

The Rt Hon Elizabeth Truss MP
Chief Secretary to the Treasury
HM Treasury
Horse Guards Rd
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Wednesday, 27 September 2017

Dear Elizabeth

Thank you for the meeting that we had on 11 September. I am writing to you to follow-up on our discussion about children's services.

As the most efficient part of the public sector, councils have played their part in reducing the national deficit. According to the Association for Public Sector Excellence, UK local government's spending as a share of the economy is falling sharply. In 2010/11, UK local government's current expenditure accounted for 8.4 per cent of the economy. By 2015/16, it had fallen to 6.7 per cent. By 2021/22, it will be down to 5.7 per cent. Wherever possible, funding reductions are being managed through efficiency savings and finding new ways of generating resources. However, the scale of reductions inevitably means there have been reductions to some services or restrictions in access to them and most recent statistics show that councils have drawn down more than £600 million from their unringfenced reserves in 2016/17 alone. Use of reserves is a one-off solution that merely buys time. It does not address the systemic underfunding that authorities face.

Overall, English local authorities will have managed £16 billion of reductions to core central government funding during the course of this decade. In 2019/20, more than half of all English councils, including three quarters of district councils, will no longer receive revenue support grant. They will also have to pay the Government a contribution from their other income. Combined with our assessment of potential future increases in demand for services as well as costs of delivery, we estimate local authorities are facing a funding gap of £5.8 billion by the end of the decade as well as a £1.3 billion pressure to stabilise the adult social care provider market today.

Turning to children's services in particular, our analysis suggests that councils face a £2 billion funding gap for children's services by 2020. This is also one of the few areas where councils are consistently forced to overspend on their budgets. Across England, spending on children's social care was £365 million more than budgeted in 2014/5 and £605 million more than budgeted in 2015/16. However, it is also the case that these pressures appear to manifest differently in different areas.

It is true that there is significant variation in costs of delivering children's services. For example, looking only at councils currently rated good by Ofsted, our analysis shows that ten areas spent less than £585 per child in 2015/16 while ten areas spent more than £1,043 per child. This suggests that the context behind these statistics is important.

- Financial data in children's services is notoriously unreliable, with CIPFA describing the main financial returns used by government as "not fit for purpose" due to the variable way in which councils account for spend.

- Support from partner agencies is also significant, with some councils benefitting from a local safeguarding partnership that is willing and able to share the responsibility of supporting vulnerable families, particularly in terms of early help, while others are left to provide the bulk of this support themselves.
- Historic factors can also play a part, with some 'good' councils still recovering from previously poor performance while others operate from a more stable base.
- Similarly, long-term investment in early intervention is paying dividends in some areas, which are subsequently supporting a smaller cohort of children and families – but it is worth noting that Early Intervention funding coming to councils will have been cut by £800 million between 2013 and 2020.
- Wider factors such as housing, employment and deprivation levels will also have a significant impact. Recent research from Coventry University highlights that children living in areas of higher deprivation are up to ten times more likely to come into care than those in the areas of lowest deprivation, suggesting a link with wider social and economic factors that will require a deeper, co-ordinated response from across the public sector.

We continue to work on establishing further evidence of the scale of the challenge facing children's services. For example, we have recently commissioned new research to better understand these local spending variations, working with a sample of local authorities to develop a more complete picture while identifying areas of good practice and 'top tips' to inform a future children's services finance diagnostic offer to the sector. But whichever factors are driving spend locally, our members are clear that even those areas which appear to be coping better than their peers are now facing significant pressures in maintaining that position.

In addition to funding pressures facing children's services, we also discussed the possible factors behind the recent reduction in adoption numbers. This is usually attributed to a high profile court judgement from late 2013 (Re B-S), in which the President of the Family Court division sharply criticised the apparent practice of some social workers in quickly seeking adoption for children despite other, more appropriate, options being available. Though it was later clarified that this judgement did not change the law or raise the bar in respect of adoption, it does appear to have had an ongoing and significant impact on the likelihood of social workers to apply for adoption orders and of judges to grant those orders.

The Adoption Leadership Board (ALB), of which the LGA is a longstanding member, is continuing to closely monitor developments in this area and has been proactive in challenging social work practice to ensure that placement orders continue to be sought where this is felt to be in the best interests of the child. However, the ALB appears to have been less successful in influencing court practice in this area, and we continue to receive feedback from colleagues that judicial practice in many areas still appears to be weighted against adoption.

The LGA is clear that adoption can provide stability and excellent outcomes for many children and young people, and we will continue to work with the Board to further improve practice in this area. But we are also clear that social workers must always look for the best solution to meet the specific needs of individual children, and we remain concerned to ensure that the strong emphasis on adoption is not to the detriment of fostering, residential care or special guardianship arrangements, all of which can also provide loving and protective care that will support different children in different ways.

We would like to continue to work in partnership with HM Treasury, Department for Education and Department for Communities and Local Government to explore issues related to children's services in

more depth. We would be interested in organising a high level summit between the departments and the LGA in the new year.

Kind regards

Gary

Lord Porter of Spalding, CBE
Chairman

