrying that funding for essential local government services will be based on an area's ability to raise funds via business rates and council tax. The system of council tax means that those areas with lower property values, and potentially high levels of deprivation, will raise the least, while business rates do nothing to recognise or reflect local economies in the 21st century. Both council tax and business rates are regressive systems with no consideration given to income or ability to pay, or indeed the relative needs of the local population. There is a danger that under such a system, those with a limited ability to raise funds, who are also those areas with the highest levels of demand, will see their funding gap grow.
3. While the review may help to deliver a more simplistic and transparent distribution system for local government finance, it remains that children's services, along with wider local government services, face significant financial pressures which must be addressed. Without addressing the fundamental funding challenges, any new funding formula will continue to be a redistribution of not enough. ADCS members urge the government to develop a long-term sustainable funding model for children's services which is designed to tackle the problems children and families face earlier. Any funding model must not only consider cost drivers, it must also recognise that the most effective way of supporting families is to prioritise, and therefore resource, universalist, preventative children's services. Without investment in early help services, we lose the ability to address the root causes of problems, placing further pressure on more cost intensive services. This is not in the best interests of the children and families we work with nor the public purse.
4. Since 2010, there has been an average 40% reduction in local authority funding while at the same time, demand for services has risen dramatically. ADCS Safeguarding Pressures, a longitudinal research project, uses both qualitative and quantitative data to evidence and better understand changes in demand for, and provision of, children's social care. [Safeguarding Pressures phase 5](#), published in November 2016 shows that:

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- An estimated 2.19 million initial contacts were made to children's social care, this is an increase of 53% since 2007/8
- Referrals to children's social care were up 12% since 2007/8
- The number of children becoming subjects of an initial child protection plan has increased by 78% since 2007/8
- Neglect continues to be the most prevalent category of abuse in child protection plans, and emotional abuse, including domestic abuse, continues to increase
- Over half a million Child in Need (CiN) assessments were completed in 2015/16
- It is estimated that 32,964 children started to be looked after in 2015/16 - an increase of 37% since 2007/8.

5. [DfE data](#) shows that there has been a year on year increase in the number of section 47 enquiries since 2012/13. There were 185,450 section 47 enquiries undertaken in 2016/17, representing a 46% increase over the four year period. If this year on year trend continues, there could be over 260,000 section 47 enquiries undertaken in 2022/23.

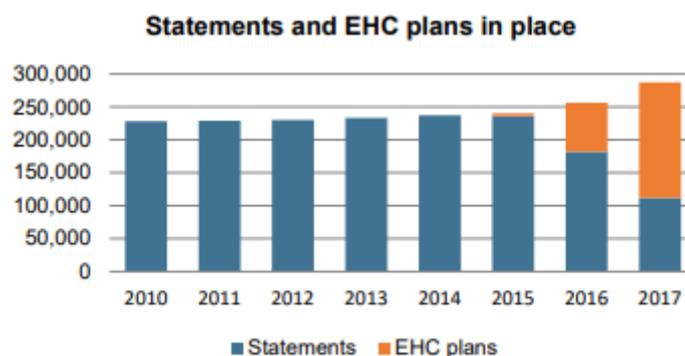
Number of section 47 enquiries starting in the year and number of initial stage child protection conferences which took place in the year
England, 2010-2017



6. In addition to the increased demand for services, the LGA has estimated that children's services face a £2bn funding gap by 2020. If this is not addressed, the gap will continue to grow and continue to compromise the ability of children's services to support children and families at the earliest opportunity and improve their outcomes.
7. The consultation identifies four key cost drivers for providing services to children, these are: number of children (under 18 years of age); number of children for whom parents receive Disability Living Allowance (DLA); deprivation; and, distance to school. ADCS members would suggest that the drivers of cost in children's services are not limited to these four factors.

