

Submission

CCN Submission to the Housing, Communities and Local Government Select Committee Inquiry: Funding and provision of local authorities' children's services

Introduction

1. The County Councils Network (CCN) is the national voice for 36 English local authorities that serve counties. CCN's membership includes both upper tier and unitary authorities who together have over 2,600 councillors and serve 26 million people (47% of the population) across 86% of England. CCN develops policy, shares best practice and makes representations to government on behalf of this significant proportion of the country outside of the big conurbations. CCN is a member-led organisation which works on an inclusive and all party basis. For more on CCN visit www.countycouncilsnetwork.org.uk.
2. On behalf of our member councils, CCN welcomes this opportunity to submit evidence to the Housing, Communities and Local Government Select Committee about funding and provision of children's services. Whilst there has been a great focus on the challenges posed by the aging population and the impact this could have on the funding and provision of adult social care, our members have been increasingly concerned about the growing pressures on children's services. As such we welcome the attention that the Committee is giving to this important area.
3. The pressures on children's services needs to be seen in the context of the wider financial pressures that local authorities are currently under. CCN members, like all classes of local authorities, have had to deal with significant reductions in funding over the past eight years. This has resulted in a position where a recent report produced by the National Audit Office found that 1 in 10 local authorities with social care authorities could be unable to balance their budget over the coming years.¹
4. The Local Government Association recently revised their budget forecast, estimating that councils in England face a funding gap of £7.8bn by 2025, with 90% of this relating to county-level responsibilities across adult social care, children's services and public health.²

¹ <https://www.nao.org.uk/report/financial-sustainability-of-local-authorities-2018/>

² <https://www.local.gov.uk/moving-the-conversation-on/funding>

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5. Despite this county authorities continue to work hard to deliver good quality children's services that meets the needs of their local population: half of county authorities in England have a children's service that is good or outstanding, compared to 35% for England as a whole.³ However, it is clear that more needs to be done to ensure that councils can deliver good or outstanding children's services. Part of the solution to this will come through providing answers to the four questions set out by the Committee's call for evidence, which we have addressed below.

Is the funding for local authorities' children's services sufficient to enable local authorities to fulfil their statutory duties?

6. County authorities are responsible for 38% of England's entire spend on children's services, and have experienced an escalating demand for children's care services over the past six years:
 - The number of vulnerable children in county areas placed under a child protection plan – which means they are at significant risk of harm – was 25,259 in 2017, compared with 18,702 in 2011 – a 35% rise.
 - The number of Looked After Children (LAC) in England's counties stood at 26,800 in 2018 (over a third of the country's entire total), compared to 22,600 in 2011 – a 16% increase.⁴
7. The costs associated with the increased number of LACS can be considerable, such as those relating to legal services and transportation. The impact of drug and alcohol addiction for some children, young people and families leading to chaotic lives is significant, and increases the challenge of finding appropriate placements which often come at a premium cost. A small number of cases can place significant pressures on placement costs, especially where they involve special educational needs.

³ <http://researchbriefings.files.parliament.uk/documents/CDP-2018-0208/CDP-2018-0208.pdf>

⁴ <https://www.gov.uk/government/statistics/children-looked-after-in-england-including-adoption-2017-to-2018>

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8. The increase in LACs also leads to escalated costs of moving these young people into permanent arrangements outside the LAC setting, for example Special Guardianship allowances, Child Arrangement Orders and adoption allowances. County authorities often struggle to recruit foster carers as cannot pay the fostering costs at the level of other, better funded councils.
9. Government funding levels have not kept up with these demand led pressures, as evidence by the increased level of overspend on children's services. Government figures show that councils in England overspent by £816m on protecting vulnerable children in the last financial year, spending 10% more than they had budgeted. CCN analysis of these figures show that in 2017/18, county authorities had the biggest overspend on children's services: £264m more than they had budgeted.⁵
10. We believe that the scale of overspend that local authorities are recording is indicative of the scale of the additional funding that the Department for Education must consider injecting into these services so that local government can not only meet their minimum obligations but provide good or outstanding children's services.
11. Alongside the growing pressures in children's social care, there are wider pressures across other areas of children's services that are impacting on county authorities in an increasingly severe manner, including high needs block spending, SEN provision and home to school transport.
12. A survey of CCN members found that counties are projecting a 5.1% overspend on their high needs block in 2018/19. This overspend has gotten worse as demand rises – going from 3.7% in 2016/17 to 4.5% in 2017/18. The total overspend for the 22 county authorities that responded to our survey is £175m between 2016 and 2019, which is to meet their statutory duties to children with statements of special education needs. In total, 14% of the 4.6m county pupils have a statement of special education needs or an education and health plan.⁶

