



Department
for Education

Children's services: spending and delivery

**Research report by Aldaba and the Early
Intervention Foundation**

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Contents

List of figures, tables and case studies	4
Acknowledgements	6
Common terms	7
Executive summary	11
Aim and objectives	11
Demand	11
Spending	12
Approach to spending decisions	14
Managing demand and spending	14
Delivery	15
Forecasting demand and spending	16
Summary conclusion	16
Section 1: Demand and spending	18
Changes in demand	18
Changes in spending	20
Total spending	20
Spend per head	20
Limitations	33
Section 2: Decisions and delivery	34
Approach to spending decisions	34
Processes	34
Managing spending	35
Benchmarking	37
Managing demand	38
Remodelling early help and children's social care	38
The Troubled Families programme	42
Delivery	43
Commissioning	44
Social workers	46

Use of social workers' time	47
Placements	48
Foster care	49
Residential care	50
Reduction of services	52
Section 3: Forecasting demand and spend	54
Forecasting models	54
Spending pressures	56
Conclusion	58
Technical appendix	59
Methods	59
Coverage	59
Quantitative analysis	60
Qualitative analysis	66

List of figures, tables and case studies

Figure 1 Total spending on children's services (£ million), by service area (%), in 2010-11 to 2013-14 across all 152 English local councils, 2015 prices	21
Figure 2 Spend per head, per year, by the average (mean) local council and percentage change between 2010-11 and 2013-14 across 139 English local councils, 2015 prices	22
Figure 3 Box plots of spend per head, per year, in 2010-11 to 2013-14 across 139 English local councils, including minimum, maximum and quartile values, 2015 prices	24
Figure 4 Year-on-year change in spend per head, per year (% , vertical axis) in 2010-11 to 2013-14, across 139 English local councils (horizontal axis), and example of one local council (marker)	25
Figure 5 Year-on-year change in spend per head, per year, in 2010-11 to 2013-14 in Gateshead, 2015 prices	28
Figure 6 Map of spend per child in need, per year, in 2013-14 across 139 English local councils, 2015 prices	29
Figure 7 Map of spend per looked after child, per year, in 2013-14 across 139 English local councils, 2015 prices	31
Figure 8 Estimated lifetime spending by Gateshead Council on different types of placements, 2015 prices	49
Table 1 Children in need and looked after children numbers and rates in 2010-11 to 2013-14 across all 152 English local councils	19
Table 2 Relative position of local councils (quartiles 1 to 4) in relation to their spend per head, per year, in 2010-11 to 2013-14, across 139 English local councils	26
Table 3 Section 251 headings included in estimates of spending on children's services, by service area	62
Case study 1 East Sussex Thrive programme	37
Case study 2 Derbyshire's radical rethink of early help	41
Case study 3 Oxfordshire's early help	42

Case study 4 Nottinghamshire's family service	43
Case study 5 Oldham and Tameside's multi-systemic therapy	46
Case study 6 Nottinghamshire's social worker support pilot	48
Case study 7 Gateshead's positive pathways team	48
Case study 8 Oxfordshire's placement strategy	52
Case study 9 Hampshire's forecasting model	55
Case study 10 Essex forecasting model	56

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Common terms

Children's services tiers: Local councils describe their children's services by using a four-tier model, which may be represented as a pyramid or continuum of needs.

- Tier 1: Universal services such as schools, and health visiting.
- Tier 2: Targeted services for children and families beginning to experience, or at risk of, difficulties; for example school counselling, parenting programmes, and support for teenage parents.
- Tier 3: Specialist services for children and families with multiple needs such as intensive family support, and services for children with disabilities.
- Tier 4: Specialist services for children and families with severe and complex needs, including **child protection** services, and **looked after children**.

Child in need: When a child is referred to children's social care at a local council, an assessment is carried out to identify if the child is in need of services or protection, including family support, leaving care support, adoption support, or disabled children's services. Children in need are those who are assessed as in need of support under Section 17 of the Children Act 1989, including cases where the child:

- is unlikely to achieve or maintain or to have the opportunity to achieve or maintain a reasonable standard of health or development without the provision of services from the local council;
- his or her health is likely to be significantly impaired, or further impaired, without the provision of services from the local council; or
- has a disability.

Child looked after, or looked after child: Within the group of **children in need**, looked after children are those who are looked after by local councils, and usually live with foster carers, or in residential care settings such as children's homes. The Children Act 1989 states that a child is looked after by a local council if he or she has been provided with accommodation for a continuous period of more than 24 hours, in the circumstances set out in sections 20 and 21 of the Act, or is placed in the care of a local council by virtue of an order made under part IV of the Act.¹

Child subject to a child protection plan: Within the group of **children in need**, children subject to a child protection plan are those who, following referral to children's social care at a local council, are assessed as being at risk of significant harm. They may become **looked after children**.

¹ Children Act 1989 is available at <http://www.legislation.gov.uk/ukpga/1989/41/contents>

Children's social care: Tier 3 and tier 4 services for children in need and looked after children.

Dedicated schools grant: Local councils receive this grant for each primary and secondary school pupil at a maintained school or academy, including schools, early years, and high needs expenditure. Informed by schools forums, local councils allocate this grant to delegated school budgets and to centrally managed budgets held on behalf of schools by the local council. This is based on a locally agreed formula in line with a nationally defined structure.

Early help: There is no single definition for this type of service. In this report, we use it as a term that includes **tier 1**, and **tier 2** services. Early help is a type of service which addresses a lower level of need than **children's social care**.

Early intervention: The Early Intervention Foundation define early intervention as targeted activity to respond to emerging signals of risk in child development before problems become costly and irreversible. In this report, this is defined as equivalent to **early help**.

Early intervention grant: This grant was paid to local councils as a separate non ring-fenced grant in 2011-12 and 2012-13. In 2011-12 it was £2.2 billion and in 2012-13 it was £2.3 billion. The grant replaced a number of previous sources of funding, both ring-fenced and non ring-fenced. The largest of these were the Sure Start grant and the connexions grant for information advice and guidance. The last year that the early intervention grant was available was 2013-14. The funding that was associated with this grant was then allocated to a number of other sources, including the local government financial settlement, and the dedicated schools grant.²

In-house versus agency: In this report, in-house services are those services delivered directly by the local councils, for example by using permanent council teams or foster carers recruited, approved, and trained directly by the council. Agency services are those delivered by local councils through external providers that are not part of the council, for example independent fostering agencies.

Innovation Programme: The children's social care Innovation Programme is a two-year programme of support for 2014-15 and 2015-16, supported by £30 million in the first financial year and a substantially larger sum in the second. The programme's key objective is to support improvements to the quality of services so that children who need help from the social care system have better chances in life. It aims to do this through: supporting individual pilots and change programmes which test or spread much more effective ways of supporting vulnerable children; and developing stronger incentives and

² Local Government Association, Early Intervention Grant, available at http://www.local.gov.uk/briefings-and-responses/-/journal_content/56/10180/3736125/ARTICLE

mechanisms for, and understanding of innovation, experimentation and spreading of successful new approaches. The Department for Education leads the programme.³

Low versus high need: In this report, a generic term to describe the complexity of the cases supported through different types of children's services, as an approximation of the level of expertise, capacity and resources that they may require from the local councils. For example, high need cases are more likely to require intensive support and the collaboration of different professionals.

Non statutory services: Tier 1 and tier 2 services for cases with a lower level of need than **children in need** and **looked after children**.

Statutory services: Tier 3 and tier 4 services for **children in need**, and **looked after children**, as established in the Children Act 1989.

Staying Put: From the age of 18, young people are no longer legally 'in care' or 'looked after' and therefore fostering arrangements and legislation relating to children placed with foster carers no longer applies. Staying Put arrangements are for those young people aged 18 and older who were previously looked after who remain living with their former foster carer, who may also remain a foster carer for younger children. Local councils need to ensure the arrangement meets the definition of 'suitable accommodation'. The Staying Put arrangement extends until: the young person first leaves the Staying Put arrangement; or the young person reaches their 21st birthday, if continuously, and still living in the arrangement; or the young person completes the agreed programme of education or training being undertaken on their 21st birthday, if continuously living in the arrangement since their 18th birthday.⁴

(Sure Start) children's centre: A place or group of places which is managed by or on behalf of a local council with the purpose of ensuring that services for children under the age of five are available in an integrated manner; through which early childhood services are made available; and at which activities for young children are provided. Children's centres provide access to a range of early childhood services, including community health services, parenting and family support, integrated early education and childcare, and links to training and employment opportunities for families with children under the age of five. Legislation about children's centres is contained in the Childcare Act 2006 and local authorities, local commissioners of health services, and Jobcentre Plus must

³ Department for Education, Children's Social Care Innovation programme, available at <https://www.gov.uk/government/publications/childrens-services-innovation-programme>

⁴ HM Government, 'Staying Put', available at <https://www.gov.uk/government/publications/staying-put-arrangements-for-care-leavers-aged-18-years-and-above>

have regard to Sure Start children's centre statutory guidance when carrying out their duties in relation to children's centres.⁵

Troubled Families programme: UK Government scheme under the Department for Communities and Local Government with the stated aim of helping families with multiple problems turn their lives around. Launched in 2012 the Programme offered funding and advocated a more effective way of working with families experiencing problems such as truancy, poor health, financial exclusion or worklessness. Instead of local services operating in siloes, endlessly circling families and intervening when problems may be at their worst, the Programme encouraged key workers to support the whole family to ensure support is delivered in a structured and coherent manner. The initial Programme sought to move participating families toward specific, agreed outcomes. As a better understanding developed around how these families interacted with services local authorities and their partners also sought to transform the way these services worked, to reduce demand for costly reactive services (e.g. reducing the need for children to be taken into care, police call outs, A&E visits). The success of the first Programme meant that in June 2015, the Prime Minister announced increased investment to deliver better outcomes for up to 400,000 additional troubled families by 2020. While retaining the original eligibility criteria, the Programme is now also open to families with multiple problems, where children need help, family members are affected by domestic violence and parents or children have a range of health problems.⁶

⁵ Department for Education, Sure Start children's centres, available at <https://www.gov.uk/government/publications/sure-start-childrens-centres>

⁶ Department for Communities and Local Government, Troubled Families, available at <https://www.gov.uk/government/publications/troubled-families-progress-information-by-december-2014-and-families-turned-around-by-may-2015>

Executive summary

Aim and objectives

1. The Department for Education ('the department'), in collaboration with the Department for Communities and Local Government, commissioned Aldaba and the Early Intervention Foundation ('we') to undertake research on children's services.
2. The aim of this research was to understand how local councils responded to pressures on children's services over the last Parliament, and their forecasts for changes in demand for, and spend on, children's services in the future and planned adaptations.
3. The specific objectives were to identify:
 - the changes in demand and spending faced by local councils; and
 - the adaptations that local councils have underway, or have planned, to deal with this, including service delivery, commissioning, and joint working.
4. Our analysis used a combination of quantitative research, including statistical analysis of information on spending by local councils, and the number of children in need and looked after children; and qualitative interviews with over 50 officials across 17 local councils ('participating councils') in England between September and October 2015.
5. All types of children's services are part of the scope of this report. However, the focus of the quantitative analysis is on spending on services for children in need and looked after children specifically, for whom we have detailed information on the number of service users, which is required to produce estimates of spend per head. Children in need and looked after children represent around two thirds of the total spending on children's services. To clarify, the focus of the quantitative analysis is on spending, as opposed to funding sources, such as the early intervention, or dedicated schools grants.

Demand

6. The rate of both children in need, and looked after children by 10,000 population aged under 18 years in England increased between 2010-11 and 2013-14:
 - The rate of children in need increased by 2% from 339 per 10,000 population aged under 18 years in 2010-11 to 346 per 10,000 population aged under 18 years in 2013-14.
 - The rate of looked after children increased by 3% from 58 per 10,000 population aged under 18 years in 2010-11 to 60 per 10,000 population aged under 18 years in 2013-14.

Spending

7. We used section 251 returns⁷ submitted to the department by local councils to illustrate the trends in councils' spending on children's services between 2010-11 and 2013-14. We estimate that the 152 local councils in England spent £9,243 million in total on children's services in 2010-11, or £9,899 million, in 2015 prices (adjusted for inflation). This decreased to £8,926 million in 2013-14, or £9,054 million in 2015 prices. Therefore, total spending on children's services decreased by 9% in real terms between 2010-11 and 2013-14.⁸

8. Total spending can be broken down into sub-categories, to give a more detailed understanding of the changes that took place over the period. See Figure 1, below. The absolute spending on children in need and looked after children increased between 2010-11 and 2013-14 by £199 million and £32 million respectively. The proportion dedicated to both children in need and looked after children within total children's services spending increased by 8 percentage points, from 57% to 65% of the total, between 2010-11 and 2013-14.

9. The increase in absolute spending on children in need and looked after children only tells a partial story. To better understand the increase in spending we must consider spending in relation to changes in the number of people using children's services; spend per head provides an indication of the level of resource that each individual child received between 2010-11 and 2013-14.