8. ADCS members would agree that deprivation is a key cost driver for services to children and families. Last year, ADCS published a position paper, [A country that works for all children](#). The paper highlights the issues in current public policy, including the impact of austerity and an increasingly fragmented approach to public services, overlaid with rising levels of child poverty that are cumulatively having a negative impact on children and families. The pressure and stress, created by these wider determinants, is a key cost driver of children's services as more families turn to our services for help and support.
9. There are currently four million children living in poverty, two thirds of whom live in working households. A rising number of families are relying on food banks and an increasing number of children are going hungry. Children living in poverty are more likely to have poorer health outcomes than those living in less deprived communities as well as poorer nutrition, this affects their ability to learn both academically and socially. Not enough national attention or resources are being focused on preventing these or other issues that children and young people face today. It is concerning that England does not have a child poverty reduction strategy, particularly in light of research by the [Institute of Fiscal Studies](#) which estimates that the number of children living in poverty will increase to a staggering five million by 2020/21.
10. There is a correlation between deprivation and welfare interventions. This is not to say that poverty breeds neglect, rather the stress and strain that deprivation places on adults affects their children and their parenting ability. The fair funding review may be interested in recent research conducted by [Bywaters et al](#) (2017), this suggests that where children live is a central factor in inequality. Those living in the most deprived areas in England are 10 times more likely to be on a child protection plan or become looked after than their wealthier counterparts.
11. According to [ONS 2016 projections](#), there will be a million more children in England by 2022 than the number in 2012. This increase could actually be even higher based on more recent ONS mid-year data published in 2017. Given these increases, an accurate population measure is critical to any formula. A number of children's services duties apply to children and young people up to the age of 25, e.g. SEND, therefore, any population measure must reflect this broader age range.

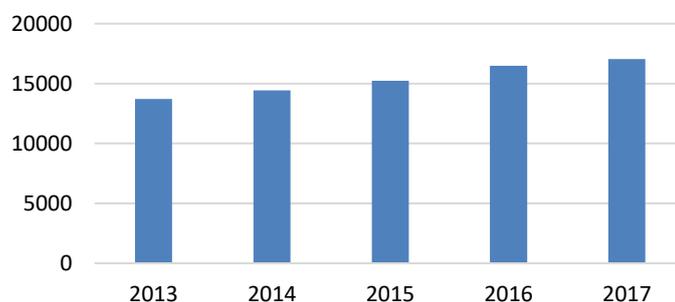
12. ADCS members have shared with DfE colleagues their concerns over rising cost pressures associated with demand for education, health and care (EHC) plans and associated services, many of which require funding that sits outside of the Dedicated Schools Grant. [DfE data](#) shows that the number of statements and EHC plans in place has increased significantly over the last seven years. There are likely to be over 300,000 children with an EHC plan by 2022, however, if the increase experienced in the last year (12%) continues, the numbers could be much higher.



13. While the number of children who receive DLA may be a proxy measure for those with more complex disabilities, eligibility for DLA ends at age 16 and children must apply for personal independence payment (PIP). As LA duties for children with SEND extend to age 25, those in receipt of PIP and aged between 16-25 must also be taken into account. A measure of the number of children and young people in receipt of DLA and PIP will only provide a partial picture, it will not provide a measure of those children and young people who do not qualify or are not eligible yet have additional needs and therefore require support from the local authority.
14. LA duties to provide home to school transport are a significant cost driver and a recent [ADCS survey](#) showed that LAs spend approximately £1 billion pa. This is not sustainable and it cannot be right that in this time of austerity, there continues to be a universal offer based on distance criteria, irrespective of means. ADCS members acknowledge that there will always be some children and young people for whom transport to and from educational settings is vital, however, we call on government to review home to school transport legislation to ensure LAs are able to use their limited resources to support those who need it the most, including children with SEND and those from low income families.
15. Distance to school is not the only factor which drives the costs of home to school transport. Analysis of responses to the ADCS survey shows that in addition to the geographical nature of LAs, key cost drivers also include but are not limited to: the increasing number of children with SEND, many of whom require specialist costly transport; a lack of local mainstream and specialist school places meaning children need to travel a greater distance to school, sometimes out of their home local authority area; and, a lack of public transport.

