ADCS
Leading Children's Services

# ADCS submission to the 2024 Autumn Budget and Spending Review

The Association of Directors of Children's Services Ltd. (ADCS) is the national leadership organisation in England for directors of children's services (DCSs) appointed under the provisions of the Children Act (2004). The DCS acts as a single point of professional 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 submit a representation to the 2024 Autumn Budget and Spending Review process.

## Children, young people and childhoods

We are at a pivotal moment in the nation's relationship with children and young people. In 2024, too many live in poverty, have poor mental health and are squeezed into an education system which does not meet their specific needs or allow them to fulfil their potential. Too many children are waiting too long to access mental health care and treatment, are experiencing abuse and suffering from harm, and are living in cold, overcrowded or temporary housing. A growing body of evidence is clear that children's life chances are stalling or even deteriorating in terms of education, mental or physical health, too many are criminalised, and are faced with discrimination or geographical inequalities.

Social progress will drive economic growth. We need to come together to invest in children, young people and their families, as well as the public services they rely on to help them to thrive. This investment not only benefits individual children and families but the country as a whole via increased earning potential, less reliance on, and cost to, the state and sustained progress on social injustices. Children's needs, their rights and outcomes have not been prioritised in recent years and ADCS members welcomed the announcement of a Children's Wellbeing Bill as part of the Kings Speech and the missions-based approach to working announced by the new government.

## Local government and children's services funding context

The perilous state of local government funding must be addressed; the Local Government Association has recently revised up the expected funding gap over the next two years from £4 billion to £6.2 billion. Appendix 1 sets out the body of national research which illustrates the pressures local authorities are experiencing. Children's services is now arguably the largest cost pressure in many local authorities and counter-productive decisions are being made due to the current financial context, for example, scaling back services that prevent children and young people from requiring statutory child protection services. This is the wrong approach, both economically and morally, the system should be designed and funded to ensure prevention is prioritised so that the right help is available at the earliest opportunity.

And, while ADCS welcomed the additional £500m funding added to the Social Care Grant earlier this year, this additional funding was not ringfenced for children's services, and the figure was only sufficient to help local authorities to stand still. It does not negate the need for a sufficient long term funding settlement for local government, or the need for funding for children's services to be prioritised as part of the Social Care Grant.

With an increasing number of local authorities on the brink of issuing Section 114 notices, there is a significant risk that local government's role is diminished to the delivery of statutory services, with the advantages to local communities which LAs offer as leaders of place lost. If local authorities are to play a key role in reforms moving forward, investment is needed in order to stabilise and build capacity to address the hollowing out that has taken place during the austerity years.

For some time, ADCS has been advocating for greater cross government working to support the development of holistic policy for children. At present, the system is fragmented with different departments leading on separate elements which leads to silos, limits our ability to positively impact and is not efficient. The disjointedness leads to disconnects in policy, duplication in spend and unintended consequences, such as cost shunting from other parts of the system. Children and families, and consequently children's services spend, are impacted by policy decisions taken in the Departments of Health, Justice, Housing and Communities and the Home Office.

We need an ambitious, cross government plan for childhood, which pays specific attention to understanding, mitigating, and removing income, health, racial, geographical, and educational inequalities, alongside an effective resourcing and implementation strategy. This should be led from the centre of government, setting out the most important priorities for key government departments and agencies – as outlined in the ADCS Childhood Matters paper.

As Treasury turns its attention to the Autumn Budget and Spending Review, ADCS would like to take the opportunity to reiterate our priorities for policy development and any potential investment.

**Priorities for policy development, reform and investment**

ADCS has identified a number of priority areas for policy development and reform and whilst the need for increased funding cannot be avoided, some of the proposed reforms, if implemented, would unlock significant resource to be redirected into both current and future priorities. If government is minded to further explore and/or implement any of the reforms, ADCS stands ready to lend its support and work in partnership with the relevant department(s).

