

## Written evidence submitted by Children's Services Funding Alliance (CSFA)

### Public Accounts Committee COVID-19: Local Government Finance

#### Recommendations:

- 1. Increase funding for local authority children's services to boost the outcomes of children who have faced the greatest challenges during the pandemic while delivering long-term sustainability to the system.**
- 2. Ensure that funding is effectively targeted at early intervention services, stemming the growing costs of expensive late intervention and crisis management.**
- 3. Level up for children in deprived communities by distributing funding according to geographical differences in need, including deprivation levels.**

The UK's leading children's charities – Action for Children, Barnardo's, The Children's Society, NSPCC and the National Children's Bureau – call on the government to address the funding crisis facing local authority children's services, a situation further compounded by increasing demands on services as a result of the pandemic.

#### Summary

The COVID-19 pandemic increased the pressure on families, reduced children's access to support and made it harder than ever before to protect those at risk of harm. Despite the crucial role local authority children and young people's services have played in helping children and families, financial pressures mean they are facing financial crisis. They urgently require a long term, sustainable funding plan if they are going to be able to protect and support our most vulnerable children.

As schools return, and issues hidden by lockdown emerge, central government needs to support local government, and provide the funds to enable them to develop and deliver a much needed, ambitious recovery plan for children. Without this, the effects of the crisis could come to define a generation.

- New funding for local authorities, none of which constitutes a guarantee for children's services, has not plugged the gap in funding those children's services. Even prior to the COVID-19 pandemic children's services were struggling financially and were under immense strain. Despite the new and emergency funding being made available, children's services are facing significant and unsustainable financial pressures as the demands resulting from the pandemic increases their existing costs, and those emerging as they are required to deliver new services required by central government.
- The pandemic has increased the need for local authority children's services and serves to exacerbate the challenge facing local authority children's services, who received £2.2 billion less in funding 2018/19 than they did in 2010/11. The Department for Education's own "Vulnerable Children and Young People Survey" revealed that four in five local authorities reported a rise in weekly foster and residential placements costs due to coronavirus between April and August 2020,<sup>i</sup>

substantiating early indications local authorities are facing rising levels of demand, but the funding pressures may force local authorities to reduce spending elsewhere in children's services at the time when children's needs are greatest.

- Children's services were already under severe strain going into the pandemic. The increase in spending on late intervention services has not been matched by funding from central government, leaving many local authorities operating from a very insecure financial position. Our analysis has found that, even as estimated funding available for local authority children and young people's services fell by 23% between 2010/11 and 2018/19, spending fell at a considerably lower rate, decreasing by only 6%, or £536 million.<sup>ii</sup>
- Local authorities that have seen the biggest drop in funding from central government are likely to be the areas where the need for children's services is greatest. There is no area of policy where the levelling up agenda is more urgent. Our analysis has found that the local areas where children face the greatest challenges have experienced the greatest reductions in funding. We found correlations between high levels of funding cuts and high incidences of socio-economic problems like unemployment; free school meal eligibility; children living in households where there is domestic abuse; parental mental health or wellbeing issues; and multiple deprivation score.

### **Introduction: Children's services are under financial pressure**

Local authority children and young people's services cover a range of support, from parenting programmes in children's centres to local safeguarding teams who step in and protect children from harm. During the pandemic, they have had to adapt to challenging circumstances, but staff have shown incredible compassion and commitment to do their best to keep children safe.

Our May 2020 report, [Under Pressure: Children's and young people's services 2010-11 to 2018-19](#), analysed the latest data on funding available for children's services, and local authority spending. It finds that, even before COVID-19, the children's social care system was under immense strain, with 91% of local authorities children services departments overspent in 2017-18.<sup>iii</sup> Without an ambitious recovery plan for children the on-going effects of the crisis will come to define a generation.

While the Government has increased funding for local authorities social care prior to the pandemic, and provided emergency funding for local authorities, children's services continue to face unsustainable financial pressures.

