Turning the tide

Reversing the move to late intervention spending in children and young people's services

HOW ACTION FOR CHILDREN WORKS

National Children's Bureau

The Children's Society

What we found
2010/11 to 2015/16

REDUCTION

IN CENTRAL GOVERNMENT FUNDING **FOR CHILDREN AND YOUNG PEOPLE'S SERVICES**

£10.0 billion
available funding from central government for children and young people's services in **2010/11** in real terms

£7.6 billion
available funding from central government for children and young people's services in **2015/16** in real terms

£2.4 billion
the real terms decrease in central government funding for children and young people's services between **2010/11** and **2015/16**

IN LOCAL GOVERNMENT SPENDING **ON CHILDREN AND YOUNG PEOPLE'S SERVICES**

£10.0 billion
the amount spent by local authorities on children and young people's services in **2010/11**

£8.4 billion
the amount spent by local authorities on children and young people's services in **2015/16**

£1.6 billion
the real terms decrease in local authority allocations for children and young people's services between **2010/11** and **2015/16**

INCREASE IN DEMAND

ON LOCAL AUTHORITY CHILDREN AND YOUNG PEOPLE'S SERVICES BETWEEN 2010 AND 2017

13% increase in the number of children in care

4% increase in the number of children in need

31% increase in the number of children subject to a child protection plan

108% increase in referrals to children's social care services

CHANGES IN SPEND

ON EARLY AND LATE INTERVENTION

£3.6 billion
the amount spent by local authorities on early intervention in **2010/11**

£2.1 billion
the amount spent by local authorities on early intervention in **2015/16**

40%
the real terms decrease in local authority spending on early intervention between **2010/11** and **2015/16**

£5.7 billion
the amount spent by local authorities on late intervention in **2010/11**

£6.1 billion
the amount spent by local authorities on late intervention in **2015/16**

7%
the real terms increase in local authority spending on late intervention between **2010/11** and **2015/16**

IN THE FUTURE

GOING FORWARD

29%
the projected real terms reduction in central government funding for local authority early intervention services between 2016/17 and 2019/20

What is needed from central government...

- The Government should urgently address the funding gap in children and young people's services
- The Government should work with local authorities to ensure additional funds are used to improve early intervention
- Future decisions about investment in children and young people's services should take into account local need, and the Government should clarify its plans to reform local government funding

Introduction

Last year, Action for Children, The Children's Society and the National Children's Bureau highlighted the worrying fall in funding for local services such as children's centres and youth services, which are focused on prevention and early intervention. Our report *Losing in the long run* shone a light on the difficult decisions councils are making to reduce spending on universal services and targeted early intervention as they deal with reduced budgets.

Early intervention has long been valued by councils as a means to help prevent problems escalating to a point where children and young people require more costly interventions, such as being taken into care. From parenting classes to substance misuse prevention, programmes and the local services which deliver them form a key part of councils support for local communities.

However, prevention and early intervention is only one part of local government spending on children and young people's services. A much larger amount is spent each year on services that support those with more complex problems.

These services often act as 'late' or 'crisis' intervention. They cover local councils spending on safeguarding and support provided to children in care, and for those with complex needs who remain in the family home.

Since 2010 the demand for these 'late' intervention services has increased significantly.[1] This has taken place against a backdrop of reduced funding for all parts of children and young people's services from central government. This means that local authorities have been forced to make significant cuts to preventative and early intervention services.

In this new report we look at current funding and spend right across children and young people's services. We provide an estimate of how much councils are receiving for children and young people's services and where this is being allocated.

Our analysis finds an ongoing trend where councils no longer have the resources to fund services that step in and help families early. Instead they are increasingly forced to focus on dealing with problems once they have escalated. However, the reduction of early intervention services is likely to only increase demand for more costly 'late' interventions. Universal and early intervention services have been shown to make the difference to children and young people.[2] They are the best approach to reducing demand at a higher, more costly level.

The challenge faced by councils is now being highlighted by representative bodies. The Local Government Association has analysed local authority spending across a broad range of services. They have estimated that a funding gap of £2 billion (bn) will emerge in children and young people's services by 2020. This gap only reflects the level of funding required to maintain current spending on children and young people's services based on 2016 figures. It doesn't reflect the additional cost of any increase in demand for these services by the end of the decade – or taking funding levels back to those seen in previous years.

With continued austerity, proposed reforms to local government funding being shelved,[3] and no alternative solution in place, children and young people's services are on a far from stable footing. This report argues that central government has a duty to take action so that children are not forced to wait longer for the support they need. Councils must receive urgent additional funding – with the clear stipulation that this is spent on earlier intervention. But beyond this we need a plan for the future, based on fairer funding decisions that meet local needs.

'EARLY' AND 'LATE' INTERVENTION SERVICES

In this report, we have taken a broad approach to defining early intervention, incorporating some universal and targeted services. This reflects the government's own approach; it has expected local authorities to use their early intervention funding allocation – previously called the Early Intervention Grant – to pay for a range of universal and targeted services, including information and advice for young people, Sure Start children's centres, teenage pregnancy services, respite care for families of disabled children, and other support for families.

Late intervention refers to those areas of spend primarily dealing with children who have reached a higher level of need. Spend in this area is targeted at specific needs and will include children in care and youth justice. Please see methodology for further information.

Central government funding for children and young people's services

Children and young people's services are facing pressing challenges. There has been rising demand at a time of significantly reduced budgets across local authorities.[4]

Local government funding sources

Local authority spending is drawn from two main sources, local taxation, and central government grants. The income these streams generate are collectively referred to as local government spending power. The total amount is effectively set by central government, through decisions on amounts in individual grants and limitations on council tax increases.

Councils allocate funding from spending power to pay for a range of services including adult social care, homelessness prevention and children and young people's services.

Change in local authority spending power over time

Local Authority spending power has reduced significantly over the first half of the current decade. In cash terms, spending fell from around £55 bn in 2010/11, down to £49 bn in 2015/16. In 2017 prices, this represents a fall from about £65 bn in 2010/11 to £50 bn in 2015/16.[5]

This means that through the first part of the decade, local authority spending power has fallen around 24 per cent in real terms. This underlines the challenge that councils face paying for a range of services across local communities.

Modelling funding for children and young people's services

It is difficult to calculate exactly how much funding for children and young people's services has fallen over recent years. This is because the vast majority of the funding available is not allocated to a specific children and young people's services 'pot' – instead it is up to local authorities to allocate how much of their overall spending power they wish to allocate to this area. Early intervention services are an important exception to this – as discussed in the section below.

One way of modelling funding for children and young people's services is to take a 'baseline' year, and assume that spending on children and young people's services in that year was equivalent to the funding available. Funding for other years may then be modelled by assuming that the proportion of spending power available for children and young people's services remains consistent over time.

For this report we used 2010/11 as the 'baseline' year, and modelled funding for children and young people's services over the following years accordingly.

Using this approach, we found that funding of £10 bn (in 2017 prices) was available for children and young people's services in 2010/11, this had reduced to £7.4 bn by 2016/17.

Modelled funding compared to children service spend

As can be seen in Table 1, whilst spending on children and young people's services has fallen in recent years, based on our model it has done so more slowly than funding available for children and young people's services. This may be because as demand for children and young people's services has increased, councils are deciding to increase the proportion of their spending power which is directed towards this area.