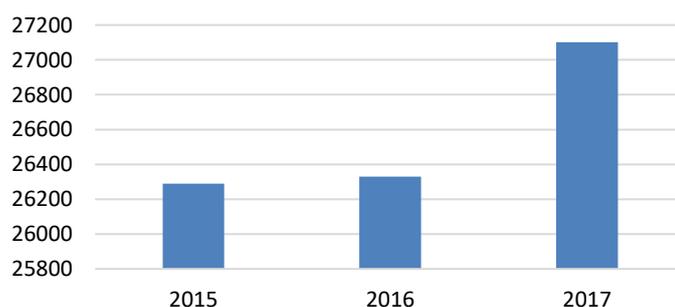
16. As highlighted in [Safeguarding Pressures 5](#), the effects of the ‘toxic trio’, domestic abuse, parental mental ill-health, and substance abuse, continue to be a major and increasingly prevalent reason for the involvement of children’s social care in the lives of children and families. Domestic violence continues to be the most prevalent factor in assessment. [DfE data](#) shows that 49.9% of CiN at 31 March 2017 had domestic violence as a factor identified at the end of assessment – in other words, half of all CiN have experienced or witnessed domestic abuse. This is followed by mental health at 39.7%.
17. LAs take their responsibility to care for unaccompanied asylum seeking children (UASC) very seriously, however, the increasing number of UASC LAs are caring for represents a significant driver of cost. Whilst it is acknowledged that the Home Office grant funding is not provided on a full-cost recovery basis, the current rate of funding remains inadequate and requires a significant uplift. Further, there are differential rates for those under 16, 16 and 17 years old and care leavers based on the inaccurate assumption that costs decrease with age. In November 2016, ADCS published a [special thematic report on UASC and refugee children](#). It was estimated, based on information provided by LAs, that at best the Home Office grant covered 50% of the costs that LAs incur supporting UASC. In addition, LGA research shows that in 2015/16, LAs spent £113 million on support for UASC, £48 million over budget.
18. [DfE data](#) shows that the number of children in care aged 16 and over has increased by 24% over the last 4 years.

Number of children in care aged 16 and over as at 31 March



Young people aged over 16 who come into care are more likely to stay in care until they are 18. As LAs experience a continued growth of late entrants into the care system, the number of care leavers for whom LAs are responsible for will also increase. This is a significant driver of cost as LAs are supporting an increasing cohort of young people with ‘relevant child’ status.

Number of care leavers aged 19 - 21



19. The Children and Social Work Act 2017 extends the provision of PA support to all care leavers up to the age of 25. While ADCS members welcome the extension of PA support in principle, it is disappointing that the government is only part funding this new burden. Once implemented, this will reflect an additional cost pressure for LAs.
20. Over recent years, a raft of new legislation and policy initiatives agreed by central government have placed 'new burdens' on LAs, for example, requirements to support children with SEND up to the age of 25, the introduction of Staying Put, and duties under the Children and Social Work Act 2017. While some new burdens have received funding, ADCS members would suggest that none of these new responsibilities have been fully funded and as a result, LAs face increased financial pressure as they are expected to do more with less. We would encourage government to consider the cumulative impact of an ever-growing list of new responsibilities heaped onto LAs without the required funding to meet them. As new duties emerge, old duties must be reviewed to ensure they are fit for purpose and do not result in unrealistic expectations of local authorities
21. ADCS would be happy to welcome representatives from the Ministry of Housing, Communities and Local Government to a future meeting of the Association's Resources and Sustainability Policy Committee to discuss the fair funding review further. Please contact Esther Kavanagh Dixon, ADCS Policy Officer via esther@adcs.org.uk.