- The Spending Review made an additional £300 million available for local government to fund adult and children's services for 2021/22 at the Spending Review. However, central government did not provide guidance on how the funds should best be split, leaving local authorities to have to make spending judgements to meet its responsibilities based on ever increasing and competing demands.
- Similarly, the £1 billion extra for adult and children's social care in each year of this parliament and the £3.68 billion of un-ringfenced emergency funding provided to local authorities by central government, don't provide any guarantee that children's services will be funded sustainably.

- Of the £410 million social care grant for 2019-20 analysis by the Department for Education found that of 13 Local Authorities in their research, 4 had spent their entire allocation on children’s services, 3 spent 20% or less, and 2 could not provide the information.<sup>iv</sup>

The ability of local authorities to adequately fund children’s services will be further affected by the financial impact of the pandemic which has both reduced the ability of councils to raise funds through taxation and fees. As well as increased costs, including children’s social care costs. Overall, local authorities spent an additional £136 million on children’s social care between March and July due to COVID-19.<sup>v</sup>

### **The pandemic has increased the need for local authority children’s services**

The Department for Education’s “Vulnerable Children and Young People Survey” reveals that four in five local authorities reported a rise in weekly foster and residential placements costs due to coronavirus between April and August 2020. Despite the £3.2 billion of emergency funding made available to local authorities during this crisis,<sup>vi</sup> this increasing pressure is forcing councils to make reductions to their support offers for children that they might not have otherwise done.

In September 2020, three local authorities announced multi-million pound cuts to children services spending<sup>vii</sup>, which reverses the slight increases in spending that all three had instituted in 2017/18-18/19.<sup>viii</sup> As local authorities launch consultations on their 2021/22 budgets, it is becoming apparent that across the country local authorities are seeking savings in children’s services.

While it will take some time to understand the full impact of lockdown on children, there is significant evidence to suggest that the pandemic has placed many children at greater risk of harm. COVID-19 has led to increased pressures on families trying to cope with lockdown and social isolation, and insecurity, or loss, of employment and housing can increase the risk of child abuse and neglect.<sup>ix</sup>

At the same time, most children have not been attending school for much of the period and have had less contact with professionals or other adults outside of the home (such as teachers and GPs).<sup>x</sup> Their welfare has been much less visible, and concerns much more easily missed. The Department for Education’s “Vulnerable Children and Young People Survey” reveals that referrals to children’s social care services in waves one to nineteen (from 27<sup>th</sup> April 2020 to 31 January 2021) were on average 10% lower than the three-year average of the same week across 2017 to 2020.<sup>xi</sup>

This is unlikely to reflect a reduction in the risk of harm to children:

- The same survey showed that referrals began to increase in wave eight (10<sup>th</sup> August 2020 to 16<sup>th</sup> August 2020) to reach a point 12% higher and again in wave thirteen reaching 8% higher than the 3 year average of the same weeks across 2016 to 2018.<sup>xii</sup>
- The NSPCC helpline saw contacts increase by over 40% during April to July 2020 – up to 29,000 – with contacts about physical abuse increasing by more than 50%.<sup>xiii</sup>
- Between April and September 2020, Ofsted received 285 serious incident notifications,<sup>xiv</sup> a 27% increase on the same period in 2019/20. Notifiable incidents are those that involve death or serious harm to a child, where abuse or neglect is known or suspected; and the deaths of looked after children, whether or not abuse or neglect is known or suspected.
- There were similar increases in calls to domestic abuse helplines, and the increased demand for emergency accommodation. Evidence from the NHS has also shown

fewer children using services, with more delays in seeking medical assistance, and a potential increase in babies with non-accidental injuries.<sup>xv</sup>

Children's experiences of COVID-19 will be unequal. Low earners have been disproportionately likely to have seen a hit to their finances,<sup>xvi</sup> and BAME communities have been disproportionately impacted by both the physical and economic harm of the crisis.