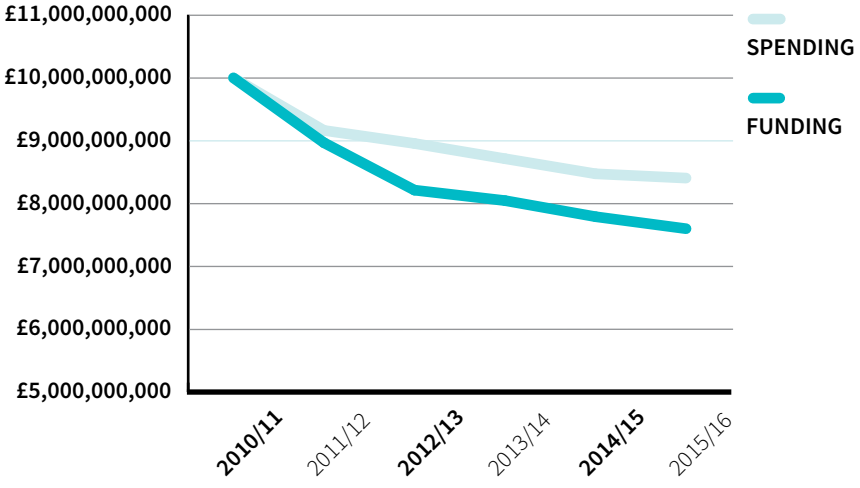
Another possible explanation is that local councils are choosing to spend reserves in order to top up inadequate spending power. The use of reserves has increased in recent years.[6]

It is important to note that some parts of council reserves are allocated for specific areas, such as schools. Other elements within reserves are earmarked for transformation projects, specific risks such as insurance excesses and emergency contingencies, such as flooding. This leaves only a small amount to deal with mismatches between funding and expenditure.[7] Regardless, reserves are not a sustainable source of funding for children and young people's services over the long-run.

TABLE 1: Comparison of children and young people's service spending and available funding between 2010/11 and 2015/16 in real terms

Financial year	Children and young people's services spend (bn)	Modelled 'funding' as proportion of spending power[8] (bn)
2010/11	£10,002	£10,002
2011/12	£9,166	£8,969
2012/13	£8,958	£8,215
2013/14	£8,716	£8,049
2014/15	£8,475	£7,792
2015/16	£8,407	£7,601

CHART 1: Comparison of funding to spending by councils between 2010/11 and 2015/16 in real terms



This funding gap is based on an assumption of constant demand between 2010 and 2016. In so far as children and family's needs have increased over this period, the funding gap will be proportionally larger than represented here.

Changes to early intervention funding

Whilst much of the funding for children and young people's services is not paid for from pots of money allocated for this purpose, there is an important exception to this. Funding for early intervention services is an identified line of central government funding allocation. It is important to note that this does not mean that this funding is ringfenced for this purpose – the allocation is indicative only. Local authorities can choose to spend this money on other areas if they wish to do so.

However, it does provide a helpful measure for calculating changes to funding available for early intervention services over time. Our previous analysis has shown this early intervention funding is falling year on year. Using the latest inflation figures and government spending allocations, we can see that specific early intervention funding has fallen 55 per cent between 2010/11 and 2015/16. A reduction of £1.7 bn across England.[9]

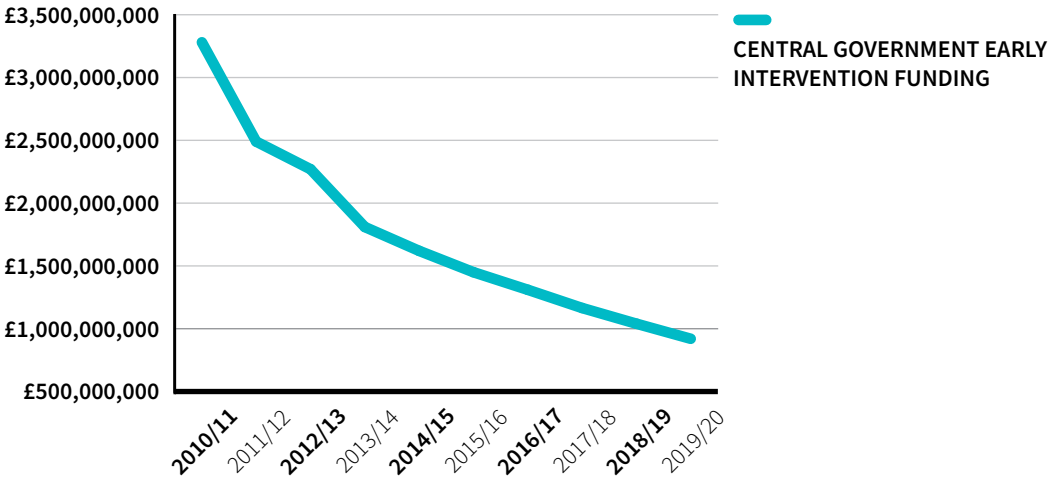
By the end of the decade this will fall a further a further £388 million (mn) – 29 per cent in real terms – taking a further £808 mn out of early intervention service across England.[10]

TABLE 2: Early intervention central government funding for local councils between 2010/11 and 2019/20 in real terms[11]

Financial year	Early intervention funding (mn)
2010/11	£3,281
2011/12	£2,486
2012/13	£2,274
2013/14	£1,813
2014/15	£1,625
2015/16	£1,451
2016/17	£1,318
2017/18	£1,165
2018/19	£1,037
2019/20	£929

CHART 2: Fall in central government early intervention funding between 2010/11 and 2019/20

The total spent by local authorities on children and young people's services has been reported as different amounts in varying reports and government publications.



Local authority spending on children and young people's services

Supporting children and young people who may require additional help is one of the core responsibilities of local authorities. It remains one of the largest areas of spending by councils alongside police, adult social care and education services.

CHILDREN AND YOUNG PEOPLE'S SERVICES

This report looks as children and young people's services that are the responsibility of local authorities to commission and deliver. These services include children's centres, targeted youth and family support, safeguarding and child protection and children in care. This doesn't include education or public health functions that local authorities are also responsible for delivering. Children and young people's services cover different levels of needs. Tier 1 and tier 2 services are for cases with a lower level of need and are often referred to as non-statutory services. Tier 3 and tier 4 services are for children in need, and looked after children, as established in the Children Act 1989 and are referred to as statutory services. Tier 3 and 4 services are also commonly referred to as children's social care services.

To present analysis covering both the overall spend on children and young people's services and the category of spend – early or late – we have used figures compiled by local authorities and published by the Department for Education. This is known as Section 251 data (s.251).[12]

This provides the most detailed breakdown of spending by itemised area allowing us to group spending as early and late intervention.