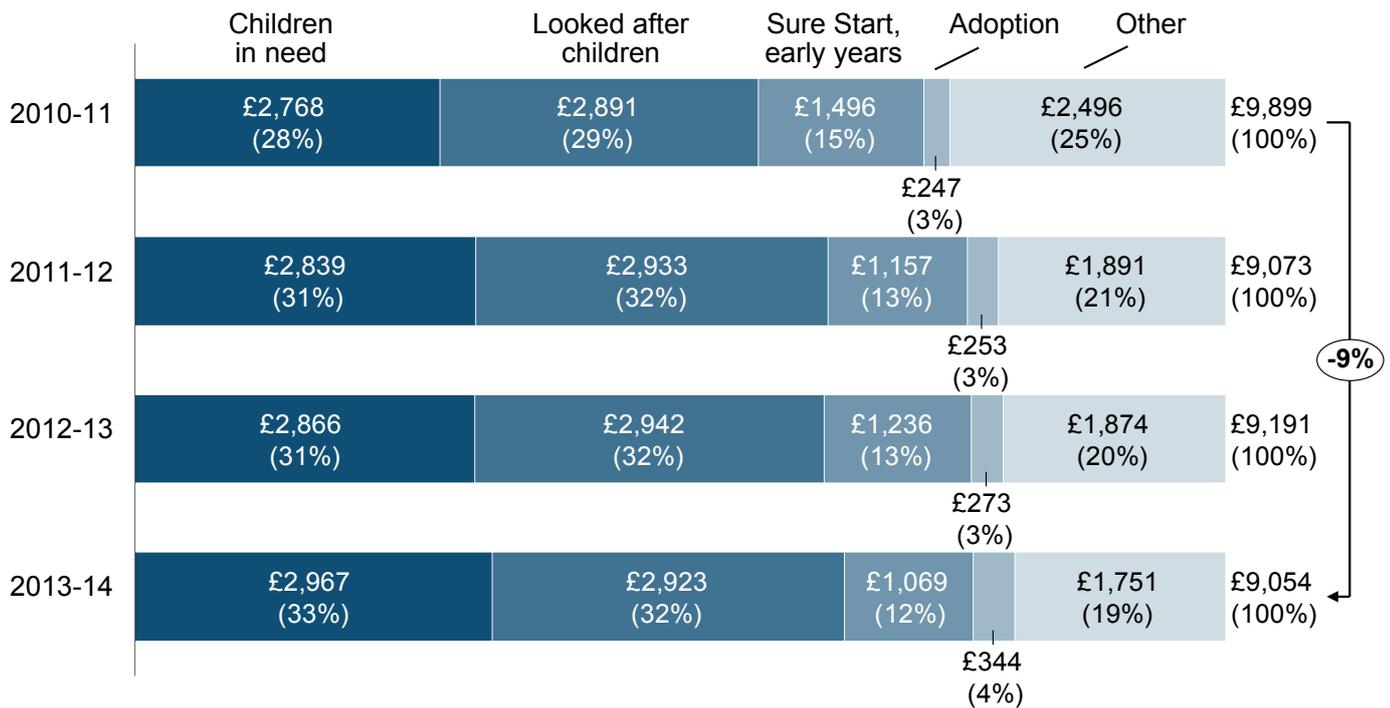
10. Spend per child in need by the average local council increased by 4% from £9,700 per year in 2010-11 to £10,100 per year in 2013-14. The following estimates provide a sense of the variation experienced by local councils:

- In the case of the bottom 25% of local councils (this is, those with the lowest spend per head), the average spend per child in need increased by 3% from £7,300 or less per year in 2010-11 to £7,500 or less per year in 2013-14.
- In the case of the top 25% of local councils (this is, those with the highest spend per head), the average spend per child in need increased by 6% from £11,600 or more per year in 2010-11 to £12,300 or more per year in 2013-14.

⁷ This is total gross expenditure, excluding capital expenditure. Department for Education, Section 251, available at <https://www.gov.uk/government/collections/section-251-materials>

⁸ Note the last Parliament also included 2014-15, however section 251 outturn data for 2014-15 was not published when this research was conducted.

Figure 1 Total spending on children’s services (£ million), across all 152 English local councils, by service area (%), 2010-11 to 2013-14, 2015 prices⁹



Source: Department for Education, Section 251 outturn, total expenditure

11. Spend per looked after child by the average local council decreased by 4% from £46,600 per year in 2010-11 to £44,600 per year in 2013-14. The following estimates provide a sense of the variation experienced by local councils:

- In the case of the bottom 25% of local councils (this is, those with the lowest spend per head), the average spend per looked after child decreased by 3% from £38,200 or less per year in 2010-11 to £37,000 or less per year in 2013-14.
- In the case of the top 25% of local councils (this is, those with the highest spend per head), the average spend per looked after child decreased by 2% from £51,400 or more per year in 2010-11 to £50,500 or more per year or in 2013-14.

12. We identified large variations in spend per head. There were no simple categories of ‘high’ and ‘low’ spending councils between 2010-11 and 2013-14: their position varied both by year and by service area.

13. Variations in spend per head may be as a result of sudden changes in the number of children supported through the services. For example, if the number of children

⁹ Detail of which section 251 spending lines are included in each of the sub-categories in Figure 1 is given at Table 3 in the technical appendix.

increases suddenly, local councils may not be able to increase their spending immediately, but rather require a year to adapt their spending to the new circumstances, resulting in large variations in spend per head year on year. Other factors that may explain variations in spend per head include efficiencies, and the number of the most expensive types of placements, such as residential care. Further details on variations in spend per head are available in the section 'Spend per head', on page 20.

Approach to spending decisions

14. The remainder of this executive summary is based on the information that we collected through qualitative interviews with the 17 participating councils. These interviews sought to understand how councils approached spending decisions during the last Parliament, and what adaptations they had made to service delivery to deal with changes in demand and spending.

15. Between 2010-11 and 2014-15, participating councils took a priority-based approach to spending decisions; considering the funding that they had available, the needs of their populations, and their statutory responsibilities, before making spending decisions.

16. Spending on some service areas was difficult or impossible for participating councils to change, for example where there were contractual constraints or statutory responsibilities, as for looked after children. Here however local councils had greater flexibility to decide spending changes on other areas, such as children's services early help.

17. Participating councils reported that they progressively took a stricter, and more result-based approach to spending decisions between 2010-11 and 2014-15. Compared to previous years, senior managers were required to produce more comprehensive proposals to make the case for spending changes, particularly if these involved increases.

Managing demand and spending

18. Between 2010-11 and 2014-15, participating councils faced spending pressures that required them to adapt their services significantly. In doing so, local councils' priorities were to guarantee the wellbeing and safeguarding of vulnerable children and adults, and meet their statutory responsibilities.

19. Sudden changes in demand volumes or levels of need, which required prompt actions and were difficult to forecast, had serious spending implications. For example, just one or two new families with high needs moving into the area, or one child becoming at risk of sexual exploitation, could result in a much greater level of actual spending than originally budgeted.

20. Leadership and senior management teams at participating councils explored various strategies to manage demand on children's services. The main strategy that we identified was placing an emphasis on early help and integrating services. By investing in early support of at risk groups councils hoped to reduce later demand on more acute and costly provision. Some councils felt that investment in early help had improved outcomes, whilst others felt that investing in early help had not delivered the anticipated results in terms of reductions in the number of children in need. Other councils were starting to place a greater emphasis on early help, but had not yet gathered sufficient evidence to assess their success.

21. The Troubled Families programme was seen by the participating councils as the main source of funding for early help services. The programme encouraged and supported the reform of targeted services for families.

22. Participating councils made decisions that involved reductions in some services, such as children's centres. Their preference was to target these services at those most in need, for example low income families, and to identify other stakeholders that were able to carry on running the services for groups whose level of need was less. Stopping services was a last resort.

23. Decisions by participating councils also involved the development of income sources, such as revenue from selling assets, and choices between in-house delivery and external commissioning with a view to achieving better value for money. However, there was no single pattern that applied to most councils: different councils approached commissioning in different ways.

24. Joint commissioning with partners outside children's services or other local councils was seen as one way in which some efficiencies in services might be realised. Participating councils considered joint commissioning alongside other options, such as direct commissioning from individual budgets, and made the decisions that they believed represented better value for money at the time. Some councils were considering how to move to greater budget pooling and joint commissioning models. Some illustrative examples are set out in the section 'Commissioning', on page 44.

Delivery

25. Participating councils faced choices between different delivery models. An example is foster care services: there was consensus among participating councils that services delivered in-house, through carers recruited, approved and trained by the councils directly provided better value for money than foster carers from external agencies. This was due to lower management costs and also the opportunity for closer engagement with foster carers on a continuous basis. Participating councils quoted savings in the range of £300 to £400 per child per week when delivering foster care in-

house. However, participating councils had to compete to maintain an in-house foster care offer against external agencies who could often offer higher rates to foster carers.

26. Participating councils faced similar choices on residential care placements. Some councils reported that placements at their own children's homes were more affordable, and some that placements at children's homes run by the private or third sectors were more affordable. Irrespective of cost, there was recognition that external residential care placements were necessary for high need cases.

Forecasting demand and spending

27. An aim of this research was to understand to what extent councils were able to forecast and anticipate demand in children's services, and to plan services accordingly. Participating councils reported producing basic demand forecasts, typically taking historical information as a basis, for example, applying the average percentage change in children in need in the last three years to estimate the expected total number of children in need in the following three years. Spending forecasts incorporated assumptions on the funding sources that would be available in the future, including expected changes to government grants.

28. Participating councils made very limited use of other more complex types of forecasting models. This was because of the high level of uncertainty around future factors which would influence demand and spend but could not be accurately anticipated in advance. Councils reported that social and demographic changes, for example, a rise in unaccompanied asylum seeker children, court rulings, and greater public awareness of issues such as child sexual exploitation and mental health would all drive demand but could not be accurately predicted.

Summary conclusion

29. Between 2010-11 and 2013-14 total spending by local councils on children's services decreased by 9%. Our quantitative analysis showed that spend per child in need by the average council increased by 4%, whereas spend per looked after child decreased by 4%. However, individual local councils experienced large variations in spend per head, in terms of both year-on-year and between-council changes. This variation was not necessarily as a result of how local councils managed children's services, but because of the challenging and unpredictable nature of demand.

30. Through our qualitative analysis, the main strategy that we identified to manage demand among participating councils was placing an emphasis on early help and integrating services. By investing in early support to at risk groups councils hoped to reduce later demand on more acute and costly provision.

31. However, overall, managing children's services spending in the last Parliament was reported as being challenging, partly because statutory responsibilities limited the choices that local councils had available to achieve savings. Adaptations to changes in spending were the result of a large number of small changes to the ways of working, as illustrated in section 2 of the report, rather than one single approach. No single pattern applied to commissioning and delivery models across councils.

32. In the future, the local councils face risks such as growing needs among some groups in the population, for example in relation to child sexual exploitation and mental health, which are particularly uncertain and have implications for future spending. The capacity to forecast, and prepare for those risks is very limited. This report includes a number of case studies that illustrate how local councils have approached changes in spending.

Section 1: Demand and spending

33. In this section, we explain how demand for, and spending on children's services changed during the last Parliament. The focus is on spending available in relation to numbers using children's services, also referred to as 'spend per head', between 2010-11 and 2013-14¹⁰.

34. Firstly, we start this section by describing changes in the number of children in need, and looked after children. This indicates the level of demand that children's services met between 2010-11 and 2013-14. We undertook this type of analysis for all 152 local councils in England.

35. Secondly, we describe total spending on children's services, as an indication of how much resource was committed to children's services between 2010-11 and 2013-14. We undertook this type of analysis for all 152 local councils in England.

36. Thirdly, we describe how spend per head changed across local councils. We draw comparisons on spend per head by the average local council between 2010-11 and 2013-14. We focused this type of analysis on the 139 local councils in England for which we had complete information. The 139 local councils represent approximately 95% of both the total number of children in need, and the spending on children's services over the period of time in scope. More details are available in the Technical appendix, on page 59.

37. Based on statistical analysis, this section sets the context to explore decision making by children's services qualitatively as part of section 2.

Changes in demand

38. When a child is referred to children's services, the local council carries out an assessment to identify if the child is in need of services or protection, including family support, leaving care support, adoption support, or disabled children's services. Children in need are those who are assessed as in need of support under Section 17 of the Children Act 1989.

39. Changes in the number of children in need may be as a result of changes in both the actual levels of need, and the approaches taken by local councils to assess need, among other factors. As shown in Table 1, below, the total number of children in need in England in 2010-11 was 382,400.¹¹ The total number in 2013-14 was 397,600. This

¹⁰ The last Parliament also included 2014-15. Section 251 outturn data for 2014-15 was not published when this research was conducted.

¹¹ Numbers of children in need and looked after children for 2010-11 are for 31 March of 2011. The same applies to subsequent years.

represents a 4% increase between 2010-11 and 2013-14, across all 152 English local councils.¹²

40. Making the number of children in need relative to the overall population aged under 18 years shows whether the change in children in need happened at the same pace as the change in the overall population. The rate of children in need in England in 2010-11 was 339 per 10,000 population aged under 18 years. The rate in 2013-14 was 346 per 10,000 population aged under 18 years. This represents a 2% increase between 2010-11 and 2013-14.

41. Within the group of children in need, looked after children are those who are looked after by local councils, and usually live with foster carers, or in residential care settings such as children’s homes.

42. Changes in the number of looked after children may be as a result of changes in both the actual levels of need, and the approaches taken by local councils to assess need, among other factors. The total number of looked after children in England in 2010-11 was 65,510. The total number in 2013-14 was 68,800. This represents a 5% increase between 2010-11 and 2013-14, across all 152 English local councils.¹³

43. The rate of looked after children in England increased by 3% from 58 per 10,000 population aged under 18 years in 2010-11 to 60 per 10,000 population aged under 18 years in 2013-14.

Table 1 Children in need and looked after children numbers and rates in 2010-11 to 2013-14 across all 152 English local councils

		2010-11	2013-14	Change
Children in need	Number	382,400	397,600	+4%
	Rate per 10,000 population under 18	339	346	+2%
Looked after children	Number	65,510	68,800	+5%
	Rate per 10,000 population under 18	58	60	+3%

Source: Department for Education, National Statistics, Characteristics of children in need; Looked after children

¹² Department for Education, National Statistics, Characteristics of children in need, available at <https://www.gov.uk/government/collections/statistics-children-in-need>

¹³ Department for Education, Statistics, Looked after children, available at <https://www.gov.uk/government/statistics/children-looked-after-in-england-including-adoption-2014-to-2015>

Changes in spending

44. Local councils have a number of funding sources, including grants from government, business rates, and council tax. A proportion of the government grants are not ring-fenced. This means that local councils have flexibility to use non ring-fenced grants to fund services. Local councils may also use their reserves, revenue from asset sales, and certain unused budgets from previous years to fund services.

45. Our analysis for this section of the report focused on actual spending by local councils between 2010-11 and 2013-14 using section 251 outturn returns submitted to the department by local councils¹⁴.

Total spending

46. The 152 local councils in England spent £9,243 million in total on children's services in 2010-11, or £9,899 million in 2015 prices (adjusted for inflation). This decreased to £8,926 million in 2013-14, or £9,054 million in 2015 prices. Therefore, total spending on children's services decreased by 9% in real terms between 2010-11 and 2013-14.

47. Total spending can be broken down into sub-categories, to give a more detailed understanding of the changes that took place over the period. As shown in Figure 1, below, the absolute spending on children in need and looked after children increased between 2010-11 and 2013-14 by £199 million and £32 million respectively¹⁵. The proportion dedicated to both children in need and looked after children within total children's services spending increased by 8 percentage points, from 57% to 65% of the total, between 2010-11 and 2013-14.

Spend per head

48. We adjusted the spending information by changes in inflation and labour costs to facilitate meaningful comparisons throughout the years, and across local councils. In this way, we obtained real terms spending estimates that are less biased by fluctuations in inflation, and differences in salaries.¹⁶ Our estimates of spend per child in need, and looked after child are the result of dividing total spending, adjusted by inflation and labour

¹⁴ This is total gross expenditure, excluding capital expenditure. Department for Education, Section 251, available at <https://www.gov.uk/government/collections/section-251-materials>

¹⁵ Detail of which section 251 spending lines are included in each of the categories in Figure 1 is given at Table 3 of the Technical appendix.