If demand does increase, and the capacity of children's services to respond does not expand to meet that demand, we are likely to see an acceleration in a trend towards late intervention spending, and a further loss of investment in early intervention services.

### **Children's services were strained going into the pandemic**

The most recent analysis of serious case reviews reported that limited resources are one of the main challenges facing local authority services trying to keep children safe,<sup>xvii</sup> and that increasing child poverty and decreasing resources are placing the system under increasing and unsustainable strain.<sup>xviii</sup>

Local authorities are legally obliged to ensure that statutory services are delivered and funded, but cuts to funding and rising demand has meant less money is available for investment in non-statutory 'early intervention' services. Between 2010-11 and 2018-19:

- Spending on early intervention services for children and young people fell from £3.5 billion to £1.9 billion – a 46% decrease.
- Spending on late intervention services for children and young people rose from £5.6 billion to £7.2 billion – a 29% increase.

The increase in spending on late intervention services has not been matched by funding from central government. Our analysis has found that, even as estimated funding available for local authority children and young people's services fell by 23% between 2010/11 and 2018/19, spending fell at a considerably lower rate, decreasing by only 6%, or £536 million.<sup>xix</sup>

Our analysis also found correlations between high levels of cuts to funding and high incidences of socio-economic problems like rising unemployment; free school meal eligibility; children living in households where there is domestic abuse; parental mental health or wellbeing issues; and multiple deprivation score. It suggested those areas most vulnerable to ongoing COVID-19 disruptions are more likely to have significant levels of deprivation contributing to a greater pre-existing need within their populations.

This has left the majority of local authorities in England operating from a deeply insecure financial position. A National Audit Office report revealed that 91% of local authorities overspent on children's social care in 2017-18, by £872 million,<sup>xx</sup> with local authorities faced with little choice but to draw down on their reserves or pull resources from other services.

To gain insight into how the reductions in funding available are impacting on individual authorities, in 2020 we conducted 20 research interviews with the staff making decisions about services for children in three different local authorities in England. Despite their differing situations – one local authority is one of the least deprived, and another one of the most deprived in the country – all three were facing financial constraints. They were all seeing an increase in demand for children's services, all were overspending and drawing from other budgets and reserves to bridge funding shortfalls, and all felt that they had long since reached the limits of innovation.<sup>xxi</sup>

- Participants in the interviews highlighted that there had been reductions to early years' services and to targeted support for those whose needs had not reached a critical stage.
- Cutting non-statutory services was seen as a comparatively "quick win", whereas the legal protection for statutory services meant that those areas were less likely to experience cuts. However, there was also universal understanding that stripping back early intervention services would cause difficulties in the future, as participants connected a lack of preventative work with an upsurge in the number of children taken into care.
- Many participants worried about the quality of service being provided to looked after children, with one local authority concerned about the high caseloads their social workers were attempting to balance, and the impact that may be having on children. This was compounded by the mounting cost of intensive support within this potentially growing group of young people.

### **Financial pressures on local authorities are most severe where the need for children's services is greatest**

Our analysis suggests that cuts to children's services funding have been particularly focused on areas with the highest levels of deprivation. This is particularly concerning when we consider the potential impact this may have on children's outcomes and the knock-on effect on the desire by the Government to "level up and invest in people and places".<sup>xxii</sup>

Our Under Pressure report found that since 2010/11, the most deprived local authorities have seen more than twice the size of cut to funding available as the least deprived areas. Unsurprisingly, these cuts to funding have also fed through to cuts to spending on services within local authorities – with those in the most deprived areas cutting the most from their children's services budget. Spending in the most deprived areas has dropped by 14%, whilst spending in the least deprived has increased by 9%.<sup>xxiii</sup> Also, where local authorities have had to cut spending this has often been to early intervention services such as children's centres - which are of particular benefit to those in deprived areas who do not have the money to pay for the types of services these typically provide.