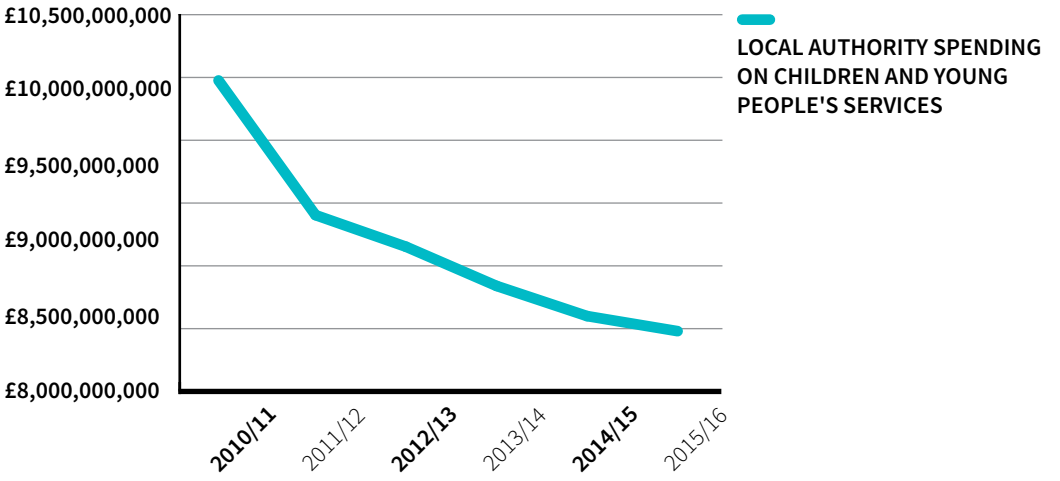
WHY ARE THERE DIFFERENT REPORTED FIGURES ON LOCAL AUTHORITY SPENDING

This can be due to what areas of spend are counted as children and young people's services, whether these are reported in cash or real terms and what measure of inflation is used to account for the changing cost of delivering services. Together, these factors can change the totals that are reported.

National

In 2010/11 local authorities spent £10.0 bn on children and young people's services.[13] By 2015/16 this fell to £8.4 bn – a 16 per cent reduction.[14] It is important to note that the reduction in fall in spending by local authorities is significantly lower than the reduction in available central government funding, as shown in the previous section. This change reflects efforts by local authorities to protect children and young people services in the face of budget reductions.

CHART 3: National spending on children and young people's services between 2010/11 to 2015/16 in real terms



The ongoing reductions in funding, and in turn spending, are reaching a tipping point. A survey of local authorities found that nine in ten councils (89 per cent) cited financial pressures as a risk to the effective delivery of children's social care services over the next three years.[15]

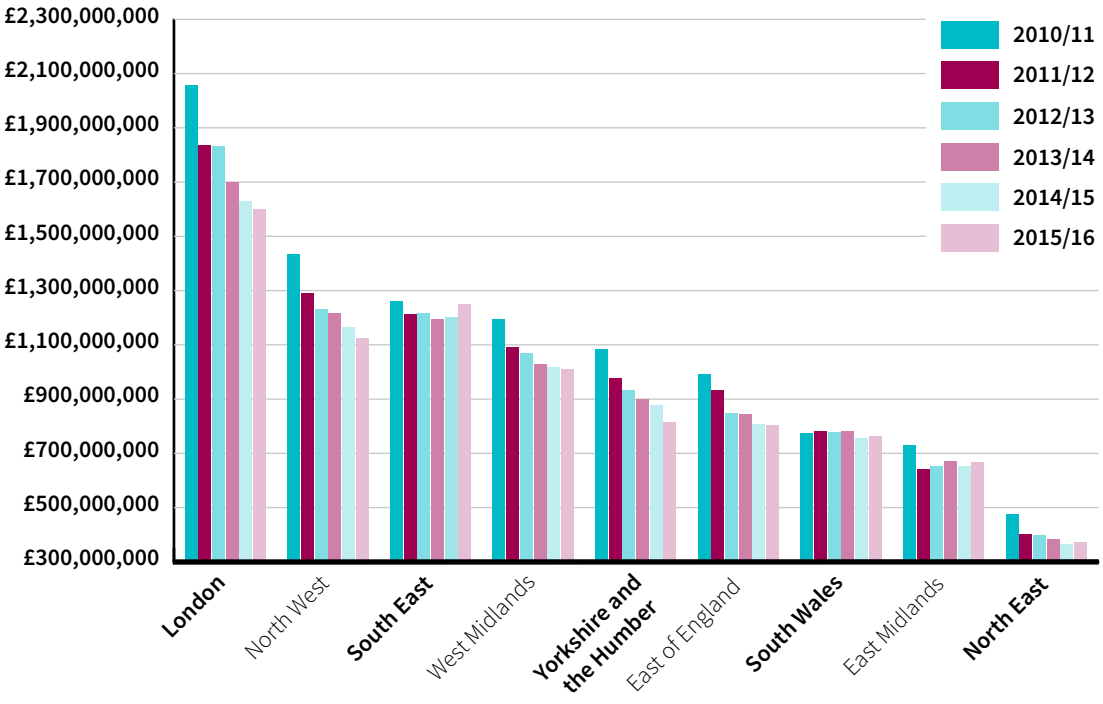
TABLE 3: Total spend on children and young people's services between 2010/11 and 2015/16 in real terms[16]

Financial year	Spend by councils in England (bn)
2010/11	£10,002
2011/12	£9,166
2012/13	£8,958
2013/14	£8,716
2014/15	£8,475
2015/16	£8,407

Regional

There has been significant variation in children and young people's service spend across England. This ranges from £63 mn in the East Midlands to more than seven times that in London.

CHART 4: Reduction in spend in children and young people's services by region between 2010/11 to 2015/16 in real terms



The different levels of spend are largely reflections of the populations and needs amongst children, young people and families. There are a range of factors which can influence overall spend on children and young people's services. The cost of staff will differ across UK regions, London has traditionally had higher average wages for staff, including social care, than other parts of the UK.

London and Yorkshire and the Humber have larger social care workforces than other parts of the UK.[17] The specific forms of support provided, from short breaks to adoption support, can also drive costs as there are large ranges in the average cost for each service.[18]

Councils have also reported that issues such as welfare cuts, domestic violence, child sexual exploitation and mental illness all drive up spending on children and young people's services.[19] The severity of these issues will differ across regions and will have varying influences on total amount of spend.

TABLE 4: Total spend on children and young people's services between 2010/11 and 2015/16 by region in real terms (mn)[20]

	Financial year						
Region	**2010/11**	**2011/12**	**2012/13**	**2013/14**	**2014/15**	**2015/16**	**% change from 2010/11 to 2015/16**
London	£2,058	£1,820	£1,831	£1,699	£1,633	£1,599	-22%
North West	£1,435	£1,274	£1,232	£1,216	£1,164	£1,126	-22%
South East	£1,262	£1,199	£1,216	£1,195	£1,202	£1,248	-1%
West Midlands	£1,196	£1,083	£1,069	£1,028	£1,017	£1,010	-15%
Yorkshire and the Humber	£1,082	£962	£932	£899	£877	£815	-25%
East of England	£991	£903	£849	£844	£809	£804	-19%
South West	£775	£776	£778	£780	£757	£765	-1%
East Midlands	£729	£639	£652	£671	£653	£666	-9%
North East	£475	£397	£397	£383	£365	£374	-21%

Levels of deprivation

The fall in overall spend in children and young people's services is noticeable in the difference by levels of deprivation. The most deprived areas have seen a combined fall in spending of £507 mn since 2010/11. This is compared to £79 mn for the least deprived areas over the same period.