¹⁶ Example of salary bias: local council A spent £100 per head on a particular service; local council B spent £110 per head on the same type of service; however, salaries are 10% higher in council B; therefore, the actual level of resource that each service user receives is more similar than what the figures suggest.

costs, by number of children. More details are available in the Technical appendix, under the heading 'Quantitative analysis', on page 60.

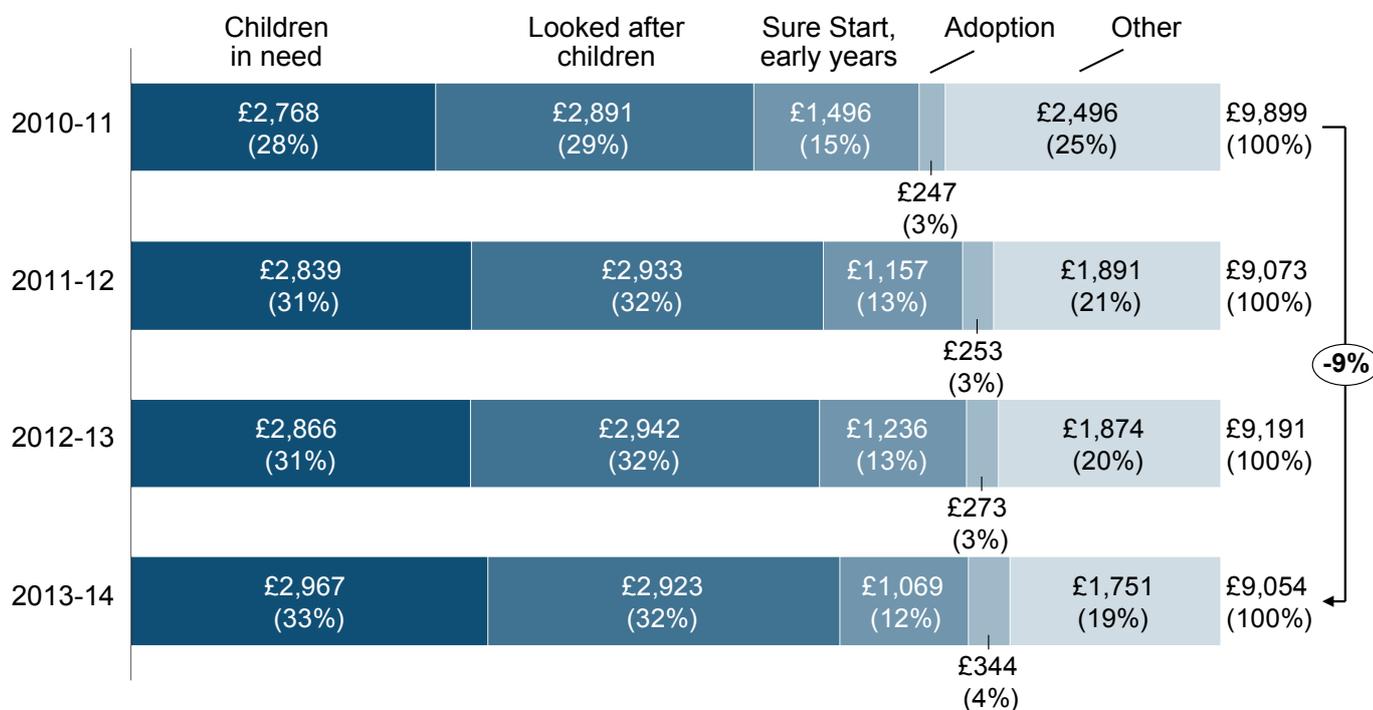
49. Our estimates of spend per head should not be used for the following purposes:

- benchmarking the unit costs that local councils pay to service providers, for example, providers of residential care; or
- financial purposes, such as future budgeting.

50. Our estimates of spend per head are valid for statistical analysis purposes, but provide the wrong basis for commercial and financial considerations. For example, our estimates include certain overheads for which service providers might not charge. If a finance team at a local council used our estimates to produce budgets for certain services, these might be considerably inaccurate because it is not possible to separate out different types of overheads. In addition to this, our estimates of spend per head are not tailored to different levels of need and types of placements.

51. The estimates of spend per head included in this section are based on the 139 local councils for which we had complete information. The 139 local councils represent approximately 95% of both the total number of children in need, and the spending on children's services over the period of time in scope. Estimates are adjusted for inflation and expressed in 2015 rounded prices.

Figure 1 Total spending on children's services (£ million), by service area (%), in 2010-11 to 2013-14 across all 152 English local councils, 2015 prices

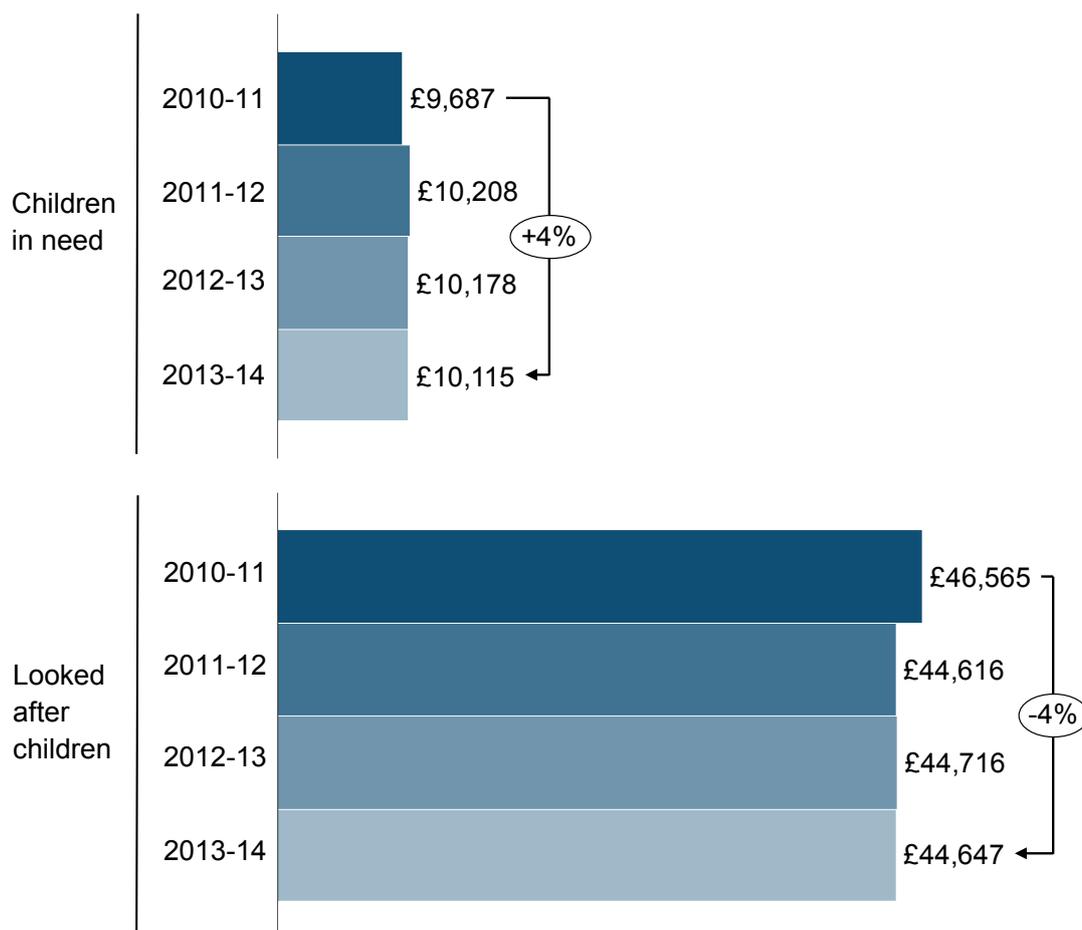


Source: Department for Education, Section 251 outturn, total expenditure

Spend per head by the average council

52. As shown in Figure 2, below, spend per child in need by the average local council¹⁷ increased by 4% from £9,700 per year in 2010-11 to £10,100 per year in 2013-14. Spend per looked after child by the average local council decreased by 4% from £46,600 per year in 2010-11 to £44,600 per year in 2013-14. In both cases, the largest change happened between 2010-11 and 2011-12.

Figure 2 Spend per head, per year, by the average (mean) local council and percentage change between 2010-11 and 2013-14 across 139 English local councils, 2015 prices



Source: Aldaba and EIF analysis of Department for Education, Section 251 outturn, total expenditure National Statistics, Characteristics of children in need; Looked after children

¹⁷ We use the phrase 'average council' to denote the average (mean) spend per head, at average (median) English salaries, which we obtained based on the estimates of spend per head for each of the 139 local councils included in the analysis. This is not the result of dividing total spend by total number of children.

Spend per head by the range of councils

53. Details of the variation in spend per head experienced by local councils for the time period in scope are provided in Figure 3, below. The box plots show that there was wide variation in spend per head between local councils for both children in need and looked after children, as shown by the minimum and maximum values.

54. Details of variation in spend per child in need include the following:

- In the case of the bottom 25% of local councils (this is, those with the lowest spend per head), the average spend per child in need increased by approximately 3% from £7,300 or less per year in 2010-11 to £7,500 or less per year in 2013-14.
- In the case of the top 25% of local councils (this is, those with the highest spend per head), the average spend per child in need increased by approximately 6% from £11,600 or more per year in 2010-11 to £12,300 or more per year in 2013-14.

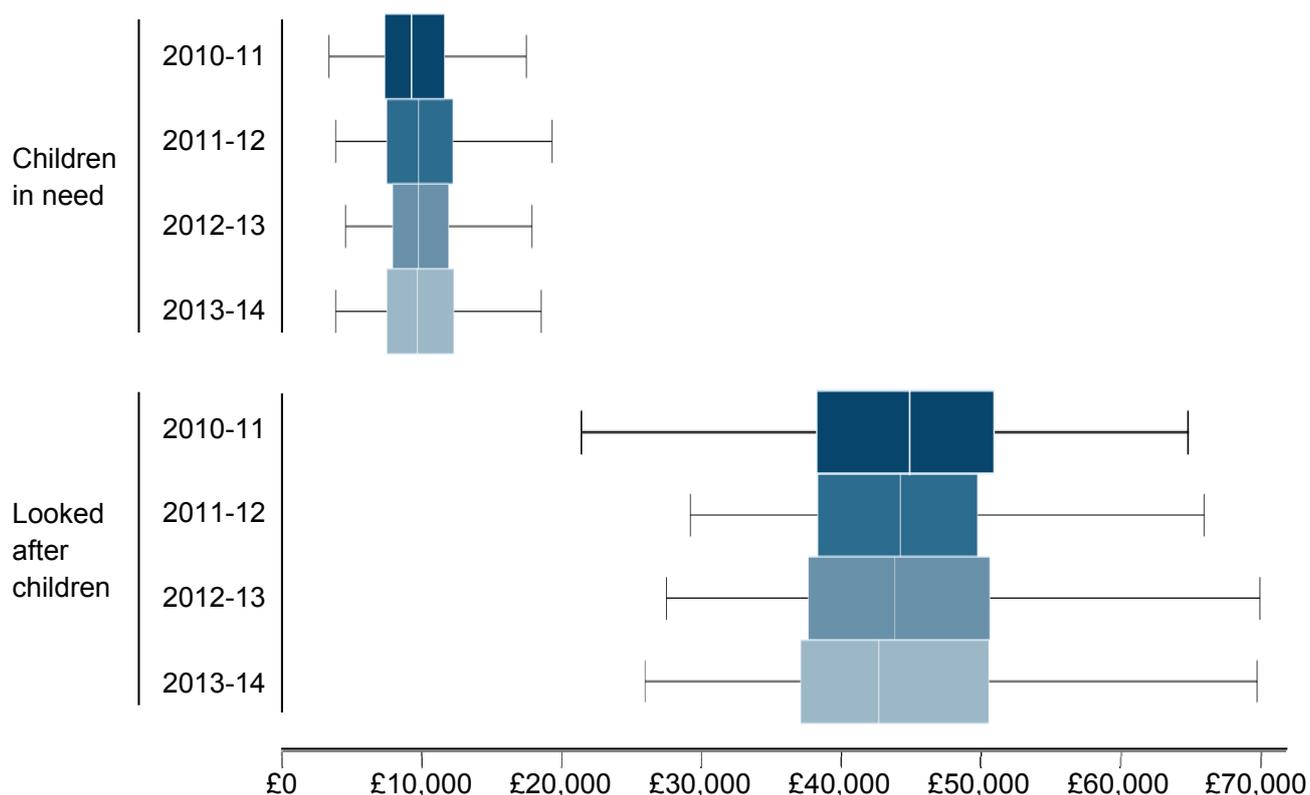
55. Details of variation in spend per looked after child include the following:

- In the case of the bottom 25% of local councils (this is, those with the lowest spend per head), the average spend per looked after child decreased by 3% from £38,200 or less per year in 2010-11 to £37,000 or less per year in 2013-14.
- In the case of the top 25% of local councils (this is, those with the highest spend per head), the average spend per looked after child decreased by 2% from £51,400 or more per year in 2010-11 to £50,500 or more per year in 2013-14.

Spend per head across years

56. Our analysis showed that there was a wide range of year-on-year variation within a single local council. Details of this may be found in Figure 4, below. For example, the average council experienced no change (0%) in spend per child in need between 2011-12 and 2012-13. However, there were local councils that experienced up to 60 per cent increases and decreases between those two years. As an illustration, the marker in Figure 4, below, shows the changes experienced by one specific local council. This council experienced yearly changes that ranged between a 10 per cent reduction and a 90 per cent increase in the case of spend per looked after child.