⁵ The figures on overspend data is calculated by comparing Office for National Statistics (ONS) data on 'budgeted' *Local Authority Revenue Expenditure and Financing: 2017-18* (June 2017) with actual '*Provisional Outturn*' (23rd August) data for the same year. Publications and data sets can be found here <https://www.gov.uk/government/collections/local-authority-revenue-expenditure-and-financing#2017-to-2018>

⁶ <https://www.countycouncilsnetwork.org.uk/councils-warn-that-yearly-overspends-on-special-education-are-unsustainable/>

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13. There is also clear evidence that special educational needs (SEN) home to school transport is a growing financial pressure for counties, with 29 out of 36 county authorities increasing their expenditure this service between 2013 and 2017. In 2013/14, the 36 CCN members collectively spent £240m on SEN home to school transport, whilst in 2016/17 this figure was £291m, despite data from 11 councils showing a slight drop in pupils between those two financial years - 16,966 pupils to 16,917.⁷
14. Counties have less scope to reduce SEN home to school transport costs. Councils have to provide free home to school transport if a SEN pupil cannot walk to school because of their disability, regardless of where they live. The introduction of a 0-25 age range of eligibility, plus the added sparseness of post-19 education colleges in large rural areas, has exacerbated these costs.
15. Moreover, councils are grappling more widely with the funding of Home to School Transport, which had a net expenditure of £280m in 2016/17 amongst the 36 CCN members. The average per-pupil cost of delivering home to school transport in county areas is £93 per pupil, almost ten times the average in urban and city areas, where the average cost is £10 per pupil. Data from 20 of the CCN councils shows that in 2017, 22,352 less pupils were receiving the service compared to 2014, as councils tighten eligibility, or introduce charges, due to the severe funding shortfalls. This service will continue to be reduced unless a fairer funding solution is found.⁸
16. The funding pressures have been added to by creating additional and unfunded duties for local authorities. For example the Social Care Act of 2014 extended local authority responsibility for children in care up to the age of 25.
17. The cumulative impact of these pressures are now being felt by parents who often rely on the additional support that councils can provide, and who are pursuing legal avenues to preserve these vital services. A judicial review is currently being heard against one of our members, who are proposing to cut £21m from services for disabled children. In two other county areas, parents are currently trying to raise funds for a judicial review against the level of funding the Department for Education provides for special educational needs services.⁹

⁷ <https://www.countycouncilsnetwork.org.uk/download/1872/>

⁸ <https://www.countycouncilsnetwork.org.uk/download/1585/>

⁹ <https://schoolsweek.co.uk/government-faces-legal-challenge-over-send-funding-cuts/>

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What are the financial challenges for local authorities' in providing non-statutory services?

18. In considering the specific financial challenges facing counties, CCN and the Society of County Treasurers (SCT) released in June the findings of an annual budget analysis the 36 county and county unitary authorities. The results showed that over the two-year period (18-19 to 19-20) counties face a combined funding pressure of £3.2bn. In total, 58% of the funding pressure is caused by demand-led pressures. Over the two years, the research showed that our members estimate they will deliver £1.39bn of savings, with a conservative estimate of £466m of earmarked savings likely to make further visible reductions to frontline services, such as adult social care, children's services, libraries, children's centres, and road repairs, or lead them to raise or introduce new charges for residents. Looking at the next financial year (2019-20), the county funding pressure is expected to total £1.461bn.¹⁰

19. This is supported by the National Audit Office: their report, *Financial Sustainability of Local Authorities* showed that local government funding is increasingly being focussed on a smaller area of council activity. They found that adults and children's social care now accounts for 65% of county authority budgets, up from 56% in 2013/14.¹¹ This is only set to get more severe over the next few years as county authorities continue to grapple with rising demand in statutory services at a time when funding is being squeezed.

20. As a result a number of counties have been left with little choice but to divert funding towards crisis intervention activities, rather than preventative services. We know that if vulnerable children and young people do not receive adequate support, then this will potentially store up problems for the future and lead to increased demand and costs for the NHS and adult social care:

- children in need may have their life chances impacted as a result of family instability, with children in need much more likely to be not in education, employment or training as they progress into adulthood. Early years and pre-

¹⁰ <https://www.countycouncilsnetwork.org.uk/englands-largest-councils-issue-budget-warning-and-call-for-pre-spending-review-cash-injection/>

¹¹ <https://www.nao.org.uk/report/financial-sustainability-of-local-authorities-2018/>

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school place provision are key to improving life chances and outcomes amongst the disadvantaged and those from all social backgrounds;

- high quality Child and Adolescent Mental Health Services (CAMHS) are essential if children and young people are to access timely support to address mental health issues and build resilience. Without such support children may be subject to an increased chance of social exclusion, reduced education and employment opportunities;
- these pressures will also impact on services that can enhance and enrich children's lives, such as library or youth services or children's centres.