TABLE 5: Total spend on children and young people's services by deprivation quintile between 2010/11 and 2015/16 in real terms (mn)[21]

	Financial year						
Deprivation quintile	**2010/11**	**2011/12**	**2012/13**	**2013/14**	**2014/15**	**2015/16**	**% change from 2010/11 to 2015/16**
1 LEAST DEPRIVED	£1,679	£1,562	£1,566	£1,566	£1,548	£1,599	-5%
2	£2,217	£2,081	£2,031	£1,991	£1,907	£1,925	-13%
3	£1,882	£1,701	£1,681	£1,658	£1,635	£1,565	-17%
4	£1,990	£1,748	£1,809	£1,693	£1,616	£1,589	-20%
5 MOST DEPRIVED	£2,236	£1,962	£1,871	£1,807	£1,769	£1,729	-23%

The most deprived local authorities have seen a fall in spending on children and young people's services more than six times as large as the least deprived councils. This reduction in spending by levels of deprivation mirrors wider trends. More deprived local authorities have seen higher reductions in spending than the least deprived areas across council services.[22]

More deprived councils are more reliant on central government grants to fund local services.[23] In 2013 reforms to how central government calculated grant allocations resulted in all local authorities receiving the same percentage cut to core grants. This uniform cut didn't take into account the levels of deprivation in a council area – or the associated level of demand for services.[24]

More deprived local authorities have a weaker council tax base to make up any shortfalls in central government allocations.[25] As a result, reductions in central government grants since 2010 have resulted in a greater cut to their spending per person in the least deprived councils in England.[26]

Change in spending on early and late intervention

There have been worrying reductions in overall children and young people's service funding and spending. This has placed downward pressure on services to find savings and work within a reduced spending allocation. This has inevitability led to attempts to reduce staff and service costs.

How these savings have been found within children and young people's services is a cause for concern. There has been a sustained reduction in early intervention spending across local authorities. These services have borne the brunt of cuts whilst late intervention has seen a sustained increase in spending across the period, driven by increased demand for statutory services.

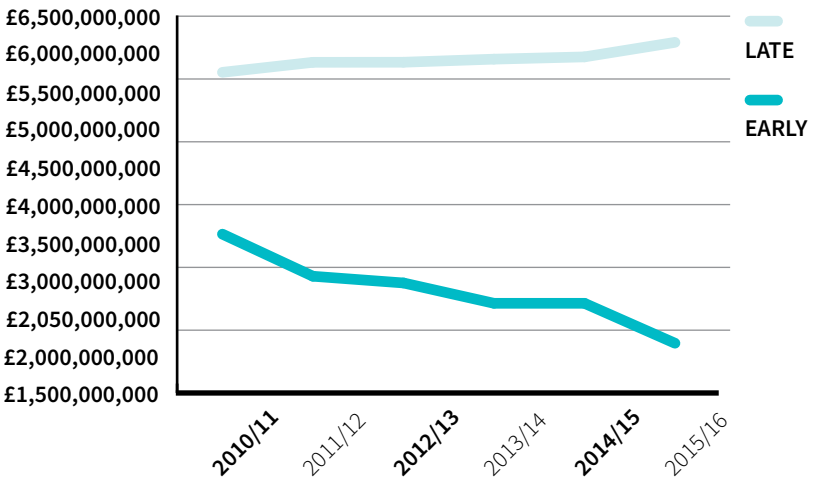
National changes to spending on early and late intervention

Between 2010/11 and 2015/16 there has been a fall of £1.4 bn in spending on early intervention services – a 40 per cent decrease. During the same period, there has been an estimated £398 mn increase in annual spending on late intervention – a 7 per cent increase.

TABLE 6: Early and late spend across England between 2010/11 and 2015/16 in real terms[27]

	Spend by councils in England (mn)	
Financial year	**Early**	**Late**
2010/11	£3,608	£5,755
2011/12	£3,049	£5,889
2012/13	£2,958	£5,889
2013/14	£2,684	£5,931
2014/15	£2,434	£5,961
2015/16	£2,163	£6,153

CHART 5: Reduction of early intervention spending and increase in late intervention between 2010/11 to 2015/16 in real terms

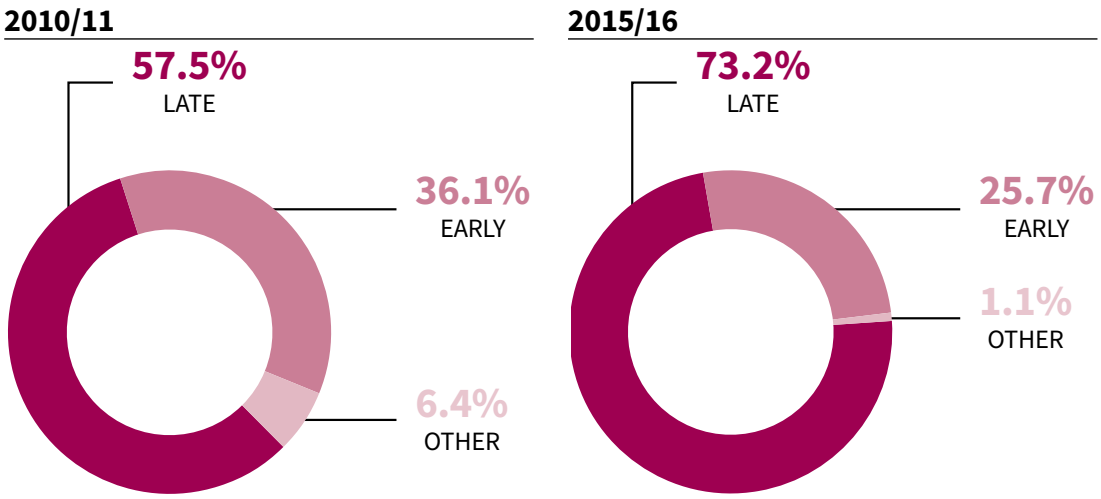


However, the increasing spend on late intervention can be seen as a knock-on effect of the on-going reductions to early intervention. As these services become less able to support children, demand for late intervention increases. As demand exceeds expectations throughout the year, a greater proportion of the available children and young people's service funding is allocated for late intervention.

Councils are required by law to provide support to children in need and in care. There are fewer legal requirements dictating the forms of support that must be provided earlier – before needs escalate. Councils have reported that early intervention was an area where they had more flexibility to manage spending.[28] This weak legislative framework makes early intervention service prone to cuts when budgets are tight.

Within children and young people's service budgets there is a noticeable change in the proportions taken up by late and early intervention. In 2010/11 early intervention represented 36.1 per cent of children and young people's service budgets. By 2015/16 this had fallen to 25.7 per cent. Conversely, late intervention services now represent an estimated 73.2 per cent of local authority spending. This has increased from 57.7 per cent in 2010/11.[29] There has also been a noticeable reduction in spend by councils on back office functions, falling from 6.4 per cent in 2010/11 to 1.1 per cent in 2015/16.[30]

CHART 6: Share of early and late intervention spending in children and young people's services
Within children's service budgets there has been little change in the percentage spent on services and support for disabled children. These services include short breaks and direct payments.[31]



In 2010/11, disability support represented 3.6 per cent of children's service spend. This rose slightly to 4 per cent by 2015/16.[32] Despite this, disabled children's services spending has seen a reduction in recent years. This has not matched the degree of cuts to other services but shows that it is not immune from being targeted for savings by local authorities.