**Recognise and address the social conditions impacting on childhoods and driving up family distress -** There are things that the government could do to address issues that are impacting childhood for a significant number of children, and as a result, driving families to turn to children's services for help and support. Insecure income, welfare and housing are significant issues for families and are driving family distress. Addressing the shocking levels of poverty, rebuilding the foundations of families and offering help and support at the earliest possible opportunity, or early intervention, must be seen as drivers for change.

**Investing in "what works" -** Via the DfE Innovation Programme and the various "what works" centres, there is robust evidence of approaches that work to meet the needs of children and families at the earliest stage that prevents and reduces demand on more intensive statutory services. The 11 Families First for Children Pathfinder areas are now testing models of family help with a view to scaling up across the country. Funding for the pathfinders must continue so the sector, and those we serve, can benefit from the learning that is taking place. ADCS has supported the vast majority of the reform programme and there was cross government support for this under the last parliament. ADCS would support a renewed commitment to the programme, however, this needs to be fully funded and any investment must recognise the ever-growing funding gap. The Care Review costed full implementation at £2.6 billion, however, the cost has already increased and will continue to grow if implementation is further delayed.

**Stability, certainty and equity in funding -** A number of funding streams which are central to prevention and early help are due to come to end in March 2025, such as Supporting Families, the Holiday and Activity Fund, family hubs funding and Turnaround. These time limited pots of funding have been distributed by various government departments over a number of years, they now fund business as usual activity with children and families and therefore need to be brought together and mainstreamed. The removal of such funding streams has the potential to result in a gap in the core offer of support to children and families. Further, the lack of uncertainly over the future of these funding pots is driving instability across the workforce as practitioners on fixed term contracts face the prospect of redundancy and so understandably, seek alternative opportunities.

Funding to support children and young people's mental health is also an area for consideration. The current spit in funding is significantly weighted towards services for adults. A change in the funding model would allow for a greater focus on services for those under 18 and further support early intervention and prevention via the roll out, at pace, of mental health support teams in schools and colleges.

**Values-led investment -** The placement market for children in care is dysfunctional and does not serve the interests of children and young people well. Urgent reform is needed to better ensure that the limited funds in the system are used in the best interests of children and improve their outcomes, not on profits or shareholder payments. The DfE's Market Interventions Advisory Group was established under the previous government to explore ways in which profiteering can be addressed and how to develop enhanced oversight systems both in relation to finances and regulation. ADCS would urge government to continue with this work and at pace. The spiralling costs of children's social care placements are unjustified and through addressing profiteering, the money in the system would be used more efficiently and could be redirected into the development of in-house and voluntary sector services in the communities where children live. To date, the discourse around this work has been focused on residential care, however similar issues around profiteering are present in the independent fostering agency (IFA) market and cannot be overlooked. The significant sum of money saved could be used to fund the development of services to reduce the number of children coming into care and improve family functioning so children can be reunited with their families.

**Aligning policy priorities –** Over recent years, there has been erosion of hard-won inclusion across mainstream education and the growth of demand in additional support is not a coincidence. The education system now places academic achievement above all else, with regulatory and funding arrangements that reinforce this. As a nation, we need a new all-encompassing vision for education that government, employers, parents, carers and learners can sign up to. There must be a rebalance of funding across the education system away from the high needs block into mainstream education to support truly inclusive practice, this cannot be achieved on stretched resources.

While the 2014 SEND reforms were well intentioned, we have seen a range of unintended consequences emerge as a result of implementation and for many, education, health and care plans (EHCPs) are now considered to be the only way to access support. We have seen unsustainable levels of demand for EHCPs, resulting in significant high needs funding deficits, expected to reach £5 billion over the next two years, as well as a drift away from inclusion in mainstream schools towards high-cost specialist provision. The system is unaffordable and outcomes are now worse for our children and young people.

We cannot continue to view SEND and education as separate systems. A truly inclusive education system, as envisioned in the Isos Partnership report (2024), would enable children to be educated in mainstream schools, alongside their peers, wherever possible. Investment, incentives and accountability will be required for schools to become truly inclusive.