We found that local authorities with high levels of deprivation, who have also suffered the biggest cuts to funding, tend to be those with a higher incidence of a range of other socio-economic problems. Our analysis suggests that those local authorities that have a high level of social need to respond to may be in a worse financial position when it comes to implementing recovery plans.

We have tracked the strength of the relationship between cuts to local authority funding and a range of other socio-economic factors by using the correlation coefficient - a number between 1 and -1. Here we looked at those local authorities that had the lowest levels of funding compared to their funding levels in 2010 and compared them against the rate of various socio-economic problems in the area. A strong negative correlation (meaning as one factor increases, the other decreases) is demonstrated by a correlation coefficient of 0.6 or below. Our analysis found a strong negative correlation between those local authorities with the lowest percentage of funding compared to their 2010 level and:

- **Those with the highest level multiple deprivation average scores<sup>xxiv</sup>** – This correlation coefficient is calculated at (-0.82).

- **Those with the highest level of free school meal eligibility<sup>xxv</sup>** – This correlation coefficient is calculated at (-0.82).
- **Those who have the highest rate of children living in households where there is domestic abuse<sup>xxvi</sup>** – This correlation coefficient was calculated at (-0.75).
- **Those with the highest rate of children living in households where a parent has mental health or well-being issues<sup>xxvii</sup>** – This correlation coefficient was calculated at (-0.87).
- **Those that have the highest levels of unemployment<sup>xxviii</sup>** – This correlation coefficient was calculated at (-0.63).

The reason behind these relationships is most likely due to changes in how local authorities receive funding since 2010. Reforms to how central government calculated grant allocations, conducted in 2013, resulted in all local authorities receiving the same percentage cut to core grants. However, deprived local authorities were more reliant on central government grants to fund local services, and the uniform cut did not take into account the levels of deprivation in a council area – or the associated level of demand for services.<sup>xxix</sup>

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### Conclusion

As the Government plans to ‘Build Back Better’ from the pandemic, local authority children’s services will be vital to the way children and families recover from the pandemic., However, without significant investment, this won’t be possible and the dynamic of increasing numbers of children in care and increasing placement costs will continue.

Our joint analysis has highlighted the urgency of investing in children’s services. There is an opportunity for the government to invest in local authorities to help them deliver new services and meet responsibilities to turn around a model that is not delivering for vulnerable children, young people and their families.

Our three recommendations are:

1. **Increase funding for local authority children’s services to boost the outcomes of vulnerable children while delivering long-term sustainability to the system.** Invest at least £2.2 billion to restore funding lost over the last decade. Invest further funding for the coming year, to enable local authorities to manage the additional pressures associated with COVID-19.
2. **Ensure that funding is effectively targeted at early intervention services, stemming the growing costs of expensive late intervention and crisis management.** Support local authorities to rebalance spending towards preventative support for children, young people and families. Identify an effective approach to funding high-cost cases, to enable the provision of appropriate support for children with complex needs.

**3. Level up for children in deprived communities by distributing funding according to geographical differences in need, including deprivation levels.**

Funding should be allocated based on the likely level of need in a local area to reverse the growing health and early childhood inequalities between affluent and poor children.