TABLE 7: Total spend on disability services for children between 2010/11 and 2015/16 in real terms[33]

Financial year	Spend by councils in England (mn)
2010/11	£356
2011/12	£367
2012/13	£367
2013/14	£355
2014/15	£342
2015/16	£337

Budget to annual spending returns

The annual increases in demand for late intervention is driving up spend on this part of children and young people services each year. This is apparent in the difference between the budgets and the end of year outturns local authorities publish.

In 2015/16, local authorities spent just under £8 mn more on early intervention than they had budgeted for at the start of the financial year. This is a frequent challenge in assessing spend.

Across the three years from 2013/14 to 2015/16, the average overspend for local authorities on early intervention was £42 mn. This small overspend is primarily driven by targeted family support within early intervention. This reflects feedback from councils who have highlighted how a small number of high needs families moving to the area can lead to higher spending than originally budgeted.[34]

This small overspend in early intervention is dwarfed by overspend in late intervention. Across the three years from 2013/14 to 2015/16, the average overspend for local authorities on late intervention was £643 mn.[35]

There is a significant challenge for councils in accurately estimating demand for local services. Many use historic data to formulate best case estimates.[36] Very few have reported using more complex modelling tools to weigh factors that might lead to increases in demand.[37]

Ongoing support for early intervention

Despite the challenge of investment many local authorities acknowledge they can see the benefits of early help services.[38] A Department for Education survey found four in five (83 per cent) local authorities were confident that a greater focus on early help reduces demand on services such as children in need. Almost one in three (29 per cent) were very confident.[39]

This belief comes from studies and evaluations that clearly show early intervention works. The right support, delivered effectively, when problems are first identified can prevent children, young people and parents from a negative spiral as problems worsen. For example, the Triple P Family Transitions programme can help prevent adverse outcomes for children following parental divorce.[40] Similarly, so can an Intensive Family Support service where a key worker provides a period of intensive support to improve a family's outcomes.[41] Both these approaches, as with many other early intervention programmes, have a strong evidence base demonstrating the difference they make.[42]

Early intervention services can also include interventions, both universal and targeted, focused on helping children earlier in life – such as the forms of support delivered in children's centres. The first years of a child's life have a profound impact on later educational and health outcomes.[43] Parenting support and interventions that step in at the early signs of developmental problems have been shown to make a positive difference.[44]

There is a clear financial benefit to early intervention. Evaluations of children's centres have found that for every £1 invested, there is a return to society of £4.60.[45] For every £1 invested in targeted services designed to catch problems early and prevent problems from reoccurring, society benefits by between £7.60 and £9.20.[46] These savings are realised through increased tax revenue, decreased benefit payments and reductions in long term child costs such as social care.[47] These financial benefits will be accrued by local and central government, making them the prime beneficiaries of their own investment.

THE DIFFERENCE EARLY INTERVENTION CAN MAKE: **RACHEL'S STORY**

Rachel, who has a four year old daughter Helen, is profoundly deaf and communicates using sign language. She was a victim of domestic violence for several years. After leaving her partner, Helen's father, she felt lonely and isolated.

Rachel was struggling to create consistent boundaries and routines for Helen. This was affecting Helen's behaviour at nursery. Her teachers had serious concerns about whether Helen would be ready to start primary school. Rachel lacked the confidence to deal with this and so she began to stop sending Helen to nursery.

Rachel was referred by her social worker to her local children's centre. Staff helped Rachel to join parenting classes and programmes to learn how to manage Helen's behaviour. Rachel learnt to create positive routines, structures and boundaries. Staff also worked with Rachel and Helen together to improve their communication with one another.

Rachel's support worker sign posted her to local parenting groups and deaf support groups to help address her feelings of isolation. They helped her to keep appointments, book interpreters and become more independent, eventually having the confidence to travel on her own.

The lack of funding is having a direct effect on capacity within local authorities. Children's centres have become synonymous with reductions to early intervention spending. Since 2010, Department for Education data shows that 508 children's centres have closed across England.[48] Those which have remained open are becoming increasingly targeted, losing many early help services.[49]

Our analysis has focused on spending by local councils on children and young people's services. Yet, the reduction in spend on early intervention is sadly mirrored in other areas of local government provision.

Public Health, now the responsibility of local authorities, can include additional support to help children avoid illness, complex health problems and have the best start in life through the support of health visitors. These can all prevent the emergence of problems which late intervention social care services respond to.

Council public health spending is set to reduce by £85 mn between 2016/17 and 2017/18.[50] Public health funding is estimated to fall by at least £600 mn by 2020/21.[51]

Regional changes to spending on early and late intervention

There are noticeable differences in the change to early and late spending across different regions. In London there has been a reduction of £277 mn in early intervention spend, compared to a £53 mn reduction in late spend. This change isn't as pronounced as in the East Midlands where there has been a £117 mn reduction in early spend and an increase in late spend of £88 mn.

TABLE 8: Early and late spend by region in real terms (mn)[52]

	2010/11		2015/16		Change from 2010/11 to 2015/16	
Region	**Early**	**Late**	**Early**	**Late**	**Early**	**Late**
London	£699	£1,205	£423	£1,151	-40%	-4%
North West	£574	£782	£288	£830	-50%	6%
South East	£418	£753	£337	£896	-19%	19%
West Midlands	£405	£722	£212	£789	-48%	9%
Yorkshire and the Humber	£441	£584	£226	£583	-49%	0%
East of England	£332	£578	£208	£585	-37%	1%
South West	£277	£453	£209	£547	-24%	21%
East Midlands	£285	£403	£168	£491	-41%	22%
North East	£177	£276	£91	£281	-49%	2%

Similar to differences in overall spend across regions, the changes in early and late spend will be largely driven by local demand. Both the East Midlands and the South West have seen significant increases in the number of children requiring more specialist, targeted intervention in the last few years (see table 10).

Changes to spending on early and late intervention by levels of deprivation

The change in spend has been more pronounced in areas of high deprivation compared to areas of low deprivation. The most deprived areas have seen a combined fall in early intervention spending of £420 mn since 2010/11. This is compared to £120 mn for the least deprived areas over the same period.

TABLE 9: Early and late spend by deprivation quintile in real terms (mn)

Deprivation quintile	2010/11		2015/16		% change from 2010/11 to 2015/16	
	Early	Late	Early	Late	Early	Late
1 LEAST DEPRIVED	£583	£965	£462	£1,111	-21%	15%
2	£763	£1,318	£463	£1,443	-39%	9%
3	£704	£1,060	£433	£1,122	-38%	6%
4	£718	£1,147	£384	£1,180	-47%	3%
5 MOST DEPRIVED	£841	£1,265	£421	£1,297	-50%	3%

Research has found a strong association between deprivation and demand on late intervention services.[53] The higher the level of deprivation the higher the proportion of looked after children or those who are subject to a child protection plan.[54] Both of these are captured within late intervention in our analysis and explain the higher level of spend in 2010/11 and 2015/16 amongst the most deprived local authorities.