21. This view has been recently endorsed by the Chief Inspector of Education, Children's Services and Skills who said that 'reductions in funding in other areas, such as preventative and wider children's services, mean that LAs are less able to intervene early, before young people need statutory services. The evidence suggests that these cuts to youth and other services are a false economy, simply leading to greater pressures elsewhere.'¹²

22. Many councils have used the Troubled Families grant as an integrated part of their Early Help offer, becoming a backbone of strategies to reduce the need for high cost specialist placements. This programme is coming to an end in 2019/20, but the government has yet to set out how the programme will proceed. This leaves local authorities unclear of what it will mean for its Early Help offer going forward.

23. As well as diverting investment away from preventative services, councils are also using gatekeeping for some non-statutory provision. For example, many councils are tightening the criteria for Home to School Transport, and only providing this service where pupils have to travel more than two miles, as they are legally required to do so. Survey data from 20 of our members shows that in 2017, 22,352 fewer pupils were receiving this service compared to 2014.¹³

¹² <https://www.gov.uk/government/publications/ofsted-annual-report-201718-education-childrens-services-and-skills/the-annual-report-of-her-majestys-chief-inspector-of-education-childrens-services-and-skills-201718>

¹³ <https://www.countycouncilsnetwork.org.uk/download/1585/>

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How can funding for children's services be made more sustainable in the short and long term?

24. The 2018 Budget announced an extra £650m social care services in 2019/20, a proportion which can be spent on children's social care. This will provide some short term respite to the pressures facing local authorities.
25. The additional high needs block funding that the Department for Education announced 16th December 2018 (£125m in 2018/19 and a further £125m in 2019-20) is similarly welcome, and which will help meet extra demand and reduce high needs block overspends over next two years.
26. In the longer term, the overall proportion on spending on children's services will need to be properly looked at as part of the Spending Review that is due next year. Children's services will continue to face growing challenges and county authorities anticipate that the numbers of children in need and looked after children will continue to increase. We therefore believe that the Spending Review should result in an increase in the level of funding for local authorities for children's services, accompanied by an increase in high needs block funding to prevent a further overspend in 2019/20. We also believe that the government should provide an uplift to funding for SEN home to school transport and broader home to school transport.
27. The current Fair Funding Review also provides an opportunity for county authorities to receive a fairer share of funding, and we await the publication of the LG Futures work that is being carried out into the cost drivers for delivery of children's services. However, we believe that the formula devised for children's social care must find a way to take into account unmet need as well as ensuring that existing provision can continue. It should also seek to take into account a wide range of factors into account that can impact on the delivery of services, and not just deprivation. This should include factors such as rurality, which can increase the cost to councils of delivering services.
28. In addition to the future of the Troubled Families Programme, covered above, there are a range of other grant-based programmes that councils rely on that should be extended and also provided with a longer timescale to provide counties with greater certainty about the programmes they hope to be able to provide. Examples of these grant-based areas of activity include Youth Offending Service grants, SEND Reforms, Extended Travel Rights.

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How can innovative approaches to the design and delivery of children's services support financial sustainability?

29. Recent research from Newton Europe sought to explain why variation in spending on children's services. This research showed that the per child spend on children's services varies from £292 to £1,254 (based on revenue outturn returns for FY16/17 and the local population aged 0-25). Standardising for similar outcomes, spend per child still varies from £299 to £805. In seeking to explain these differences, Newton found that 50% of this variation can be accounted for by economic, geographic and demographic factors that are outside of the control of local authorities.¹⁴
30. Given this, financial sustainability cannot be achieved solely through changing the design and delivery of children's services. However, there is clearly a role for looking at innovative approaches in improving outcomes and delivering some improvements in financial sustainability. We would therefore draw the attention of the Committee to the innovative practices undertaken by individual county authorities and other local authorities.
31. Government has rightly utilised senior professionals from high performing county authorities to lead and support interventions in those local authorities that have received 'inadequate' ratings from Ofsted, through both independent trusts and peer support. Government must consider prioritising partnerships between local authorities to improve 'failing' children's services departments and maintain democratic accountability.
32. However, it must be borne in mind that whilst innovative practice could potentially deliver some savings, that this will require further investment. This could only be achieved through additional funding given that councils are cutting back on the delivery of other children's services to maintain statutory services.

¹⁴ https://www.newtoneurope.com/content/spend_on_services.pdf