Figure 3 Box plots of spend per head, per year, in 2010-11 to 2013-14 across 139 English local councils, including minimum, maximum and quartile values, 2015 prices¹⁸

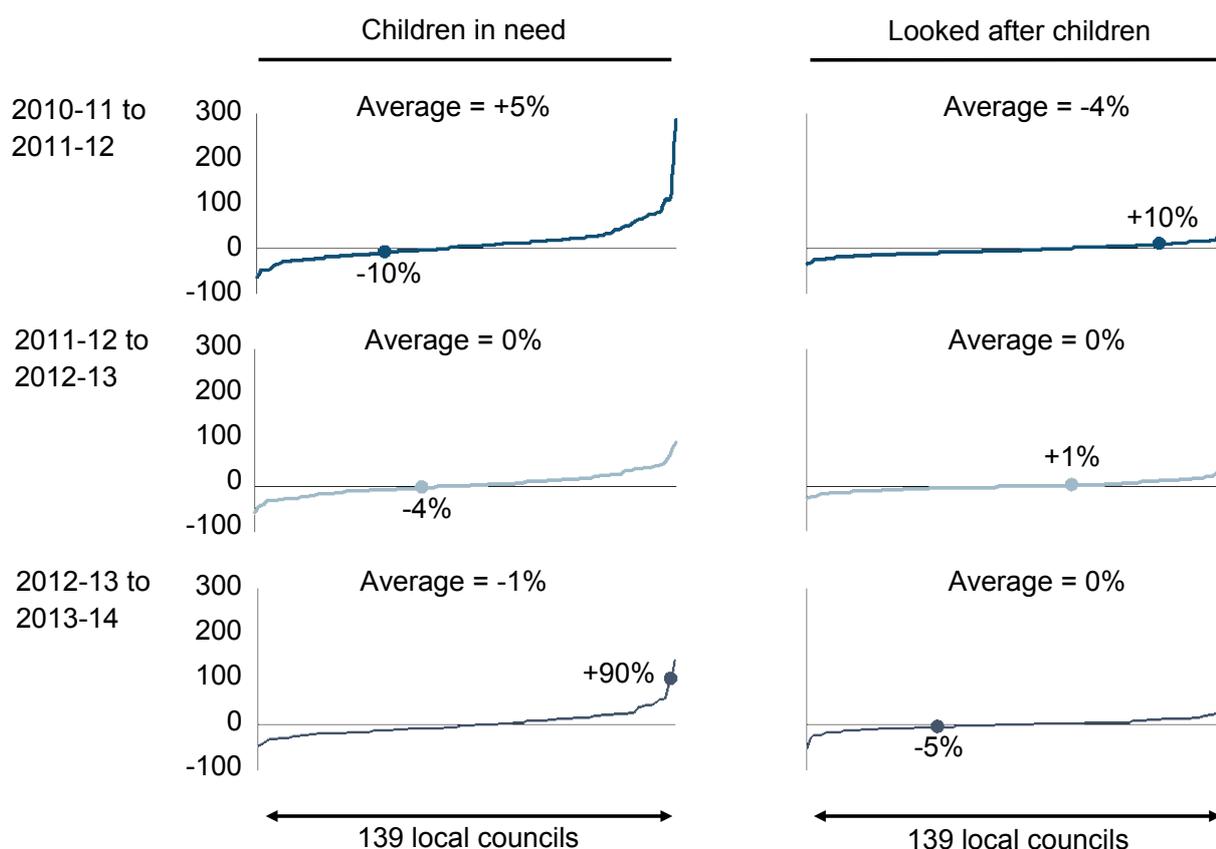


		Minimum	Bottom 25%	Median	Top 75%	Maximum
Children in need	2010-11	£3,364	£7,347	£9,260	£11,613	£17,459
	2011-12	£3,842	£7,486	£9,756	£12,221	£19,305
	2012-13	£4,552	£7,907	£9,754	£11,911	£17,863
	2013-14	£3,843	£7,498	£9,673	£12,288	£18,521
Looked after children	2010-11	£21,339	£38,228	£44,839	£51,398	£72,652
	2011-12	£29,118	£38,199	£44,103	£49,695	£65,844
	2012-13	£27,412	£37,529	£43,714	£50,568	£69,806
	2013-14	£25,889	£37,000	£42,562	£50,496	£69,619

Source: Aldaba and EIF analysis of Department for Education, Section 251 outturn, total expenditure; National Statistics, Characteristics of children in need; Looked after children

¹⁸ The box plots exclude two to six local councils, depending on the year, with extreme values. These are defined as values more than 1.5 times the interquartile range above the third quartile (75th percentile). The left edge of the box is where the first quartile finishes (25th percentile and below, bottom 25%), the right edge of the box is where the fourth quartile starts (75th percentile and above, top 25%), and the line at the centre of the box is the median (middle 50%). The lines ending in a 'T shape' show the range from the minimum to the maximum value, excluding extreme values, as described above.

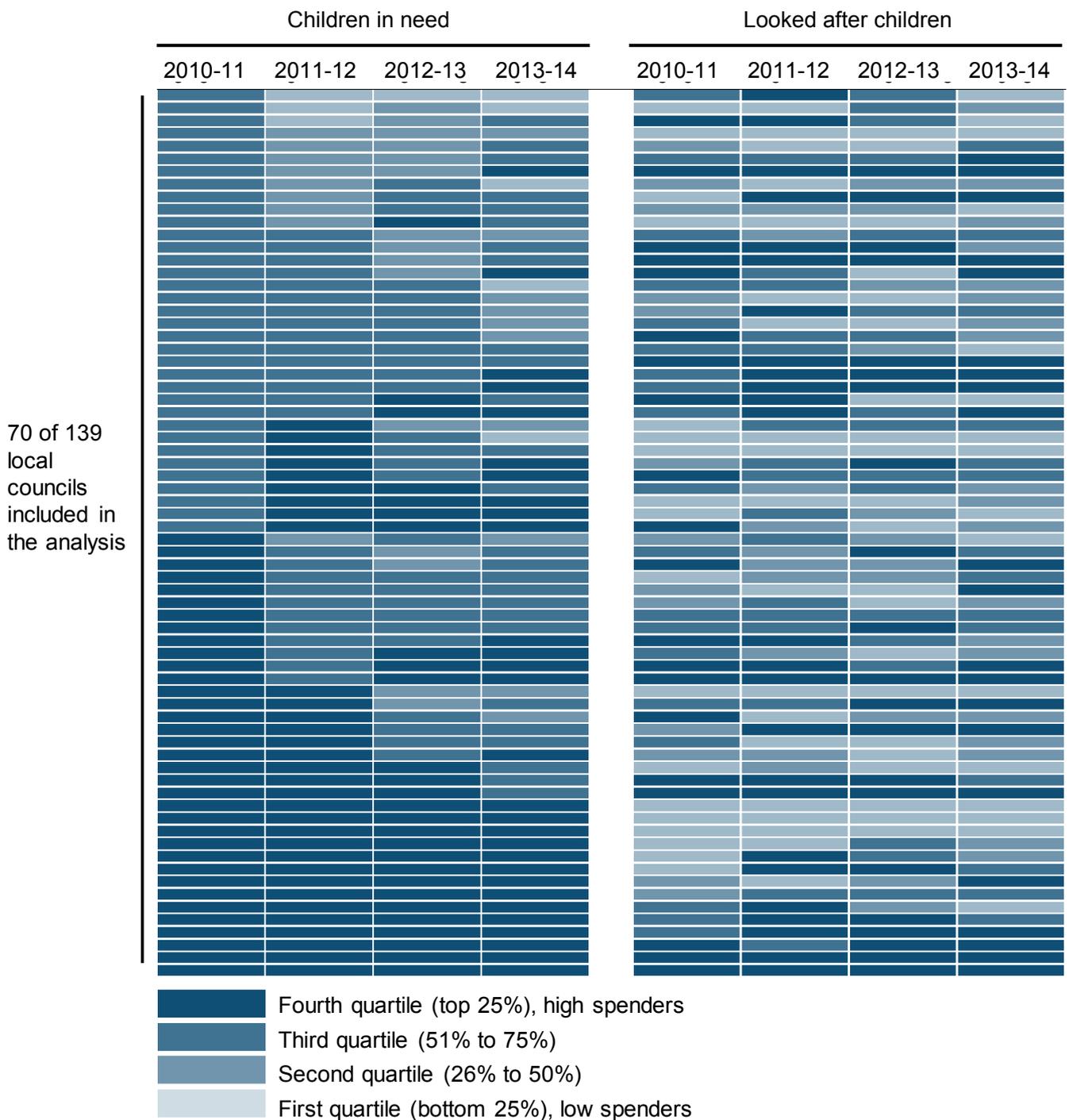
Figure 4 Year-on-year change in spend per head, per year (% , vertical axis) in 2010-11 to 2013-14, across 139 English local councils (horizontal axis), and example of one local council (marker)



Source: Aldaba and EIF analysis of Department for Education, Section 251 outturn, total expenditure; National Statistics, Characteristics of children in need; Looked after children

57. To further understand the variation in spend per head between local councils we considered individual councils' positions in the spending distribution for each of the four years in scope. Table 2, below, sets out the results: lightest blue represents the first quartile of spend (bottom 25%) whereas darkest blue represents the fourth quartile (top 25%). The information in this table illustrates two key points: i) whilst there are local councils in consistent quartiles across the time period, the main picture is of variation; with councils moving between spending quartiles across the time period in question; ii) councils in the top or bottom quartiles in terms of spend per child in need are not necessarily in the same spending quartiles for looked after children. Taken together these points convey that there are no simple categories of 'high' and 'low' spending councils across the piece: their position varies both by year and by service area.

Table 2 continued: Relative position of local councils (quartiles 1 to 4) in relation to their spend per head, per year, in 2010-11 to 2013-14, across 139 English local councils



Source: Aldaba and EIF analysis of Department for Education, Section 251 outturn, total expenditure; National Statistics, Characteristics of children in need; Looked after children

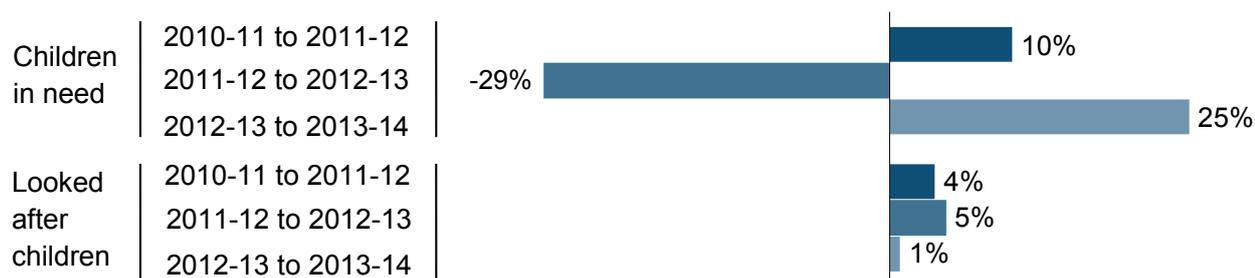
58. Large variations in spend per head may be as a result of sudden changes in the number of children supported through the services. For example, as illustrated in Figure 5, below, if the number of children increases suddenly, local councils may not be able to increase their spending immediately, but rather may require a year to adapt their

spending to the new circumstances, resulting in large variations in spend per head year on year. Other factors that may explain variations in spend per head include efficiencies, and the number of the most expensive types of placements, such as residential care. ¹⁹

Figure 5 Year-on-year change in spend per head, per year, in 2010-11 to 2013-14 in Gateshead, 2015 prices

Spend per child in need in Gateshead varied from increases to reductions year on year. The council identified the following potential reasons for this pattern:

- The number of children in need increased in 2011-12 and 2012-13, without the council changing its spending, which resulted in a decrease in spend per child in need.
- Between 2012-13 and 2013-14 the council increased its spending on social workers and family support services, as a result of the increase in the number of children in need in the previous year.
- This translated into a greater spend per child in need between 2012-13 and 2013-14.



Source: Aldaba and EIF analysis of Department for Education, Section 251 outturn, total expenditure; National Statistics, Characteristics of children in need; Looked after children

59. In Figure 6, and Figure 7, below, we can see a map of spend per head in 2013-14 (this is, the latest of the four years in scope) for each of the 139 local councils included in the analysis. The figures confirm a mixed pattern whereby those local councils spending relatively more on children in need, are not necessarily those spending relatively more on looked after children. The same applies to those spending relatively less.

¹⁹ We used a technique called 'cost growth decomposition' to assess whether variations in spend per head were driven by changes in overall spend, overall population, or the number of children in need, and looked after children. We were unable to identify any distinctive driver. All of the drivers included in the analysis appeared to contribute evenly to the variations in spend per head.

Figure 6 Map of spend per child in need, per year, in 2013-14 across 139 English local councils, 2015 prices

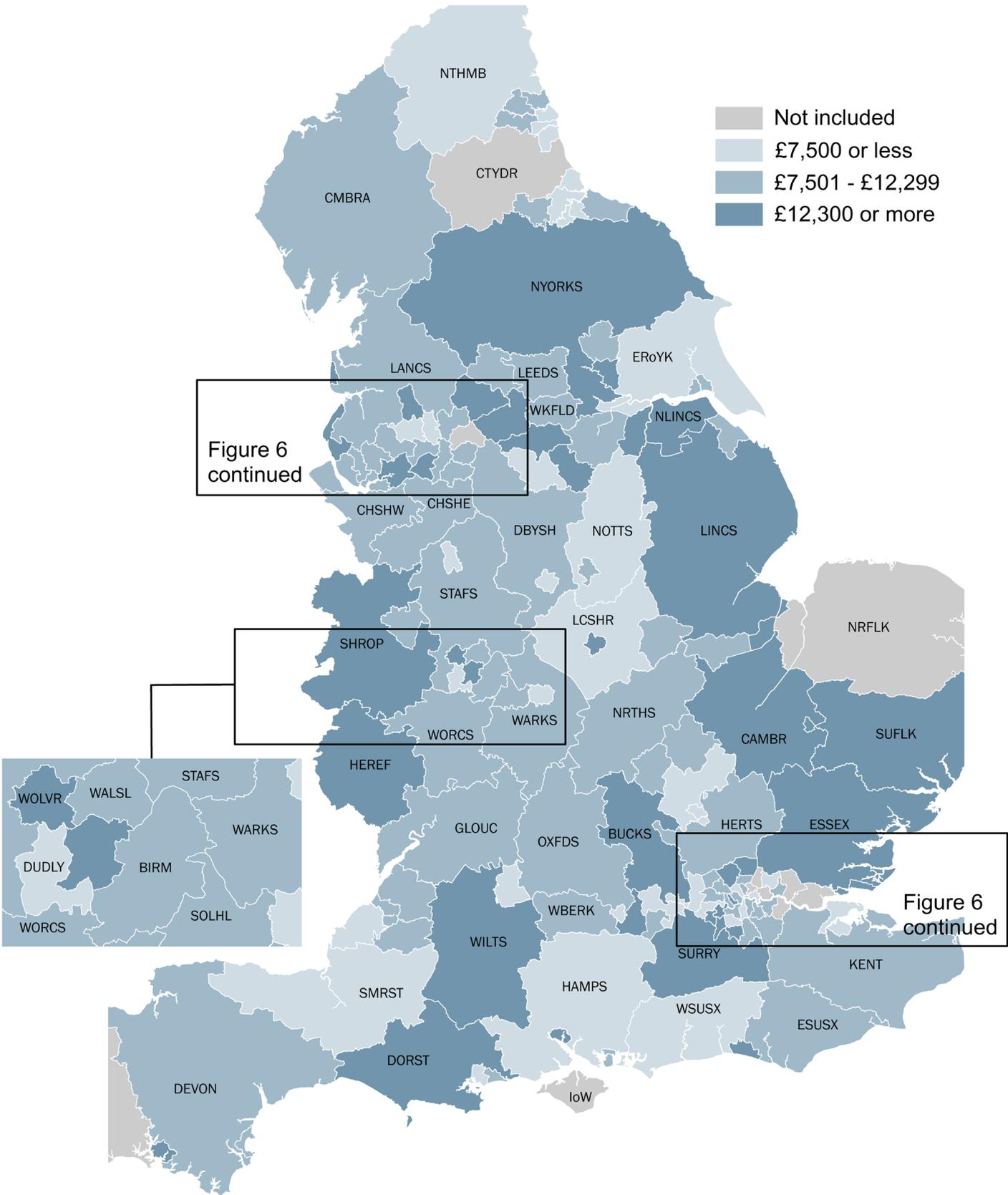


Figure 7 Map of spend per looked after child, per year, in 2013-14 across 139 English local councils, 2015 prices