The pressures on this end of the system are especially difficult for more deprived local authorities. Local authorities in more deprived areas experience higher levels of demand.[55] As a result, with scarcer resources, some researchers have suggested these councils might have higher thresholds, screening out more referrals and diverting cases to non-statutory services.[56]

This makes deprived local authorities more reliant on early support services, to manage demand and to act as a step down service.[57] It is these services that are heavily reliant on early intervention funding. Yet, the most deprived areas have seen the highest fall in early intervention funding across any quintile. These findings echo other studies looking at the change in spend in children's services against levels of deprivation.[58]

Increasing demand for late intervention

The challenge for local authorities to invest in early intervention services is heavily affected by the increasing demand on services that deal with children and families who are reaching crisis point.

Since the start of the decade there has been an increase in the referral to children's services. A referral is made when any professional, such as a police officer, teacher or GP is concerned about the well-being of a child. Since 2010 the number of referrals has increased from 603,700 in 2010 to 646,120 in 2017.[59]

Once a referral is made a local authority will undertake an assessment. If the assessment shows that the child is in need (if they need services to achieve or maintain a reasonable level of health or development or are disabled), the child would be recorded as starting an episode of need.[60] Since 2010, the number of children in need has increased by 4 per cent from 375,900 to 389,430 in 2017.[61]

If the local authority identifies there is reasonable cause to suspect the child is suffering, or is likely to suffer, significant harm, a child protection conference will be arranged. At this stage it will be decided whether a child needs to become the subject of a child protection plan.[62] In the last seven years there has been a 31 per cent increase in the number of children who were subject to a child protection plan - rising from 39,100 in 2010 to 51,080 in 2017.[63]

In some cases, if it is in the best interest of the child, they will be taken into the care of the local authority. This is another area where children's services are seeing an increase in demand. The number of children in care has risen 13 per cent from 64,400 in 2010 to 72,670 in 2017.[64]

TABLE 10: Increase in demand for late intervention nationally and by region between 2010 to 2017

Region	Children protection investigation	Children in need	Child protection plan	Children in care
England	108%	4%	31%	13%
North East	119%	6%	30%	33%
North West	223%	25%	76%	18%
Yorkshire and the Humber	152%	7%	42%	9%
East Midlands	228%	27%	123%	28%
West Midlands	130%	10%	25%	19%
East of England	60%	-8%	13%	4%
London	161%	1%	30%	-10%
South East	222%	12%	108%	21%
South West	109%	95%	65%	16%

The increasing demand at this level forces local authorities to allocate more funding to services working with these children. Supporting children with more complex needs costs local authorities more per child. The most recent estimates show the average, annual cost per child in need is £10,115 and the average, annual cost per child in care is £44,647.[65] Together, the cost and level of demand is stretching reduced budgets even further.

The pressure this creates isn't escaping local authorities. A recent survey of Directors of Children's Services found that nine in ten (89 per cent) were finding it increasingly challenging to fulfil their legal duties to children in need in the last five years.[66]

Children missing out on the help they need

Research has found that in one year 140,000 children referred to local authorities for concerns including abuse and neglect did not receive help because they did not meet the threshold for statutory support and were not directed to local early help services.[67] Research with local authorities found that pressure on resources for early help was a factor in the lack of available early help.[68]

A survey from the Association of Directors of Children's Services (ADCS) found that three quarters of responding authorities said their early help services had become more targeted in the last two years.[69] Early intervention increasingly takes the form of targeted support, rather than universal services. This is effectively driving up thresholds, so that children's needs have to be more significant before they qualify for help.

At the same time, social workers report that thresholds for support are rising. A survey for the Nation Children's Bureau found that two-thirds (66 per cent) said that thresholds for receiving early help had generally risen in the last three years.[70] Six out of ten (60 per cent) of social workers responding to the survey said that the finances available to children's services influenced decisions about whether to offer early help.[71]

This all means children must fall deeper into crisis before getting help. Without addressing the issues that children are facing, they will simply be left to escalate to a point when formal action is required.

This is illustrated by the fact that nearly 15 per cent of the children referred to social services in 2010/11 were re-referred within the same year.[72] This proportion doubles by 2011/12 (31 per cent) and continues to increase across the whole follow-up period, reaching 50 per cent by 2015/16.[73] Within six years, half the children referred to social services in 2010/11 have returned to social care at least once.[74]

In half of cases the needs children have at the time of the first referral didn't change.[75] With referrals occurring across a number of years, children with needs related to abuse and neglect are being left without adequate support over an extended period of time.

A lack of long-term stability

100% business rate retention for local authorities

The future financial situation for local authorities is less clear following the change in direction from central government. At the Autumn Statement 2015, the Chancellor announced that from 2020 local authorities would be responsible for funding local services through locally raised business rates.[76]

This change would see the end of certain central government grants. This would include the Revenue Support Grant which covers funding for early intervention services through the Early Intervention Grant (EIG).[77]

To replace central grants, local councils would be permitted to keep 100% of business rates. These rates are a form of taxation on local business. The amount owed by businesses fluctuates based on a number of different factors.[78] The amount collected by councils would be heavily influenced by the strength of local economies.

The new approach raised questions about how poorer local authorities, with weaker local economies, would raise sufficient revenue to pay for early intervention and children and young people's services more broadly. These poorer councils are also likely to have weaker council tax basis to raise additional revenue from their other main funding source.[79]

Six in ten councillors (59 per cent) believed it wouldn't be possible to maintain the current level of funding for early intervention services after the change.[80] This was despite the potential to raise additional revenue above current grant allocation amounts through business rate retention.[81]

Despite concerns, central government introduced a Bill to change the existing legal framework to enable local authorities to retain business rates. The Bill would also legislate to scrap the Revenue Support Grant.

The Bill had yet to finish its passage through Parliament when the General Election was called in 2017. Despite expectations that the Bill would carry over into the new Parliament, the Prime Minister chose to not reintroduce it for the new parliamentary sessions. This leaves the future of business rate retention in a state of flux.

Ministers have said they will consult with stakeholders on the future of local government funding. However, with little time in Parliament to introduce the required legislation, it will be problematic for government to implement 100% Business Rate Retention as originally envisaged.

This leaves local government funding, in particular for children and young people's services and early intervention, in a precarious position. With no certainty over central government grant allocations, local authorities lack the assurances to plan ahead.

Retention of the Revenue Support Grant, and the EIG, would come with predicted reductions for years ahead. On current trends, the reductions would continue beyond 2020. Further falls in funding would place the very survival of early intervention services at risk.

Changes to the national funding formulas

This delay has seemingly removed the opportunity to consider the way in which funding is allocated to local authorities. As part of the reforms, central government were to complete a review of the funding formulas used to assess the level of need and resources required to deliver key local services. The current approach was designed over ten years ago and hasn't been updated since 2013.[82]

The current system includes a number of different formulas for different elements within the funding allocation from central government, accounting for children's social care and early intervention. Within these formulas different indicators are used, for example population figures for different age groups.[83]

The review of the funding formula was set to consider current cost drivers for children's social care. The Department for Education supplied a long list relevant to children and young people's services to begin a broader discussion with local authorities. This list included the number of children on child protection plans and the increase in unaccompanied asylum seeking children.[84] These drivers are not reflected in current funding formulas.