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- <sup>ii</sup> [https://www.childrenssociety.org.uk/sites/default/files/childrens-and-young-peoples-services-funding-and-spending-report-2018-19\\_1.pdf](https://www.childrenssociety.org.uk/sites/default/files/childrens-and-young-peoples-services-funding-and-spending-report-2018-19_1.pdf)
- <sup>iii</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/951146/Children\\_s\\_social\\_care\\_cost\\_pressures\\_and\\_variations\\_in\\_unit\\_costs\\_Jan\\_2021.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/951146/Children_s_social_care_cost_pressures_and_variations_in_unit_costs_Jan_2021.pdf)
- <sup>iv</sup> Ibid
- <sup>v</sup> <https://www.gov.uk/government/publications/local-authority-covid-19-financial-impact-monitoring-information>
- <sup>vi</sup> <https://www.gov.uk/government/publications/covid-19-emergency-funding-for-local-government>
- <sup>vii</sup> Oxfordshire: [https://mycouncil.oxfordshire.gov.uk/documents/s52576/CA\\_AUG1820%20Annex%202.pdf](https://mycouncil.oxfordshire.gov.uk/documents/s52576/CA_AUG1820%20Annex%202.pdf); Luton: <https://engage.luton.gov.uk/childrens-services/ifrs-consultation/>; Croydon: <https://www.croydon.gov.uk/democracy/budgets/thecouncil-budget>
- <sup>viii</sup> <https://www.gov.uk/guidance/section-251-2017-to-2018>; <https://www.gov.uk/guidance/section-251-2018-to-2019>
- <sup>ix</sup> <https://learning.nspcc.org.uk/media/2246/isolated-and-struggling-social-isolation-risk-child-maltreatment-lockdown-andbeyond.pdf>
- <sup>x</sup> <https://explore-education-statistics.service.gov.uk/find-statistics/attendance-in-education-and-early-years-settings-during-the-coronavirus-covid-19-outbreak>
- <sup>xi</sup> Vulnerable Children and Young People Survey: wave 19 ([publishing.service.gov.uk](https://publishing.service.gov.uk))
- <sup>xii</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/941789/](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/941789/)
- <sup>xiii</sup> NSPCC (2020b). Internal NSPCC helpline and Childline statistics
- <sup>xiv</sup> <https://explore-education-statistics.service.gov.uk/find-statistics/serious-incident-notifications>
- <sup>xv</sup> Royal College of Paediatrics and Child Health (RCPCH) (2020) Impact of COVID-19 on child health services tool: results. [Accessed 27/07/2020]; Sidpra J. et al. (2020) Rise in the incidence of abusive head trauma during the COVID-19 pandemic. Archives of Disease in Childhood, Published Online First: 2 July 2020
- <sup>xvi</sup> <https://www.iser.essex.ac.uk/files/news/2020/single-mother-income-loss-covid-19/covid-briefing-paper-economic-effects.pdf>
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- <sup>xix</sup> [https://www.childrenssociety.org.uk/sites/default/files/childrens-and-young-peoples-services-funding-and-spending-report-2018-19\\_1.pdf](https://www.childrenssociety.org.uk/sites/default/files/childrens-and-young-peoples-services-funding-and-spending-report-2018-19_1.pdf)
- <sup>xx</sup> <https://www.nao.org.uk/wp-content/uploads/2019/01/Pressures-on-Childrens-Social-Care.pdf>
- <sup>xxi</sup> <https://www.barnardos.org.uk/sites/default/files/2020-05/Deep%20dive%20into%20the%20pressures%20on%20children%20and%20young%20people%27s%20services%20-%20May%202020.pdf>
- <sup>xxii</sup> <https://www.gov.uk/government/news/chancellor-launches-comprehensive-spending-review>
- <sup>xxiii</sup> <https://www.barnardos.org.uk/sites/default/files/2020-05/Analysis%20funding%20and%20spending%20on%20children%20and%20young%20people%27s%20services%20-%20May%202020.pdf>
- <sup>xxiv</sup> Ministry of Housing, Communities & Local Governments ‘The English Indicators of Deprivation 2019’
- <sup>xxv</sup> Source: Children’s Commissioner Local Map Data
- <sup>xxvi</sup> Source: Children’s Commissioner Local Map Data - This is the modelled prevalence of the rate per 1000 CYP living in households with domestic abuse
- <sup>xxvii</sup> Source: Children’s Commissioner Local Map Data Source: Children’s Commissioner Local Map Data - This is the modelled prevalence of the rate per 1000 CYP living in households with mental health issues
- <sup>xxviii</sup> Source: NOMIS
- <sup>xxix</sup> The Institute for Fiscal Studies (2015) The most deprived councils are likely to continue facing the sharp end of local government spending cuts [online] Available at: <https://www.ifs.org.uk/publications/7732>.
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