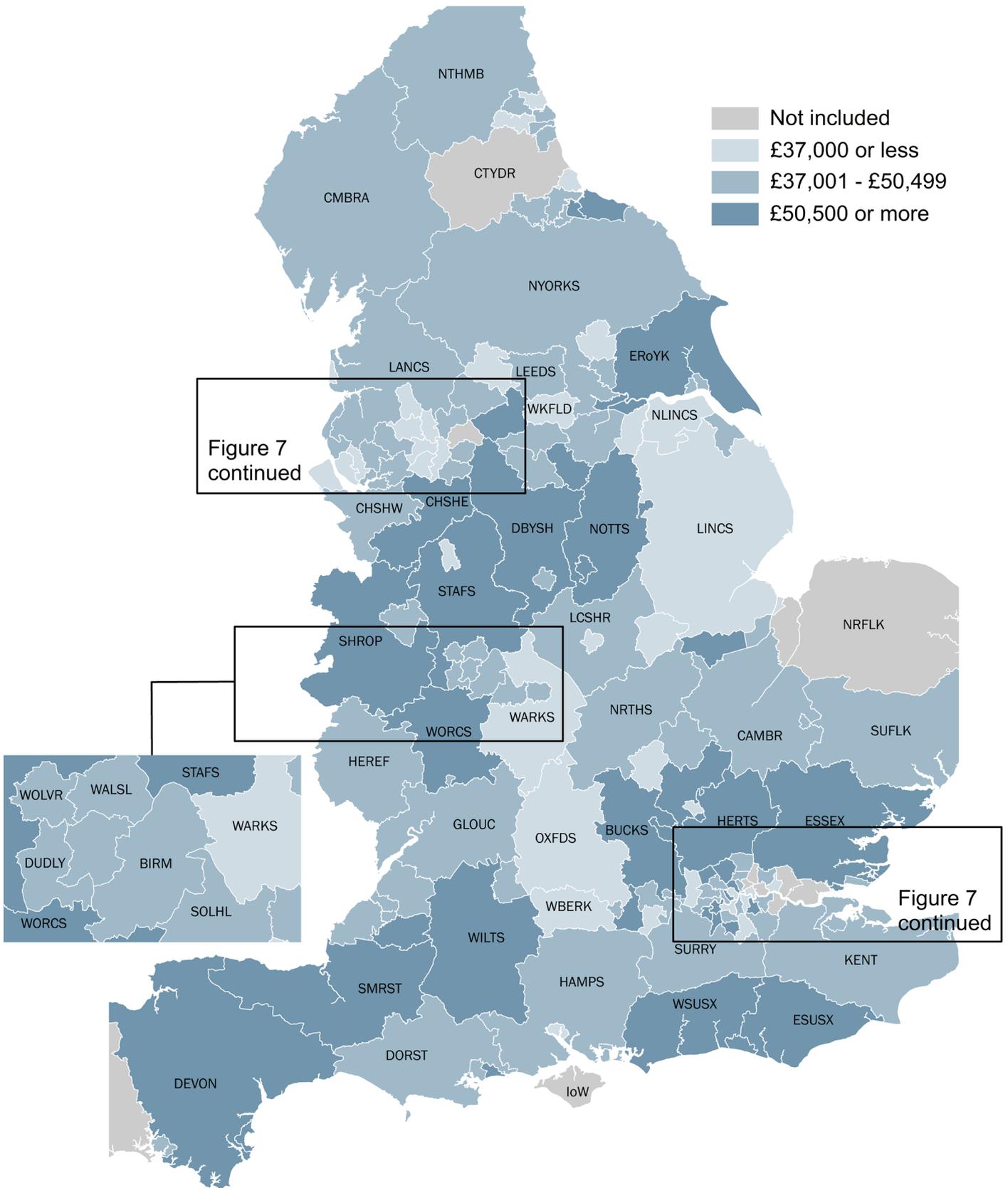
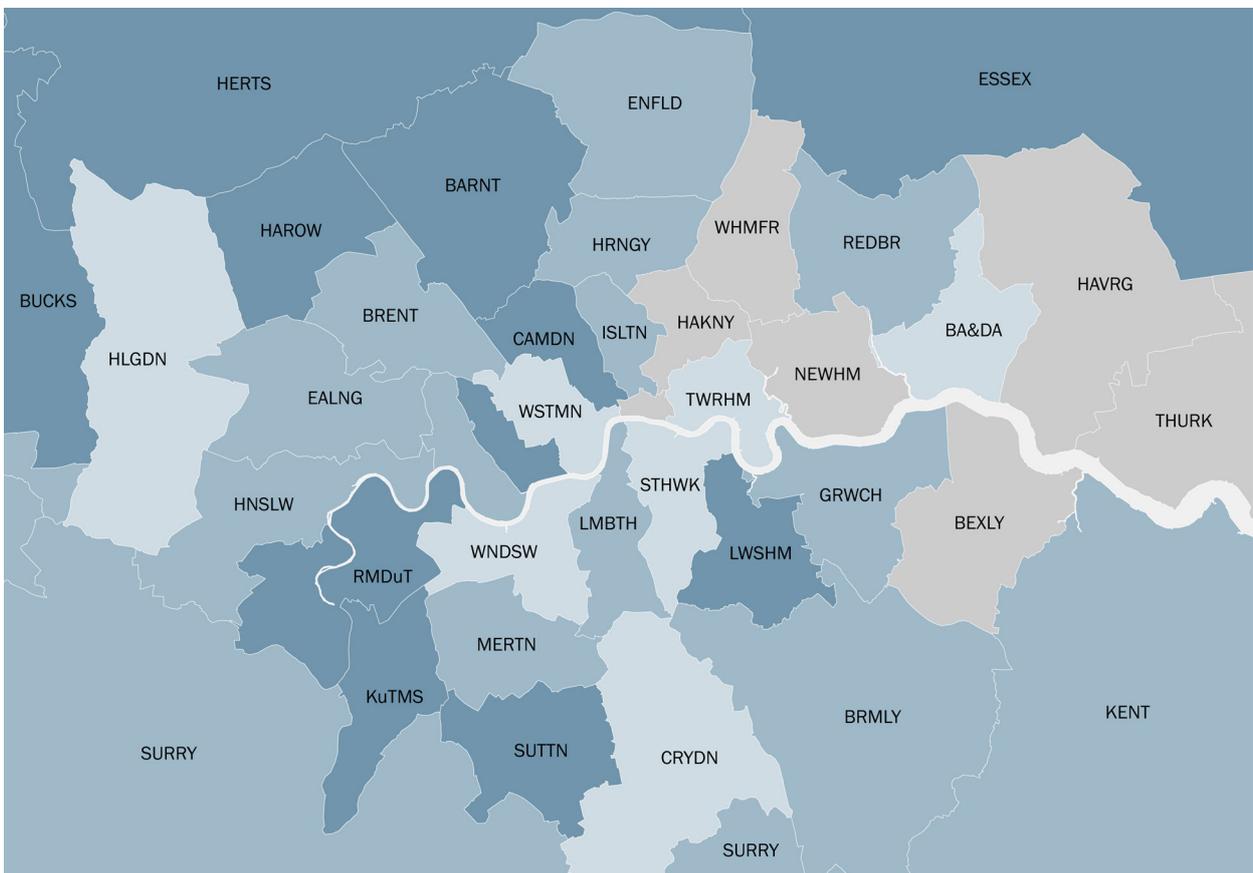


Figure 7 continued: Map of spend per looked after child, per year, in 2013-14 across North West councils, 2015 prices



Figure 7 continued: Map of spend per looked after child, per year, in 2013-14 across London councils, 2015 prices



Source: Aldaba and EIF analysis of sources in previous figures; Cornwall is not included

Limitations

60. The factors listed below may influence the findings from the quantitative analysis reported above:

- Changes to the accounting and reporting rules and practices across accounting teams.
- Exceptional circumstances in particular local councils, in particular years, such as single cases that had unusual impacts on children's services spending.
- Variations in local market prices, for example for the provision of residential care.
- Errors and inconsistencies in the published information used as a basis for the analysis.

Section 2: Decisions and delivery

61. This section is a summary of the information provided by over 50 officials of 17 English local councils ('participating councils') through face-to-face interviews in September and October 2015. Local council officials included chief executives, finance directors, and directors of children's services. The aim of the interviews was to address the following question: 'What adaptations did children's services introduce in relation to service delivery, commissioning arrangements, and joint working between 2010-11 and 2014-15?'

62. We selected the 17 participating councils purposively based on statistical indicators such as rates of looked after children, balance between urban and rural locations, and Ofsted ratings. This was with a view to achieving a selection of local councils that could capture a broad range of circumstances in children's services. More details are available in the Technical appendix, on page 59.

63. Unless otherwise stated, the findings reported in this section are relevant to most of the 17 participating councils, but may not be representative of all 152 local councils in England. Therefore, findings may not be generalised to the whole of England. The fact that we selected examples from specific local councils does not mean that those are the only local councils to which the examples apply.

64. We asked the 17 participating councils to confirm that the information directly attributed to each of them is correct. We did not perform any additional validation checks on the facts and figures included in this section provided by the local councils.

Approach to spending decisions

65. In this section, we explore how participating councils made decisions on spending between 2010-11 and 2014-15. The focus is on the perspectives of those in strategic and senior management positions, such as chief executives, finance directors, and directors of children's services. We provide examples of how participating councils reached decisions in the context of spending changes.

Processes

66. Local councils have a number of funding sources, including grants from government, business rates, and council tax. A proportion of the government grants are not ring-fenced, allowing flexibility over their use. Local councils may also use their reserves, revenue from asset sales, and certain unused budgets from previous years to fund services.

67. Participating councils reported that they took a priority-based approach to spending decisions. In other words, they considered the funding that they had available,

the needs of their populations, and their statutory responsibilities, before making spending decisions. Participating councils reported that the wellbeing and safeguarding of vulnerable adults and children was their top priority when making spending decisions.

68. Each year, the process at the participating councils started with finance teams producing estimates of future funding and need for the following one to three financial years. This was across all service areas, including education, housing, adult social care, children's services, police, highways, transport, culture, and environment. Finance teams produced an initial assessment of the service areas where similar, greater, and lower levels of spending would be required. More details on forecasting are available in Section 3: Forecasting demand and spend, on page 54.

69. Based on this, the leadership teams at the participating councils agreed provisional changes across spending areas, and asked senior managers to produce proposals on how to achieve those changes. At a later stage, typically by the end of the calendar year, the leadership team considered the proposals and made final decisions which resulted in the setting of spending budgets for the following one to three financial years. Consultations with elected members were critical in this process.

70. Participating councils reported that they took a stricter, and more result-based, approach to spending decisions progressively between 2010-11 and 2014-15. Compared to previous years, senior managers were required to produce more comprehensive proposals to make the case for spending changes, particularly if these involved increases. As an example, East Sussex Council estimated a reduction of £4 million in its early help spending, from £18 million in 2015-16 to £14 million in 2018-19. The leadership team took a comprehensive approach to deciding how services should be remodelled based on proposals and impact assessments produced by the senior management team. This allowed the council to understand the risks and opportunities associated with the spending reduction.

71. In addition to internal discussions, some of the participating councils engaged external consultants to help estimate current and future demand on children's services, and ran consultations with stakeholders, such as community groups, representatives of professions and businesses, and service users. For example, in 2013-14, East Sussex Council was considering a reduction in its spending on foster caring. The local foster care association expressed concerns about the council's plans. After careful consideration, the council decided not to go ahead with the plans at that point.

Managing spending

72. Between 2010-11 and 2014-15, spending commitments for certain service areas were difficult for participating councils to change due to statutory and contractual constraints. Examples include services that were associated with statutory responsibilities; ring-fenced government grants; capital charges; and private finance

initiative contracts. In contrast, participating councils had greater flexibility to decide spending changes on other areas, such as corporate spending, and back office support.

73. In the case of children's services, participating councils reported that spending on looked after children was difficult to reduce as they had to meet statutory responsibilities. For example, if a disabled child urgently needed a specialist residential placement, councils needed to act quickly and typically had only a few options available, which might not allow them to manage spending in the way that they had planned. Participating councils also explained how just one or two new families with high needs moving into the area could result in a much greater level of actual spending than originally budgeted.

74. In contrast, participating councils reported that early help was an area where they had more flexibility to manage spending. This is because there are no statutory requirements setting out the types of services that local councils are expected to have in place in relation to early help. As an example, Case study 1, below, explains how one of the participating councils managed its spending on early help through a programme called Thrive.

75. Participating councils also implemented initiatives to increase revenue. They reported that they had kept their demographic profiles under review to understand how future council tax revenue could help them manage spending. For example, certain types of housing developments were more likely to translate into greater council tax revenue in the future. Other initiatives included charging fees for universal services that used to be free, selling assets, and renting out premises to the private sector.

Case study 1 East Sussex Thrive programme

East Sussex Council produced a business case for transformation investment, which indicated that if they did not take action (the 'do nothing scenario') spending on children's services would increase by £13 million in nominal terms, from £57 million in 2011-12 to £70 million by 2014–15. This was based on a statistical projection of the spending and demand trends from previous years.