A recent tender from the Department for Education indicated they wish to look again at the drivers of children and young people's services 'need to spend.' This would form part of a review of demand and relative expenditure that would inform any future changes to the funding formula for children's social care.[85]

Conclusion

Our analysis reveals the growing funding pressure on councils in England which threatens the future of children and young people's services. The fall in spending we've found is mirrored by the ongoing reduction in central government funding for councils to allocate to children and young people's services. These downwards trends are having a noticeable impact.

Our previous analysis highlighted the worrying reductions in funding for early intervention services since 2010. It is clear that not only are these services continuing to see cuts, at the same time there is an increasing spend on late intervention.

This increase is unsustainable. The Local Government Association has estimated a funding gap of £2 bn will emerge by 2020.[86] This requires immediate attention from central government. Failure to act presents a real risk that councils will not be able to meet their duties to support vulnerable children and young people in England.

But even this £2 bn doesn't take into account the cost of rising demand on children's services to the end of the decade. It also doesn't begin to replace the lost funding over the course of the decade.

If we want to see this change we need to see a change in approach. The ongoing cuts to early intervention are robbing local authorities of the resources to address, and reduce, demand for more costly interventions when problems reach crisis point.

Years of evidence has built up to demonstrate the difference early intervention can make to children, young people and families. As an approach, it can transform lives. By not valuing these services we are condemning children to lives blighted by problems that could be avoided. In this case, investment is a price worth paying.

And the cost-benefit of investing in early intervention is well evidenced. By not providing adequate financial resources to councils for these services, the current government is leaving future generations with the increased costs and consequences of missing the chance to step in early.

Even with much needed action from central government, the long-term stability of children and young people's services will require further attention. The decision to review a move toward 100% business rate retention raises many questions.

A decision to not proceed with planned reforms, would suggest a retention of central government grants. These have been falling year on year since 2010. Without reversing the long-term trend in funding any additional injection of funding before 2020 will only be a temporary solution.

Recommendations

The Government should urgently address the funding gap in children and young people's services.

There is a growing gap between demand and resource, leaving too many children without the support they need. Analysis in this report has shown that it would take an additional £2 bn a year just to return funding to 2010 levels.

The Government should work with local authorities to ensure additional funds are used to improve early intervention.

Alongside additional funding to address the growing gap, the Government should look at mechanisms to ensure local authorities invest in services that address problems early. Currently, local authorities struggle to provide early intervention services as well as meet their statutory obligations towards children in crisis. Additional funding could be used to facilitate services such as support for parents and community-based youth services. The aim would be to help more children before problems escalate.

Future decisions about investment in children and young people's services should take into account local need, and the Government should clarify its plans to reform local government funding.

The Government should ensure local authorities receive the level of funding necessary to respond to local demand. We know that local authorities with the most deprived communities have suffered the greatest reductions in spending power, leaving many children with multiple vulnerabilities lacking much-needed access to support. This worrying trend must be reversed.

Ministers must also put an end to the uncertainly surrounding the future of local authority funding overall, including the formula grant.

Methodology

To produce figures for our analysis we have reviewed publically available section 251 data published by the Department for Education (DfE). This data provides a record of spend by local authorities on their children and young people's services each year. Further information on section 251 data is available here: **www.gov.uk/government/collections/section-251-materials**

We have reviewed annual guidance to determine the nature of each spend line. We have aggregated the spend lines to present overall spend for several groupings. These are:

- Children's centres and other early years services
- Family support services
- Services for young people
- Youth justice
- Children in care
- Child protection and safeguarding
- Disability support

These have then been grouped into 'early' and 'late' spend categories. Children's centres and other early years services, family support services and services for young people have all been grouped as early intervention. This reflects the same categorisation used for *Losing in the long run*. Youth justice, children in care and child protection and safeguarding have all be categorised as 'late' intervention. We have included disability support in our early intervention grouping but have also presented this separately to enable secondary analysis of early intervention spending without this by those reading the report.

Some figures relating to spend on early intervention differ from similar figures in *Losing in the long run*. This is due to different data used for the 2015/16 financial year. *Losing in the long run* used budget data for 2015/16 as the actual spend data wasn't available at time of publication. *Turning the tide* uses actual spend data for 2015/16 as this has now been published. The figures presented here show a more accurate reflection of changes in early intervention spend for 2010/11 to 2015/16.

The Retail Price Index (RPI), Consumer Price Index (CPI) and Consumer Prices Index including owner occupiers' housing costs (CPIH) can all been used to gauge inflation changes for children and young people's service spending. This report uses RPI as the measure of inflation. This is updated regularly by the Office of Budget Responsibility. We have used the latest figures available throughout the report. All figures are presented in 2017 prices, unless otherwise indicated.

To provide an estimate of central government funding for children and young people's services we have used core spending power. This is detailed through the Local Government Finance Settlement published by the Department for Communities and Local Government (DCLG). We have estimated a share of the core spending power for children and young people's services in 2010 based on reported s.251 returns. We have used this as a baseline to estimate the share of core spending each financial year as the same proportion allocated in 2010. These figures are presented in real terms.

The DCLG publish local authority revenue expenditure and financing for England. This is released annually. The report includes spending on children's social care alongside wider local authority spending. There are slight differences in what is recorded by local authorities when reporting to the DCLG compared to the DfE. This can lead to slight discrepancies in total reported spend.

The DCLG release does not include the same level of itemised spending for children's social care services as the DfE release for all the years in scope (2010/11 to 2015/16). To permit categorisation of of spend lines for early and late we have selected DfE data as opposed to the DCLG release.

We have also used data published by the DCLG on central government funding allocations to local authorities. This outlines local authority spending power across a set period of time. Further information on core spending power is available here: **www.gov.uk/government/publications/core-spending-power-final-local-government-finance-settlement-2017-to-2018**

Endnotes

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3 HC Deb, 29 June 2017, cW. Available at: http://www.parliament.uk/business/publications/written-questions-answers-statements/written-question/Commons/2017-06-26/1188

4 Association of Directors of Children's Services (2016) Safeguarding Pressures Phase 5. [pdf] Available at: http://adcs.org.uk/assets/documentation/ADCS_Safeguarding_Pressures_P5_REPORT_Web_FINAL.pdf [Accessed 21 August 2017]

5 A further fall in spending power between 2015/16 and 2016/17 must be modelled separately because of a change in methodology which means that datasets before and after 2015 cannot be directly compared.

6 Department for Communities and Local Government (2017) *Local Authority Revenue Expenditure and Financing: 2016-17 Provisional Outturn, England.* [pdf] Available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/639755/Revenue_Expenditure_and_Financing__2016-17_Provisional_Outturn.pdf [Accessed 21 August 2017]

7 Chartered Institute of Public Finance and Accountancy (2015) *CIPFA Briefing: English local authority reserves.* [pdf] Available at: https://www.google.co.uk/url?sa=t&rct=j&q=&esrc=s&source=web&cd=3&cad=rja&uact=8&ved=0ahUKEwis4Ijl07PWAhWBAsAKHWCYC-MQFgg7MAI&url=http%3A%2F%2Fwww.cipfa.org%2F~%2Fmedia%2Ffiles%2Fcipfa%2520thinks%2Fbriefing-paper-lg-reserves-v12.pdf%3Fla%3Den&usg=AFQjCNHMQTOMFYJkv5PYNFyonoTL3AsUVg

8 This is based on a proportion of spend by councils on children and young people's services in 2010. Please see methodology for more details.