A long-term reform programme must be supported by a range of short-term measures to help alleviate the pressure in the system and unlock resource:

- The high needs block is a threat to the solvency of many, if not all, local authorities and this could be addressed by transferring it to the national debt, the uncertainty of the statutory override ending in 2026 is challenging and focuses the discourse on finances rather than meeting children and young people's needs

- Home to school transport statutory guidance is rooted in the Education Act 1944. It is no longer fit for purpose and does not reflect the needs of children in the 21st century. Modelling done by the Isos Partnership predicts SEND school transport will almost triple over a decade – from £397m in 2018/19 to £1.125bn in 2027/28 – with the number of children eligible for free school transport increasing 122% over the same period, from 58,000 to 129,000, driven by the introduction of SEND legislation in 2014 and a subsequent increase in the number of children receiving Education, Health and Care Plans (EHCPs)

- The importance of linking up SEND policy with schools' capital investment within the DfE is underlined by the growing reliance and spend in the independent sector. Independent non-maintained special schools are funded by the taxpayer as the only customers are local authorities. Such schools should be transferred to academy status and receive funding directly from the state and form part of a local area's sufficiency of specialist provision. Capital investment is needed to enable local authorities to sustainably meet local need by developing maintained mainstream and special school provision.

The financial sustainability of the early years and further education (FE) sectors must also be given urgent attention if we are to give children the best start in life and support young people to succeed. Both sectors can be transformative, they can help to break the cycle of disadvantage and improve social mobility. A high-quality early years education is much more than an enabler for parents to work; with a focus on essential child development, it can have positive and long-lasting impacts on children's long-term outcomes. Disadvantaged students are also more likely to enter further education than stay on at school, therefore FE has a key role to play into the opportunity mission agenda and the future economic prosperity of the country, yet it continues to be overlooked in terms of resource allocation.

The National Transfer Scheme for unaccompanied asylum seeking (UAS) children, which has been mandated for a number of years, is not fit for purpose and there is a need to review it to break the cycle of crisis responses every summer. There are a number of straightforward reforms that could be implemented to help ease the pressures on local authorities – the funding allocation for former UAS care leavers has not been reviewed for some time and only covers the costs of placements, it does not contribute to the significant resourcing costs to meet local authority statutory duties for children in care, e.g. time with social workers, independent reviewing officers and personal advisers. A growing number of former UAS care leavers have no recourse to public funds (NRPF). The majority of former UASC care leavers are granted leave to remain, if at the age of 18, time limited leave to remain was granted pending final decision, care leavers could access benefits, housing and seek employment. At present, their NRPF status means LAs are picking up the costs here, which is a direct cost shunt from the Home Office to children's services.

ADCS would welcome the opportunity to discuss this response further with HM Treasury. Please contact ADCS Chief Officer, Esther Kavanagh Dixon via esther@ADCS.org.uk in the first instance.

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## Appendix 1 – Financial pressures faced by children's services

Given the evidence base on the sustained pressures in the sector, and the need to influence government thinking regarding sustainable levels of resourcing, the ADCS Resources and Strategy Policy Committee agreed that it would be helpful to develop some consistent messages around the pressures that all Local authorities (LAs) are facing for the 2024/25 revenue budget, drawing on some of the evidence available.

There is a body of national research which illustrates the pressures local authorities are experiencing:

**Increasing pressure on budgets following the pandemic**
**CIPFA performance tracker, 2023** reports on trends in children's services spending, and found that LAs spent £11.1 billion on children's social care in 2021/22, a 41% rise in real terms compared to 2009, while the children's population grew by less than 10% over the same period.

**Rising need and complexity**
**The Independent Review of Children's Social Care, 2022** found that only 56% of the increase of children in care since 2013 could be explained by population growth and an increase in the number of unaccompanied asylum seeking children arriving. They found that children are staying in care for longer, with 12% fewer children leaving care in 2021 than in 2016. They estimated that, without the reforms going ahead, total spend on children's social care is likely to rise to just under £12bn in 2024/25.