In April 2012, the council launched a three-year transformation programme called Thrive²⁰, which was funded by a £10 million investment from council reserves. Its aim was to reduce demand on children's services through new ways of working, increased practitioner learning and development, and improved access to early help for families. Thrive preceded the Troubled Families programme. It moved on to cover work delivered under the Troubled Families programme when this was launched nationally.

By the end of the programme, in 2014-15, the council considered that Thrive had delivered an estimated nominal gross saving of £18 million compared to the 'do nothing scenario'. This was the result of the £13 million that would have been spent in the absence of the programme, and an estimated £5 million actual reduction in spending. Since the council invested £10 million from its reserves, the estimated net savings associated with the programme were £8 million.

Benchmarking

76. Participating councils used information on other comparable local councils in their regions or elsewhere in England to help their decision making. This included information available in the public domain, such as statistics on children in need, and looked after children; the department's section 251 budgets and outturns; and Department for Communities and Local Government's revenue spending outturns²¹; and other types of information that require membership fees, such as the CIPFA Benchmarking Club.²²

77. As a result, participating councils reported a good understanding of how they compared with others. This was particularly the case if they stood out, for example, through having a stable social work workforce, or experiencing a large number of looked

²⁰ East Sussex, CZone, What is Thrive, available at

<https://czone.eastsussex.gov.uk/partnerships/familykeywork/thrive/Pages/whatisthrive.aspx>

²¹ Department for Communities and Local Government, Local authority revenue expenditure and financing, available at <https://www.gov.uk/government/collections/local-authority-revenue-expenditure-and-financing>

²² CIPFA, Benchmarking, available at <http://www.cipfa.org/Services/Benchmarking>

after children. As an example, Derbyshire County Council monitored its spending in relation to its statistical neighbours by following a red-amber-green approach, which showed the service areas where it was spending relatively more and less per head.

78. Participating councils felt comfortable interpreting differences in numbers of children in need, and looked after children. They felt less so in relation to spending information. One of the councils' most immediate needs between 2010-11 to 2014-15 was to understand whether the prices that they were paying for foster care placements provided by agencies represented good value for money. Section 251 outturn information was not appropriate for this purpose because it includes items for which agency providers do not charge, such as certain overheads.

Managing demand

79. In this section, we explain strategies that participating councils took to manage demand and numbers of children in need and looked after children, while ensuring the wellbeing and safeguarding of children, and full compliance with best practice guidance. The focus is on strategic and senior management positions, such as directors of children's services, working closely with frontline managers, such as early help and social worker team leads. We provide examples of how participating councils reached decisions in the context of spending changes, and case studies relevant to the balance between early help and social care services.

Remodelling early help and children's social care

80. Participating councils reported changes in the balance between the amount of early help and children's social care services that they offered between 2010-11 and 2014-15. The reasons for this included changes to funding sources, changes in the number of children in need and looked after children, and local council decisions.

81. At the time of research, some councils felt that investment in early help had improved outcomes for children, whilst there were others who felt that investing in early help had not delivered the anticipated results in terms of reductions in children in need or looked after children. Other councils were just starting to place a greater emphasis on early help which was seen as the only way to cope with increasing needs and rising demand for services. One of the directors that we interviewed stated: 'We are massively staking our intention around early intervention'. Overall, local councils were not in a position to accurately estimate the impact of previous spending on early help.

82. We identified two models of service provision relating to early help and social care evident among participating councils:

- The first model includes a relatively small early help offer, and a relatively high number of children's social care cases. Participating councils described this first

model as expensive, but it was felt to be less risky because of the large numbers of cases with social work involvement. Potential rising demand for children's social care services, however, meant that some concerns were expressed about the ability to maintain this model given future budget constraints.

- The second model includes a relatively large early help offer, and a relatively low number of children's social care cases. Participating councils perceived this second model to be cost effective on the basis that the children are supported in early help services before needs have reached a level of complexity that requires social care involvement.

83. We use these two models as a reference to explain, below, specific approaches taken by local councils. We recognise that managing children's services in practice is much more complicated than these broad models might suggest and that the shape of children's services often shifts over time.

84. Manchester City Council provides an example relevant to the first model. In 2010-11, the council perceived its large number of looked after children to be partly the result of limited early help offer. The rate of looked after children was 131 per 10,000 population aged under 18 years in 2010-11, compared to the England rate of 58 per 10,000 population aged under 18 years.

85. Senior management at Manchester City Council took decisions to increase its spending on early help to attempt to slow down the growth in the number of looked after children. In 2013-14, the council agreed a £14 million investment from its reserves to support early help over a number of years. Compared to 2010-11, the rate of looked after children decreased by 7% to 122 per 10,000 population aged under 18 in 2013-14, although this was still higher than the England rate of 60 per 10,000 population aged under 18. At the time of research, senior management was confident that the rate of looked after children would no longer grow, and that children were being effectively safeguarded.

86. Up to 2010-11 Nottinghamshire County Council had relatively low rates of looked after children.²³ Managers felt that the thresholds were not being managed effectively and that too few children were being placed in care. When this was confirmed by advice from Ofsted, the council decided to clarify its social care thresholds. Following this decision, the rate of looked after children increased by 21% from 42 per 10,000 population aged under 18 years in 2010-11 to 51 per 10,000 population aged under 18

²³ The rate of looked after children in 2010-11 was 42 per 10,000 population aged under 18 years, compared to the national average of 58 per 10,000 population aged under 18 years. The number of children in need in 2010-11 was 411 per 10,000 population aged under 18 years, compared to the national average of 346 per 10,000 population aged under 18 years.

years in 2013-14. At the same time, the Council developed and broadened its early help offer.

87. Derbyshire County Council also experienced low rates of looked after children: 42 per 10,000 population aged under 18 years in 2010-11, and 40 per 10,000 population aged under 18 years in 2013-14 compared to England rates of 58 and 60 respectively. The difference compared to Nottinghamshire is that Derbyshire did not feel that the number of looked after children should increase. Instead, the council felt that it was able to keep numbers of looked after children low because it had had a large early help offer historically. As shown in Case study 2, below, Derbyshire is now facing funding pressures and exploring alternative routes to maintain its early help offer.

88. Oxfordshire County Council provides a different example of an area that had moved spending from early help into children's social care and remodelled early help services in order to operate with less funding. See Case study 3, below, for more details.

89. We asked all 17 participating councils whether they had changed the thresholds to access children's social care between 2010-11 to 2014-15. No significant changes were reported. Participating councils reported that they had focused on clarifying the thresholds in line with guidance, rather than changing them. This had influenced the numbers of children being supported either in early help services or social care in some areas, as set out in the example of Nottinghamshire County Council given above. Participating councils stressed that ensuring the wellbeing and safeguarding of children was their main priority, including as part of decisions on demand management.

Case study 2 Derbyshire's radical rethink of early help

Early in 2015-16, Derbyshire County Council forecast a nominal £10 million reduction in spending on children's services, from £95 million in 2015-16 to £85 million in 2016-17. Approximately £22 million, out of the £95 million total spending in 2015-16, was for early help. At the time of research, the council estimated that the £22 million spending on early help in 2015-16 would have been reduced to £15 million gross in 2016-17, and to just over £7 million by 2017-18 in nominal terms.

As part of its radical rethink of early help, the council considered a number of options to achieve the required reduction in early help spending.

From 2016-17 onwards, and subject to discussion with the Cabinet, the council will delegate funding from the dedicated schools grant to schools, which will be encouraged to use the resources to procure early help services via new joint commissioning hubs. This is because the closer integration of schools and children's services was felt to be more efficient.

As one of the council officials put it: 'A request will be put to schools to consider re-pooling funding in local commissioning hubs in order to facilitate maintaining as much as possible of the early help offer. The services will have to be scaled back to the extent that schools choose not to use these resources in this way'.

The council planned to continue to collaborate closely with the schools to identify delivery models that work well in practice.

Case study 3 Oxfordshire's early help

Oxfordshire County Council faced a 52% increase in the number of children on child protection plans from 332 in 2010-11 to 504 in 2013-14. As a result, the council decided to consult on removing £8 million from early help to deliver savings and to invest in integrated social care services.

To achieve this, the council developed plans, currently subject to consultation, to remodel its £16 million early intervention service, and £4 million family support teams, with a single £12 million 0-19 service.

Operationally, the council proposed to replace its current 44 children centres and seven early intervention hubs with eight children and family centres. It is proposed that these main centres will be based in the areas of highest need across the county and will bring together multi-disciplinary teams, including social workers and family support workers, to intensively support families. It is proposed that these centres also deliver outreach work into their local communities to ensure that help is available to all families who need it.

The council saw these proposals as the most effective way to target its resources. It proposed to retain some preventative services but had to consult on moving away from being the direct provider of open access services such as 'stay and play' and drop-in youth sessions.

The Troubled Families programme

90. Participating councils reported that the Troubled Families programme had been the main source of funding for early help since 2011-12. The programme supported the reform of targeted services for families, removing some of the duplication inherent in traditional models of service delivery. One of the participating councils highlighted the value of the Troubled Families programme as a catalyst to bring together teams that used to work separately in the past.

91. Troubled Families services were often the targeted element of a broader early help offer, including for example wider early help services, specialist services focusing on issues such as domestic violence or substance misuse, and children's centres. In some areas, teams leading the Troubled Families programme, or broader early help services, included some social work capacity which was seen as helpful in enabling teams to hold on to borderline child protection cases for longer. This prevented cases being referred to children's social care prematurely requiring children's social workers to spend time carrying out assessments which might result in 'no further action' judgements. This also increased consistency for families and reduced the need to 'hand families on' to different professionals.

92. Bristol City Council highlighted the value of the Troubled Families programme's requirement to collect information from different agencies on local families in order to identify and engage those with the highest need. Having a detailed understanding of the level of need of specific families helped the council target its early help offer better.

93. As illustrated in Case study 4, below, Nottinghamshire County Council developed its early help offer by extending the model of working developed through the Troubled Families programme to wider numbers of families.

Case study 4 Nottinghamshire's family service

In 2014-15, Nottinghamshire County Council started consultations to implement a new family service that would bring together elements of early help and children's social care into a single structure.

As of November 2015, tier 2 and tier 3 cases were referred to children's centres or the new family service, depending on the type of need. The expectation was that most children aged under 5 would be referred to a children's centre, with the new family service mostly supporting older age groups.

Funding from the Troubled Families programme contributed to new models of working, which were introduced so that families would receive support from a lead professional, and individual assessments and plans.

To support this, the council made available a menu of 50 interventions on which family service professionals could draw to implement their plans, including:

- Anger management, including understanding and exploring anger, and learning coping strategies.
- Increasing self-esteem, with a focus on those with emotional difficulties: this intervention recognises and celebrates own identity, and addresses negative thoughts.
- On-line safety, including advice on how to keep personal information and photographs safe, deal with bullying, and report problems, with a focus on those on child protection plans.

Delivery

94. In this section, we explore how participating councils thought about the delivery of children's services. This is at a more practical, day-to-day level than the strategic decision making covered in previous sections. The focus here is on management

positions, such as managers of children's services, working closely with frontline staff, such as social worker teams. We provide examples of how participating councils formed partnerships to deliver services, and faced trade-offs in relation to placements.

Commissioning

95. Participating councils reviewed commissioning strategies and the balance between external commissioning and in-house delivery between 2010-11 and 2014-15. The starting point was considering the spending that was available, the needs of the local populations, the statutory responsibilities, and the available delivery options, before making commissioning decisions.

96. Participating councils saw joint commissioning with partners outside children's services as one way in which some efficiencies in services might be realised. Councils considered how to move to greater budget pooling, and joint commissioning models. Some examples of this were given in the research, for example work in Derbyshire to jointly commission early help services with schools, as set out in Case study 2, above. Other councils commissioned services with neighbouring councils as in Case study 5, below.

97. Overall, there was no single rule that applied to all participating councils. In-house or outsourced delivery are both options, depending on the circumstances. It was not possible to identify a commissioning pattern that applied to the majority of the participating councils: different councils approached commissioning in different ways. Some illustrative examples are set out below.

98. In 2012-13, Nottinghamshire County Council commissioned a partnership with Nottinghamshire Children and Families Partnership to operate its network of children's centres on its behalf.²⁴ The council estimates that the partnership will have delivered over £3 million annual revenue savings between 2013-14 and 2015-16, whilst retaining the council's network of 58 children's centres. The council sees this is as the result of leaner management and staffing arrangements, flexible use of premises, and clear prioritisation and contract management.

99. In 2014-15, North East Lincolnshire Council joined the White Rose Consortium. The consortium brings together over ten local authorities in the Yorkshire and Humber region with a view to purchasing services through block contracts, for example residential and foster care places. In 2014-15, the consortium commissioned services worth over £1 million for its members. The consortium quotes savings of 5% compared to services

²⁴ Nottinghamshire Healthcare, Sure Start children's centres, available at <http://www.nottinghamshirehealthcare.nhs.uk/sure-start>

commissioned in the local area outside the consortium. The council considered that the consortium helps manage fluctuations in demand and capacity.

100. Manchester City Council had traditionally delivered its children's rights and advocacy services in house, however, in 2014-15 it decided to outsource it to a third sector organisation. At around the same time, the council considered bringing its care leaver service back in house after having traditionally delivered it through external providers. This illustrates the broader point that there was not considered to be a single, optimum approach to commissioning and service delivery: the decisions by Manchester City Council depended on the precise service in question, and the local context at the time the commissioning decisions were taken.

101. As illustrated in Case study 5, below, Oldham Council and Tameside Metropolitan Borough Council formed a partnership for the delivery of multi-systemic therapy, which the councils estimated to have delivered savings.

Case study 5 Oldham and Tameside's multi-systemic therapy

Oldham Council implemented multi-systemic therapy in partnership with Tameside Metropolitan Borough Council in 2012-13. Both councils and the Department for Education contributed over £1 million in total towards this programme over four years.

In July 2012, the charity Positive Steps became responsible for delivering the programme. The delivery team comprised of seven members of staff.

The councils undertook a cost-benefit analysis following Greater Manchester's New Economy model²⁵. This is a statistical model endorsed by HM Treasury and the Public Service Transformation Network for use by local councils in the assessment of policy programmes.

With an expected caseload of 141 cases over the four years, the unit cost of the programme is just over £8,000 per person.

The cost-benefit model incorporated estimates of the impacts that a wide range of local council services might experience, including social care, police, mental health services, criminal justice, and education.

The councils estimated a £7 return for each £1 invested.

In 2013-14, the delivery team worked with three looked after children in collaboration with the mainstream social workers.