9 This uses a 2010 baseline that does not include disadvantaged two-year-old funding.

10 This is a compound reduction of fall in early intervention funding from 2016/17 to 2019/20. [Accessed 20 September 2017]

11 Figures have been rounded.

12 Gov.uk (2017) *Local authority revenue expenditure and financing England: 2016 to 2017 individual local authority data – outturn.* [online] Available at: https://www.gov.uk/government/statistics/local-authority-revenue-expenditure-and-financing-england-2016-to-2017-individual-local-authority-data-outturn [Accessed 31 August 2017]

13 This refers to a section 251 of the Apprenticeships, Skills, Children and Learning Act 2009. This requires local authorities with responsibility for children's social care and education services to report annually to the Secretary of State for Education on total spend on these areas. There have been some concerns raised about the accuracy of data regarding the s.251 data but they remain the primary means of informing the public about local authority funding and spending plans.

14 Numbers have been rounded. Full figures available in table 1.

15 Numbers have been rounded.

16 Marshall, L., Leach, T., Cornick, P., (2017) *Children's Services Omnibus.* [pdf] Available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/634696/DfE-CSO-Wave_1_Final_Report.pdf [Accessed 28 August 2017]

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19 Personal Social Services Research Unit (2017) *Unit Costs of Health and Social Care 2016.* [pdf] Available at: http://www.pssru.ac.uk/project-pages/unit-costs/2016/index.php?file=full [Accessed 4 September 2017]

20 Department for Education (2016) *Children's services: spending and delivery.* [pdf] Available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/535043/Childrens_services_spending_delivery_report_Aldaba_EIF_July_2016.pdf [Accessed 21 August 2017]

21 Numbers have been rounded.

22 Numbers have been rounded.

23 New Policy Institute (2017) *Redefining neighbourhoods: A future beyond austerity?* [pdf] Available at: http://www.npi.org.uk/files/4714/9311/0114/Neighbourhood_Services_web.pdf [Accessed 4 September 2017]

24 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 [Accessed 21 August 2017]

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27 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 [Accessed 21 August 2017]

28 Numbers have been rounded.

29 Department for Education (2016) *Children's services: spending and delivery.* [pdf] Available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/535043/Childrens_services_spending_delivery_report_Aldaba_EIF_July_2016.pdf [Accessed 21 August 2017]

30 Please note the total figure used in this report would include local authority back office functions. It is not possible to allocate amounts from total back office spending on late and early intervention. As such, we have included this in our total spend on children and young people services but not in the totals for early or late intervention spending. This means a drop in proportion for either early does not necessarily mean an increase in the proportion of late.

31 Spend catergorised as 'other' spend includes strategy and planning. Spend on these functions can support both early and late intervention. As such, we have not included them in either.

32 Please see the methodology for further information about classification of disabled support services.

33 This is based on the total spend on disabled children's support – as listed on page 14 – as a percentage of total spend on children and young people's services – as listed on page 5.

34 Numbers have been rounded.

35 Department for Education (2016) *Children's services: spending and delivery.* [pdf] Available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/535043/Childrens_services_spending_delivery_report_Aldaba_EIF_July_2016.pdf [Accessed 21 August 2017]

36 This is an average of the difference in s.251 reported spend (outturns) against s.251 budgets for 2013/14, 2014/15 and 2015/16. See table below for further information. All figures are in real terms. Figures in the body of the report have been rounded.

Financial year	Difference between budgeted early intervention spend and outturn early intervention spend (mn)	Difference between budgeted late intervention spend and outturn late intervention spend (mn)
2013/14	£54,386,876	£543,145,925
2014/15	£63,919,973	£617,304,342
2015/16	£7,996,378	£767,288,988
Average across the three years	£42,101,075	£642,579,751

37 Department for Education (2016) *Children's services: spending and delivery*. [pdf] Available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/535043/Childrens_services_spending_delivery_report_Aldaba_EIF_July_2016.pdf [Accessed 21 August 2017]

38 Department for Education (2016) *Children's services: spending and delivery*. [pdf] Available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/535043/Childrens_services_spending_delivery_report_Aldaba_EIF_July_2016.pdf [Accessed 21 August 2017]

39 Association of Directors of Children's Services (2016) *Safeguarding Pressures Phase 5.* [pdf] Available at: http://adcs.org.uk/assets/documentation/ADCS_Safeguarding_Pressures_P5_REPORT_Web_FINAL.pdf [Accessed 21 August 2017]

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41 Early Intervention Foundation Guidebook (2017) *Triple P Family Transitions*. [pdf] Available at: http://guidebook.eif.org.uk/public/files/pdfs/programmes-triple-p-family-transitions.pdf [Accessed 13 September 2017]

42 McDermid, S., Holmes, L., (2013) *The cost effectiveness of Action for Children's Intensive Family Support Services.* [pdf] Available at: https://www.lboro.ac.uk/media/wwwlboroacuk/content/ccfr/publications/Report%20-%20Intensive%20Family%20Support%20Services.pdf [Accessed 13 September 2017]

43 For further information on early intervention programmes, evidence of impact and cost benefit please see the Early Intervention Foundation Guidebook. Available at: http://guidebook.eif.org.uk

44 Action for Children (2016) *Start as we mean to go on*. [pdf] Available at: https://www.actionforchildren.org.uk/media/6548/start-as-we-mean-to-go-on.pdf [Accessed 13 September 2017]

45 Please see the following report for further information the importance of parenting and evidence of interventions Joseph Rowntree Foundation (2007) *Parenting and outcomes for children*. [pdf] Available at: https://www.actionforchildren.org.uk/media/6548/start-as-we-mean-to-go-on.pdf [Accessed 13 September 2017]

46 New Economics Foundation (2009) *Backing the Future.* [pdf] Available at: http://b.3cdn.net/nefoundation/e15acdab95a4f18989_j8m6vrt0j.pdf [Accessed 13 September 2017]

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48 New Economics Foundation (2009) *Backing the Future.* [pdf] Available at: http://b.3cdn.net/nefoundation/e15acdab95a4f18989_j8m6vrt0j.pdf [Accessed 13 September 2017]

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50 4Children (2015) *Children's Centre Census 2015*. [pdf] Available at: http://cdn.basw.co.uk/upload/basw_23838-9.pdf [Accessed 21 August 2017]

51 Department for Communities and Local Government (2017) *Local Authority Revenue Expenditure and Financing: 2017-18 Budget, England.* [pdf] Available at: https://www.gov.uk/government/statistics/local-authority-revenue-expenditure-and-financing-england-2017-to-2018-budget [Accessed 21 August 2017]

52 The Kings Fund (2017) *Big cuts planned to public health budgets*. [online] Available at: https://www.kingsfund.org.uk/press/press-releases/big-cuts-planned-public-health-budgets [Accessed 21 August 2017]

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60 Department for Education (2016) *Characteristics of children in need: 2015 to 2016*. [pdf] Available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/564620/SFR52-2016_Main_Text.pdf [Accessed 24 August 2017]

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