**Safeguarding Pressures Phase 8 (2022)** showed that there was an overall increase in safeguarding activity during 2019/20 and 2021/22, reflecting greater complexity of needs, despite an initial reduction in referrals linked to lockdowns in the early stages of the Covid-19 pandemic. More children who were not previously known to social care services were presenting at a later stage, with greater levels of need and higher risks, and as a result, more children were immediately becoming subjects of child protection plans or care proceedings. Between 2019/20 and 2021/22, the number of early help assessment rose by 16%, the number of children in need increased by 4%, and the number of section 47 enquiries increased by 8%.

**Family Justice Observatory Deprivation of Liberty (DoL) data, 2023** in the first year of the national deprivation of liberty court, between July 2022 and June 2023, 1389 applications were issued across 158 different LAs, for a total of 1249 children. Over half of children with a DoL order were placed in at least one unregistered setting in the first six months of the order being granted. This indicates a lack of suitable regulated provision for children with the most complex needs, either linked to their disabilities, relating to trauma or where risk of criminal exploitation is the primary concern. Over a six-month period, over 90% of children and young people did not experience any relaxation to deprivations of their liberty.

**Placement market**

**Competitions and Markets Authority (CMA) review of children's social care placements market, 2022** concluded that there are significant problems in how the placements market is functioning in England. There are not enough placements of the right kind, in the right places, which means that children are not consistently getting access to care and accommodation that meets their needs. The largest private providers of placements are making materially higher profits and charging materially higher prices than would be expected form a functioning market. Some of the largest private providers are carrying very high levels of debt which creates a risk that disorderly failure of highly-leveraged firms could disrupt placements.

The short-notice closure of the Outcomes First Group demonstrated the impact that mass exit of such providers could have.

**S251 Data Outturn, 2022** shows that in 2021-22, LA gross expenditure on children's and young people's services was £13.3bn. £3,672 million was spent on in-house and independent fostering and children's homes placements in 2021-22. This is an increase from £2,670.8 million in 2015-16, or 69.7% (not real terms). The corresponding increase in the number of children in care was 19%. Private residential placement costs increased the most, by 163%, while LA placements increased by only 69%.

**Children's Home Association's State of the Sector Survey 2023** highlighted the private sector's approach to formal procurement and tendering, with over a third not engaging with formal processes (twice as many as in 2021) and half of all providers selectively considering which tenders to bid for. 22% of all providers also reported choosing to leave a commissioned framework in the last year, all of whom experienced no negative consequences following the decision (up from 17% in 2022).

**Regulatory regime for supported accommodation - Demand and Capacity of Homes for Children in Care (CCN, LIIA, Newton, 2023)** found that between 2019 and 2022, the number of young people living in supported accommodation increased by 21.3%. They predicted that, while demand is growing, only 81% of existing placements were expected to register, with almost 1/5 put off by cost and reputational risk, meaning a fall in capacity of 3,676 beds across England. This increased demand coupled with inflation and administrative burdens from the new regulations is predicted to add £368m to LA spend on semi-independent accommodation by 2026/27.

**Workforce – The Independent Review of Children's Social Care, 2022** - estimated the additional cost of employing agency staff at approximately £26,000 per worker per year (53% of the average social worker salary), indicating a loss of over £100 million per year. DfE data (2023) shows that the agency social worker rate increased from 16% in 2021 to 18% in 2022, with 13% more agency social workers in total in 2022.

**LA Pressures**
Below are examples of the pressures which all LAs are facing, divided by common cost pressures, common drivers of demand and LA specific pressures.

**Common cost and price pressures -** these are common to all LAs and include growth in numbers of children in social care and EHCP applications, and increasing costs in line with the cost of living crisis and rising inflation.