- Young person 1 was in foster care
- Young person 2 was in agency foster care
- Young person 3 was in residential care

These three children returned home after participating in multi-systemic therapy, resulting in an estimated £335,000 saving to the councils in 2014-15.

Social workers

102. One of the adaptations that children's services introduced between 2010-11 and 2014-15 was in relation to the role of social worker. Participating councils preferred in-house social workers, included in council payrolls, as they tended to be more affordable

²⁵ New Economy, Cost benefit analysis guidance and model, available at <http://neweconomymanchester.com/our-work/research-evaluation-cost-benefit-analysis/cost-benefit-analysis/cost-benefit-analysis-guidance-and-model>

compared to agency social workers. This is partly because they did not include agency overheads and allowed more stability.

103. However, participating councils' preferences were often constrained by external factors, such as the availability of candidates in the local areas, which could be low, depending on the local area and time of the year. In addition, participating councils perceived agencies to be competing with them by offering higher salaries to social worker candidates. In the case of Nottinghamshire, between 2010-11 and 2014-15 the council noticed that in-house social workers left the council to join agencies and other local councils, with higher salaries often being a key factor in their decision to leave. As explained below, this point was also made in relation to foster carers.

104. The following examples illustrate the variations in patterns of social worker recruitment:

- North Yorkshire County Council did not use any agency social workers between 2010-11 and 2014-15. Senior management at the council valued stable in-house teams.
- In contrast, in 2014-15, Haringey Council spent £6 million, or 10% of its £60 million children's services budget, on agency social workers as a result of difficulties in hiring staff directly.
- Harrow Council estimated that between 25% and 30% of its social worker staff was provided by agencies with whom they felt it was difficult to compete.

105. Bristol City Council highlighted the benefits of having links with local universities in increasing the availability of trained social workers. The council provided graduate social workers with opportunities to start developing their careers in children's services as they left university. The council perceived there to be a connection between this and its low proportion of agency social workers.

Use of social workers' time

106. Participating councils considered options to remodel how social workers and other staff spent their time to ensure that the most skilled staff were involved in the higher need cases. While the more affordable salaries associated with non social worker staff helped local councils cope with spending constraints, the priority was to allocate cases to social workers in line with guidance, and ensure the wellbeing and safeguarding of children.

107. As an illustration, Case study 6, and Case study 7, below, provide further details on initiatives taken by participating councils to remodel how social workers and other staff spend their time.

Case study 6 Nottinghamshire's social worker support pilot

Nottinghamshire County Council piloted the role of a new social work support officer between February and October 2015. The role aimed to perform tasks that do not require a social worker qualification across frontline social worker teams.

The council identified the following improvements:

- Qualified social workers reported 10% to 20% reductions in the time that they spent on administrative tasks, which instead they spent working with families directly.
- Social workers reported better work life balance.
- It was perceived that the amount of work completed within the required timescales increased.

The council saw a connection between these improvements and its ability to retain staff in the near future.

Case study 7 Gateshead's positive pathways team

Gateshead Council established the positive pathways team in 2013-14. The team included four parent outreach workers, who were not social worker qualified.

The positive pathways team was designed to take step-down cases from the safeguarding and care planning team, which was made up of social workers. At any one time the positive pathways team had capacity to support 60 cases. Prior to the team being in place, these cases would have been supported by qualified social workers.

The council perceived the benefits associated with the positive pathways team to be financial in terms of pushing this level of activity to non social work qualified staff, which in turn released social workers to focus on tier 3 and tier 4 cases.

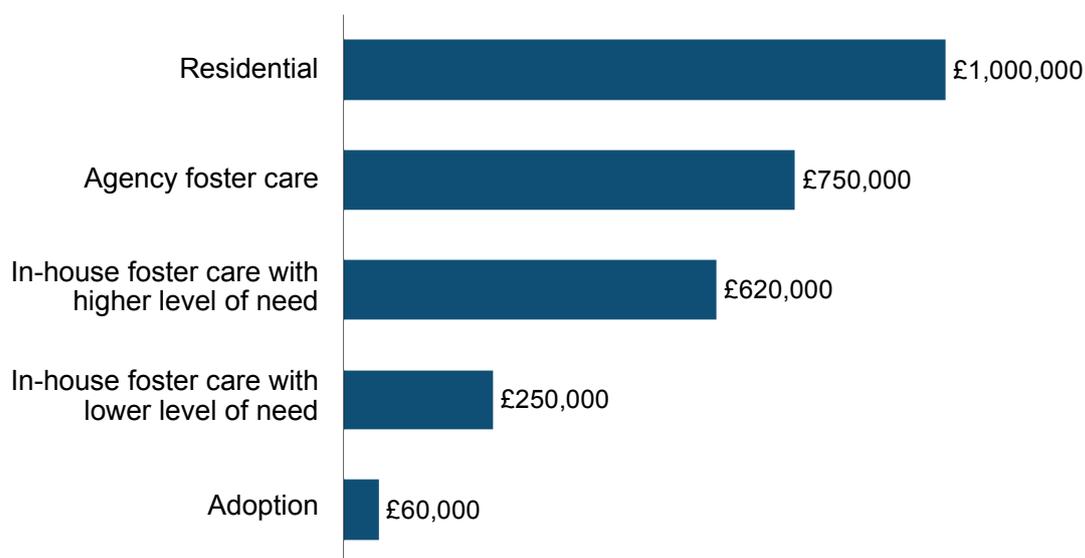
Placements

108. All participating councils agreed that more affordable placements for looked after children were preferable. For example, residential care placements, which are expensive, were reserved only for those cases where other types of placements were not

appropriate, whereas adoption, which is more affordable, was perceived as a successful type of placement both in relation to spending and the wellbeing of the children. However, the councils' top priority was to ensure compliance with guidance and safeguarding considerations. This means that it was not always possible for participating councils to increase the number of more affordable placements as would have been desirable from a purely financial perspective. Councils put safeguarding before spending.

109. Different types of placements have different types of associated spending. Figure 8, below, shows estimates of the lifetime spending associated with different types of placements for one individual, over 15 years between ages 3 to 18, expressed in 2015 prices.

Figure 8 Estimated lifetime spending by Gateshead Council on different types of placements, 2015 prices



Source: Gateshead Council

110. Next, we explain the trade-offs that participating councils faced in relation to different types of placements. We would like to stress that these trade-offs were highly constrained by the circumstances. Therefore, participating councils did not always have real choices to make, as explained in detail below.

Foster care

111. Between 2010-11 and 2014-15, participating councils faced choices between foster care services delivered in-house, through carers recruited, approved and trained by the councils directly, and those provided by agencies. There was consensus among the participating councils that the former provided better value for money, with reasons for this including lower management costs and closer engagement with foster carers on a continuous basis. Participating councils quoted savings in the range of £300 to £400 per child per week by delivering foster care in house.

112. Participating councils knew that to maintain an in-house foster care offer they needed to be competitive. They were mindful that in-house foster carers had the option to join agencies, particularly if they perceived agencies to offer higher rates of pay. Gateshead Council illustrates this point.

113. In 2014-15, Gateshead Council invested £500,000 towards an initiative called 'payment for skills' for in-house foster carers²⁶. This resulted in a 20% increase in the number of qualified in-house foster carers. In 2014-15, the council had 307 looked after children placed with in-house foster carers. This compared with 22 agency placements, or just 7% of the total. In addition, local councils in the region reached an agreement to ensure consistency in their in-house foster carer fees, so that local councils no longer competed with each other.

114. In the case of Nottinghamshire County Council, its policy was to pay some of the core fees to in-house foster carers even at times when they were not responsible for placements. In addition, the council provided them comprehensive support, including training. In 2014-15, the number of agency foster placements was 196, or 33% of the 596 total foster placements.

115. We did not come across any example of a local council that aimed to increase its number of agency foster care placements as a strategic decision. The tendency was to provide in-house foster care to the greatest possible level. However, participating councils explained that some children were very hard to place as a result of their high needs. In these instances, councils had no choice but to pay agencies as this was the only way of finding places for them.

116. Participating councils stressed that they assessed the quality of the placement options that they had available for each specific case thoroughly. In line with guidance, they made their decisions based on wellbeing and safeguarding considerations only. Councils put safeguarding before spending.

Residential care

117. Participating councils faced similar choices on residential care placements. These choices required considerations in relation to:

- the best way of achieving outcomes for looked after children in residential care;
- the profile of those currently in residential care;
- the extent to which different profiles can be placed together in the same children's homes;

²⁶ Gateshead Council, Payment for skills, available at <http://www.gateshead.gov.uk/Care%20and%20Health/ChildrenandFamilies/Fostering/Payment.aspx>

- risks, particularly in relation to child sexual exploitation; and
- the marginal costs of running children's homes, to see whether these are affordable at times when the children's homes might not be running at full capacity.

118. Some councils reported that placements at their own children's homes were more affordable, and some that placements at children's homes run by the private or third sectors were more affordable. Irrespective of cost, there was recognition that external residential care placements were necessary for high need cases. Participating councils considered each particular case individually and made decisions based on the options that were available to them.

119. As an example, Hartlepool Borough Council decided to invest in a new children's home in 2012-13. Whilst this required a relatively large level of spending upfront, approximately £250,000, the council decided that this investment would lead to better value for money, especially in relation to higher need children, and compared to purchasing residential care placements from children's homes run by the private, or third sectors. One of the financial risks that Hartlepool Borough Council considered as part of its decision to invest in a new children's home was the cost incurred if the beds are not occupied. This is because maintenance and staff costs cannot be adapted to short term changes in occupancy rates. After assessing this risk, the council decided to proceed with the investment. The council reported that its spending on residential placements decreased in nominal terms from £1.7 million in 2010-11 to £1.4 million in 2013-14 partly as a result of having its own new children's home.

120. In the case of Manchester City Council, approximately 70% of its residential care placements were delivered through children's homes run by the private, or third sectors between 2010-11 and 2014-15. The council provided the remaining placements through its four children's homes. The council had plans to increase its in-house provision because this was perceived to represent better value for money.

121. Nottinghamshire County Council contrasted with the previous examples. In 2014-15, the council had three mainstream children's homes with eleven beds in total, and two homes specialising in providing for disabled children, with twelve beds in total. The council considered its in-house residential care costs to be relatively high in comparison with the costs of private or third sector providers, and so commissioned two private sector organisations that delivered 24 additional bed places, with an estimated cost reduction of between 20% and 30% per bed.

122. As an illustration, Case study 8, below, explains how Oxfordshire County Council developed a placement strategy involving changes to both foster and residential care.

Case study 8 Oxfordshire's placement strategy

In 2013-14, there were 33 looked after children per 10,000 population aged under 18 years at Oxfordshire County Council, an increase of 6% on the figure of 31 per 10,000 aged under 18 years in 2010-11. In light of this, the council decided to develop a new placement strategy

One of the priorities of the council was to build in-county capacity and reduce its spending on both residential and agency foster care placements by creating a residential pathway that also delivered edge of care interventions and increasing the number of in-house foster carers.

The strategy had four strands:

1. Two new six-bed assessment centres and two new four-bed move-on homes to complement the existing two six-bed mainstream homes by June 2016 with a total capital cost of over £5 million.
2. Re-commissioning of 219 residential placements from the private and third sectors.
3. A campaign to make Oxfordshire 'the most fostering friendly county in the country' with partner agencies and businesses signing up to a fostering covenant. A review by the council concluded that in-house foster care fees compared favourably with those at other neighbouring local councils but employers were asked to match the council in offering carers an additional five days' annual leave.
4. A new delivery model for children on the edge of care overseen by a therapeutic team involving closer collaboration with schools, developing alternative education provision and offering respite packages at the assessment centre.

Reduction of services

123. Between 2010-11 and 2014-15, local councils took decisions which involved reductions in some services. Local councils' preference was to protect targeted services for those most in need, and to identify other stakeholders that were able to carry on running the services that were at risk. Stopping services was a last resort.

Children's centres

124. The impact of spending changes on children's centres varied. Whilst there were significant reductions in some areas, in others children's centres were kept open with reduced funding and through involving wider partners and services. Overall, children's

centres became more targeted and were providing fewer universal or open access services.

125. North Yorkshire County Council closed ten of its 37 children's centres since 2010-11. The 27 that remained were located in the geographical areas of greatest need. The premises of the children's centres that were closed were made available to businesses, schools, and other council services, such as parenting programmes. Some of the services that the council used to provide at the children's centres free of charge, such as baby massage, started to require a fee.

126. Similarly, in 2014-15, East Sussex Council transformed three of its 26 children's centres, which used to support between 30 and 50 children each, into nurseries. These started to be funded through the dedicated schools grant. The remaining 23 children's centres will become part of an integrated early years service with health visitors delivering a targeted support and universal health screening service alongside early years practitioner and volunteer led programmes.

127. In contrast, Nottinghamshire County Council kept all of its 58 children's centres open whilst delivering a range of staffing, efficiency and service remodelling savings which the council estimated to total £3 million. The council also put in place new commissioning arrangements for its children's centres, as explained in paragraph 98, above. Similarly, Bristol City Council faced a 25% reduction in nominal spending for children's centres from £8 million in 2014-15 to £6 million by 2017-18. The council kept all its 23 children's centres open, with reduced management costs. The council acknowledges that spending will be under further review.

Youth centres

128. Hartlepool Borough Council took the decision to scale back some of its services. In 2013-14, the council faced a reduction of over £1 million in spending in connection with changes to the early intervention grant. This resulted in the closure of two of the eight youth centres available at the time, and a reduction in the number of family support officers, from 63 full-time equivalents in 2014-15 to 53 full-time equivalents in 2014-15.

129. In the case of Haringey Council, spending on youth services decreased from £2 million in 2014-15 to £0.5 million in 2016-17 in nominal terms. In the case of Nottinghamshire County Council, it decreased from £8 million in 2009-10 to £2 million in 2014-15 in nominal terms.

Section 3: Forecasting demand and spend

130. In this section, we address the following question: ‘How are children’s services preparing for potential future changes in spending?’

131. The focus is on the forecasts that local councils use as a basis to make decisions on future spending. This includes estimates of future demand, and availability of funding from sources like grants from government, business rates, and council tax. Being able to produce accurate forecasts helps local councils to prepare for the future, for example by setting up services before the demand for them arises.

132. The findings reported in this section are a summary of the information provided by over 50 officials of 17 English local councils (‘participating councils’) through face-to-face interviews.

Forecasting models

133. Participating councils reported producing basic demand forecasts, typically taking historical information as a basis, for example, applying the average percentage change in children in need in the last three years to estimate the expected total number of children in need in the following three years. Spending forecasts incorporate assumptions on the funding sources that will be available in the future, including expected changes to government grants.