**Common drivers of demand** - these are pressures driving demand for all services to vulnerable children in all LAs including statutory SEND and social care services. These impact differentially (i.e. to different degrees in different LAs) but are apparent to some extent everywhere, and include:

Children's social care
- Growth in child poverty/cost of living crisis - regional statistics summarising the latest data on local child poverty after housing costs (End Child Poverty Coalition, 2023) and between 2015 and 2020, it was estimated that 8.1% of children entering care was linked to rising child poverty (NIHR, 2021)
- Sufficiency of placements and rising costs/profiteering from private companies (CMA, 2022; LGA, 2023; LGA, 2023)
- Impact of the supported accommodation reforms (CCN, LIIA and Newton, 2023)
- Rising numbers of UASC through the NTS, and lack of funding for UASC care leavers (Safeguarding Pressures Phase 8 (2022)

SEND
- Rising EHCP applications and increasing complexity of need - the percentage of pupils with an EHCP has increased from 4.3% to 4.8% from 2023 to 2024, and the percentage of all pupils requiring SEN support has increased from 13% from 13.6% (DfE, 2023)
- Total HNB deficits are estimated to be £3.16 (ISOS, 2024)
- The risk of the statutory override ending after March 2026 will force a number of LAs to issue section 114 notices
- Sufficiency of special school places (national figures not collected)
- Home to school transport costs estimated to be £1.9bn in 2022-23 (CCN, 2023)
- The appeals system (LGA, 2022)

Schools
- Real term cuts (IFS, 2023)
- Part-funded pay rises (IFS, 2023)
- Removal of the LAMB Grant
- Ongoing impact of the pandemic on pupils (DfE, 2023)

Mental health
- Growth in demands for mental health support (NHS Digital, 2023)
- Inadequate children's mental health services including a reduction in tier 4 beds and a lack of shared accountability with health partners (CYPMHC, 2023)

- High costs of unregistered placements for children with the most complex needs/increase in DoLs (Nuffield Family Justice Observatory, 2023)

Workforce
- Social workers - agency issues highlighted in the ADCS response to the Child and Family Social Worker Workforce consultation
- Education – teachers (NFER, 2023), TAs, SEND TAs, Educational Psychologists (DfE, 2023)
- Health – Health visitors, school nurses, SaLT (RCSLT, 2022), etc.

Unfunded/underfunded/unknown new burdens
ADCS is continuing to challenge DfE and DLUHC on the development of New Burdens Assessments. There are concerns that new regulation will lead to unfunded burdens being placed on authorities. Example of these include:
- Attendance burdens guidance, 2024 – ADCS is continuing to push for DfE to acknowledge the new burdens in the guidance, particularly around the need to increase capacity of school attendance teams to deliver termly meetings with all schools, inclusion of independent schools, and the loss of traded services
- UASC care leavers – The number of care leavers aged 19-21 years old who were formerly UASC has almost doubled from 2018 – 2022, now representing 26% of all care leavers that age while funding remains far too low
- Home to school transport guidance, 2023 – ADCS continues to call for modernisation of the 1944 legislation to ease extensive and growing cost pressures
- Changes to supported accommodation – ADCS continues to engage with DfE about the unintended consequences of this new regulatory regime
- Elective Home Education register
- Extended childcare reforms – ADCS continues to engage with DfE on the impacts of the 30 funded hours for 3 and 4 year olds with working parents being extended to younger children from 9 months, and for all schools to provide access to wrap around provision.

Capital
- RAAC
- School building repairs (NAO, 2023)
- Special school delays – According to DfE data
- Increasing capacity of child care provision
- Changes needed to achieve net zero

**LA specific pressures -** these pressures are present in all LAs but to different extents and in different combinations, see LGA's report explaining variation in spending, 2019. These pressures impact on a LA's capacity to prevent and/or manage demand for statutory services, and the ability to prevent unit costs rising. These include: local authority financial position/fragility overall; dedicated schools grant and high needs block funding including overspends; whether they are on the Safety Valve or Delivering Better Value programmes; an LA's ability to attract external funding/take part in pathfinders; local commissioning arrangements and market capacity; impact of previous budget reductions made to preventative services for vulnerable children; service improvement driven by Ofsted, performance including intervention; staff recruitment and retention difficulties, impact of child deaths, serious care reviews and practice reviews locally and nationally; relationships with partners including schools; efficacy of adult and other local authority services; and geographic challenges, for example, rurality and those areas with significant coastal populations.