134. Participating councils made very limited use of other more complex types of forecasting models. This was because of the high level of uncertainty around future factors which would influence demand and spend but could not be accurately anticipated in advance.

135. One of the participating councils was of the opinion that forecasting became more difficult after 2007-08. This was as a result of the uncertainties associated with both the economic recession, and a change towards a more risk averse working culture across children’s services in connection with serious cases covered by the media.

136. Another participating council explained that future forecasting is of limited value when there is little certainty around the types of children’s services that the council will carry on delivering in the future. In other words, it is not just a matter of how many children will need the services, but of what services will be available.

137. Overall, participating councils highlighted that forecasting the number of children in need, and looked after children is less difficult than forecasting how long they will stay in different types of care. This is of particular importance because different types of social care have very different levels of spending, as explained elsewhere in this report. Participating councils also drew a comparison with forecasting school places, which is

affected by fewer uncertainties than in the case of children's services, and tends to be more accurate.

138. One children's services director stated: 'Unit costs are useful to a lot of scenarios, but beyond that, forecasting demand based on assumptions, by plugging some numbers into a model, is of limited value because the nature of the business changes. In principle, having a good model is desirable, but it is so difficult, so dependent on social worker practice, that it is unlikely to play a key role in the decision-making process'.

139. As an illustration, Case study 9, and Case study 10, below, explain how producing complex forecasting models may be useful in relation to managing future spending. These types of models require certain level of technical expertise to adapt the statistical principles to the circumstances of the local council. In particular, understanding how the number of new entries into social care may follow seasonal patterns, and the spending associated with different profiles helps to develop reliable forecasting models.

140. At the time of research, local councils saw the Spending Review 2015 as a key uncertainty that was preventing them from consolidating their forecasts for 2016-17 onwards.

Case study 9 Hampshire's forecasting model

Hampshire County Council developed a forecasting model through which it estimates the future number of looked after children.

The model went through a number of versions. Older versions used to take the average change in looked after children in the previous twelve months, and apply it to the following twelve months.

The council concluded that the older versions of the model were not producing reliable forecasts. For example, it found that at the end of 2014–15 the total growth in looked after children was smaller than the model had forecast, but the spending associated with this was higher than the council had budgeted. This was because of a growth in the number of agency placements, which are more expensive than other types of placements.

In 2015–16, the council developed a new version of the model that built on historical averages for each month. This helped smooth seasonal variations and resulted in more reliable estimates. In addition, the model calculated a separate change rate for each type of placement. The council was confident that it would produce more reliable spending budgets based on the revised model.

Case study 10 Essex forecasting model

Essex County Council developed a forecasting model to estimate future demand and spending in relation to looked after children. The council developed the model in 2012-13, at a time when the number of looked after children was rising. The aim was to identify influencing factors, and options to reverse the trend in the future.

The model looked at the social and demographic characteristics of those entering social care. It modelled a range of scenarios and their effects on the number of looked after children, including contextual changes, such as welfare benefit changes, national child protection controversies, legislation changes, and court judgements.

Technical details of the model include:

- Sensitivity analysis of forecasts based on techniques such as linear regression and moving averages.
- Testing variation of forecasts depending on the number of past months used as a basis, ranging from nine to 26 months' worth of information.

Spending pressures

141. When developing plans for future spending, participating councils reported a number of factors that are particularly uncertain and have implications for future spending. These are to do with demographic and socioeconomic factors which may translate into higher levels of need in the future. In addition to this, greater levels of awareness among practitioners, for example in relation to child sexual exploitation, may result in greater numbers of cases being drawn to the attention of children's services.

142. Examples of the factors identified by participating councils include:

- Numbers of homeless families and children with child in need status due to housing needs.
- Complex needs in the family environment, including greater incidence of domestic violence, and child sexual exploitation.
- Mental health needs, among both children and adults with parental responsibilities.
- Alcohol and other types of substance misuse by both children and adults.
- Unaccompanied asylum seeker minors: existing government grants may not be sufficient to meet the required spending by certain local councils.

- Radicalisation of political and faith ideas.
- 'Staying Put' requirements to continue care provision for 18-21 year olds.

143. We did not validate the extent to which these identified spending pressures may influence future spending.

Conclusion

144. Between 2010-11 and 2013-14 total spending by local councils on children's services decreased by 9%. Our quantitative analysis showed that spend per child in need by the average council increased by 4%, whereas spend per looked after child decreased by 4%. However, individual local councils experienced large variations in spend per head, in terms of both year-on-year and between-council changes. This variation was not necessarily as a result of how local councils managed children's services, but because of the challenging and unpredictable nature of demand.

145. Through our qualitative analysis, the main strategy that we identified to manage demand among participating councils was placing an emphasis on early help and integrating services. By investing in early support to at risk groups councils hoped to reduce later demand on more acute and costly provision.

146. However, overall, managing children's services spending in the last Parliament was reported as being challenging, partly because statutory responsibilities limited the choices that local councils had available to achieve savings. Adaptations to changes in spending were the result of a large number of small changes to the ways of working, as illustrated in section 2 of the report, rather than one single approach. No single pattern applied to commissioning and delivery models across councils.

147. In the future, the local councils face risks such as growing needs among some groups in the population, for example in relation to child sexual exploitation and mental health, which are particularly uncertain and have implications for future spending. The capacity to forecast, and prepare for those risks is very limited.

Technical appendix

Methods

148. To produce this report, we used a combination of quantitative research, including statistical analysis of information on spending, and the number of children in need and looked after children; and qualitative interviews with over 50 officials across 17 local councils in England, including chief executives, finance directors, and children's services directors.

Coverage

149. The quantitative analysis in section 2 of the report focused on 139 local councils for which complete information was available in the sources. The 139 councils represented approximately 95% of both the total number of children in need, and the spending on children's services over the period of time in scope. We excluded 13 local councils as a result of having missing data, or being outliers in the sources used for the analysis:

- Bexley
- City of London
- Cornwall
- County Durham
- Hackney
- Havering
- Isle of Wight
- Isles of Scilly
- Newham
- Norfolk
- Oldham
- Thurrock
- Waltham Forest

150. In collaboration with the department, we selected 20 local councils for the qualitative interviews based on statistical analysis to ensure a good spread across the following indicators:

- Rate of looked after children per 10,000 population aged under 18

- Spend per child in need
- Proportion of urban versus rural population
- Latest Ofsted rating

151. The selection of local councils was not intended to be statistically representative of all 152 local councils in England. It was drawn to give a broad range of experiences.

152. We approached all 20 local councils. Of these, 17 agreed to participate in the qualitative research and are listed below:

- Bristol City Council
- Derbyshire County Council
- East Sussex Council
- Essex County Council
- Gateshead Council
- Hampshire County Council
- Haringey Council
- Harrow Council
- Hartlepool Borough Council
- Hull City Council
- Manchester City Council
- North East Lincolnshire Council
- North Yorkshire County Council
- Nottinghamshire County Council
- Oldham Council
- Oxfordshire County Council
- Torbay Council

Quantitative analysis

153. Our analysis for this report focused on actual spending by local councils between 2010-11 and 2013-14.²⁷ This was based on section 251 outturn statistics produced by

²⁷ This is total gross expenditure, excluding capital expenditure.

the department.²⁸ We aggregated section 251 spending lines in relatively large types of spending: children in need, looked after children, Sure Start children's centres, and other types of spending based on the criteria included in Table 3, below. This approach minimises some of the inconsistencies that have been identified in the most detailed spending lines.²⁹

154. We adjusted the spending information available on this sources by changes in inflation and labour costs to facilitate meaningful comparisons throughout the years, and across the 139 local councils in scope. In this way, we obtained real term spending estimates that are less biased by differences in salaries across England.

155. This is an illustration of the bias that we addressed through our methodology: local council A spent £100 per head on a particular service; local council B spent £110 per head on the same type of service; however, salaries are 10% higher in council B; therefore, the actual level of resource that each service user receives is more similar than the figures suggest.

²⁸ Department for Education, Section 251 outturns, available at <http://webarchive.nationalarchives.gov.uk/20130123124929/http://www.education.gov.uk/schools/adminandfinance/financialmanagement/schoolsrevenuefunding/section251/archive/b0068383/section-251-data-archive/outturn-data---detailed-level-2008-09-onwards>; and <https://www.gov.uk/government/publications/section-251-outturn-2013-to-2014-data>

²⁹ CIPFA, Children's services spending and budgeting research, available at <http://www.cipfa.org/services/networks/childrens-services-finance-advisory-network/briefings/childrens-services-spending-and-budgeting-research-cipfa-dec-2014>

Table 3 Section 251 headings included in estimates of spending on children's services, by service area

	Heading	Total	In need	Looked after	Sure Start, and early years	Adoption	Other
1	Spend by individual Sure Start Children's Centres	Yes			Yes		
2	Spend on local authority provided or commissioned area-wide services delivered through Sure Start Children's Centres	Yes			Yes		
3	Spend on local authority management costs relating to sure Start Children's Centres	Yes			Yes		
4	Other early years expenditure	Yes			Yes		
5	Total Sure Start Children's Centres	No - total					
6	Residential care	Yes		Yes			
7	Fostering services	Yes		Yes			
8	Adoption services	Yes				Yes	
9	Special guardianship support	Yes					Yes
10	Other children looked after services	Yes		Yes			
11	Short breaks (respite) for looked after disabled children	Yes		Yes			
12	Children placed with family and friends	Yes		Yes			

	Heading	Total	In need	Looked after	Sure Start, and early years	Adoption	Other
13	Education of looked after children	Yes		Yes			
14	Leaving care support services	Yes					Yes
15	Asylum seeker services - children	Yes					Yes
16	Total Children Looked After	No - total					
17	Other children and families services	Yes					Yes
18	Social work (includes LA functions in relation to child protection)	Yes	Yes				
19	Commissioning and Children's Services Strategy	Yes	Yes				
20	Local safeguarding children's board	Yes					Yes
21	Total Safeguarding Children and Young Peoples Services	No - total					
22	Direct payments	Yes	Yes				
23	Short breaks (respite) for disabled children	Yes	Yes				
24	Other support for disabled children	Yes	Yes				

	Heading	Total	In need	Looked after	Sure Start, and early years	Adoption	Other
25	Targeted family support	Yes	Yes				
26	Universal family support	Yes					Yes
27	Total Family Support Services	No - total					
28	Universal services for young people	Yes					Yes
29	Targeted services for young people	Yes					Yes
30	Total Services for Young People	No - total					
31	Youth Justice	Yes					Yes
32	Capital Expenditure from Revenue (CERA) (Children's and young people's services)	No					
33	CHILDREN AND YOUNG PEOPLE'S SERVICES BUDGET (excluding CERA)	No - total					
34	CHILDREN AND YOUNG PEOPLE'S SERVICES BUDGET (including CERA)	No - total					
35	Substance misuse services (Drugs, alcohol and volatile substances)	Yes					Yes

Source: Department for Education, Section 251 outturn

156. Our estimates of spend per child in need, and looked after child are the result of dividing spending, as previously explained, by the number of children. Our estimates should not be used for the following purposes:

- benchmarking the unit costs that local councils pay to service providers, for example, providers of residential care; or
- financial purposes, such as future budgeting

157. Next, we show an illustration of how our approach to estimating spend per head works in practice. Spend per looked after child in 2012-13 in Gateshead was £36,529.72 in 2015 prices.

158. Firstly, we accessed the section 251 outturn information for the 2012-13 financial year. This was available at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/280913/outturn_ta1_detailed_report_1213.xlsx

159. We calculated total spending for all of the looked after children services in Gateshead by adding up the following headings:

- Residential care: £4,326,541
- Fostering services: £7,085,236
- Other children looked after: £920,745
- Short breaks (respite) for looked after disabled children: £722,095
- Children placed with family and friends: £560,981
- Education of looked after children: £0
- Total: £13,615,598

160. We then adjusted total looked after child spending to 2015 prices by using the deflators available at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/473295/GDP_Deflators_Blue_Book_October_2015_update.xls

161. We multiplied 2012-13 total spending by the inflation figure for the 2013-14 financial year, which was 2.106

- $£13,615,598 * (1 + (2.106 / 100)) = £13,902,342.49$

162. We multiplied this by the inflation figure in 2014-15, which was 1.431

- $£13,902,342.49 * (1 + (1.431 / 100))$

163. As a result, we obtained the total Gateshead spending on looked after children in 2012-13, which was £14,101,285.01 in 2015 prices

164. We then adjusted this to take regional variation in labour costs into account. We accessed Table 7.1a of the 2014 Annual Survey of Hours and Earnings, available at:

<http://www.ons.gov.uk/ons/rel/ashe/annual-survey-of-hours-and-earnings/2014-provisional-results/2014-provisional-table-7.zip>

165. We identified the median gross weekly salary for the 152 local authorities in scope in 2014: £421.6

166. We then calculated the labour adjustment index for Gateshead by dividing the median salary figure for Gateshead, which was £417.3, by the English median calculated above:

- $417.3 / 421.6 = 0.9898$

167. We applied the labour cost adjustment to the total looked after children spending for 2012-13 in 2015 prices by dividing spending by the labour adjustment index:

- $£14,101,285.01 / 0.9898 = £14,246,589.41$

168. We calculated spend per looked after child by dividing the total adjusted spending figure by the total number of looked after children in Gateshead. To do this, we accessed Looked After Children statistics, 2014, which are available at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/410395/SFR36_2014_LA_tables_revised.xlsx

169. The total number of looked after children in Gateshead at 31 March 2013 is 390 and is found in table LAA1 of the Looked After Children statistics.

170. Finally, we divided the total adjusted looked after children spending figure by the total number of looked after children:

- $£14,246,589.41 / 390 = £36,529.72$

171. Based on our approach, we estimated spend per looked after child in Gateshead for the year 2012-13 to be £36,529.72

172. Note that figures reported throughout this illustration are given to a limited number of decimal places. It is important that actual figures are carried forward at each stage of this calculation in order to obtain accurate estimates.

Qualitative analysis

173. In collaboration with the department, we developed a semi-structured questionnaire to guide the interviews with the officials at the 17 local councils that agreed to participate in the qualitative research. The questionnaire had over 20 items relevant to the research objectives.

174. The questionnaire included discussion of key information on spending and children in need, and looked after children based on a data pack that we shared in advance of the interviews.

175. We coded the interview notes using the software package N-Vivo. This involved developing a code tree in line with the questionnaires. We used a number of N-Vivo

functions to identify common themes, discrepancies, and illustrative examples based on the interview notes.



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